OUR STRONG COMMITMENT

DELIVER BUSINESS EXCELLENCE

"Highest Customer Satisfaction With Business Electric Service in the South among Midsize Utilities" J.D. Power 2016 Electric Utility Business Customer Satisfaction Study*

JEA experienced much success in the fiscal year that ended September 30, 2016. We made significant progress toward achieving the goals outlined in our strategic plan to Earn our Customers' Loyalty, Deliver Business Excellence, and Develop an Unbeatable Team.

**Disclaimer: JEA received the highest numerical score among 13 midsize utilities in the South in the J.D. Power 2016 Electric Utility Business Customer Satisfaction Study, based on 21,852 responses, and measuring the experiences and perceptions of business customers surveyed March and November 2015. Your experiences may vary. Visit jdpower.com.*

Letter from Board Chair and Managing Director/CEO

Paul McElroy, Managing Director & CEO

Tom Petway, JEA Board Chair

JEA experienced much success in the fiscal year that ended September 30, 2016. We made significant progress toward achieving the goals outlined in our strategic plan to Earn our Customers' Loyalty, Deliver Business Excellence, and Develop an Unbeatable Team.

Our strong commitment to Earn Customer Loyalty resulted in J.D. Power awarding JEA with its coveted "Highest Customer Satisfaction with Business Electric Service in the South among Midsize Utilities" trophy. We made gains in our residential J.D. Power 2016 Electric Utility Customer Satisfaction survey as well. We continue to partner with our economic development community to drive economic development and growth in our community.

Our commitment to Deliver Business Excellence was demonstrated by our outstanding financial performance in FY16. We grew revenues by 1.9 percent in 2016 to a strong $1.78 billion, paid down our debt by $185 million, and continue to exercise cost discipline and to implement efficiency improvements. The net result was the strongest financial performance metrics–debt service coverage, debt ratio, and liquidity–that we have posted in the past decade. This excellence was recognized by Standard and Poor's when it upgraded our water/wastewater senior lien credit rating to AAA.

As we look to the future, JEA's strong financial health will ensure our ability to comply with the changing utility landscape. JEA is also well-positioned thanks to our strong partnership with the City's new Mayor and JEA's all-new Board of Directors that began working with us in fiscal year 2016.

We continue to be proud of our strong company culture that is committed to delivering quality, reliable service with an unbeatable team of employees. We encourage and support personal growth for every employee and we work hard to ensure a safe, healthy and ethical workplace. Last year our generous employees raised $416,934 for United Way of Northeast Florida and Community Health Charities, largely through employee donations. Employees also spent more than 7,400 hours volunteering for nonprofits and speaking to groups, giving tours and teaching classes in schools.

Finally, pardon us while we brag about our lineman. JEA crews won first place in the state and the nation in FY16 in lineman competitions. We're proud of our electric and water crews because we need the best to deliver the best to our customers.

Sincerely,

Tom Petway

JEA Board Chair & Chairman of the Board,
The Petway Companies

Paul E. McElroy

Paul McElroy, Managing Director & CEO

Board Of Directors

Edward Burr, JEA Board Vice Chair
President & CEO, GreenPointe Holdings, LLC

Delores Kesler, JEA Board Secretary
Fmr. Chairman & CEO, Adium, LLC

Kelly Flanagan
Chief Financial Officer, Jacksonville Jaguars

Warren Jones
Former Jacksonville City Council Member

Husein Cumber
Executive Vice President, Corporate Development,
Florida East Coast Industries, LLC

G. Alan Howard
Shareholder, Milam Howard Nicandri Gillam, & Renner P.A.

Senior Leadership Team

Clockwise left to right, **Mike Hightower**, Chief Public Affairs Officer; **Mike Brost**, Vice President/ General Manager Electric Systems; **Angelia Hiers**, Chief Human Resources Officer; **Ted Hobson**, Chief Compliance Officer; **Brian Roche**, Vice President/General Manager Water/Wastewater

Systems; **Paul McElroy**, Managing Director and CEO ; **Paul Cosgrave**, Chief Information Officer; **Melissa Dykes**, Chief Financial Officer and **Monica Whiting**, Chief Customer Officer

OUR STRONG COMMITMENT

ELECTRIC POWER QUALITY AND RELIABILITY

We’re Committed to Reliable Electric Power

We earned the Reliable Public Power Provider (RP3) designation for the third straight year from the American Public Power Association for providing customers with the highest degree of safe, reliable electric service. During 2016 we spent over $114 million on system improvements, including $74.5 million on

"We cannot make our steel without electricity to melt the scrap metal and turn it into rebar and wire rod. JEA's electric system has been very reliable for Gerdau in Jacksonville."

Carlos Zanoelo, Vice President and General Manager, Gerdau Jacksonville Mill

investments in the transmission and distribution system to improve reliability and storm hardening. These investments also included a planned outage at our combined cycle plant, Brandy Branch Electric Generating Station. This outage gave us the chance to perform critical maintenance by completely dismantling three giant turbines and repairing and replacing whatever component parts needed work.

OUR STRONG COMMITMENT

INNOVATION

"As a diversified automotive company whose subsidiaries include Southeast Toyota Distributors, the nation's largest distributor of Toyota vehicles, we cannot accomplish our work without reliable electric power. JEA does a great job providing this for us at our Jacksonville plants."

Billy Forshee, Facility Manager,
JM Family Enterprises, Inc.

Our commitment to the growth of electric vehicles in Jacksonville surged in 2016 when we completed the installation of 40 public charging stations around town. These stations will go a long way toward helping eliminate range anxiety, which has been found to be a big deterrent when it comes to buying an electric vehicle in Jacksonville.

OUR STRONG COMMITMENT

WATER QUALITY AND RELIABILITY

Our Commitment to Clean Safe Drinking Water and Safe Dependable Sewer Service

JEA has invested $3 billion in water and sewer infrastructure improvements since 1998. In 2016 we put 30,675-feet of new water pipe in the ground to replace aging infrastructure and spent $113 million on construction projects, including

> **“JEA has been providing energy and water to NAS Jacksonville for decades. We’re not partners in business. We’re partners in freedom!”**
>
> **Doug Chaney, Airfield Manager, Naval Air Station Jacksonville**

new pumping stations, water treatment plants and an expanded water reclamation facility in a fast-growing portion of our service territory. Meanwhile, JEA’s investment in reclaimed water–highly treated wastewater used for irrigation–has taken off. When we started producing reclaimed water in 1999 we generated just 1 million gallons a day. Now 17 years later, we produce over 14 million gallons of reclaimed water a day to benefit the community, and reclaimed water sales grew 48% in FY16.

EARN CUSTOMER LOYALTY

"Johnson & Johnson Vision Care, Inc. is proud to be a leader in helping people around the world have better vision–and that means being a leader in other areas that are key to our business, like environmental health, safety and sustainability. For over a decade, we've used reclaimed water instead of groundwater for landscape irrigation. It's an important part of our sustainability efforts that help us maintain our commitment to protecting the environment and our natural resources."

Ken Weber, Facilities Manager, J&J Vision Care
Janice Bequette, Sr. Manager, EHS&S, J&J Vision Care

As we look to the future, JEA has begun Phase 1 of an Alternative Water Pilot. Though we have ample water resources for the foreseeable future with our Consumptive Use Permit, we recognize that water may someday be a scarcer

resource and are taking steps to ensure we are ready for that future when it arrives. We're spending $2 million over the next two years to research the viability of direct re-use water, either supplied directly to customers following purification or as a source of water to re-charge the precious Floridan Aquifer.

JEA At A Glance

Electric System
- Over 455,000 customers
- 900 square miles of service area
- 6,760 miles of distribution
- 745 circuit miles of transmission

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

Generation Technologies
- Three Pulverized Coal (PC) units (SJRPP 1 and 2, Scherer 4)
- Two Circulating Fluidized Bed (CFB) Units (NGS 1 and 2)
- One Oil/Gas-fired unit (NGS3)
- Nine Combustion Turbines (4 at NGS, 2 at GEC, 1 at BB, 2 at Kennedy)
- One Combined Cycle Unit (CC) at BB

Electric Generation Mix (kW capacity)
- Natural Gas–37%
- Solid Fuel–52%
- Other–11%

Water System
- 337,217 customers
- 134 permitted wells
- 37 active WTPs (304 MGD total system capacity)
- 4 county service area
- 1 major grid (with two river crossing interconnections), 4 minor grids
- 74MGal storage capacity (72 Mgal at the WTPs, 2Mgal at re-pump stations)
- 4,449 miles of pipe

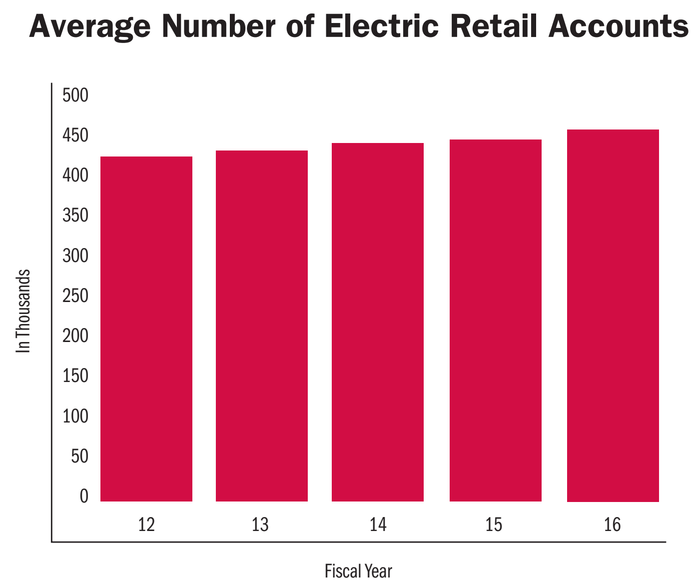
Wastewater System
- 260,937 customers
- 11 treatment facilities (241 MGD peak capacity)
- 1,371 pump stations
- 4 county service area
- 3,898 miles of pipe

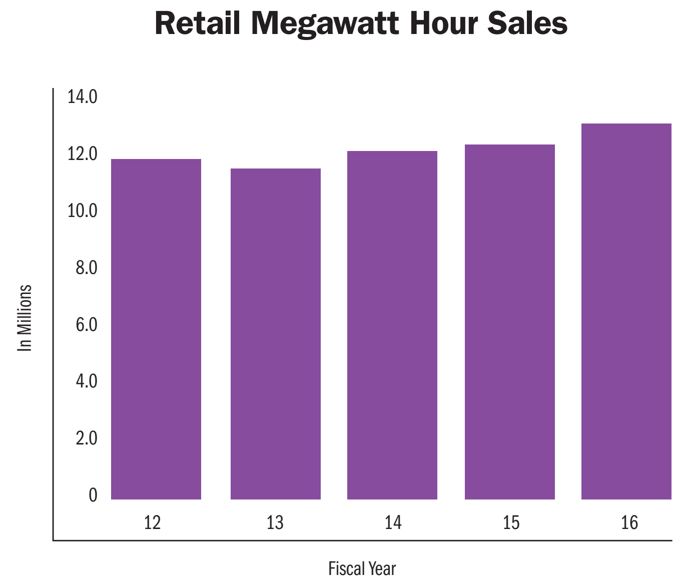
Reclaimed Water System
- 8,361 customers
- 10 reclaimed water production facilities
- 33 MGD capacity
- 2 storage and re-pump facilities (Bartram and Nocatee)
- 3 production and storage facilities (Blacks Ford, JCP and Ponte Vedra)
- 227 miles of pipe

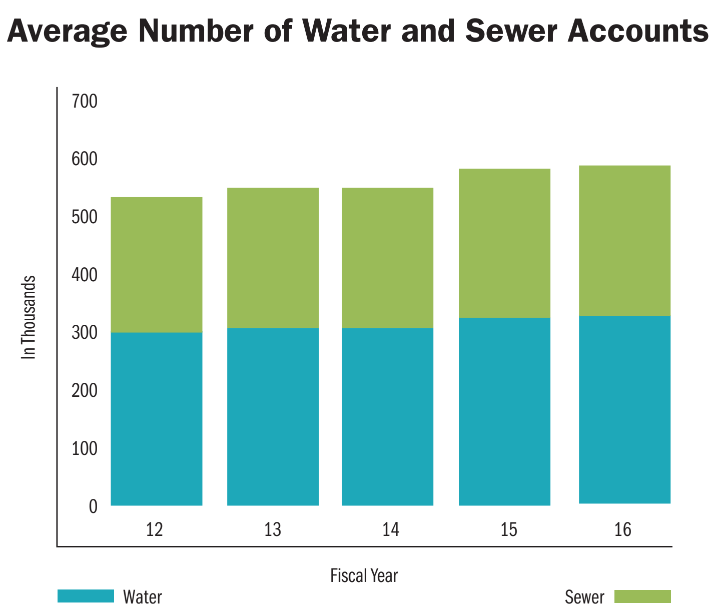
District Energy Systems
- 4 chilled water plants (21,500 tons capacity)

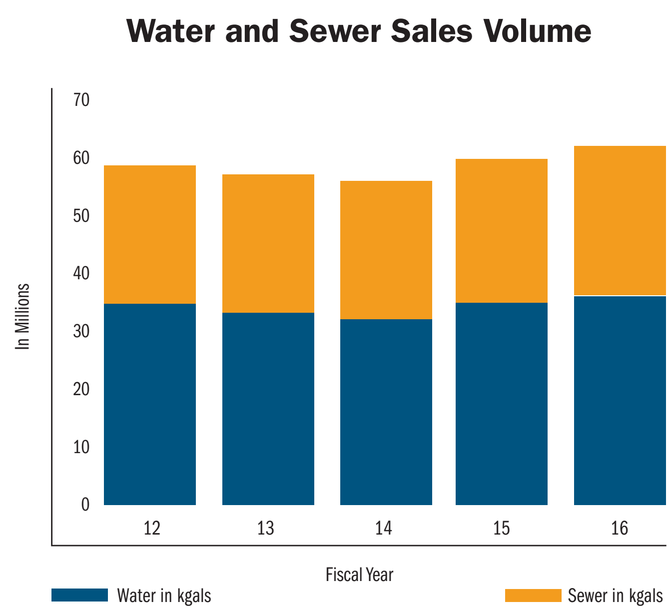
Financial and Operating Highlights

	Years Ended September 30					
						% Change
	2016	**2015**	**2014**	**2013**	**2012**	**2016–2015**
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,364,242	$1,370,212	$1,479,483	$1,432,617	$1,524,963	-0.44%
Fuel and purchased power expenses (thousands)	$485,874	$517,239	$585,021	$539,646	$548,030	-6.06%
Total operating expenses (thousands)	$1,032,771	$1,061,853	$1,196,160	$1,169,329	$1,164,512	-2.74%
Debt service coverage:						
Senior and subordinated - Electric	2.89 x	2.63 x	2.41 x	2.57 x	2.69 x	9.89%
Senior - Electric	6.59 x	5.80 x	5.40 x	5.53 x	5.61 x	13.62%
Bulk Power Supply System	1.81 x	1.24 x	2.24 x	1.52 x	2.89 x	45.97%
St. Johns River Power Park 1st Resolution	1.25 x	1.25 x	1.25 x	1.25 x	1.27 x	0.00%
St. Johns River Power Park 2nd Resolution	1.17 x	1.16 x	2.21 x	1.16 x	1.15 x	0.86%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$427,750	$389,733	$393,355	$390,692	$395,437	9.75%
Operating expenses (thousands)	$297,325	$269,509	$263,275	$266,312	$275,879	10.32%
Debt service coverage:						
Senior and subordinated	3.28 x	2.75 x	2.46 x	2.39 x	2.24 x	19.27%
Senior	3.78 x	3.13 x	2.71 x	2.65 x	2.46 x	20.77%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	14,586,486	14,379,697	14,312,013	13,782,549	13,854,707	1.44%
Peak demand - megawatts 60 minute net	2,674	2,863	2,823	2,596	2,665	-6.60%
Total accounts - average number	451,788	443,705	434,917	426,772	422,315	1.82%
Sales per residential account (kilowatt hours)	13,433	13,468	13,301	12,985	12,932	-0.26%
Average residential revenue per kilowatt hour	$11.24	$11.82	$11.97	$11.91	$12.52	-4.91%
Power supply:						
Coal	42%	50%	57%	49%	43%	16.00%
Natural gas	32%	32%	27%	29%	39%	-3.03%
Petroleum coke	15%	10%	10%	13%	6%	50.00%
Other purchases	11%	8%	5%	8%	11%	57.14%
Oil	0%	0%	1%	1%	1%	0%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	36,357,919	34,558,284	32,468,336	33,087,804	35,345,044	5.21%
Total accounts - average number	333,139	325,352	318,708	312,914	309,221	2.39%
Average sales per residential account (kgals)	62.78	61.32	59.84	62.06	66.30	2.38%
Average residential revenue per kgal	$5.26	$5.30	$5.35	$5.20	$5.03	-0.75%
REUSE						
Total sales (kgals)	2,644,046	1,783,730	1,300,838	1,109,653	1,330,359	48.23%
Total accounts - average number	7,498	5,891	4,501	3,143	2,241	27.28%
SEWER						
Total sales (kgals)	25,817,658	24,922,141	23,526,976	23,623,974	24,490,071	3.59%
Total accounts - average number	257,719	250,974	244,836	239,283	235,615	2.69%
Average sales per residential account (kgals)	60.96	59.75	58.40	60.59	64.56	2.03%
Average residential revenue per kgal	$9.26	$9.33	$9.46	$9.27	$8.99	-0.75%


Average Number of Electric Retail Accounts
500
450
400
350
300
250
200
150
100
50
0
In Thousands
12
13
14
15
16
Fiscal Year


Retail Megawatt Hour Sales
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0
In Millions
12
13
14
15
16
Fiscal Year


Average Number of Water and Sewer Accounts
700
600
500
400
300
200
100
0
In Thousands
12
13
14
15
16
Fiscal Year
Water
Sewer

