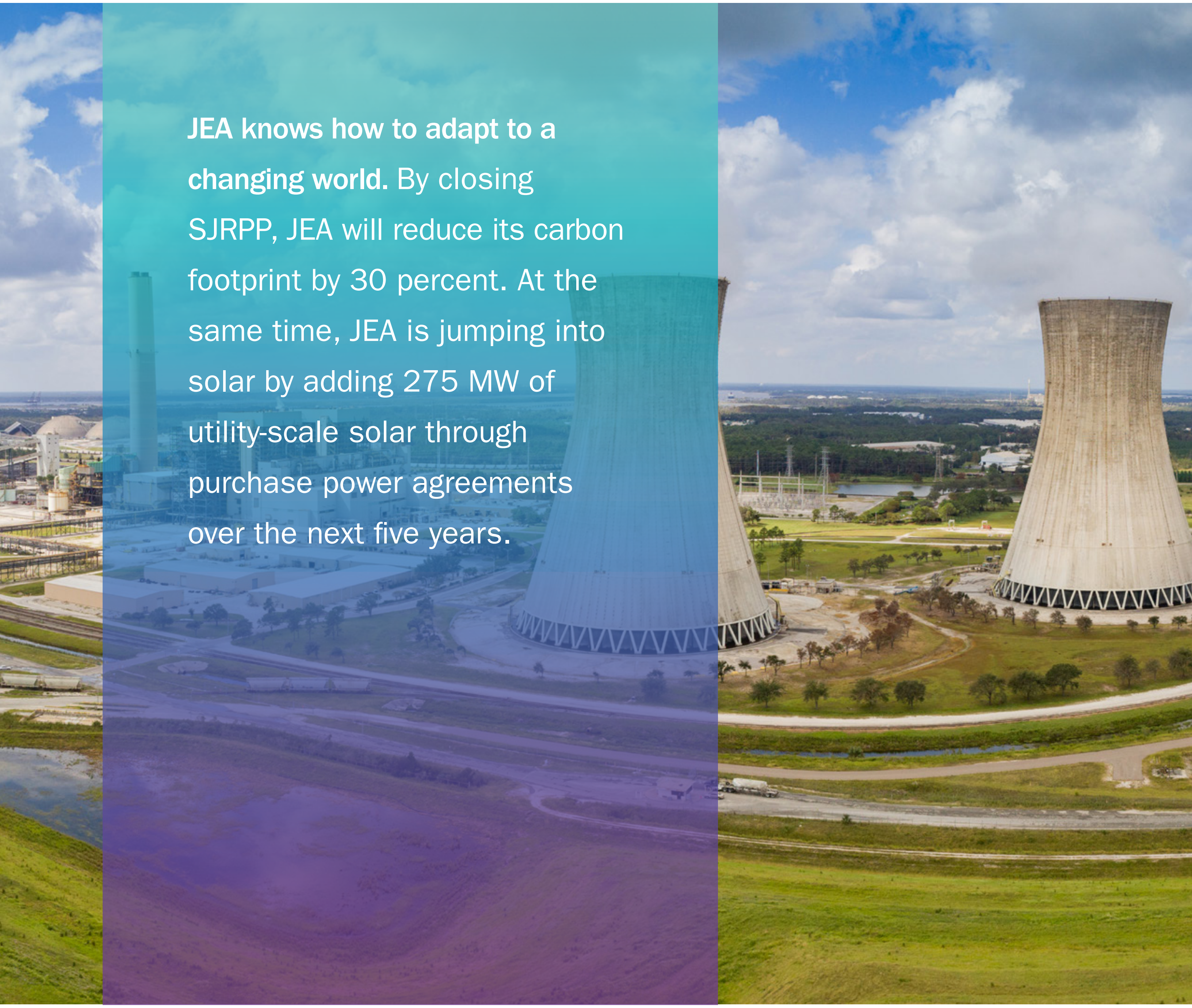
JEA®
Building Community®

JEA 2017 ANNUAL REPORT

RESILIENCY



JEA knows how to adapt to a changing world. By closing SJRPP, JEA will reduce its carbon footprint by 30 percent. At the same time, JEA is jumping into solar by adding 275 MW of utility-scale solar through purchase power agreements over the next five years.

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LETTER FROM BOARD CHAIR AND MANAGING DIRECTOR/CEO

The fiscal year that ended September 30, 2017 can be fairly summed up in one word: resiliency. Hurricanes Matthew and Irma framed the year like bookends. In some ways, Matthew, which hit in early October 2016, was a warmup act for Irma that struck 11 months later. During both storms, the dedicated JEA team worked nonstop to restore power to our customers.