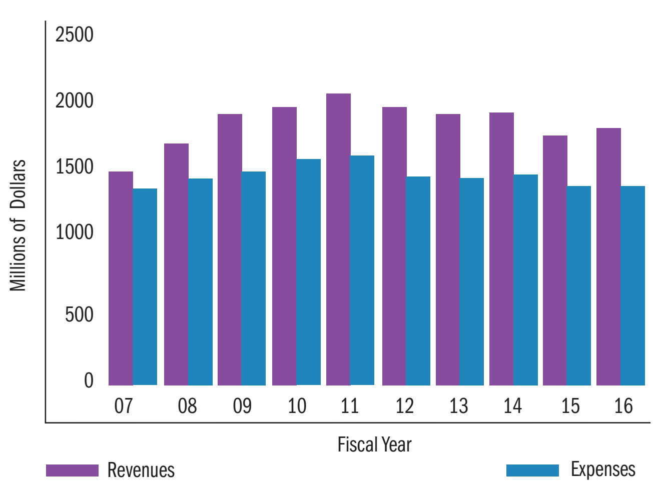

Water and Sewer Sales Volume
70
60
50
40
30
20
10
0
In Millions
12
13
14
15
16
Fiscal Year
Water in kgals
Sewer in kgals

Financial Summary

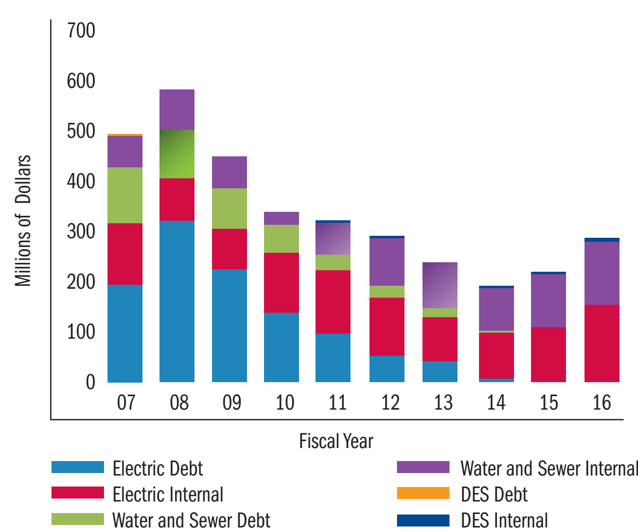
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

		2016-15	2015-14	2014-13
Operating revenues:	Electric	$1,321,713	$1,324,883	$1,431,167
	Water and sewer	417,404	379,789	383,643
	District energy system	8,731	8,778	8,682
	Other, net	34,298	35,930	38,389
	Total operating revenues	1,782,146	1,749,380	1,861,881
Operating expenses:	Fuel and purchased power	485,874	517,239	585,021
	Operations and maintenance	380,610	374,166	364,764
	Depreciation	382,432	366,486	375,505
	State utility and franchise taxes	71,244	72,510	72,221
	Recognition of deferred costs and revenues, net	(1,527)	(11,168)	49,271
	Total operating expenses	1,318,633	1,319,233	1,446,782
	Operating income	463,513	430,147	415,099
Nonoperating revenues (expenses):	Interest on debt	(184,457)	(198,199)	(223,736)
	Investment income (loss)	14,225	12,904	20,546
	Earnings from The Energy Authority	6,136	1,461	3,567
	Allowance for funds used during construction	9,407	5,723	3,894
	Gain (loss) sale of asset	-	(199)	-
	Water & Sewer Expansion Authority	-	-	-
	Other interest	(403)	(68)	(38)
	Other nonoperating revenue	8,765	11,833	7,280
	Total nonoperating expenses, net	(146,327)	(166,545)	(188,487)
	Income before contributions and special item	317,186	263,602	226,612
Contributions (to) from:	General fund, City of Jacksonville	(129,187)	(111,688)	(109,188)
	Capital contributions:			
	Developers and other	53,652	52,709	38,845
	Reduction of plant cost through contributions	(31,632)	(33,105)	-
	Water & Sewer Expansion Authority	-	-	-
	City of Jacksonville Better Jacksonville Plan	-	-	-
	Total contributions	(107,167)	(92,084)	(70,343)
Special item		-	151,490	-
Change in net position		210,019	323,008	156,269
Net position–beginning of year, originally reported		2,166,909	1,843,901	2,039,737
Effect of change in accounting		-	-	(352,105)
Net position–beginning of year, as restated		2,166,909	1,843,901	1,687,632
Net position–end of year		$2,376,928	$2,166,909	$1,843,901

Total Operating Revenues and Expenses

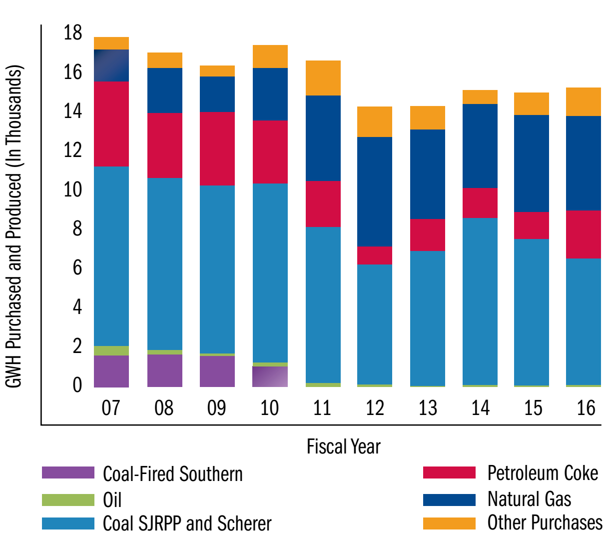


Sources of Capital Project Funding

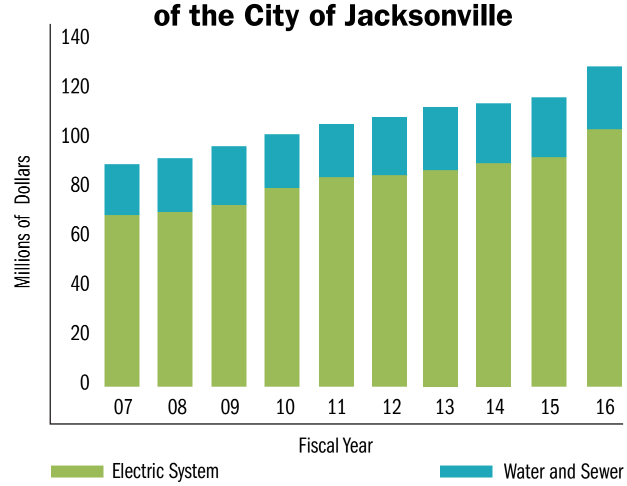


2013-12	2012-11	2011-10	2010-09	2009-08	2008-07	2007-06
$1,383,696	$1,473,134	$1,624,473	$1,548,248	$1,525,966	$1,330,280	$1,164,747
381,677	385,631	358,176	303,241	249,813	248,115	238,256
8,471	8,571	8,067	7,595	6,914	6,162	5,748
38,975	41,046	48,842	50,692	48,687	48,863	47,176
1,812,819	1,908,382	2,039,558	1,909,776	1,831,380	1,633,420	1,455,927
539,646	548,030	733,296	741,374	719,296	694,007	600,170
371,041	366,751	334,066	322,672	295,480	311,071	305,888
378,067	379,570	351,931	353,606	344,158	326,301	302,374
70,237	72,925	78,787	73,120	72,127	48,551	26,399
64,305	59,153	27,014	22,149	33,108	43,345	45,952
1,423,296	1,426,429	1,525,094	1,512,921	1,464,169	1,423,275	1,280,783
389,523	481,953	514,464	396,855	367,211	210,145	175,144
(235,228)	(248,681)	(289,320)	(285,669)	(264,701)	(249,622)	(246,787)
(13,240)	8,804	11,908	(3,604)	23,463	17,307	38,112
4,325	6,328	12,265	6,103	4,088	22,374	20,192
3,986	3,365	5,387	9,713	12,708	19,448	28,425
-	-	-	-	(986)	740	(3,762)
-	-	(485)	(719)	(864)	(1,216)	(1,601)
(134)	(23)	(109)	(54)	(72)	(451)	(1,877)
7,530	16,420	7,698	3,832	-	-	-
(232,761)	(213,787)	(252,656)	(270,398)	(226,364)	(191,420)	(167,298)
156,762	268,166	261,808	126,457	140,847	18,725	7,846
(106,687)	(104,188)	(101,688)	(99,187)	(96,687)	(94,188)	(91,437)
29,292	18,774	23,539	19,883	38,071	47,471	119,525
-	-	-	-	-	-	-
-	-	11,465	-	-	-	-
-	-	-	-	1,516	2,857	29,091
(77,395)	(85,414)	(66,684)	(79,304)	(57,100)	(43,860)	57,179
-	-	-	-	-	-	-
79,367	182,752	195,124	47,153	83,747	(25,135)	65,025
1,991,311	1,808,559	1,613,435	1,566,282	1,482,535	1,507,670	1,440,241
(30,941)	-	-	-	-	-	2,404
1,960,370	1,808,559	1,613,435	1,566,282	1,482,535	1,507,670	1,442,645
$2,039,737	$1,991,311	$1,808,559	$1,613,435	$1,566,282	$1,482,535	$1,507,670

Fuel Sources



Contribution to the General Fund of the City of Jacksonville



Operating Summary

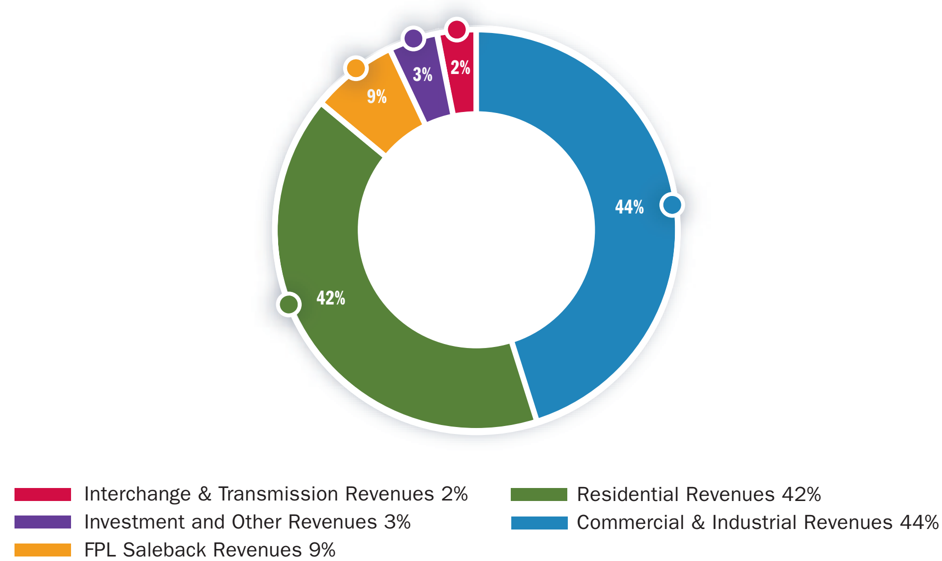
Electric System, Bulk Power System and St Johns River Power Park

		2016-15	2015-14	2014-13
Electric revenues (000's omitted):	Residential	$599,009	$619,897	$608,983
	Commercial and industrial	596,802	627,547	632,121
	Public street lighting	13,488	11,982	13,943
	Sales for resale	32,204	32,424	34,700
	Florida Power & Light saleback	130,053	128,475	159,747
	Total	1,371,556	1,420,325	1,449,494
Sales (megawatt hours):	Residential	5,328,245	5,243,002	5,086,866
	Commercial and industrial	6,834,601	6,767,836	6,636,445
	Public street lighting	80,108	89,376	111,325
	Sales for resale			
	Territorial	318,297	333,994	337,353
	Off-system	169,037	83,367	136,342
	Florida Power & Light saleback	1,856,198	1,862,122	2,003,682
	Total	14,586,486	14,379,697	14,312,013
Average number of accounts:	Residential	396,664	389,287	382,438
	Commercial and industrial	51,472	50,867	48,999
	Public street lighting	3,649	3,549	3,477
	Sales for resale (1)	3	2	3
	Total	451,788	443,705	434,917
System installed capacity–MW (2)		3,722	3,759	3,759
Peak demand–MW (60 minute net)		2,674	2,863	2,823
System load factor–%		56%	51%	51%
Residential averages–annual:	Revenue per account–$	1,510.12	1,592.39	1,592.37
	kWh per account	13,433	13,468	13,301
	Revenue per kWh–¢	11.24	11.82	11.97
All other retail–annual:	Revenue per account–$	11,071.82	11,752.59	12,311.61
	kWh per account	125,446	126,015	128,588
	Revenue per kWh–¢	8.83	9.33	9.57
Heating-cooling degree days		4,117	4,159	3,998

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

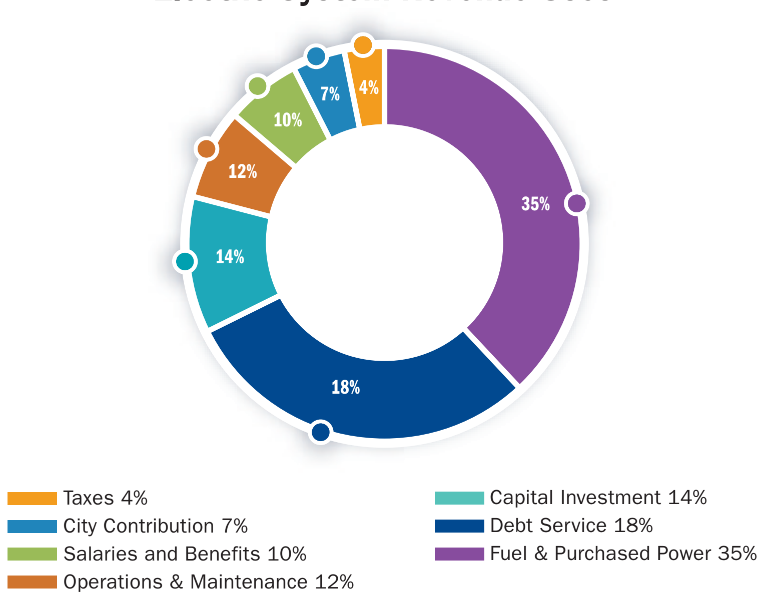
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2013-12	2012-11	2011-10	2010-09	2009-08	2008-07	2007-06
$580,893	$601,581	$686,706	$659,829	$645,725	$559,042	$490,935
617,962	670,983	704,976	647,316	678,218	588,910	490,089
14,661	15,311	15,347	14,203	14,440	12,066	10,242
29,989	37,153	41,155	53,990	52,941	49,660	48,522
158,031	166,873	196,353	190,293	157,898	137,910	137,463
1,401,536	1,491,901	1,644,537	1,565,631	1,549,222	1,347,588	1,177,251
4,877,264	4,806,144	5,444,926	5,707,670	5,300,203	5,363,697	5,478,280
6,599,249	6,670,200	6,908,240	6,932,123	6,849,291	7,314,128	7,160,361
123,177	122,614	122,402	121,413	120,191	116,966	112,760
329,922	374,116	394,548	418,867	406,051	437,870	479,425
42,286	74,852	99,953	391,559	579,730	457,421	649,193
1,810,651	1,806,781	2,492,559	2,950,244	2,659,565	2,635,812	3,059,195
13,782,549	13,854,707	15,462,628	16,521,876	15,915,031	16,325,894	16,939,214
375,600	371,658	369,566	368,682	367,864	365,632	364,284
47,709	47,230	46,710	46,325	45,810	45,207	44,440
3,460	3,424	3,424	3,495	3,550	3,576	3,565
3	3	3	3	3	3	6
426,772	422,315	419,703	418,505	417,227	414,418	412,295
3,759	3,759	3,759	3,376	3,376	3,241	3,241
2,596	2,665	3,062	3,224	3,064	2,914	2,897
54%	53%	50%	49%	49%	54%	55%
1,546.57	1,618.64	1,858.14	1,789.70	1,755.34	1,528.97	1,347.67
12,985	12,932	14,733	15,481	14,408	14,670	15,038
11.91	12.52	12.61	11.56	12.42	11.97	10.17
12,363.40	13,548.66	14,367.95	13,278.18	14,032.78	12,319.37	10,422.48
131,377	134,102	140,237	141,580	141,197	152,330	151,508
9.41	10.10	10.25	9.38	9.94	8.09	6.88
3,830	3,618	4,345	4,705	4,094	3,785	3,803

Electric System Revenue Uses

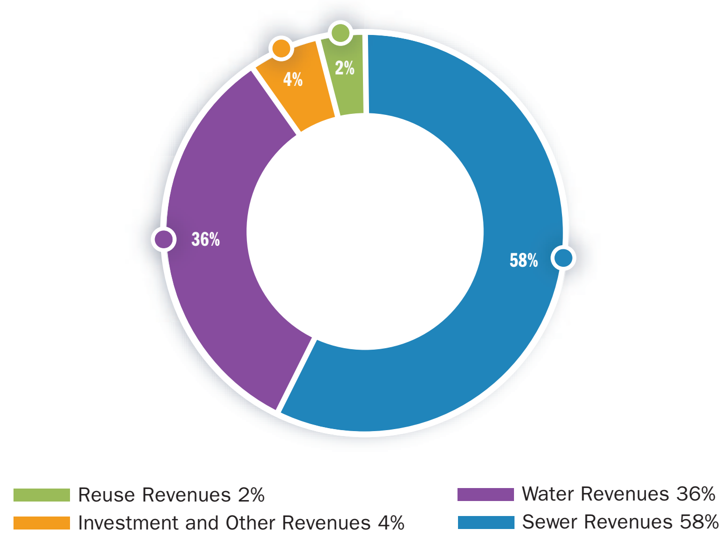


Operating Summary

Water and Sewer System

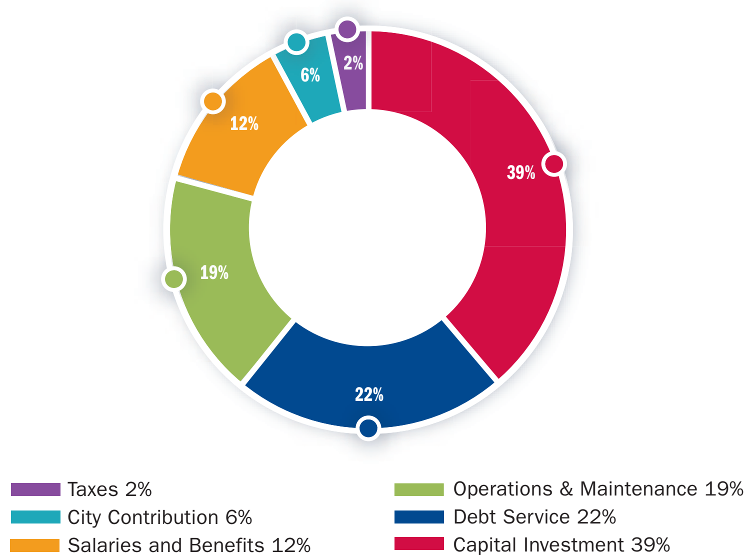
		2016-15	2015-14	2014-13
Water revenues (000's omitted):	Residential	$89,946	$86,215	$83,014
	Commercial and Industrial	46,212	45,078	43,647
	Irrigation	34,846	32,681	30,088
	Total	171,004	163,974	156,749
Water sales (kgals):	Residential	17,086,586	16,271,698	15,507,752
	Commercial and Industrial	13,343,376	12,870,984	12,131,400
	Irrigation	5,927,957	5,415,602	4,829,184
	Total	36,357,919	34,558,284	32,468,336
Average number of accounts:	Residential	272,157	265,373	259,159
	Commercial and Industrial	24,698	23,951	23,722
	Irrigation	36,284	36,028	35,827
	Total	333,139	325,352	318,708
Residential averages–annual:	Revenue per account–$	330.49	324.88	320.32
	kgals per account	62.78	61.32	59.84
	Revenue per kgal–$	5.26	5.30	5.35
Rainfall (inches)		31.38	49.43	51.17
Reuse revenues (000's omitted):		$10,267	$7,378	$5,533
Reuse sales (kgals):		2,644,046	1,783,730	1,300,838
Average number of accounts:		7,498	5,891	4,501
Sewer revenues (000's omitted):	Residential	$135,288	$129,976	$125,526
	Commercial and Industrial	103,731	101,910	97,339
	Total	239,019	231,886	222,865
Volume (kgals):	Residential	14,614,026	13,934,981	13,269,638
	Commercial and Industrial	11,203,632	10,987,160	10,257,338
	Total	25,817,658	24,922,141	23,526,976
Average number of accounts:	Residential	239,738	233,203	227,216
	Commercial and Industrial	17,981	17,771	17,620
	Total	257,719	250,974	244,836
Residential averages–annual:	Revenue per account–$	564.32	557.35	552.45
	kgals per account	60.96	59.75	58.40
	Revenue per kgal–$	9.26	9.33	9.46

Water and Sewer System Revenue Sources



2013-12	2012-11	2011-10	2010-09	2009-08	2008-07	2007-06
$81,832	$83,390	$81,859	$70,396	$59,441	$59,297	$57,620
42,809	43,629	40,299	34,872	27,591	26,692	24,483
32,796	34,802	35,932	26,876	19,080	19,679	21,143
157,437	161,821	158,090	132,144	106,112	105,668	103,246
15,741,904	16,589,517	18,485,853	17,609,301	17,572,032	18,848,414	20,499,442
11,777,128	12,134,488	12,271,645	12,091,091	12,184,482	12,837,866	12,917,475
5,568,772	6,621,039	8,225,409	7,049,874	7,089,431	7,924,021	9,683,871
33,087,804	35,345,044	38,982,907	36,750,266	36,845,945	39,610,301	43,100,788
253,662	250,204	248,605	247,609	246,276	245,659	245,420
23,487	23,365	23,221	22,996	23,460	23,473	23,302
35,765	35,652	35,559	35,441	35,340	35,107	34,515
312,914	309,221	307,385	306,046	305,076	304,239	303,237
322.60	333.29	329.27	284.30	241.36	241.38	234.78
62.06	66.30	74.36	71.12	71.35	76.73	85.53
5.20	5.03	4.43	4.00	3.38	3.15	2.81
45.54	55.24	42.18	40.53	53.67	65.72	39.35
$4,551	$3,936	$3,622	$2,093	$1,156	$1,079	$739
1,109,653	1,330,359	1,551,175	989,010	805,925	547,878	678,185
3,143	2,241	1,666	1,201	837	502	85
$124,642	$126,722	$116,024	$99,327	$84,961	$84,102	$80,717
96,009	94,232	81,633	70,831	59,017	58,640	54,281
220,651	220,954	197,657	170,158	143,978	142,742	134,998
13,439,781	14,091,702	15,597,512	14,847,431	14,353,777	15,293,138	16,464,215
10,184,193	10,398,369	10,321,967	10,279,241	10,413,889	11,097,674	11,120,273
23,623,974	24,490,071	25,919,479	25,126,672	24,767,666	26,390,812	27,584,488
221,821	218,264	216,323	214,506	212,741	211,607	210,609
17,462	17,351	17,269	17,229	17,617	17,598	17,421
239,283	235,615	233,592	231,735	230,358	229,205	228,030
561.90	580.59	536.35	463.05	399.36	397.44	383.25
60.59	64.56	72.10	69.22	67.47	72.27	78.17
9.27	8.99	7.44	6.69	5.92	5.50	4.9

Water and Sewer System Revenue Uses



Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

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

Ernst & Young LLP

Building a better
working world

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2016 and 2015

Contents

Building a better
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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, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

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

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

1608-2020146

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 1, 2016 on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEA's internal control over financial reporting and compliance.

Ernst & Young LLP

December 1, 2016

Management's Discussion and Analysis

Introduction

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

Overview of the Combined Financial Statements

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

The basic financial statements are presented on a comparative basis for the fiscal years ended September 30, 2016 and 2015. The statements of net position present JEA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Revenue and expense information is presented in the accompanying statements of revenues, expenses, and changes in net position. The accompanying statements of cash flows present JEA's sources and uses of cash and cash equivalents and are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

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

The following tables summarize the financial condition and operations of JEA for the 2016 and 2015 fiscal years:

Condensed Statements of Net Position

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

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

	2016	2015*	2014*
		(In millions)	
Operating revenues	**$ 1,782**	$ 1,749	$ 1,862
Operating expenses	**(1,319)**	(1,319)	(1,447)
Operating income	**463**	430	415
Nonoperating expenses, net	**(146)**	(167)	(189)
Contributions	**(107)**	(92)	(70)
Special item	**–**	152	–
Change in net position	**210**	323	156
Net position – beginning of the year	**2,167**	1,844	2,040
Effect of change in accounting	**–**	–	(352)
Net position – end of the year	**$ 2,377**	$ 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. Fiscal year 2015 reflects a prior period adjustment in Special item in conjunction with implementing GASB Statement No. 62 in 2015.

Financial Analysis of JEA for fiscal years 2016 and 2015

Operating Revenues

2016 Compared to 2015

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

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

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

2015 Compared to 2014

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

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

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

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

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

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

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

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

Operating Expenses

2016 Compared to 2015

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

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

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

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

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

2015 Compared to 2014

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

Total fuel and purchased power expense decreased $68 million compared to the prior year. The decrease is due to a 24.4% decrease in the cost per MWh offset, in part, by a 1.9% increase in MWh produced and purchased. Fuel expense decreased $72 million and purchased power expense increased $4 million. The decrease was due to lower solid fuels and natural gas prices. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. JEA's power supply mix is detailed below.

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

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

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

Nonoperating Revenues and Expenses

2016 Compared to 2015

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

2015 Compared to 2014

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

Special Item

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

Capital Assets and Debt Administration for Fiscal Years 2016 and 2015

Capital Assets

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

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

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

The projected total capital expenditures for fiscal year 2017 are as follows:

Projected Capital Expenditures *(Millions)*		
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$	186
Water and Sewer Fund		205
DES		3
	$	394

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

Debt Administration

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

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

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

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

Setting of Rates

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

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

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

Requests for Information

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

Audited Financial Statements

JEA

Statements of Net Position
(In Thousands)

	September 30 2016	September 30 2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 418,517**	$ 419,595
Investments	**143,077**	78,794
Accounts and interest receivable, net of allowance ($3,641 for 2016 and $4,342 for 2015)	**235,847**	241,390
Inventories:		
Fuel	**49,852**	64,683
Materials and supplies	**67,951**	64,892
Total current assets	**915,244**	869,354
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**178,406**	216,479
Investments	**884,612**	772,571
Accounts and interest receivable	**3,341**	6,185
Total restricted assets	**1,066,359**	995,235
Costs to be recovered from future revenues	**463,610**	459,359
Investment in The Energy Authority	**6,166**	7,491
Other assets	**17,581**	17,966
Total noncurrent assets	**1,553,716**	1,480,051
Capital assets:		
Land and easements	**190,660**	164,023
Plant in service	**10,792,942**	10,601,856
Less accumulated depreciation	**(5,427,480)**	(5,079,243)
Plant in service, net	**5,556,122**	5,686,636
Construction work in progress	**318,803**	272,716
Net capital assets	**5,874,925**	5,959,352
Total assets	**8,343,885**	8,308,757
Deferred outflows of resources		
Unamortized deferred losses on refundings	**141,780**	154,449
Accumulated decrease in fair value of hedging derivatives	**182,928**	152,503
Unrealized pension contributions and losses	**137,010**	83,970
Total deferred outflows of resources	**461,718**	390,922
Total assets and deferred outflows of resources	**$ 8,805,603**	$ 8,699,679

JEA

Statements of Net Position (continued)
(In Thousands)

	September 30 2016	September 30 2015
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	**$ 113,225**	$ 171,652
Customer deposits	**55,125**	55,798
Total current liabilities	**168,350**	227,450
Current liabilities payable from restricted assets:		
Debt due within one year	**181,525**	187,500
Renewal and replacement reserve	**80,809**	84,472
Interest payable	**86,978**	89,394
Construction contracts and accounts payable	**39,730**	36,645
Total current liabilities payable from restricted assets	**389,042**	398,011
Noncurrent liabilities:		
Net pension liability	**493,346**	408,629
Other liabilities	**46,331**	48,389
Total other noncurrent liabilities	**539,677**	457,018
Long-term debt:		
Bonds payable and commercial paper payable, less current portion	**4,470,195**	4,648,720
Unamortized premium, net	**138,673**	170,630
Fair value of debt management strategy instruments	**181,793**	148,749
Total long-term debt	**4,790,661**	4,968,099
Total liabilities	**5,887,730**	6,050,578
Deferred inflows of resources		
Revenues to be used for future costs	**528,262**	452,397
Unrealized pension gains	**12,683**	29,795
Total deferred inflows of resources	**540,945**	482,192
Net position		
Net investment in capital assets	**1,440,910**	1,305,339
Restricted	**592,987**	530,011
Unrestricted	**343,031**	331,559
Total net position	**2,376,928**	2,166,909
Total liabilities, deferred inflows of resources, and net position	**$ 8,805,603**	$ 8,699,679

JEA

Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	September 30 2016	September 30 2015
Operating revenues		
Electric	**$ 1,321,713**	$ 1,324,883
Water and sewer	**417,404**	379,789
District energy system	**8,731**	8,778
Other	**34,298**	35,930
Total operating revenues	**1,782,146**	1,749,380
Operating expenses		
Operations:		
Fuel	**422,413**	469,982
Purchased power	**63,461**	47,257
Other	**276,088**	267,475
Maintenance	**104,522**	106,691
Depreciation	**382,432**	366,486
State utility and franchise taxes	**71,244**	72,510
Recognition of deferred costs and revenues, net	**(1,527)**	(11,168)
Total operating expenses	**1,318,633**	1,319,233
Operating income	**463,513**	430,147
Nonoperating expenses, net		
Interest on debt	**(184,457)**	(198,199)
Investment income	**14,225**	12,904
Other nonoperating income, net	**8,765**	11,833
Allowance for funds used during construction	**9,407**	5,723
Loss on sale of asset	**-**	(199)
Earnings from The Energy Authority	**6,136**	1,461
Other interest, net	**(403)**	(68)
Total nonoperating expenses, net	**(146,327)**	(166,545)
Income before contributions and special item	**317,186**	263,602
Contributions (to) from		
General Fund, City of Jacksonville, Florida	**(129,187)**	(111,688)
Developers and other	**53,652**	52,709
Reduction of plant cost through contributions	**(31,632)**	(33,105)
Total contributions	**(107,167)**	(92,084)
Special item	**-**	151,490
Change in net position	**210,019**	323,008
Net position, beginning of year	**2,166,909**	1,843,901
Net position, end of year	**$ 2,376,928**	$ 2,166,909

JEA

Statements of Cash Flows
(In Thousands)

	September 30 2016	September 30 2015
Operating activities		
Receipts from customers	**$ 1,840,713**	$ 1,807,475
Payments to suppliers	**(748,429)**	(734,988)
Payments to employees	**(236,790)**	(232,052)
Other receipts	**38,341**	38,984
Net cash provided by operating activities	**893,835**	879,419
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(128,979)**	(111,491)
Build America Bonds subsidies	**7,252**	7,256
Payment from the City of Jacksonville, Florida	**38**	–
Net cash used in noncapital and related financing activities	**(121,689)**	(104,235)
Capital and related financing activities		
Defeasance of debt	**–**	(378,782)
Acquisition and construction of capital assets	**(298,045)**	(204,708)
Repayment of debt principal	**(187,500)**	(257,869)
Interest paid on debt	**(197,668)**	(212,410)
Developer and other contributions	**22,020**	19,604
Proceeds from issuance of debt, net	**3,000**	198,805
Proceeds from disposal of assets	**1,146**	427
Other financing activities	**(17)**	12,855
Net cash used in capital and related financing activities	**(657,064)**	(822,078)
Investing activities		
Purchase of investments	**(2,304,666)**	(1,811,962)
Proceeds from sale and maturity of investments	**2,128,966**	1,890,938
Investment income	**14,005**	12,329
Distributions from The Energy Authority	**7,462**	2,041
Net cash provided by (used in) investing activities	**(154,233)**	93,346
Net change in cash and cash equivalents	**(39,151)**	46,452
Cash and cash equivalents at beginning of year	**636,074**	589,622
Cash and cash equivalents at end of year	**$ 596,923**	$ 636,074
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 463,513**	$ 430,147
Adjustments:		
Depreciation and amortization	**385,610**	367,959
Recognition of deferred costs and revenues, net	**(1,527)**	(11,168)
Gain on sale of noncore assets	**1,499**	4,586
Changes in noncash assets and noncash liabilities:		
Accounts receivable	**4,818**	(11,845)
Accounts receivable, restricted	**2,543**	(1,600)
Inventories	**11,773**	7,314
Other assets	**(2,792)**	372
Accounts and accrued expenses payable	**(62,532)**	(15,857)
Current liabilities payable from restricted assets	**(799)**	(1,171)
Other noncurrent liabilities and deferred inflows	**91,729**	110,682
Net cash provided by operating activities	**$ 893,835**	$ 879,419
Noncash activity		
Contribution of capital assets from developers	**$ 31,632**	$ 33,105
Unrealized gains on fair value of investments	**$ 624**	$ 354

(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 (Georgia Power) and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which has two coal-fired generating units (638 net megawatts each) jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of water and sewer system activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in Scherer and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership interests in respective plants as of September 30, 2016 and 2015:

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

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

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

(b) Basis of Accounting

JEA is presenting financial statements combined for the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. JEA uses the accrual basis of accounting for its operations and the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for the Electric Enterprise Fund and the National Association of Regulatory Utility Commissioners for the Water and Sewer Fund.

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.
- Restricted consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

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

(c) Revenues

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

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

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

(d) Capital Assets

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property equal to or greater than $1,000 each, and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized except for maintenance and replacements of minor items, which are charged to operating expenses. The costs of capital projects may include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. The cost of depreciable plant retired is removed from the capital asset accounts and such cost plus removal expense (net of salvage value) is charged to accumulated depreciation.

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

(Dollars in Thousands)

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

(e) Allowance for Funds Used During Construction

An allowance for funds used during construction (AFUDC) is included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds, commercial paper, and renewal and replacement funds. The average AFUDC rate for the debt of each system is listed in the table below.

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

The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was $184,860 for fiscal year 2016 and $198,267 for fiscal year 2015. Interest expense of $9,407 less investment income on bond proceeds of $0 was capitalized during fiscal year 2016. Interest expense of $5,723 less investment income on bond proceeds of $0 was capitalized during fiscal year 2015.

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.6% for fiscal year 2016 and 3.5% for fiscal year 2015. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

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

(g) Amortization

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

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

(h) Losses on Refundings

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

(i) Investments

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

(j) Cash and Cash Equivalents

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

(k) Interest Rate Swap Agreements

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

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

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

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

During fiscal years 2016 and 2015, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section in note 8, Long-Term Debt, for more information on JEA's debt management interest rate swap program.

(l) Inventory

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet generation requirements. Inventories are valued at average cost. The materials and supplies inventories were reported net of an estimated allowance for obsolescence of $226 for fiscal year 2015. During fiscal year 2016, this allowance was exhausted and obsolete inventory items are now expensed when identified.

(m) Energy Market Risk Management Program

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

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

JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. Deferred charges of $1,134 were included in deferred outflows of resources on the statements of net position at September 30, 2016 and $3,754 at 2015. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position. For the year ended September 30, 2016, there was a realized loss included in fuel expense of $3,842 and $0 in 2015.

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

(n) Capital Contributions

Capital contributions represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statements of revenues, expenses, and changes in net position at the time of receipt. Assets received are recorded as contributions from developers and others at acquisition cost. Corresponding expenses of $31,632 and $33,105 were recorded in fiscal years 2016 and 2015 to recognize the costs of the assets since it will not be included in revenue requirements charged to customers in the future.

(o) Pension

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

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

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

(p) Compensated Absences

JEA employees accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements and other employment plans. Accrued leave may be taken at any time when authorized. In addition, employees may elect to sell back any leave accrued during the fiscal year. Leave accrued over the maximum allowed leave balances is paid to the employee after the end of the fiscal year. Upon termination from employment, employees are

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

paid for their unused leave balances. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB No. 16), the amount reflected as the current portion is estimated based upon historical trends of retirements and attrition.