Paul McElroy, JEA Managing Director & CEO

G. Alan Howard, JEA Board Chair

Despite these storms, JEA registered an excellent, stable and predictable financial performance for the fifth consecutive year. We assumed no new debt and set in place a five-year plan that will reduce current debt by nearly $1 billion—an accomplishment made possible in part by the January 2018 decommissioning of St. Johns River Power Park (SJRPP). By closing this coal-fired plant co-owned with FPL, JEA will save $50 million every year, freeing up funds to pay down debt and fund other needed capital projects while keeping rates stable for our customers.

The closure also proves JEA's ability to adapt to changing market conditions. With the price of solar dropping, JEA began expanding its carbon-neutral generation in FY2017 by adding 27 megawatts (MW) of utility-scale solar power through purchase power agreements (PPA) in our service territory. JEA customers can participate in this new solar generation through a new program called JEA SolarSmart.

Additionally, our solar initiatives are getting national attention. Environment America's Shining Cities 2017 report ranked Jacksonville one of the top 20 U.S. cities for solar power in America, thanks in part to a 30-year agreement begun in 2009 to buy solar power from a nearby 12 MW solar farm. We're purchasing additional tracts of land to build five new 50 MW solar plants over the next five years to provide another 250 MW of utility scale solar through PPAs to our electric grid.

Our customers appreciate our resiliency. In FY2017, we finished in the first quartile of the J.D. Power Electric Utility Customer Satisfaction Study for both business and residential customers. In the community, our employees raised $400,000 for United Way of Northeast Florida and Community Health Charities, and participated in 453 volunteer events and ambassador projects such as speaking to groups and teaching classes on electric safety in schools.

Finally, we launched a major initiative during the fiscal year that you'll read about in the pages ahead. It's called FutureSmart and it's designed to make JEA more data-driven when it comes to optimizing our processes so that we can utilize the right resources for the right cost at the right time.

Thanks to investments in resiliency and reliability, JEA held up remarkably well during the storms that bookended our fiscal year. We will need to maintain this resiliency in the future no matter what Mother Nature has in store for us because, as we know all too well, our lives wouldn't be the same without the world-class electric, water and sewer service our customers have come to expect from us.

Sincerely,

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

Paul McElroy,
JEA Managing Director & CEO

JEA held up remarkably well during the storms that bookended our fiscal year. We will need to maintain this resiliency in the future no matter what Mother Nature has in store for us.

BOARD OF DIRECTORS

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

Delores Kesler, JEA Vice Chair,
Former Chairman & CEO, Adium, LLC

Frederick Newbill, JEA Board Secretary
Pastor, First Timothy Baptist Church

Kelly Flanagan
Chief Financial Officer, Jacksonville Jaguars

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

Tom Petway
Chairman of the Board, The Petway Companies

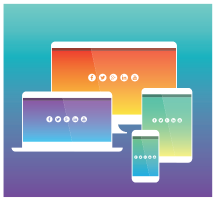
SENIOR LEADERSHIP TEAM

Left to right, front row, **Melissa Dykes**, Chief Financial Officer; **Ted Hobson**, Chief Compliance Officer; **Angelia Hiers**, Chief Human Resources Officer; **Brian Roche**, Vice President/General Manager Water/Wastewater Systems; **Paul McElroy**, Managing Director and CEO; second row: **Paul Cosgrave**, Chief Information Officer; **Jody Brooks**, Chief Legal Officer; **Kerri Stewart**, Chief Customer Officer; third row: **Mike Hightower**, Chief Public Affairs Officer; **Mike Brost**, Vice President/General Manager Electric Systems

ONE FISCAL YEAR. TWO BIG STORMS.

On October 6, 2016 Matthew passed within 40 miles of Duval County's coastline as a Category 2 storm, causing power outages to more than half our customer base. Our crews, with the help of mutual aid from across the country, worked around the clock to restore power. Ninety percent of JEA customers had their power restored in 48 hours, the rest within five days. Then on September 11, 2017, Irma passed through as a tropical storm, causing record flooding in Jacksonville. This storm was so big it challenged the entire state. Again, more than half our customer base lost power and JEA crews, along with 800 mutual aid personnel, worked around the clock to restore it within five days.