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

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

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

(q) Pollution Remediation Obligations

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

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

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

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

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

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

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

(s) Setting of Rates

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

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

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

(t) Pervasiveness of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

(u) Newly Adopted Standards for Fiscal Year 2016

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

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

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

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

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

(v) Recently Issued Accounting Pronouncements Not Yet Effective

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

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

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

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

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

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

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

(Dollars in Thousands)

2. Regulatory Deferrals

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

Regulatory Assets

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

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

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

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

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

SJRPP and Scherer net cost to be recovered – SJRPP deferred debt-related costs of $3,650 at September 30, 2016 and $4,292 at September 30, 2015 are the result of differences between expenses in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenues that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. The Bulk Power Supply System deferred debt-related costs were $12,444 at September 30, 2016 and $14,041 at September 30, 2015. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation. The Bulk Power Supply System will recover these costs from future revenues that will coincide with the retirement of long-term debt.

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

Regulatory Credits

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

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

2. Regulatory Deferrals (continued)

Revenues to be used in future SJRPP & Scherer – SJRPP deferred debt-related revenues of $159,648 at September 30, 2016 and $171,395 at September 30, 2015 are the result of differences between revenues in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover future revenues that will coincide with the retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred revenues on the accompanying statements of revenues, expenses, and changes in net position. Bulk Power Supply System early debt principal in excess of straight-line depreciation of $45,316 at September 30, 2016 and $49,194 at September 30, 2015 is included in deferred inflows of resources on the accompanying statements of net position.

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

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

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

2. Regulatory Deferrals (continued)

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

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

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

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

(Dollars in Thousands)

3. Special Item

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

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

(Dollars in Thousands)

4. Restricted Assets

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

	2016	2015
Electric System:		
Renewal and Replacement Fund	**$ 193,947**	$ 148,458
Sinking Fund	**144,634**	142,303
Debt Service Reserve Fund	**65,433**	69,446
Adjustment to fair value of investments	**2,943**	3,235
Construction Fund	**–**	4
Other Funds	**–**	158
Total Electric System	**406,957**	363,604
SJRPP System:		
Debt Service Reserve Fund	**138,807**	137,695
Renewal and Replacement Fund	**80,809**	84,472
Sinking Fund	**47,258**	62,608
Revenue Fund	**20,756**	11,958
Construction Fund	**7,377**	77
Adjustment to fair value of investments	**(1,518)**	(1,262)
Total SJRPP System	**293,489**	295,548
Water and Sewer System:		
Renewal and Replacement Fund	**179,513**	149,130
Debt Service Reserve Fund	**108,086**	108,849
Sinking Fund	**65,410**	67,720
Adjustment to fair value of investments	**5,093**	3,959
Environmental Fund	**2,659**	–
Revenue Fund	**767**	777
Construction Fund	**152**	664
Other Funds	**–**	70
Total Water and Sewer System	**361,680**	331,169
DES:		
Sinking Fund	**2,324**	2,315
Renewal and Replacement Fund	**1,909**	2,599
Total DES	**4,233**	4,914
Total restricted assets	**$ 1,066,359**	$ 995,235

(Dollars in Thousands)

4. Restricted Assets (continued)

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

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

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

5. Cash and Investments

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

JEA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value or cost, which is further explained in note 15, Fair Value Measurements.

(Dollars in Thousands)

5. Cash and Investments (continued)

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

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

These securities are held in the following accounts:

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

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2016, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Puttable securities are presented as investments with a maturity of less than one year.

(Dollars in Thousands)

5. Cash and Investments (continued)

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

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

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

Credit Risk – JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the Florida Statutes and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (2) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, the issuer must be a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S., or the governments of Canada or Canadian provinces, and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2016, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, JEA's investment policy limits the commercial paper investment in any one issuer to $12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25% of the total cash and investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2016, JEA had 19.8% of its investments in commercial paper.

5. Cash and Investments (continued)

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

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

(Dollars in Thousands)

6. Capital Assets

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

	Balance September 30, 2015	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2016
Electric Enterprise Fund:					
Generation assets	$ 3,684,390	$ –	$ (14,669)	$ 9,836	$ 3,679,557
Transmission assets	531,804	–	(557)	16,458	547,705
Distribution assets	1,762,050	–	(3,831)	64,725	1,822,944
Other assets	443,625	–	(3,188)	(3,929)	436,508
Total capital assets	6,421,869	–	(22,245)	87,090	6,486,714
Less: accumulated depreciation and amortization	(3,310,375)	(237,603)	22,245	–	(3,525,733)
Land and easements	101,837	–	–	26,058	127,895
Construction work-in-process	146,519	165,493	–	(130,765)	181,247
Net capital assets	3,359,850	(72,110)	–	(17,617)	3,270,123
Water and Sewer Fund:					
Pumping assets	480,749	–	(566)	21,319	501,502
Treatment assets	574,070	–	(589)	32,736	606,217
Transmission and distribution assets	1,133,118	–	(27)	28,497	1,161,588
Collection assets	1,432,529	–	(109)	36,332	1,468,752
Reclaimed water assets	130,796	–	–	761	131,557
General and other assets	376,134	–	(2,676)	9,506	382,964
Total capital assets	4,127,396	–	(3,967)	129,151	4,252,580
Less: accumulated depreciation	(1,749,344)	(138,656)	3,967	4,101	(1,879,932)
Land and easements	59,135	–	–	579	59,714
Construction work-in-process	125,271	140,340	–	(129,730)	135,881
Net capital assets	2,562,458	1,684	–	4,101	2,568,243
District Energy System:	–	–	–	–	–
Chilled water plant assets	52,591	–	–	1,057	53,648
Total capital assets	52,591	–	–	1,057	53,648
Less: accumulated depreciation	(19,524)	(2,291)	–	–	(21,815)
Land and easements	3,051	–	–	–	3,051
Construction work-in process	926	1,806	–	(1,057)	1,675
Net capital assets	37,044	(485)	–	–	36,559
Total	$ 5,959,352	$ (70,911)	$ –	$ (13,516)	$ 5,874,925

(Dollars in Thousands)

6. Capital Assets (continued)

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

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

(Dollars in Thousands)

7. Investment in The Energy Authority

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

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

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

7. Investment in The Energy Authority (continued)

As of September 30, 2016, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28,929 and TEA's natural gas procurement and trading activities up to $19,900, in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. JEA has approved up to $60,000 (plus attorney fees) for TEA's natural gas procurement and trading activities.

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

Upon JEA 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 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.

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)

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

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2016	September 30 2015
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.00%	2039	**$ 5**	$ 5
Series Three 2005B	4.75%	2033	**100**	100
Series Three 2005D	n/a	n/a	**–**	1,335
Series Three 2008A[2]	Variable	2027–2036	**51,680**	51,680
Series Three 2008B-1[3]	Variable	2016–2040	**60,745**	61,095
Series Three 2008B-2[2]	Variable	2025–2040	**41,900**	41,900
Series Three 2008B-3[2]	Variable	2024–2036	**37,000**	37,000
Series Three 2008B-4[3]	Variable	2016–2036	**50,185**	50,535
Series Three 2008C-1[2]	Variable	2024–2034	**44,145**	44,145
Series Three 2008C-2[2]	Variable	2024–2034	**43,900**	43,900
Series Three 2008C-3[2]	Variable	2030–2038	**25,000**	25,000
Series Three 2008D-1[3]	Variable	2016–2036	**113,840**	116,165
Series Three 2008E	n/a	n/a	**–**	14,560
Series Three 2009C	5.00%	2016–2017	**15,730**	15,730
Series Three 2009D[6]	6.06%	2033–2044	**45,955**	45,955
Series Three 2010A	4.00%	2016–2020	**24,960**	29,715
Series Three 2010B	n/a	n/a	**–**	450
Series Three 2010C	4.000–4.500%	2021–2031	**11,420**	11,420
Series Three 2010D	4.000–5.000%	2016–2038	**92,100**	97,970
Series Three 2010E[6]	5.350–5.482%	2028–2040	**34,255**	34,255
Series Three 2012A	4.000–4.500%	2023–2033	**60,750**	60,750
Series Three 2012B	2.000–5.000%	2016–2039	**133,390**	133,990
Series Three 2013A	2.500–5.000%	2016–2026	**111,130**	119,080
Series Three 2013B	1.875–5.000%	2021–2038	**7,600**	7,600
Series Three 2013C	3.000–5.000%	2016–2030	**30,940**	33,170
Series Three 2014A	2.600–5.000%	2016–2034	**47,565**	49,420
Series Three 2015A	2.500–5.000%	2016–2041	**81,810**	83,325
Series Three 2015B	2.000–5.000%	2016–2031	**42,355**	42,355
Total Electric System Senior Revenue Bonds			**1,208,460**	1,252,605

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2016	2015
Electric System Subordinated				
Revenue Bonds:				
2000 Series A[2]	Variable	2021–2035	**$ 30,965**	$ 30,965
2000 Series F-1[2]	Variable	2026–2030	**37,200**	37,200
2000 Series F-2[2]	Variable	2026–2030	**24,800**	24,800
2005 Series C	n/a	n/a	**–**	875
2008 Series D[2]	Variable	2024–2038	**39,455**	39,455
2009 Series A	5.63%	2029–2032	**21,140**	21,140
2009 Series D	5.00%	2017–2018	**23,925**	23,925
2009 Series E	4.00%	2016–2018	**4,065**	4,835
2009 Series F[6]	4.125–6.406%	2016–2034	**65,600**	66,600
2009 Series G	4.000–5.000%	2016–2021	**22,975**	27,675
2010 Series A	3.000–5.000%	2016–2017	**4,960**	10,830
2010 Series B	3.000–5.000%	2016–2024	**35,380**	36,210
2010 Series C	3.125–4.000%	2020–2027	**15,925**	15,925
2010 Series D[6]	3.500–5.582%	2017–2027	**45,575**	45,575
2010 Series E	4.00%	2016	**4,505**	7,570
2012 Series A	3.000–5.000%	2016–2033	**110,780**	112,645
2012 Series B	2.250–5.000%	2016–2037	**105,800**	108,020
2013 Series A	2.500–5.000%	2017–2030	**59,330**	59,330
2013 Series B	2.500–5.000%	2016–2026	**41,215**	50,875
2013 Series C	1.375–5.000%	2016–2038	**88,605**	88,625
2013 Series D	2.625–5.250%	2016–2035	**145,055**	155,670
2014 Series A	3.000–5.000%	2016–2039	**223,770**	231,950
Total Electric System Subordinated Revenue Bonds			**1,151,025**	1,200,695

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2016	September 30 2015
Bulk Power Supply System Revenue Bonds:				
Series 2010A[6]	3.900–5.920%	2016–2030	**$ 42,785**	$ 45,640
Series 2014A	2.000–5.000%	2016–2038	**69,185**	71,280
Total Bulk Power System Revenue Bonds			**111,970**	116,920
SJRPP System Revenue Bonds:				
Issue Two, Series Seventeen	4.70%	2019	**100**	100
Issue Two, Series Eighteen	4.50%	2018	**50**	50
Issue Two, Series Nineteen	4.60%	2017	**100**	100
Issue Two, Series Twenty	4.50%	2021	**100**	100
Issue Two, Series Twenty-One	5.00%	2021	**5**	5
Issue Two, Series Twenty-Two	4.00%	2019	**5**	5
Issue Two, Series Twenty-Three	3.000–5.000%	2017–2021	**64,910**	92,830
Issue Two, Series Twenty-Four	4.00%	2017–2021	**29,625**	42,550
Issue Two, Series Twenty-Five	3.000–5.000%	2016–2021	**42,195**	42,195
Issue Two, Series Twenty-Six	2.000–5.000%	2019–2021	**65,970**	65,970
Issue Two, Series Twenty-Seven	1.888–2.505%	2019–2021	**7,025**	7,155
Issue Three, Series One[5]	4.50%	2037	**100**	100
Issue Three, Series Two[5]	5.00%	2034–2037	**29,370**	29,370
Issue Three, Series Four[5][6]	3.875–5.450%	2016–2028	**25,720**	25,720
Issue Three, Series Five[5]	n/a	n/a	**–**	1,595
Issue Three, Series Six[5]	2.375–5.000%	2019–2037	**91,330**	98,485
Issue Three, Series Seven[5]	2.000–5.000%	2019–2033	**79,500**	79,720
Issue Three, Series Eight[5]	2.000–5.000%	2019–2039	**57,895**	58,895
Total SJRPP System Revenue Bonds			**494,000**	544,945

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	**Interest Rates[1]**	**Payment Dates**	**September 30 2016**	**2015**
Water and Sewer System Senior				
Revenue Bonds:				
2006 Series B[4]	Variable	2016–2022	**$ 38,730**	$ 38,730
2008 Series A-2[2]	Variable	2028–2042	**51,820**	51,820
2008 Series B[2]	Variable	2023–2041	**85,290**	85,290
2009 Series B	3.750–5.000%	2017–2019	**25,565**	25,565
2010 Series A[6]	6.210–6.310%	2026–2044	**83,115**	83,115
2010 Series B	4.300–5.700%	2016–2025	**17,300**	19,030
2010 Series C	4.000–5.000%	2016–2020	**10,650**	16,145
2010 Series D	4.000–5.000%	2017–2039	**101,850**	105,040
2010 Series E	4.000–5.000%	2021–2039	**60,990**	60,990
2010 Series F[6]	3.200–5.887%	2017–2040	**45,520**	45,520
2010 Series G	3.00%	2016	**785**	1,525
2012 Series A	3.000–5.000%	2017–2041	**317,935**	317,935
2012 Series B	2.000–5.000%	2016–2041	**131,765**	133,425
2013 Series A	4.000–5.000%	2016–2027	**91,085**	92,385
2013 Series B	1.286–1.882%	2016–2017	**16,730**	23,205
2014 Series A	2.000–5.000%	2016–2040	**289,565**	300,200
Total Water and Sewer System Senior Revenue Bonds			**1,368,695**	1,399,920

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2016	2015
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2016–2038	**$ 53,500**	$ 53,950
Subordinated 2008 Series A-2[2]	Variable	2030–2038	**25,600**	25,600
Subordinated 2008 Series B-1[2]	Variable	2030–2036	**30,885**	30,885
Subordinated 2010 Series A	3.000–5.000%	2016–2022	**14,065**	14,950
Subordinated 2010 Series B	3.000–5.000%	2020–2025	**12,770**	12,770
Subordinated 2012 Series A	3.000–4.000%	2021–2033	**20,320**	20,320
Subordinated 2012 Series B	3.250–5.000%	2030–2043	**41,640**	41,640
Subordinated 2013 Series A	2.125–5.000%	2016–2029	**76,040**	79,660
Total Water and Sewer System Subordinated Revenue Bonds			**274,820**	279,775
Water and Sewer System Other Subordinated Debt:				
Revolving Credit Agreement[7]	Variable	2018	**3,000**	–
Total Water and Sewer System Other Subordinated Debt			**3,000**	–
District Energy System:				
2013 Series A	1.017–4.538%	2016–2034	**39,750**	41,360
Total District Energy System			**39,750**	41,360
Total Debt Principal Outstanding			**4,651,720**	4,836,220
Less: Debt Due Within One Year			**(181,525)**	(187,500)
Total Long-Term Debt			**$ 4,470,195**	$ 4,648,720

(1) Interest rates apply only to bonds outstanding at September 30, 2016. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode, or the commercial paper mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2016 and 2015.

(2) Variable rate demand obligations – interest rates ranged from 0.52% to 0.88% at September 30, 2016.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 1.24% at September 30, 2016.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 2.23% to 2.37% at September 30, 2016.

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

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

(7) Revolving Credit Agreement – interest rates were 1.58% at September 30, 2016.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2016 was as follows:

System	Bonds Payable September 30, 2015	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2016	Current Portion of Bonds Payable September 30, 2016
Electric	$ 2,453,300	**$ –**	**$ –**	**$ (93,815)**	**$ 2,359,485**	**$ 96,195**
Bulk Power Supply	116,920	**–**	**–**	**(4,950)**	**111,970**	**6,045**
SJRPP	544,945	**–**	**–**	**(50,945)**	**494,000**	**43,785**
Water and Sewer	1,679,695	**–**	**–**	**(36,180)**	**1,643,515**	**33,875**
DES	41,360	**–**	**–**	**(1,610)**	**39,750**	**1,625**
Total	$ 4,836,220	**$ –**	**$ –**	**$ (187,500)**	**$ 4,648,720**	**$ 181,525**

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

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

The debt service to maturity on the outstanding debt (excluding short-term bank borrowings) as of September 30, 2016 is summarized as follows:

Fiscal Year Ending	Electric System		Bulk Power Supply System		SJRPP	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 96,195	$ 40,037	$ 6,045	$ 2,357	$ 43,785	$ 10,657
2017	89,955	76,561	5,205	4,474	41,330	19,141
2018	93,685	72,882	5,710	4,233	40,715	17,252
2019	95,215	68,635	6,150	3,959	52,940	15,292
2020	89,945	64,350	6,975	3,716	54,245	12,894
2021–2025	472,290	267,351	30,875	15,036	88,095	43,734
2026–2030	532,075	187,776	26,025	9,247	86,175	27,652
2031–2035	528,550	115,561	13,830	4,036	56,725	13,463
2036–2040	335,835	34,196	11,155	973	29,990	2,651
2041–2045	25,740	3,037	–	–	–	–
Total	$ 2,359,485	$ 930,386	$ 111,970	$ 48,031	$ 494,000	$ 162,736

Fiscal Year Ending	Water and Sewer System		District Energy System		Total Debt
September 30	Principal	Interest	Principal	Interest	Service[(1)(2)(3)]
2016	$ 33,875	$ 31,535	$ 1,625	$ 699	$ 266,810
2017	51,020	61,358	1,640	1,382	352,066
2018	51,720	59,429	1,660	1,359	348,645
2019	54,705	57,314	1,690	1,330	357,230
2020	57,410	55,228	1,725	1,296	347,784
2021–2025	303,605	242,251	9,380	5,729	1,478,346
2026–2030	293,665	179,663	11,200	3,908	1,357,386
2031–2035	329,695	119,188	10,830	1,256	1,193,134
2036–2040	373,130	55,730	–	–	843,660
2041–2045	94,690	6,136	–	–	129,603
Total	$ 1,643,515	$ 867,832	$ 39,750	$ 16,959	$ 6,674,664

(1) Includes debt service accrued from October 1 through September 30 of the corresponding fiscal year, except for fiscal year 2016 which excludes payments made during the fiscal year.

(2) Interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2016.

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

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

JEA did not issue debt during fiscal year 2016. The JEA Board has authorized the issuance of additional refunding bonds within certain parameters for the Electric System, SJRPP, and Water and Sewer System. The following table summarizes the maximum amounts that could be issued:

	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

8. Long-Term Debt (continued)

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System variable rate debt obligations (VRDOs) appearing in the schedule of outstanding indebtedness, except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligations. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2016, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin making equal semiannual installments over an approximate five year period. The current commitment fees range from approximately 0.3 percent to 0.5 percent with stated termination dates ranging from May 10, 2017 to July 29, 2018, unless otherwise extended.

JEA entered into an irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2016, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The current commitment fee is approximately 0.5 percent with a stated expiration date of December 2, 2018, unless otherwise extended.

JEA has entered into continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, Series Three 2008B-4, and Series Three 2008D-1 (collectively, the Direct Purchased Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchased Bonds for purchase for a period specified in the respective continuing covenant agreements, which period would be subject to renewal under certain conditions. Any Direct Purchased Bond that was not purchased from such bank on the scheduled mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such scheduled mandatory tender date. Upon any such tender for payment, the Direct Purchased Bond so tendered would be due and payable immediately. The current expiration date of the continuing covenant agreements is September 17, 2018, unless otherwise extended. The interest rate is variable and is set monthly based upon the SIFMA plus 40 basis points.

8. Long-Term Debt (continued)

Short-Term Bank Borrowings

As of September 30, 2016, JEA has a revolving credit agreement with a commercial bank for an unsecured amount of $300,000. This agreement became effective on December 17, 2015 when JEA terminated the prior two revolving credit agreements with a total available amount of $300,000 with two commercial banks. The revolving credit agreement may be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES and for operating or capital expenditures.

During fiscal year 2016, the revolving credit agreement was drawn upon by the Water and Sewer System in the amount of $3,000 and remains outstanding as of September 30, 2016, with $297,000 available to be drawn. There was no activity under the prior two revolving credit agreements for fiscal year 2015.

The revolving credit agreement is scheduled to expire on December 17, 2018.

Debt Management Strategy

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

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

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2016 are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	**$ 174,000**	**$ 84,800**	3.70%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.40%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	**116,425**	**86,375**	3.70%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.70%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.90%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.80%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	**38,730**	**38,730**	3.9–4.1%	Oct 2006	Oct 2016-2022	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.90%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	**$ 531,605**				

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	3.70%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.40%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	86,725	3.70%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.70%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.90%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.80%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9–4.1%	Oct 2006	Oct 2016-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.90%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	$ 531,955				

The following table includes fiscal year 2016 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2016		
System	**Classification**	**Amount**	**Classification**	**Amount[(1)]**	**Notional**
Electric	Deferred outflows	**$ 25,408**	Fair value of debt management strategy instruments	**$ (145,808)**	**$ 407,585**
Water and Sewer	Deferred outflows	**7,637**	Fair value of debt management strategy instruments	**(35,986)**	**124,020**
Total		**$ 33,045**		**$ (181,794)**	**$ 531,605**

(1) Fair value amounts were calculated using market rates as of September 30, 2016 and standard cash flow present valuing techniques.

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

	Changes in Fair Value		Fair Value at September 30, 2015		
System	**Classification**	**Amount**	**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.

For fiscal years ended September 30, 2016 and 2015, the weighted-average rates of interest for each index type of floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

	2016	2015
68% of LIBOR Index:		
Notional amount outstanding	**$ 210,350**	$ 210,700
Variable rate received (weighted average)	**0.30%**	0.10%
Fixed rate paid (weighted average)	**3.70%**	3.70%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 282,525**	$ 282,525
Variable rate received (weighted average)	**0.30%**	0.10%
Fixed rate paid (weighted average)	**4.00%**	4.00%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**1.70%**	1.90%
Fixed rate paid (weighted average)	**4.00%**	4.00%
Net debt management swap loss	**$ (18,732)**	$ (19,581)

(Dollars in Thousands)

8. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2016:

Electric System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2016	$ 375	$ 307	$ 1,142	$ 1,824
2017	400	3,665	12,957	17,022
2018	400	3,661	12,945	17,006
2019	425	3,658	12,934	17,017
2020	3,200	3,654	12,921	19,775
2021–2025	45,095	17,695	62,683	125,473
2026–2030	160,355	13,535	48,018	221,908
2031–2035	117,495	6,220	22,191	145,906
2036–2040	79,840	1,371	5,182	86,393
Total	$ 407,585	$ 53,766	$ 190,973	$ 652,324

Water and Sewer System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2016	$ 4,105	$ 505	$ 551	$ 5,161
2017	4,255	1,403	3,304	8,962
2018	5,520	1,304	3,233	10,057
2019	5,740	1,176	3,141	10,057
2020	9,195	1,042	3,046	13,283
2021–2025	22,895	3,247	13,484	39,626
2026–2030	6,045	2,402	10,968	19,415
2031–2035	13,280	2,189	10,001	25,470
2036–2040	41,900	1,373	6,268	49,541
2041–2045	11,085	78	354	11,517
Total	$ 124,020	$ 14,719	$ 54,350	$ 193,089

[1] Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2016. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2016.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Credit Risk – JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) AAA by one or more nationally recognized rating agencies at the time of execution, (ii) AA-/Aa3 or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated AA-/Aa3 or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least A/A2 or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below AA-/Aa3 and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2016 were in a liability position. Therefore, if counterparties failed to perform as contracted, JEA would not be subject to any credit risk exposure at September 30, 2016.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2016 are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A3/A	$ 184,285
Goldman Sachs Mitsui Marine Derivative Products	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/AA-	125,550
Merrill Lynch Derivative Products AG	BBB+/Baa1/A	85,290
Total		$ 531,605

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

Basis Risk – JEA is exposed to basis risk on certain pay-fixed interest rate swap hedging derivative instruments, because the variable-rate payments received on certain hedging derivative instruments are based on a rate or index other than interest rates that JEA pays on its hedged variable-rate debt, which is reset every one or seven days. As of September 30, 2016, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.97%, while the SIFMA swap index rate is 0.84% and 68% of LIBOR is 0.36%.

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

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

9. Transactions with City of Jacksonville

Utility and Administrative Services

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

Fiscal Year	Revenues	Expenses
2016	**$ 38,379**	**$ 5,985**
2015	37,743	5,152

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City. Fiscal year 2016 is the final year of an eight-year agreement. The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 5.5 mills per kilowatt hour delivered by JEA to retail users in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum average increase of $2,500 per year through 2016 using 2008 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

9. Transactions with City of Jacksonville (continued)

On March 22, 2016, the City of Jacksonville and JEA entered into a five-year agreement which established the contribution formula for the fiscal years 2017 through 2021 and required an additional one-time contribution of $15,000 during fiscal year 2016. Beginning with fiscal year 2017, the JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 7.468 mills per kilowatt hour delivered by JEA to retail users in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. Beginning with fiscal year 2017, the JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 389.2 mills per thousand gallons of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum increase of 1% per year through 2021, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

The contribution from the JEA Electric Enterprise Fund for fiscal years 2016 and 2015 amounted to $103,720 and $90,109. The contribution from the JEA Water and Sewer Fund for fiscal years 2016 and 2015 amounted to $25,467 and $21,579.

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

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2016, JEA recorded $28,524 and $10,401 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses. For the year ended September 30, 2015, JEA recorded $29,342 and $10,070 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

(Dollars in Thousands)

9. Transactions with City of Jacksonville (continued)

Insurance Risk Pool

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

JEA has excess coverage for individual workers' compensation claims above $1,200. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis, depending on the claims experience of JEA and other participants in the City's self-insurance program. The liabilities are based on the estimated ultimate cost of settling the claim including the effects of inflation and other societal and economic factors. The JEA workers' compensation expense is the premium charged by the City's self-insurance plan. Workers' compensation premium expense in 2016 amounted to $1,571. The workers' compensation premium credit balance in 2015 amounted to $952, which included a refund of prior year credits in the amount of $2,377. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $2,132 and $1,816 for the years ended September 30, 2016 and 2015. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

The following table shows the estimated workers' compensation and general liability loss accruals for the City and JEA's portion for the fiscal years ended September 30, 2016 and 2015. The amounts are recorded at present value using a 4% discount rate for the fiscal year ended September 30, 2016 and a 4% discount rate for the fiscal year ended September 30, 2015.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	$ 89,343	$ 3,366	$ 18,118	$ 1,967
Change in provision	22,165	1,107	5,881	1,241
Payments	(20,635)	(1,448)	(6,867)	(971)
Ending balance	$ 90,873	$ 3,025	$ 17,132	$ 2,237

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for the majority of the coal requirements for SJRPP and Scherer Unit 4 through calendar year 2017 while maintaining flexibility to switch to natural gas. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts.

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. From time to time, JEA purchases portions of its coal supply for SJRPP from domestic suppliers and takes delivery at the mine. In these instances, JEA contracts with CSX for rail transportation from the mine to the SJRPP plant. JEA currently has a rail transportation commitment with CSX for delivery to SJRPP through calendar year 2016. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends the rail contract through calendar year 2028. Georgia Power has also entered into an agreement with the Norfolk Southern Railway Company (NS) that extends through December 31, 2019.

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with Shell Energy North America L.P. (Shell Energy) that expires in 2021. Contract terms for the natural gas specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition to the gas delivered by Shell Energy, JEA currently has long-term contracts with Florida Gas Transmission Company (FGT) for firm gas transportation capacity to allow delivery of gas through the FGT system and an additional option from Peoples Gas System for a seasonal release of firm gas transportation capacity on Southern Natural Gas Company, LLC and FGT. JEA has also made a commitment for firm gas transportation capacity with Southern Natural Gas Company, LLC that is expected to be available on December 1, 2016.

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by remarketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate, including the projected effects of inflation for coal purchase commitments of SJRPP (at JEA's 80% ownership interest) and the Bulk Power Supply System and future estimated fixed charges for electric generating capacity entitlement and transmission, including the projected effects of inflation for JEA, appear in the table below:

Year Ending	Coal and Pet Coke		Natural Gas		Residual		
September 30	Fuel	Transport	Fuel	Transport	Oil	Transmission	Total
2017	$ 41,221	$ 13,384	$ 3,340	$ 2,227	$ 13,426	$ 5,695	$ 79,293
2018	13,085	3,273	3,340	2,228	–	5,848	27,774
2019	–	–	3,340	2,227	–	6,004	11,571
2020	–	–	3,349	2,233	–	6,165	11,747
2021	–	–	1,382	921	–	6,330	8,633
2022-2041	–	–	–	–	–	169,043	169,043

10. Fuel Purchase and Purchased Power Commitments (continued)

Vogtle Units Purchase Power Agreement

The JEA Board established a target of up to 30% of JEA's energy requirements to be met with nuclear energy by 2030. As a result of those efforts, JEA entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with the Municipal Electric Authority of Georgia (MEAG Power) for 206 megawatt (MW) of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) under construction at Plant Vogtle. The 206 MW is projected to represent approximately 13% of JEA's total energy requirements in the year 2021.

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

Three separate "projects" were created by MEAG Power for the purpose of owning and financing its 22.7% ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). MEAG Power currently estimates that total in-service cost for its entire ownership interest in the Additional Vogtle Units, including construction costs, financing costs and contingencies, initial fuel load costs, and switchyard and transmission costs, will be approximately $4,700,000, of which approximately $2,002,000 is allocable to the project (referred to herein as Project J) from which the capacity and energy will be sold to JEA under the Additional Vogtle Units PPA.

In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG Power, MEAG Power issued $1,248,435 of its Plant Vogtle Units 3 and 4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. These bonds were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG Power expects to receive a cash subsidy payment from the United States Department of the Treasury for 35% of the related interest.

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

10. Fuel Purchase and Purchased Power Commitments (continued)

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

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

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

MEAG Power, based upon information provided to it by its agent, Georgia Power, has advised JEA that the current schedule in service targets for the Additional Vogtle Units are June 2019 and June 2020. Georgia Power has also advised MEAG Power that, as construction continues, the risk remains that ongoing challenges with contractor performance or other issues could arise and may further impact project schedule and cost. While Georgia Power has advised that it expects the contractor to employ mitigation efforts to maintain the current project schedule and believes that the contractor is responsible for any related costs, Georgia Power has also advised that the contractor performance and progress in recent months on the assembly and installation of shield building and structural modules have resulted in additional schedule pressure.

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

> On December 31, 2015, Westinghouse and the Co-owners entered into a settlement agreement to resolve certain disputes between the Co-owners and the Contractor under the EPC Agreement, which were dismissed with prejudice on January 5, 2016. Further, as part of the settlement: (i) Westinghouse has engaged Fluor Enterprises, Inc., a subsidiary of Fluor Corporation, as a new construction subcontractor; and (ii) the Vogtle Owners, CB&I, and The Shaw Group Inc. have entered into mutual releases of any and all claims arising out of events or circumstances in connection with the construction of Plant Vogtle Units 3 and 4 that occurred on or before the date of the Contractor Settlement Agreement. The Project J share of the settlement cost is approximately $71,000.
>
> Future claims by the Contractor or Georgia Power, on behalf of the Co-owners, could arise throughout construction. These claims may be resolved through formal and informal dispute resolution procedures under the EPC Agreement and, under the resolution procedures, may be resolved through litigation after the completion of nuclear fuel load for both units.

10. Fuel Purchase and Purchased Power Commitments (continued)

Processes have been implemented that are designed to assure compliance with the design requirements specified in the DCD and the COLs, including rigorous inspections by Southern Nuclear and the NRC that occur throughout construction. Various design and other issues are expected to arise as construction proceeds, which may result in license amendments or require other resolution. If any license amendment requests are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Owners, the Contractor, or both.

Option to Purchase Interest in Lee Nuclear Station

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project is currently planned to have 2,234 MW of electric generating capacity with a projected online date of 2026 with respect to Unit 1 and 2028 with respect to Unit 2. The total cost of the option was $7,500, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA's exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The Lee Project COL is expected in late 2016. There is currently no schedule for negotiating an EPC agreement.

Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and if it does exercise the option, it must upon such exercise specify the percentage undivided ownership interest in the Lee Project that it will acquire.

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

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

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Jacksonville Solar

In 2009, JEA entered into a 30 year purchase power agreement with Jacksonville Solar, LLC for the produced energy, as well as the associated environmental attributes, from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and generated approximately 20,877 MWh of electricity in 2016 and 20,781 MWh of electricity in 2015. JEA pays only for the energy produced. Purchases of energy for the fiscal years 2016 and 2015 were $3,865 and $3,741.

Additional Solar

As part of JEA's continued commitment to the environment and to increase JEA's level of carbon-free renewable energy generation, in December 2014, the Board established a solar policy to add up to 38 MW of solar photovoltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Six PPAs, representing a total of 26 MW have been finalized. One PPA is still being negotiated. Another PPA, to be sited on United States Navy (Navy) property, will be finalized after lease terms with the Navy are finalized. One other PPA, which had been finalized, was terminated due to the failure of the awardee (SunEdison) to establish site control within the time allowed by the contract. The solar PPAs are distributed around JEA's service territory. Projects are scheduled for completion in 2017.

Trail Ridge Landfill

JEA purchases energy from two landfill gas-to-energy facilities through PPA agreements with Landfill Energy Systems (LES). Each agreement is for 9.6 MW. Currently, JEA purchases 9.6 MW from Trail Ridge Landfill in Jacksonville, FL and 6.4 MW from Sarasota Landfill in Sarasota, FL. LES can supply the remaining 3.2 MW from Sarasota if it is expanded and becomes available. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville. This facility came online in January 2015. Purchases of energy for the fiscal years 2016 and 2015 were $3,724 and $3,795.

11. Energy Market Risk Management Program

The energy market risk program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. Given reduced volatility in natural gas prices and limited need for oil during fiscal years 2016 and 2015, JEA's use of financial transactions to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected natural gas requirements.

(Dollars in Thousands)

11. Energy Market Risk Management Program (continued)

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

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

JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. Deferred charges of $1,134 were included in deferred outflows of resources on the statements of net position at September 30, 2016 and $3,754 at 2015. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position. For the years ended September 30, 2016 and 2015, there were realized losses included in fuel expense of $3,842 in 2016 and $0 in 2015.

The following is a summary of JEA's derivative positions:

Electric Enterprise Fund Cash Flow Hedges	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at September 30, 2016 Classification	Fair Value at September 30, 2016 Amount	Notional*
Natural Gas	Deferred outflows	**$ 1,134**	Liability	**$ 1,134**	**$ -**

Electric Enterprise Fund Cash Flow Hedges	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at September 30, 2015 Classification	Fair Value at September 30, 2015 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 GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative. GERP, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida Statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the 2015 Comprehensive Annual Financial Report of the City. This report may be obtained at http://www.coj.net/getattachment/Departments/Finance/Accounting/Comprehensive-Annual-Financial-Reports/City-of-Jacksonville-2015-CAFR-sec.pdf.aspx or by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418.

The passing of a referendum in August 2016 began the first phase of pension reform for the City of Jacksonville. The referendum provided for a dedicated funding source for the GERP, Corrections Officers Plan, and Police and Fire Pension Plan through the extension of the Better Jacksonville Plan half-cent sales tax. The surtax will remain in effect until the earlier of December 31, 2060 or when it is determined by the most recent actuarial report to the Florida Department of Management Services that the funding level of each of the City's three defined benefit retirement plans, which are funded by the surtax, is expected to reach or exceed 100%.

In order for a plan to benefit from the sales tax revenue, it must be closed to new employees. Once the plan is closed to new employees, an additional contribution of 2% will be required from employees for a total of a 10% contribution. Current employees who participate in the defined benefit plan will continue to participate in the plan with no changes in benefits.

Approval of the plan closure and new employee contribution must be agreed to in a collective bargaining process. JEA and the City have started the process of collective bargaining with the bargaining units.

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

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

12. Pension Plans (continued)

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

Contributions – Florida law requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. In fiscal years 2016 and 2015, JEA plan members were required to contribute 8% of their annual covered salary and JEA's contribution of the covered payroll for the JEA plan members was $43,156 (33.48%) in 2016 and $40,179 (31.98%) in 2015. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Defined Contribution Plan

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

In fiscal years 2016 and 2015, JEA plan members of the defined contribution plan were required to contribute 8% of their annual covered salary. JEA's contribution for the members of the defined contribution plan was $920 (8%) in 2016 and $729 (8%) in 2015.