JEA has spent $100 million over the last five years hardening our electric system and installing devices like automatic 'recloser' switches. These switches mean that depending on the cause of an outage we can restore power faster than ever, sometimes within seconds–even during a major storm. They are proof a smart grid is a self-healing grid.



Social media updates reached more than 10 million people during Matthew and Irma.

JEA is proud of its linemen *and the job they do restoring power, often in dangerous conditions. After Matthew, linemen replaced 186 power poles and 327 transformers. After Irma, linemen replaced 240 power poles and 345 transformers.*

RESILIENCY: ADAPTING TO A CHANGING WORLD

In FY2017, JEA announced plans to decommission the St. Johns River Power Park. While SJRPP has served our customers well for 30 years, JEA decided it was more economical to close the coal-fired plant in early January 2018 and expand its carbon neutral generation. JEA is currently incorporating 27 additional MW of utility scale solar into its grid through purchase power agreements (PPA) in its service territory. It also began purchasing additional tracts of land to build five new 50 MW solar plants over the next five years to provide another 250 MW of utility scale solar through PPAs to our electric grid.

SJRPP was considered state-of-the-art when it first went online in 1986. Visitors came from all over the world to walk through the 1,300 MW plant's computerized control room and enjoy its landscaped location on the edge of a marsh. It quickly became a workhorse for JEA and co-owner FPL and at one time had the highest capacity factor of any plant in North America. Employees–hand-picked from across the country before the opening–formed tight bonds. Many will retire together when the plant closes.

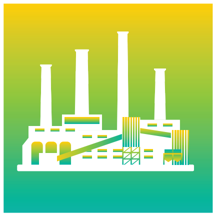
JEA SolarSmart: Residential customers choose to have 1–100 percent of their energy come from solar.

***With the closure of SJRPP**, our generation mix will shift toward natural gas and solar. Northside Generating Station and our solid fuel plant in Georgia, Plant Scherer, will also play key roles in generating power for our customers.*

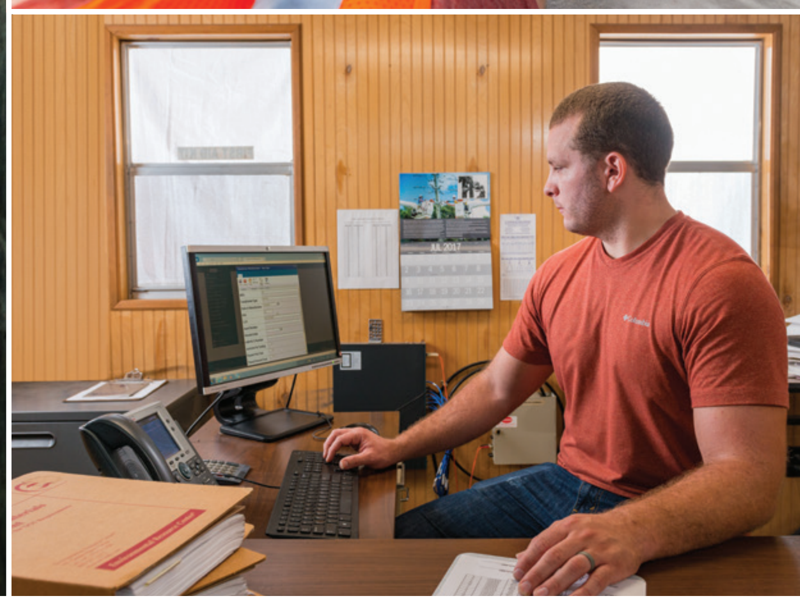
BUILDING A SMARTER ELECTRIC SYSTEM

In FY2017, JEA embarked on a company-wide initiative called FutureSmart to optimize assets and improve cost structures. FutureSmart will help JEA cut across departments to access data and help our customers. For example, the electric system took on the Transformer Refurbishment Project as part of FutureSmart. This project will help JEA determine whether any given transformer should be kept in service, repaired or replaced – before it causes a customer outage.

During FY2017, JEA spent $135 million on electric system capital improvements, including $20 million on storm hardening of the transmission and distribution system to improve reliability. JEA also began a residential Demand Rate Pilot to determine if it can encourage customers to consume energy more efficiently to lower peak demand and thereby grid costs.



JEA opened a new $11.6 million substation in 2017 to improve reliability in fast-growing southeast Duval County.