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

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

Net Pension Liability – JEA's net pension liability at September 30, 2016 and September 30, 2015 was measured based on an actuarial valuation as of September 30, 2015 and September 30, 2014, respectively. JEA's allocated share of the net pension liability is $480,353 (49.15%) as of September 30, 2016 based on an allocation proportional to the actual contributions paid during the year ended September 30, 2015. JEA's allocated share of the net pension liability as of September 30, 2015 is $404,466 (48.85%) based on an allocation proportional to the present value of future benefits calculated under the actuarial assumptions used to determine contribution requirements.

(Dollars in Thousands)

12. Pension Plans (continued)

For the years ended September 30, 2016 and 2015, JEA's recognized pension expense is $57,217 and $39,645, respectively. JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30 2016	2015
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ 50,257**	$ –
Employer contributions subsequent to the measurement date	**43,156**	40,179
Changes in assumptions	**29,940**	39,676
Changes in proportion	**1,925**	–
Total	**$ 125,278**	$ 79,855
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ –**	$ (24,867)
Changes in assumptions	**(7,095)**	–
Differences between expected and actual experience	**(3,461)**	(2,093)
Total	**$ (10,556)**	$ (26,960)

Contributions of $43,156 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2015 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	**Recognition of Deferred Outflows (Inflows)**
2017	$ 18,691
2018	18,691
2019	18,691
2020	15,493
Total	$ 71,566

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00%-6.00%, of which 2.75% is the Plan's long-term payroll inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Pre-retirement mortality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forth four years, projected generationally with Scale MP-2015

The actuarial assumptions used in the valuations were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2014. An update of the mortality projection scale was made in 2015 from MP-2014 to MP-2015.

(Dollars in Thousands)

12. Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table. The long-term expected real rates of return are based on 20 year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.34%
International equity	20%	7.04%
Fixed income	19%	1.34%
Real estate	25%	4.14%
Cash	1%	0.74%
	100%	

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

(Dollars in Thousands)

12. Pension Plans (continued)

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

	JEA's Proportionate Share of Net Pension Liability	
	2016	**2015**
1% decrease (6.5%)	**$ 634,471**	$ 558,272
Current discount rate (7.5%)	**480,353**	404,466
1% increase (8.5%)	**351,381**	276,111

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the 2015 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

St. Johns River Power Park Plan Description

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

The SJRPP Plan periodically issues stand-alone audited financial statements, with the most recent report issued for the year ended September 30, 2015. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

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

(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 biweekly to commence upon the first payday coincident with or next payday following the member's actual retirement and will continue until death.

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

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

Employees Covered by Benefit Terms – At September 30, 2016 and September 30, 2015, the following employees were covered by the benefit terms:

	2016	**2015**
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	**273**	258
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	**52**	52
Active Plan Members	**226**	240
Total Plan Members	**551**	550

Contributions – The SJRPP Plan's funding policy provides for 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. In fiscal years 2016 and 2015, SJRPP plan members were required to contribute 4% of their annual covered salary and SJRPP employer's contribution to the SJRPP Plan was $2,771 (17.77%) in 2016 and $3,509 (17.94%) in 2015.

(Dollars in Thousands)

12. Pension Plans (continued)

Net Pension Liability – SJRPP's net pension liability at September 30, 2016 and September 30, 2015 was measured based on an actuarial valuation as of September 30, 2015 and September 30, 2014, respectively.

Actuarial Assumptions – The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the October 1, 2015 valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued. An update of the mortality projection scale was made in 2015 from RP2000 with generation projections applied from year 2000 using projection scale AA to projection scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Rate of Return**
Domestic Equity	47%	7.99%
Fixed Income	45%	2.50%
International Equity	8%	6.90%
Total	100%	

(Dollars in Thousands)

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 7%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the SJRPP Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of SJRPP, calculated using a discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	2016	2015
1% decrease (6%)	**$ 32,982**	$ 21,053
Current discount rate (7%)	**16,241**	5,204
1% increase (8%)	**1,928**	(8,424)

The changes in the net pension liability are detailed below.

	2016	2015
Total pension liability		
Beginning balance	**$ 150,629**	$ 146,521
Service cost	**1,275**	1,470
Interest on the total pension liability	**10,271**	10,026
Difference between expected and actual experience	**3,316**	2,121
Benefit payments	**(10,348)**	(9,509)
Ending balance	**155,143**	150,629
Plan fiduciary net position		
Beginning balance	**145,425**	135,019
Employer contributions	**3,509**	5,559
Employee contributions	**648**	655
Pension plan net investment income	**(266)**	13,763
Benefit payments	**(10,348)**	(9,509)
Pension plan administrative expense	**(66)**	(62)
Ending balance	**138,902**	145,425
Net pension liability	**$ 16,241**	$ 5,204

(Dollars in Thousands)

12. Pension Plans (continued)

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

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

For the years ended September 30, 2016 and 2015, SJRPP recognized pension expense is $3,402 and $1,170, respectively. The SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30 2016	2015
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments		
Employer contributions subsequent to the measurement date	**$ 8,181**	$ –
Differences between expected and actual experience	**2,771**	3,509
Changes in assumptions	**1,148**	1,635
Total	**2,563**	–
	$ 14,663	$ 5,144
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ (2,657)**	$ (3,543)
Total	**$ (2,657)**	$ (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)
2017	$ 2,400
2018	2,400
2019	2,088
2020	2,347
Total	$ 9,235

(Dollars in Thousands)

13. Health Insurance Programs

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

The changes in the self-insurance reserves for the years ended September 30, 2016 and 2015 are as follows:

	Medical and Prescription Benefits Liability
Balance at September 30, 2014	$ 10,749
Contributions	31,810
Incurred claims	(31,622)
Balance at September 30, 2015	**10,937**
Contributions	**34,266**
Incurred claims	**(34,024)**
Balance at September 30, 2016	**$ 11,179**

14. Other Postemployment Benefits

Plan Description

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

As of October 1, 2015 (the actuarial valuation date), the OPEB Plan had approximately 2,073 active participants and 590 retirees receiving benefits. JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

An actuarial rollforward for September 30, 2016 was used to make various adjustments to the results of an actuarial valuation previously performed on October 1, 2015.

(Dollars in Thousands)

14. Other Postemployment Benefits (continued)

Funding Policy

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

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

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

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ended September 30	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation (Asset)
2016	$5,064	$7,738	152.81%	$(2,806)
2015	4,978	7,255	145.75%	(131)
2014	4,800	4,382	91.29%	2,146

*Implicit premiums paid by JEA.

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB Plan, and the changes in the net OPEB obligation (asset) to JEA as of September 30, 2016 and 2015. In the statements of net position, the net OPEB asset in fiscal year 2016 is recorded in other assets and the net OPEB obligation in fiscal year 2015 is recorded in other liabilities.

	September 30	
	2016	**2015**
Annual required contribution (ARC)	**$ 5,061**	$ 5,011
Interest on OPEB plan obligation	**(9)**	150
Adjustment to ARC	**12**	(183)
Annual OPEB plan retiree cost*	**5,064**	4,978
OPEB plan obligation (asset) at beginning of year	**$ (131)**	$ 2,146
Contributions made	**(7,739)**	(7,255)
OPEB plan asset at end of year	**$ (2,806)**	$ (131)

*Implicit additional premiums paid by JEA.

14. Other Postemployment Benefits (continued)

Funded Status

As of October 1, 2015, the most recent valuation date, the OPEB Plan was 29.03% funded. The actuarial accrued liability for benefits was $62,554 and the actuarial value of assets was $18,156, resulting in an unfunded actuarial accrued liability (UAAL) of $44,397. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $150,073 and the ratio of the UAAL to the covered payroll was 29.58%.

Actuarial Cost Method and Assumptions

Annual requirements are determined in accordance with the actuarial assumptions and the Individual Entry Age Actuarial Cost Method. Under this method, the UAAL is amortized in a closed amortization, calculated as a level percent of payroll over a 13-year period. The actuarial assumptions include a 7.0% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB Plan will be funded through a separately invested trust fund. The asset valuation method used to determine the actuarial value of the assets was the market value of the investments held in trust. The medical trend rates were assumed to decline over a 24-year period from 7.0% assumed for the year 2017 to the ultimate level of 4.24% before reflecting the ACA Excise Tax.

The assumed rate of payroll growth is 3.5%. The discount rate and salary rates include a general price inflation rate of 2.5%.

Amortizations were assumed to begin on October 1, 2015 and to continue monthly for the 13 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 13 years.

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

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

15. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For JEA, this statement applies to certain investments, interest rate swap agreements, and natural gas cash flow hedges.

JEA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

Investments

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). Certain U.S. Treasury and government agency securities and commercial paper are measured at cost in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

(Dollars in Thousands)

15. Fair Value Measurements (continued)

	2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
U.S. Treasury and government agency securities	**$ 438,655**	**$ 438,655**	**$ –**	**$ –**
State and local government securities	**299,770**	**77,925**	**221,845**	**–**
Total investments by fair value level	**$ 738,425**	**$ 516,580**	**$ 221,845**	**$ –**
Investments measured at NAV				
Money market mutual funds	**138,533**			
Total investments measured at fair value	**876,958**			
Investments measured at cost				
U.S. Treasury and government agency securities	**143,560**			
Commercial paper	**252,454**			
Total investments by cost	**396,014**			
Total investments per statement of net position	**$ 1,272,972**			

	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
U.S. Treasury and government agency securities	$ 476,839	$ 221,948	$ 254,891	$ –
State and local government securities	285,590	66,479	219,111	–
Total investments by fair value level	$ 762,429	$ 288,427	$ 474,002	$ –
Investments measured at NAV				
Money market mutual funds	108,056			
Total investments measured at fair value	870,485			
Investments measured at cost				
U.S. Treasury and government agency securities	54,913			
Commercial paper	161,169			
Total investments by cost	216,082			
Total investments per statement of net position	$ 1,086,567			

(Dollars in Thousands)

15. Fair Value Measurements (continued)

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2016 and 2015 and standard cash flow present valuing techniques, which places them at Level 2 in the fair value hierarchy. The agreements are recorded at fair value as part of long-term debt in the statements of net position. The fair value of the interest rate swap agreements are detailed below.

	2016	2015
Electric	**$ (145,808)**	$ (120,400)
Water and Sewer	**(35,986)**	(28,349)
Total	**(181,794)**	(148,749)

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consist of call and put options. These hedges are valued using prices observed on commodities exchanges and/or through the use of industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which places them at Level 3 in the fair value hierarchy. The fair market value changes in the hedges are recorded on a net basis in the statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2016 and 2015, deferred charges of $1,134 and $3,754 were included in deferred outflows of resources on the statements of net position, respectively.

16. Commitments and Contingent Liabilities

Grants

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

Regulatory Initiatives

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

16. Commitments and Contingent Liabilities (continued)

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

- The Final Clean Power Plan (CPP), applicable to existing fossil fuel-fired electric EGUs.
- The Final Carbon Pollution Standards Rule, applicable to new, modified and reconstructed fossil fuel-fired EGUs.
- The Proposed Federal Plan applicable to states that fail to submit an approvable plan that achieves CPP goals.

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

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

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

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

The ultimate impact on JEA from the rule will be influenced by: 1) the requirement to finalize state goals and adopt state plans subject to EPA approval; and 2) the uncertainty as to how the Florida and Georgia (with respect to Scherer Unit 4 and Plant Vogtle) plans would ultimately affect JEA.

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. The stay will remain in effect pending SCOTUS review, if such review is sought. The stay does not rule on the CPP but, for the time being, pauses the need for state agencies and the regulated industry to begin initial implementation of the rule (including submitting an Initial Plan to comply with CPP). In order for the stay to be granted, the court had to determine both that, unless there was a stay, the petitioner's interests would be significantly harmed and that there was some possibility that the petitioner's would prevail in their challenge. The resolution of the legal challenges at the U.S. Court of Appeals for the District of Columbia Circuit (DCA) and potential subsequent challenges may also change JEA's obligations under the CPP. The timeline for the litigation to be concluded is uncertain and some of the rule's compliance deadlines have already been transgressed. An ultimate ruling from SCOTUS on the CPP is not anticipated before the summer of 2018.

16. Commitments and Contingent Liabilities (continued)

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act, because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter ($PM_{2.5}$), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO2 and NOx emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of $PM_{2.5}$ and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NOx emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule. However, the EPA has made known that it is in the early stages of developing a supplemental rule (CSAPR Update II) to address the 2015 ozone and $PM_{2.5}$ NAAQS. It is possible that the CSAPR Update II may mandate deeper emission reductions and an expansion of the geographic area for regulation, possibly to again include Florida. The EPA has not established a rulemaking schedule for the CSAPR Update II. Consequently, JEA is not able to estimate any impacts from the CSAPR Update II.

On December 21, 2011, the EPA issued its Mercury and Air Toxics Standards (MATS) rule, setting forth maximum achievable control technology (MACT) standards for coal and oil generating stations. The new standards regulate four categories of hazardous air pollutants (HAPS) emitted by coal- or oil-fired EGUs, namely mercury, HAP metals, acid gases, and organic HAP.

The compliance deadline for affected sources to have all necessary pollution controls installed was April 2015. JEA's units that are regulated under MATS are in compliance with all rule requirements.

In April 2015, the EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015 and establishes technical requirements for surface impoundments and landfills. The rule will require protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, will be enforced only by citizen-initiated lawsuits, rather than by the EPA. However, there is legislation pending in Congress that: 1) converts the rule from being "self-implementing" to a permit program the states would have primary responsibility to administer; and, 2) provides states with the flexibility to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements.

16. Commitments and Contingent Liabilities (continued)

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of CCRs at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. The dry solid waste byproduct area at SJRPP (Area B) will be required to be lined commencing with the expansion of Area B, which is not expected for at least the next five years. The currently operating cell within Area B does not have to be lined, but must comply with the operating and monitoring requirements of the rule. SJRPP's two closed byproduct storage areas (Areas 1 and 2) are not affected by this rule. SJRPP has no regulated surface impoundments. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities has yet to be determined.

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

On November 22, 2010, the EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for the EPA to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. The EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems.

With few changes to the proposed rule, the EPA published the final rule in the Federal Register in August 2015. The new standards will not affect any JEA facilities other than NGS. NGS is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries, or oceans to cool their plants. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA) to improvements to the existing screening facilities or installation of cooling towers. A full two-year biological study is required to evaluate site-specific conditions and form a basis for assessing BTA and is expected to commence in 2018. Estimated final compliance deadlines are not expected until after 2024 and will depend on the level of upgrade ultimately required. Accordingly, costs of compliance have not been determined for NGS and are not included in JEA's capital program for the Electric System.

16. Commitments and Contingent Liabilities (continued)

On September 30, 2015, the EPA issued the Effluent Limitation Guidelines for Steam Electric Power Plants. In setting the new and more stringent standards, the EPA evaluated the technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in as soon as possible on or after November 1, 2018, but not later than December 31, 2023. The costs of compliance have been evaluated and are included in JEA's five year capital program for the Electric System.

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

Wastewater Treatment System Regulatory Initiatives – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities. By virtue of exceeding its own regulatory obligation, JEA has generated nutrient reduction credits and has assisted the City in meeting a portion of their Municipal Separate Storm System nutrient requirements by transferring 33.44 short tons per year. This was recognized in JEA's annual contribution agreement negotiated in 2016. In 2013, both the FDEP and EPA reaffirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL.

16. Commitments and Contingent Liabilities (continued)

Pollution Remediation Obligations

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities, the liability is estimated to be $18,556 at September 30, 2016 and is included in other noncurrent liabilities in the statements of net position. The accrual is related to the following environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; Southside Generating Station Brownfield site, Northside Generating Station fuel oil tank farm, Northside Generating Station RCRA Corrective Action program; and remediation at a number of miscellaneous petroleum sites. Of the $18,556 that JEA has accrued as environmental liabilities, approximately $13,836 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain and no accurate prediction of range of loss is possible at this time: WSSC PCB Issue, Pickettville Road Landfill CERCLA site post-closure activities, Devil's Swamp Lake CERCLA site, Ellis Road CERCLA site, and BCX Tanks site. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity.

Northside Generating Station Byproduct

JEA Northside Generating Station (NGS) Units 1 and 2 produce byproducts that consist of fly ash and bed ash. JEA has obtained a permit from FDEP to beneficially use the processed byproduct material in the State of Florida, subject to certain restrictions. These ash products are processed into materials marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA reorganized its byproduct services to include the material handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of railcars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb is currently being transported by truck and rail to leachate solidification and environmental remediation/stabilization projects in several southeastern states.

The Byproducts Storage Area is an FDEP permitted, Class I lined storage facility at NGS. JEA received a new 20 year permit effective May 4, 2015.

16. Commitments and Contingent Liabilities (continued)

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff is suing multiple defendants seeking damages allegedly resulting from construction defects at The Promenade, a retail shopping mall in D'Iberville, Mississippi. Plaintiff amended the complaint in April 2010 to add JEA as a defendant on various product liability theories, claiming that JEA's ash byproduct was allegedly incorporated as a component of the product of another party defendant and used by other party defendants at the subject project. Plaintiff seeks injunctive relief, to remediate the site, and damages. Multiple third party claims and cross claims were raised and remain pending. JEA believes it has good and meritorious defenses in this action and will vigorously defend the case.

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. JEA has spent approximately $27,999 for demolition, disposal, and environmental remediation associated with the site. A portion of the property was offered for sale through a competitive bid process in 2014. JEA received proposals for the purchase of the site in October 2014 and a contract was approved by the JEA Board in January 2015. The contract with the top ranked proposer for $18,590 included a due diligence period of one year for site investigation and government approvals for zoning and development rights. The proposal outlined a mixed-use residential, commercial, office, and retail development mix. The prospective purchaser has obtained approval for development rights for the site and approval of Master Plan Design Guidelines. The JEA Board approved an extension of the contract due diligence period up through November 2017 at its October 2016 meeting. The extension allows time for the prospective purchaser to seek a development agreement with the City and allows JEA and the purchaser to seek resolution for the brownfield agreement responsibilities through the Florida Department of Environmental Protection. Closing would be scheduled 45 days after both approvals are complete or 30 days beyond the November 2017 due diligence period ends.