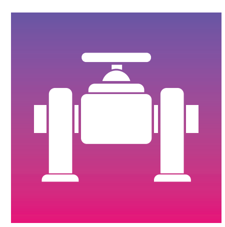


FutureSmart is a company-wide initiative *that makes JEA more data-driven when it comes to optimizing processes. The aim: to utilize the right resources at the right cost at the right time. One FutureSmart project involves transformers. It will help JEA determine whether any given transformer should be kept in service, repaired or replaced before it causes a customer outage.*

BUILDING A SMARTER WATER & WASTEWATER SYSTEM

The water/wastewater divisions have their share of FutureSmart projects as well, including a customer favorite called the High Water Usage Alert Program. Developed by JEA's Analytics team, an algorithm identifies leaks and sends a notification to affected customers before a big water bill arrives.

During 2017, JEA spent $188 million on capital improvements for the water/wastewater systems, including $29 million as part of a new plan called "Framework to Resiliency," designed to harden the wastewater system by improving pump stations and force mains. JEA will continue investing nearly $200 million in this program over the next five to seven years.



20th Anniversary Wastewater System

1997: 2,100 miles of sewer pipe
2017: 4,000 miles sewer pipe

The High Water Usage Alert Program *is a popular FutureSmart project in the water/wastewater system. An algorithm identifies water leaks early and sends a notification to customers before a big bill arrives.*

In 2017, JEA marked the 50th Anniversary of "The Kiss of Life" photo taken by a local news photographer. In the photo, a JEA lineman on a pole is seen reviving an unconscious colleague using a new technique at the time called mouth-to-mouth resuscitation. Times-Union photographer Rocco Morabito won a Pulitzer Prize for the photo in 1968.

JEA AT A GLANCE

Electric System
- 459,000 customers
- 900 square miles of service area
- 6,800 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
- 3 pulverized coal (PC) units (SJRPP 1 and 2, Scherer 4)
- 2 circulating fluidized bed (CFB) units (NGS 1 and 2)
- 1 oil/gas-fired unit (NGS3)
- 9 combustion turbines (4 at NGS, 2 at GEC, 1 at BB, 2 at Kennedy)
- 1 combined cycle unit (CC) at BB

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

Water System
- 341,000 customers
- 137 permitted wells
- 37 active WTPs (304 MGD total system capacity)
- 4 county service area
- 1 major grid (with 2 river crossing interconnections), 4 minor grids
- 80 MG storage capacity (76 MG at the WTPs, 4 MG at re-pump stations)
- 4,700 miles of pipe

Wastewater System
- 264,000 customers
- 11 treatment facilities (241 MGD peak capacity)
- 1,300 pump stations
- 4 county service area
- 4,000 miles of pipe

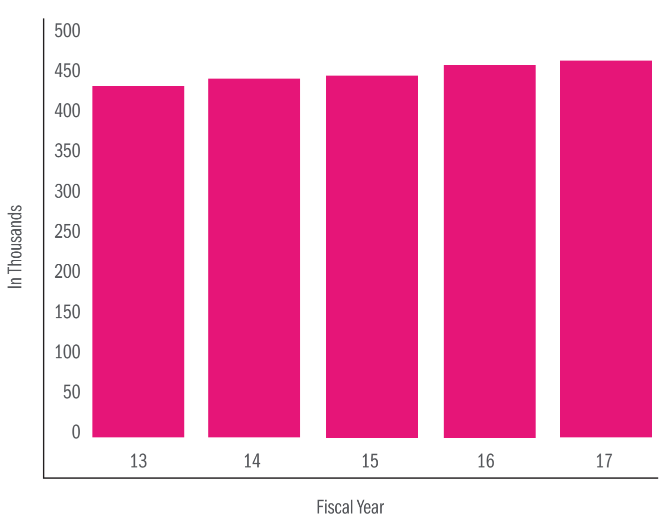
Reclaimed Water System
- 9,000 customers
- 10 reclaimed water production facilities
- 33 MGD capacity
- 2 storage and re-pump facilities (Bartram and Nocatee)
- 3 production and storage facilities (Blacks Ford, JCP and Ponte Vedra)
- 300 miles of pipe

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

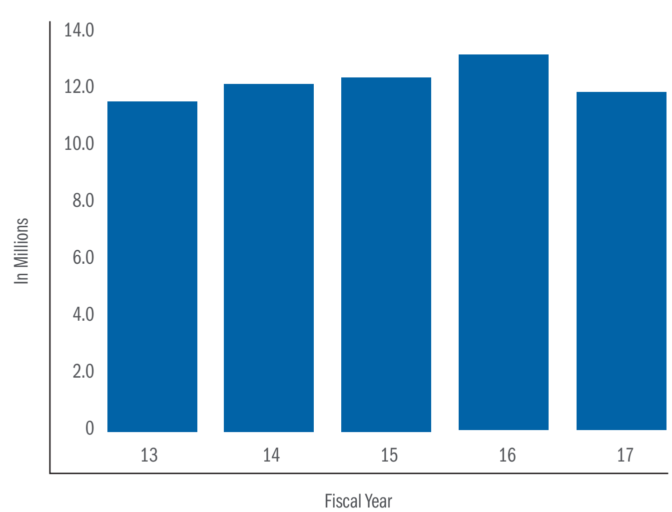
ELECTRIC FINANCIAL AND OPERATING HIGHLIGHTS

	Years Ended September 30					% Change
	2017	**2016**	**2015**	**2014**	**2013**	**2017–2016**
FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,428,329	$1,364,242	$1,370,212	$1,479,483	$1,432,617	4.70%
Fuel and purchased power expenses (thousands)	$536,250	$485,874	$517,239	$585,021	$539,646	10.37%
Total operating expenses (thousands)	$1,088,386	$1,032,774	$1,061,853	$1,196,160	$1,169,329	5.38%
Debt service coverage:						
Senior and subordinated–Electric	2.53 x	2.89 x	2.63 x	2.41 x	2.57 x	-12.46%
Senior–Electric	7.54 x	6.59 x	5.80 x	5.40 x	5.53 x	14.42%
Bulk Power Supply System	1.75 x	1.81 x	1.24 x	2.24 x	1.52 x	-3.31%
St. Johns River Power Park 1st Resolution	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	0.00%
St. Johns River Power Park 2nd Resolution	1.18 x	1.17 x	1.16 x	2.21 x	1.16 x	0.85%
OPERATING HIGHLIGHTS						
Sales (megawatt hours)	13,893,852	14,586,486	14,379,697	14,312,013	13,782,549	-4.75%
Peak demand–megawatts 60 minute net	2,682	2,674	2,863	2,823	2,596	0.30%
Total accounts–average number	458,953	451,788	443,705	434,917	426,772	1.59%
Sales per residential account (kilowatt hours)	12,672	13,433	13,468	13,301	12,985	-5.67%
Average residential revenue per kilowatt hour	$11.44	$11.24	$11.82	$11.97	$11.91	1.78%
Power supply:						
Coal	43%	42%	50%	57%	49%	2.38%
Natural gas	39%	32%	32%	27%	29%	21.88%
Petroleum coke	6%	15%	10%	10%	13%	-60.00%
Other purchases	12%	11%	8%	5%	8%	9.09%
Oil	0%	0%	0%	1%	1%	0.00%