16. Commitments and Contingent Liabilities (continued)

Interlocal Agreements

JEA was involved in litigation disputes with St. Johns County, Florida and Nassau County, Florida (collectively, Counties), arising from an Interlocal Agreement (Agreement) entered into by the parties in 2001. Under terms of the Agreement, which arose from JEA's purchase of certain water and wastewater facilities in the Counties from third parties, JEA agreed in 2001 to make an up-front payment of 5.0% of the projected gross revenues from JEA's retail water and wastewater sales in each county for the next ten years, reduced to present value, and JEA agreed to do the same for two additional ten year periods of the 30 year Agreement. JEA further agreed at the end of each ten 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 ten year true-up payment to each county in January 2012, together with the net present value payment for 2012-2021. The Counties disagreed with JEA's calculation of the true-up payment and the net present value payment. St. Johns County and JEA have reached an agreed settlement in February 2014, fully resolving the issue. JEA believes it has good and meritorious defenses to Nassau County's claim if the same is pursued.

General Litigation

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

17. Segment Information

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

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer System were $15,718 for fiscal year 2016 and $16,242 for fiscal year 2015. Water and sewer charges to the Electric System were $694 for fiscal year 2016 and $605 for fiscal year 2015.

17. Segment Information (continued)

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was $41,535 for fiscal year 2016 and $41,059 for fiscal year 2015.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System in the amount of $32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were $186 for fiscal year 2016 and $519 for fiscal year 2015.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,284, respectively, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $1,979 for fiscal 2016 and $1,977 for fiscal year 2015.

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

(Dollars in Thousands)

17. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2016 and 2015 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2016	2015	2016	2015	2016	2015	2016	2015
Condensed statements of net position								
Total current assets	$ 666,332	$ 628,739	$ 102,332	$ 121,640	$ 162,734	$ 134,642	$ 4,449	$ 4,324
Total noncurrent assets	663,700	609,005	300,528	302,722	585,255	563,410	4,233	4,914
Net capital assets	2,747,825	2,786,377	522,298	573,473	2,568,243	2,562,458	36,559	37,044
Deferred outflows of resources	304,425	258,170	27,091	24,059	129,991	108,474	211	219
Total assets and deferred outflows of resources	$ 4,382,282	$ 4,282,291	$ 952,249	$ 1,021,894	$ 3,446,223	$ 3,368,984	$ 45,452	$ 46,501
Total current liabilities	$ 122,811	$ 179,706	$ 14,049	$ 23,721	$ 31,528	$ 26,778	$ 158	$ 30
Total current liabilities payable from restricted assets	155,691	160,078	156,447	166,171	94,706	86,573	2,605	2,395
Total noncurrent liabilities	334,959	284,063	14,114	5,492	190,565	167,406	39	57
Total long-term debt	2,583,143	2,676,051	467,060	518,286	1,702,376	1,734,060	38,082	39,702
Total liabilities	3,196,604	3,299,898	651,670	713,670	2,019,175	2,014,817	40,884	42,184
Deferred inflows of resources	353,170	277,158	161,774	174,229	26,001	30,805	–	–
Net investment in capital assets	312,000	236,417	8,834	(20,298)	1,123,294	1,093,349	(3,218)	(4,129)
Restricted net position	297,988	249,329	42,811	61,866	228,247	197,401	3,534	4,209
Unrestricted net position	222,520	219,489	87,160	92,427	49,506	32,612	4,252	4,237
Total net position	832,508	705,235	138,805	133,995	1,401,047	1,323,362	4,568	4,317
Total liabilities, deferred inflows of resources, and net position	$ 4,382,282	$ 4,282,291	$ 952,249	$ 1,021,894	$ 3,446,223	$ 3,368,984	$ 45,452	$ 46,501
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	$ 1,234,189	$ 1,241,737	$ 252,940	$ 289,088	$ 427,750	$ 389,733	$ 8,731	$ 8,778
Depreciation	195,105	189,968	42,754	42,644	142,282	131,588	2,291	2,286
Total operating expenses	735,271	773,098	182,528	216,756	155,043	137,921	4,823	4,928
Operating income	303,813	278,671	27,658	29,688	130,425	120,224	1,617	1,564
Total nonoperating expenses, net	(72,820)	(83,191)	(22,848)	(28,411)	(49,293)	(53,540)	(1,366)	(1,403)
Total contributions	(103,720)	(90,109)	–	–	(3,447)	(1,975)	–	–
Special item	–	34,667	–	–	–	116,823	–	–
Changes in net position	127,273	140,038	4,810	1,277	77,685	181,532	251	161
Net position, beginning of year	705,235	565,197	133,995	132,718	1,323,362	1,141,830	4,317	4,156
Net position, end of year	$ 832,508	$ 705,235	$ 138,805	$ 133,995	$ 1,401,047	$ 1,323,362	$ 4,568	$ 4,317
Condensed statements of cash flow information								
Net cash provided by operating activities	$ 534,172	$ 538,853	$ 64,891	$ 49,965	$ 289,931	$ 286,802	$ 4,841	$ 3,799
Net cash provided by (used in) noncapital and related financing activities	(99,208)	(85,517)	410	408	(22,891)	(19,126)	–	–
Net cash used in capital and related financing activities	(362,269)	(364,663)	(73,039)	(187,379)	(217,161)	(266,176)	(4,595)	(3,860)
Net cash provided by (used in) investing activities	(93,551)	49,974	(2,159)	8,984	(58,544)	34,383	21	5
Net change in cash and cash equivalents	(20,856)	138,647	(9,897)	(128,022)	(8,665)	35,883	267	(56)
Cash and cash equivalents at beginning of year	316,079	177,432	139,918	267,940	171,803	135,920	8,274	8,330
Cash and cash equivalents at end of year	$ 295,223	$ 316,079	$ 130,021	$ 139,918	$ 163,138	$ 171,803	$ 8,541	$ 8,274

18. Subsequent Events

Hurricane Matthew, a Category 2 storm which tracked parallel along the coast of Florida on October 7, 2016, caused extensive damage within the JEA service territory. Damage to JEA property was primarily to the transmission and distribution systems. It is estimated that total costs related to Hurricane Matthew will be approximately $35,000. JEA intends to seek recovery of its hurricane costs through the Federal Emergency Management Agency (FEMA) for those costs not covered by insurance, less an estimated withdrawal from JEA's self-insurance fund of $3,300.

On November 15, 2016, the JEA Board approved an electric rate restructuring, effective December 1, 2016. The action taken by the JEA Board authorized the following:

- A 4.4% base rate increase.
- Addition of an economic stimulus rider for new commercial or industrial customers to locate within the JEA service area.
- A fuel rate decrease.
- Release of excess reserve funds to pay down debt.
- Authorization to refund bonds to implement an accelerated principal repayment schedule.

The authorization to refund bonds authorized the issuance of the Electric System Revenue Bonds, Series Three 2017A and Electric System Subordinated Revenue Bonds, 2017 Series A to finance the refunding of certain Electric System Revenue Bonds and Electric System Subordinated Revenue Bonds with an aggregate principal amount not to exceed $150,000. The expiration date is June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information – Pension
(Dollars in Thousands)

September 30, 2016

Schedules of Required Supplementary Information

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

City of Jacksonville General Employees Retirement Plan

Last Three Fiscal Years*

	2016	2015	2014
Proportional share percentage	**49.15%**	48.85%	48.85%
Net pension liability	**$ 480,353**	$ 404,466	$ 386,789
Covered employee payroll	**$ 127,440**	$ 128,084	$ 129,922
Net pension liability as a percentage of covered employee payroll	**376.92%**	315.78%	297.71%
Plan fiduciary net position as a percentage of the total pension liability	**64.03%**	69.06%	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years*

Year Ended September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
2009	$ 13,280	$ 13,280	$ –	$ 120,727	11.00%
2010	16,257	16,257	–	125,054	13.00%
2011	17,195	17,195	–	132,269	13.00%
2012	22,301	22,301	–	127,434	17.50%
2013	27,038	27,038	–	129,990	20.80%
2014	34,149	34,149	–	122,353	27.91%
2015	40,179	40,179	–	125,656	31.98%
2016	43,156	43,156	–	128,882	33.48%

* These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten 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, 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 1% Annual Increases*
Remaining amortization period	All new bases are amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Actual assumptions:

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

* The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of *Florida Statutes*, an assumption of 1.14% was used for amortization purposes in the October 1, 2015 valuation.

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

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

	2016	2015
Total Pension Liability		
Beginning balance	**$ 150,629**	$ 146,521
Service Cost	**1,275**	1,470
Interest on the Total Pension Liability	**10,271**	10,026
Difference between Expected and Actual Experience	**3,316**	2,121
Benefit Payments	**(10,348)**	(9,509)
Ending balance	**$ 155,143**	$ 150,629
Plan Fiduciary Net Position		
Beginning balance	**145,425**	135,019
Employer Contributions	**3,509**	5,559
Employee Contributions	**648**	655
Pension Plan Net Investment Income	**(266)**	13,763
Benefit Payments	**(10,348)**	(9,509)
Pension Plan Administrative Expense	**(66)**	(62)
Ending balance	**$ 138,902**	$ 145,425
Net Pension Liability – Ending	**16,241**	5,204
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**89.53%**	96.55%
Covered Employee Payroll	**$ 19,553**	$ 21,304
Net Pension Liability as a Percentage of Covered Employee Payroll	**83.06%**	24.43%

* These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten 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 Ended September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
2007	$ 4,181	$ 4,305	$ (124)	$ –	0.00%
2008	10,045	10,081	(36)	–	0.00%
2009	10,239	10,398	(159)	–	0.00%
2010	13,453	13,565	(112)	–	0.00%
2011	8,919	9,028	(109)	–	0.00%
2012	7,995	8,005	(10)	–	0.00%
2013	11,845	11,845	(39)	–	0.00%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	19,553	17.94%
2016	2,050	2,771	(721)	15,590	17.77%

* Covered employee payroll amounts as defined under GASB 68 are not available for fiscal years ended on September 30, 2013 and before. For years ended September 30, 2014 and September 30, 2015, payroll amounts represent total covered-employee payroll as defined in GASB 68. Beginning with the year ended September 30, 2016, reported payroll represents covered payroll (the payroll on which contributions to a pension plan are based) per GASB 82. This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten 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
Notes	Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

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

Other information:

Notes	There were no benefit changes during the year.

JEA

Required Supplementary Information – OPEB

(Dollars in Thousands)

Schedule of Funding Progress

The following funding schedule presents multiyear trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2016. The schedule has been prepared using the Entry Age Actuarial Method.

Valuation Date	Actuarial Value of Assets	AAL	UAAL	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
October 1, 2011	$ 6,470,867	$ 77,279,806	$ 70,808,939	8.37%	$ 150,713,544	46.98%
October 1, 2013	$ 13,348,551	$ 62,479,033	$ 49,130,482	21.36%	$ 148,617,341	33.06%
October 1, 2015	$ 18,156,331	$ 62,553,748	$ 44,397,417	29.03%	$ 150,073,006	29.58%

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

JEA
Combining Statement of Net Position
(In Thousands)

September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 295,223	$ 40,099	$ –	$ 335,322	$ 78,887	$ 4,308	$ 418,517
Investments	132,878	10,199	–	143,077	–	–	143,077
Accounts and interest receivable, less allowance for doubtful accounts of $3,641	199,632	17,659	(20,603)	196,688	39,018	141	235,847
Inventories:							
Fuel	36,479	13,373	–	49,852	–	–	49,852
Materials and supplies	2,120	21,002	–	23,122	44,829	–	67,951
Total current assets	666,332	102,332	(20,603)	748,061	162,734	4,449	915,244
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	–	89,922	–	89,922	84,251	4,233	178,406
Investments	405,189	202,842	–	608,031	276,581	–	884,612
Accounts and interest receivable	1,768	725	–	2,493	848	–	3,341
Total restricted assets	406,957	293,489	–	700,446	361,680	4,233	1,066,359
Costs to be recovered from future revenues	240,429	7,039	–	247,468	216,142	–	463,610
Investment in The Energy Authority	6,166	–	–	6,166	–	–	6,166
Other assets	10,148	–	–	10,148	7,433	–	17,581
Total noncurrent assets	663,700	300,528	–	964,228	585,255	4,233	1,553,716
Capital assets:							
Land and easements	121,235	6,660	–	127,895	59,714	3,051	190,660
Plant in service	5,141,679	1,345,035	–	6,486,714	4,252,580	53,648	10,792,942
Less accumulated depreciation	(2,686,264)	(839,469)	–	(3,525,733)	(1,879,932)	(21,815)	(5,427,480)
Plant in service, net	2,576,650	512,226	–	3,088,876	2,432,362	34,884	5,556,122
Construction work in progress	171,175	10,072	–	181,247	135,881	1,675	318,803
Net capital assets	2,747,825	522,298	–	3,270,123	2,568,243	36,559	5,874,925
Total assets	4,077,857	925,158	(20,603)	4,982,412	3,316,232	45,241	8,343,885
Deferred outflows of resources							
Unamortized deferred losses on refundings	79,810	15,360	–	95,170	46,399	211	141,780
Accumulated decrease in fair value of hedging derivatives	146,942	–	–	146,942	35,986	–	182,928
Unrealized pension contributions and losses	77,673	11,731	–	89,404	47,606	–	137,010
Total deferred outflows of resources	304,425	27,091	–	331,516	129,991	211	461,718
Total assets and deferred outflows of resources	$ 4,382,282	$ 952,249	$ (20,603)	$ 5,313,928	$ 3,446,223	$ 45,452	$ 8,805,603

JEA
Combining Statement of Net Position
(In Thousands)

September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 81,596	$ 14,049	$ (196)	$ 95,449	$ 17,618	$ 158	$ 113,225
Customer deposits	41,215	–	–	41,215	13,910	–	55,125
Total current liabilities	122,811	14,049	(196)	136,664	31,528	158	168,350
Current liabilities payable from restricted assets:							
Debt due within one year	102,240	43,785	–	146,025	33,875	1,625	181,525
Renewal and replacement reserve	–	80,809	–	80,809	–	–	80,809
Interest payable	43,536	10,657	–	54,193	32,086	699	86,978
Construction contracts and accounts payable	9,915	21,196	(20,407)	10,704	28,745	281	39,730
Total current liabilities payable from restricted assets	155,691	156,447	(20,407)	291,731	94,706	2,605	389,042
Noncurrent liabilities:							
Net pension liability	297,819	12,993	–	310,812	182,534	–	493,346
Other liabilities	37,140	1,121	–	38,261	8,031	39	46,331
Total other noncurrent liabilities	334,959	14,114	–	349,073	190,565	39	539,677
Long-term debt:							
Bonds payable and commercial paper, less current portion	2,369,215	450,215	–	2,819,430	1,612,640	38,125	4,470,195
Unamortized premium, net	68,120	16,845	–	84,965	53,751	(43)	138,673
Fair value of debt management strategy instruments	145,808	–	–	145,808	35,985	–	181,793
Total long-term debt	2,583,143	467,060	–	3,050,203	1,702,376	38,082	4,790,661
Total liabilities	3,196,604	651,670	(20,603)	3,827,671	2,019,175	40,884	5,887,730
Deferred inflows of resources							
Revenues to be used for future costs	346,625	159,648	–	506,273	21,989	–	528,262
Unrealized pension gains	6,545	2,126	–	8,671	4,012	–	12,683
Total deferred inflows of resources	353,170	161,774	–	514,944	26,001	–	540,945
Net position							
Net investment in capital assets	312,000	8,834	–	320,834	1,123,294	(3,218)	1,440,910
Restricted	297,988	42,811	20,407	361,206	228,247	3,534	592,987
Unrestricted	222,520	87,160	(20,407)	289,273	49,506	4,252	343,031
Total net position	832,508	138,805	–	971,313	1,401,047	4,568	2,376,928
Total liabilities, deferred inflows of resources, and net position	$ 4,382,282	$ 952,249	$ (20,603)	$ 5,313,928	$ 3,446,223	$ 45,452	$ 8,805,603

JEA
Combining Statement of Net Position
(In Thousands)

September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 315,917	$ 44,142	$ –	$ 360,059	$ 56,176	$ 3,360	$ 419,595
Investments	70,236	8,558	–	78,794	–	–	78,794
Accounts and interest receivable, less allowance for doubtful accounts of $4,342	204,182	20,535	(19,991)	204,726	35,700	964	241,390
Inventories, less reserve of $226							
Fuel	36,231	28,452	–	64,683	–	–	64,683
Materials and supplies	2,173	19,953	–	22,126	42,766	–	64,892
Total current assets	628,739	121,640	(19,991)	730,388	134,642	4,324	869,354
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	162	95,776	–	95,938	115,627	4,914	216,479
Investments	360,695	198,747	–	559,442	213,129	–	772,571
Accounts and interest receivable	2,747	1,025	–	3,772	2,413	–	6,185
Total restricted assets	363,604	295,548	–	659,152	331,169	4,914	995,235
Cost to be recovered from future revenues	229,516	7,174	–	236,690	222,669	–	459,359
Investment in The Energy Authority	7,491	–	–	7,491	–	–	7,491
Other assets	8,394	–	–	8,394	9,572	–	17,966
Total noncurrent assets	609,005	302,722	–	911,727	563,410	4,914	1,480,051
Capital assets:							
Land and easements	95,177	6,660	–	101,837	59,135	3,051	164,023
Plant in service	5,056,397	1,365,472	–	6,421,869	4,127,396	52,591	10,601,856
Less accumulated depreciation	(2,498,573)	(811,802)	–	(3,310,375)	(1,749,344)	(19,524)	(5,079,243)
Plant in service, net	2,653,001	560,330	–	3,213,331	2,437,187	36,118	5,686,636
Construction work in progress	133,376	13,143	–	146,519	125,271	926	272,716
Net capital assets	2,786,377	573,473	–	3,359,850	2,562,458	37,044	5,959,352
Total assets	4,024,121	997,835	(19,991)	5,001,965	3,260,510	46,282	8,308,757
Deferred outflows of resources							
Unamortized deferred losses on refundings	85,304	19,944	–	105,248	48,982	219	154,449
Accumulated decrease in fair value of hedging derivatives	124,154	–	–	124,154	28,349	–	152,503
Unrealized pension contributions and losses	48,712	4,115	–	52,827	31,143	–	83,970
Total deferred outflows of resources	258,170	24,059	–	282,229	108,474	219	390,922
Total assets and deferred outflows of resources	$ 4,282,291	$ 1,021,894	$ (19,991)	$ 5,284,194	$ 3,368,984	$ 46,501	$ 8,699,679

JEA
Combining Statement of Net Position
(In Thousands)

September 30, 2015

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

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

Year Ended September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,207,378	$ 252,940	$ (122,887)	$ 1,337,431	$ –	$ –	$ (15,718)	$ 1,321,713
Water and sewer	–	–	–	–	418,098	–	(694)	417,404
District energy system	–	–	–	–	–	8,731	–	8,731
Other	26,811	–	–	26,811	9,652	–	(2,165)	34,298
Total operating revenues	1,234,189	252,940	(122,887)	1,364,242	427,750	8,731	(18,577)	1,782,146
Operating expenses								
Operations:								
Fuel	276,230	146,183	–	422,413	–	–	–	422,413
Purchased power	186,348	–	(122,887)	63,461	–	–	–	63,461
Other	147,098	25,990	–	173,088	117,924	3,653	(18,577)	276,088
Depreciation	195,105	42,754	–	237,859	142,282	2,291	–	382,432
Maintenance	67,369	22,101	–	89,470	13,882	1,170	–	104,522
State utility and franchise taxes	60,843	–	–	60,843	10,401	–	–	71,244
Recognition of deferred costs and revenues, net	(2,617)	(11,746)	–	(14,363)	12,836	–	–	(1,527)
Total operating expenses	930,376	225,282	(122,887)	1,032,771	297,325	7,114	(18,577)	1,318,633
Operating income	303,813	27,658	–	331,471	130,425	1,617	–	463,513
Nonoperating expenses, net								
Interest on debt	(93,673)	(26,537)	–	(120,210)	(62,835)	(1,412)	–	(184,457)
Investment income	5,987	3,279	–	9,266	4,937	22	–	14,225
Other nonoperating income, net	4,305	410	–	4,715	4,050	–	–	8,765
Allowance for funds used during construction	4,782	–	–	4,782	4,601	24	–	9,407
Earnings from The Energy Authority	6,136	–	–	6,136	–	–	–	6,136
Other interest, net	(357)	–	–	(357)	(46)	–	–	(403)
Total nonoperating expenses, net	(72,820)	(22,848)	–	(95,668)	(49,293)	(1,366)	–	(146,327)
Income before contributions	230,993	4,810	–	235,803	81,132	251	–	317,186
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(103,720)	–	–	(103,720)	(25,467)	–	–	(129,187)
Developers and other	1,841	–	–	1,841	51,811	–	–	53,652
Reduction of plant cost through contributions	(1,841)	–	–	(1,841)	(29,791)	–	–	(31,632)
Total contributions	(103,720)	–	–	(103,720)	(3,447)	–	–	(107,167)
Change in net position	127,273	4,810	–	132,083	77,685	251	–	210,019
Net position, beginning of year	705,235	133,995	–	839,230	1,323,362	4,317	–	2,166,909
Net position, end of period	$ 832,508	$ 138,805	$ –	$ 971,313	$ 1,401,047	$ 4,568	$ –	$ 2,376,928

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

JEA
Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of Intercompany Transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,301,341	$ 255,812	$ (126,088)	$ 1,431,065	$ 416,506	$ 9,554	$ (16,412)	$ 1,840,713
Payments to suppliers	(640,014)	(165,712)	126,088	(679,638)	(83,184)	(4,184)	18,577	(748,429)
Payments to employees	(154,896)	(25,209)	–	(180,105)	(56,156)	(529)	–	(236,790)
Other receipts	27,741	–	–	27,741	12,765	–	(2,165)	38,341
Net cash provided by (used in) operating activities	534,172	64,891	–	599,063	289,931	4,841	–	893,835
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(103,586)	–	–	(103,586)	(25,393)	–	–	(128,979)
Build America Bonds subsidies	4,340	410	–	4,750	2,502	–	–	7,252
Payment from City of Jacksonville, Florida	38	–	–	38	–	–	–	38
Net cash provided by (used in) noncapital and related financing activities	(99,208)	410	–	(98,798)	(22,891)	–	–	(121,689)
Capital and related financing activities								
Acquisition and construction of capital assets	(158,631)	–	–	(158,631)	(137,833)	(1,581)	–	(298,045)
Repayment of debt principal	(98,765)	(50,945)	–	(149,710)	(36,180)	(1,610)	–	(187,500)
Interest paid on debt	(105,146)	(22,094)	–	(127,240)	(69,024)	(1,404)	–	(197,668)
Developer and other contributions	–	–	–	–	22,020	–	–	22,020
Proceeds from issuance of debt, net	–	–	–	–	3,000	–	–	3,000
Proceeds from disposal of assets	290	–	–	290	856	–	–	1,146
Other financing activities	(17)	–	–	(17)	–	–	–	(17)
Net cash used in capital and related financing activities	(362,269)	(73,039)	–	(435,308)	(217,161)	(4,595)	–	(657,064)
Investing activities								
Purchase of investments	(1,179,522)	(520,661)	–	(1,700,183)	(604,483)	–	–	(2,304,666)
Proceeds from sale and maturity of investments	1,072,095	514,705	–	1,586,800	542,166	–	–	2,128,966
Investment income	6,414	3,797	–	10,211	3,773	21	–	14,005
Distributions from The Energy Authority	7,462	–	–	7,462	–	–	–	7,462
Net cash provided by (used in) investing activities	(93,551)	(2,159)	–	(95,710)	(58,544)	21	–	(154,233)
Net change in cash and cash equivalents	(20,856)	(9,897)	–	(30,753)	(8,665)	267	–	(39,151)
Cash and cash equivalents at beginning of year	316,079	139,918	–	455,997	171,803	8,274	–	636,074
Cash and cash equivalents at end of year	$ 295,223	$ 130,021	$ –	$ 425,244	$ 163,138	$ 8,541	$ –	$ 596,923
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 303,813	$ 27,658	$ –	$ 331,471	$ 130,425	$ 1,617	$ –	$ 463,513
Adjustments:								
Depreciation and amortization	195,105	42,754	–	237,859	145,460	2,291	–	385,610
Recognition of deferred costs and revenues, net	(2,617)	(11,746)	–	(14,363)	12,836	–	–	(1,527)
Gain on sale of noncore assets	(49)	–	–	(49)	1,548	–	–	1,499
Changes in noncash assets and noncash liabilities:								
Accounts receivable	4,413	2,872	–	7,285	(3,291)	824	–	4,818
Accounts receivable, restricted	979	–	–	979	1,564	–	–	2,543
Inventories	(195)	14,031	–	13,836	(2,063)	–	–	11,773
Other assets	(1,754)	–	–	(1,754)	(1,038)	–	–	(2,792)
Accounts and accrued expenses payable	(57,412)	(9,671)	–	(67,083)	4,424	127	–	(62,532)
Current liabilities payable from restricted liabilities	–	(799)	–	(799)	–	–	–	(799)
Other noncurrent liabilities and deferred inflows	91,889	(208)	–	91,681	66	(18)	–	91,729
Net cash provided by (used in) operating activities	$ 534,172	$ 64,891	$ –	$ 599,063	$ 289,931	$ 4,841	$ –	$ 893,835
Non-cash activity								
Contribution of capital assets from developers	$ 1,841	$ –	$ –	$ 1,841	$ 29,791	$ –	$ –	$ 31,632
Unrealized gains (losses) on fair value of investments	$ (291)	$ (220)	$ –	$ (511)	$ 1,135	$ –	$ –	$ 624

JEA
Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of Intercompany Transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,285,090	$ 289,088	$ (163,028)	$ 1,411,150	$ 404,459	$ 8,713	$ (16,847)	$ 1,807,475
Payments to suppliers	(622,201)	(213,465)	163,028	(672,638)	(77,303)	(4,390)	19,343	(734,988)
Payments to employees	(151,564)	(25,658)	–	(177,222)	(54,306)	(524)	–	(232,052)
Other receipts	27,528	–	–	27,528	13,952	–	(2,496)	38,984
Net cash provided by operating activities	538,853	49,965	–	588,818	286,802	3,799	–	879,419
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(89,877)	–	–	(89,877)	(21,614)	–	–	(111,491)
Build America Bonds subsidies	4,360	408	–	4,768	2,488	–	–	7,256
Net cash provided by (used in) noncapital and related financing activities	(85,517)	408	–	(85,109)	(19,126)	–	–	(104,235)
Capital and related financing activities								
Defeasance of debt	(194,130)	(110,976)	–	(305,106)	(73,676)	–	–	(378,782)
Acquisition and construction of capital assets	(106,888)	–	–	(106,888)	(96,978)	(842)	–	(204,708)
Repayment of debt principal	(79,854)	(132,085)	–	(211,939)	(44,325)	(1,605)	–	(257,869)
Interest paid on debt	(112,082)	(27,787)	–	(139,869)	(71,128)	(1,413)	–	(212,410)
Developer and other contributions	–	–	–	–	19,604	–	–	19,604
Proceeds from issuance of debt, net	125,680	73,125	–	198,805	–	–	–	198,805
Proceeds from disposal of assets	(158)	–	–	(158)	585	–	–	427
Other financing activities	2,769	10,344	–	13,113	(258)	–	–	12,855
Net cash used in capital and related financing activities	(364,663)	(187,379)	–	(552,042)	(266,176)	(3,860)	–	(822,078)
Investing activities								
Purchase of investments	(713,897)	(621,356)	–	(1,335,253)	(476,709)	–	–	(1,811,962)
Proceeds from sale and maturity of investments	755,908	626,770	–	1,382,678	508,260	–	–	1,890,938
Investment income	5,922	3,570	–	9,492	2,832	5	–	12,329
Distributions from The Energy Authority	2,041	–	–	2,041	–	–	–	2,041
Net cash provided by investing activities	49,974	8,984	–	58,958	34,383	5	–	93,346
Net change in cash and cash equivalents	138,647	(128,022)	–	10,625	35,883	(56)	–	46,452
Cash and cash equivalents at beginning of year	177,432	267,940	–	445,372	135,920	8,330	–	589,622
Cash and cash equivalents at end of year	$ 316,079	$ 139,918	$ –	$ 455,997	$ 171,803	$ 8,274	$ –	$ 636,074
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 278,671	$ 29,688	$ –	$ 308,359	$ 120,224	$ 1,564	$ –	$ 430,147
Adjustments:								
Depreciation and amortization	189,968	42,644	–	232,612	133,061	2,286	–	367,959
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	–	(11,052)	(116)	–	–	(11,168)
Gain on sale of noncore assets	(23)	–	–	(23)	4,609	–	–	4,586
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(4,954)	(8,720)	–	(13,674)	1,893	(64)	–	(11,845)
Accounts receivable, restricted	(1,545)	–	–	(1,545)	(55)	–	–	(1,600)
Inventories	2,771	1,537	–	4,308	3,006	–	–	7,314
Other assets	183	–	–	183	189	–	–	372
Accounts and accrued expenses payable	(10,095)	(6,713)	–	(16,808)	948	3	–	(15,857)
Current liabilities payable from restricted liabilities	–	(1,171)	–	(1,171)	–	–	–	(1,171)
Other noncurrent liabilities and deferred inflows	87,626	3	–	87,629	23,043	10	–	110,682
Net cash provided by operating activities	$ 538,853	$ 49,965	$ –	$ 588,818	$ 286,802	$ 3,799	$ –	$ 879,419
Non-cash activity								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 33,105	$ –	$ –	$ 33,105
Unrealized gains (losses) on fair value of investments	$ 36	$ (109)	$ –	$ (73)	$ 427	$ –	$ –	$ 354

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
JEA
Jacksonville, Florida

We have audited, 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, the financial statements of JEA, which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered JEA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control. Accordingly, we do not express an opinion on the effectiveness of JEA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

December 1, 2016

BOND COMPLIANCE INFORMATION

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

The Board of Directors
JEA
Jacksonville, Florida

We have audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System and the JEA District Energy System for the years ended September 30, 2016 and 2015, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2016 and 2015 paragraph below.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System, and the JEA District Energy System for the years ended September 30, 2016 and 2015, in conformity with the basis specified in the respective JEA Bond Resolutions.

Contractual Basis of Accounting

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

Report on Financial Statements as of September 30, 2016 and 2015

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of JEA as of and for the years ended September 30, 2016 and 2015, and have issued our report, with an unmodified opinion thereon, dated December 1, 2015.

Restrictions on Use

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

Ernst + Young LLP

December 1, 2016

JEA Electric System

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30 2016	2015
Revenues		
Electric	**$ 1,240,324**	$ 1,290,044
Investment income[1]	**3,675**	4,322
Earnings from The Energy Authority	**6,136**	1,461
Other, net[2]	**26,777**	29,055
Plus: amounts paid from the rate stabilization fund into the revenue fund	**66,812**	57,680
Less: amounts paid from the revenue fund into the rate stabilization fund	**(99,758)**	(135,074)
Total revenues	**1,243,966**	1,247,488
Operating expenses[3]		
Fuel	**246,737**	264,367
Purchased power[4]	**251,729**	269,014
Other operations and maintenance	**189,794**	191,018
State utility taxes and franchise fees	**59,614**	61,485
Total operating expenses	**747,874**	785,884
Net revenues	**$ 496,092**	$ 461,604
Debt service	**$ 79,428**	$ 82,704
Less: investment income on sinking fund	**(2,603)**	(1,632)
Less: Build America Bonds subsidy	**(1,517)**	(1,509)
Debt service requirement	**$ 75,308**	$ 79,563
Senior debt service coverage[5] (min 1.20x)	**6.59x**	5.80x
Net revenues (from above)	**$ 496,092**	$ 461,604
Debt service requirement (from above)	**$ 75,308**	$ 79,563
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**98,419**	98,302
Less: Build America Bonds subsidy	**(2,084)**	(2,086)
Total debt service requirement and aggregate subordinated debt service	**$ 171,643**	$ 175,779
Senior and subordinated debt service coverage[6] (min 1.15x)	**2.89x**	2.63x

(1) Excludes investment income on sinking funds.

(2) Excludes the Build America Bonds subsidy.

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

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

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

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

JEA Bulk Power Supply System

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2016	**2015**
Revenues		
JEA	**$ 65,382**	$ 61,142
Investment income	**133**	114
Total revenues	**65,515**	61,256
Operating expenses[1]		
Fuel	**29,493**	36,198
Other operations and maintenance	**17,893**	13,848
Total operating expenses	**47,386**	50,046
Net revenues	**$ 18,129**	$ 11,210
Aggregate debt service	**$ 10,758**	$ 9,801
Less: Build America Bonds subsidy	**(737)**	(764)
Aggregate debt service	**$ 10,021**	$ 9,037
Debt service coverage[2]	**1.81x**	1.24x

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

(2) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System

Schedule of Debt Service Coverage
(In Thousands)

1st Resolution

	Year Ended September 30	
	2016	**2015**
Revenues		
JEA	**$ 117,157**	$ 144,607
FPL	**130,052**	128,476
Investment income	**3,300**	3,563
Total revenues	**250,509**	276,646
Operating expenses(1)		
Fuel	**146,183**	169,417
Other operations and maintenance	**39,162**	41,612
Total operating expenses	**185,345**	211,029
Net revenues	**$ 65,164**	$ 65,617
Aggregate debt service	**$ 52,123**	$ 52,601
Debt service coverage(2)	**1.25x**	1.25x

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

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

2nd Resolution

	Year Ended September 30	
	2016	**2015**
Revenues		
JEA	**$ 14,510**	$ 26,024
Investment income	**199**	130
Total revenues	**14,709**	26,154
Operating expenses	**-**	-
Net revenues	**$ 14,709**	$ 26,154
Aggregate debt service	**$ 12,930**	$ 22,984
Less: Build America Bonds subsidy	**(410)**	(408)
Aggregate debt service	**$ 12,520**	$ 22,576
Debt service coverage(1)	**1.17x**	1.16x

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

JEA Water and Sewer System

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2016	**2015**
Revenues		
Water	**$ 170,807**	$ 163,705
Water capacity fees [(1)]	**7,893**	7,013
Sewer	**248,990**	238,862
Sewer capacity fees [(1)]	**13,799**	12,254
Investment Income	**3,802**	2,898
Other [(2)]	**11,746**	13,948
Plus: amounts paid from the rate stabilization fund into the revenue fund	**21,790**	-
Less: amounts paid from the revenue fund into the rate stabilization fund	**(23,489)**	(22,172)
Total revenues	**455,338**	416,508
Operating expenses		
Operations and maintenance [(3)]	**142,208**	138,037
Total operating expenses	**142,208**	138,037
Net revenues	**$ 313,130**	$ 278,471
Aggregate debt service	**$ 85,332**	$ 91,392
Less: Build America Bonds subsidy	**(2,502)**	(2,489)
Aggregate debt service	**$ 82,830**	$ 88,903
Senior debt service coverage [(4)] (min 1.25x)	**3.78x**	3.13x
Net revenues (from above)	**$ 313,130**	$ 278,471
Aggregate debt service (from above)	**$ 82,830**	$ 88,903
Plus: aggregate subordinated debt service on outstanding subordinated debt	**12,587**	12,205
Total aggregate debt service and aggregate subordinated debt service	**$ 95,417**	$ 101,108
Senior and subordinated debt service coverage (5)	**3.28x**	2.75x
Fixed charge coverage	**3.01x**	2.54x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the fiscal years ended September 30, 2016 and 2015, then the debt service coverage would have been 3.05x and 2.56x.

(2) Excludes the Build America Bonds subsidy.

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

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

(5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 3.05x and 2.56x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $97,934 and $103,549 for the fiscal years ended September 30, 2016 and 2015.

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2016	**2015**
Revenues		
Service revenues	**$ 8,731**	$ 8,778
Investment income	**22**	5
Total revenues	**8,753**	8,783
Operating expenses [(1)]		
Operations and maintenance	**4,823**	4,928
Total operating expenses	**4,823**	4,928
Net revenues	**$ 3,930**	$ 3,855
Aggregate debt service [(2)]	**$ 3,024**	$ 3,019
Debt service coverage [(3)] **(min 1.15x)**	**1.30x**	1.28x

(1) Excludes depreciation.

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

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

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