Average Number of Electric Retail Accounts



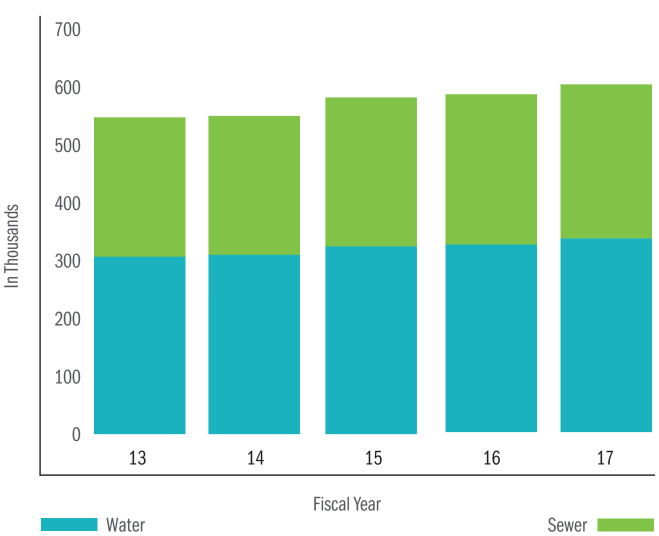
Retail Megawatt Hour Sales



WATER AND SEWER FINANCIAL AND OPERATING HIGHLIGHTS

	Years Ended September 30					% Change
	2017	2016	2015	2014	2013	2017–2016
FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$457,908	$427,750	$389,733	$393,355	$390,692	7.05%
Operating expenses (thousands)	$305,131	$297,325	$269,509	$263,275	$266,312	2.63%
Debt service coverage:						
Senior and subordinated	2.99 x	3.28 x	2.75 x	2.46 x	2.39 x	-8.84%
Senior	3.54 x	3.78 x	3.13 x	2.71 x	2.65 x	-6.35%
OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	37,245,188	36,357,919	34,558,284	32,468,336	33,087,804	2.44%
Total accounts–average number	341,016	333,139	325,352	318,708	312,914	2.36%
Average sales per residential account (kgals)	63.21	62.78	61.32	59.84	62.06	0.68%
Average residential revenue per kgal	$5.48	$5.26	$5.30	$5.35	$5.20	4.18%
SEWER						
Total sales (kgals)	26,712,770	25,817,658	24,922,141	23,526,976	23,623,974	3.47%
Total accounts–average number	264,336	257,719	250,974	244,836	239,283	2.57%
Average sales per residential account (kgals)	61.84	60.96	59.75	58.40	60.59	1.44%
Average residential revenue per kgal	$9.46	$9.26	$9.33	$9.46	$9.27	2.16%
REUSE						
Total sales (kgals)	3,290,311	2,644,046	1,783,730	1,300,838	1,109,653	24.44%
Total accounts–average number	9,391	7,498	5,891	4,501	3,143	25.25%

Average Number of Water and Sewer Accounts



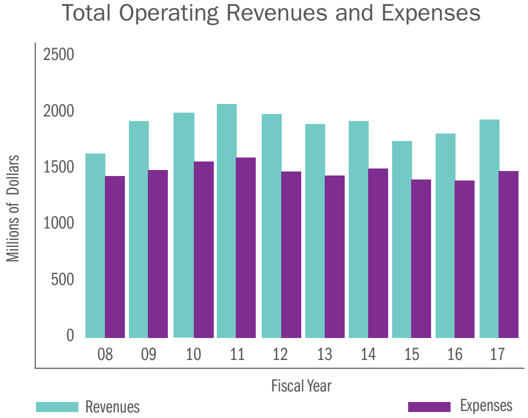
Water and Sewer Sales Volume

FINANCIAL SUMMARY

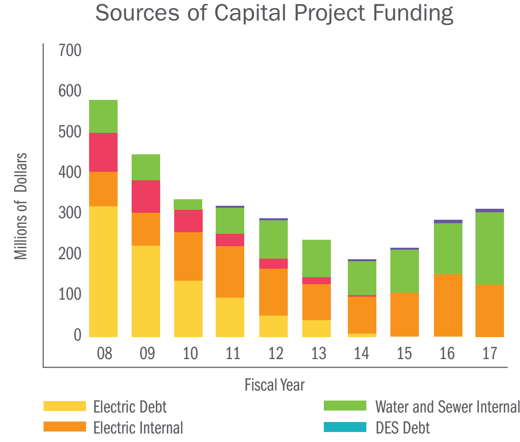
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

	2017-16	2016-15	2015-14	2014-13	2013-12
Operating revenues:					
Electric	$1,382,206	$1,321,713	$1,324,883	$1,431,167	$1,383,696
Water and sewer	448,057	417,404	379,789	383,643	381,677
District energy system	8,185	8,337	8,778	8,682	8,471
Other, net	36,729	34,298	35,930	38,389	38,975
Total operating revenues	1,875,177	1,781,752	1,749,380	1,861,881	1,812,819
Operating expenses:					
Fuel and purchased power	536,250	485,874	517,239	585,021	539,646
Maintenance and other operating expense	392,142	380,219	374,166	364,764	371,041
Depreciation	386,699	382,432	366,486	375,505	378,067
State utility and franchise taxes	69,683	71,244	72,510	72,221	70,237
Recognition of deferred costs and revenues, net	(4,075)	(1,527)	(11,168)	49,271	64,305
Total operating expenses	1,380,699	1,318,242	1,319,233	1,446,782	1,423,296
Operating income	494,478	463,510	430,147	415,099	389,523
Nonoperating revenues (expenses):					
Interest on debt	(182,992)	(184,457)	(198,199)	(223,736)	(235,228)
Investment income (loss)	10,576	14,225	12,904	20,546	(13,240)
Allowance for funds used during construction	11,774	9,407	5,723	3,894	3,986
Other nonoperating income, net	5,918	8,765	11,833	7,280	7,530
Earnings from The Energy Authority	6,335	6,136	1,461	3,567	4,325
Gain (loss) sale of asset	-	-	(199)	-	-
Other interest, net	(451)	(403)	(68)	(38)	(134)
Total nonoperating expenses, net	(148,840)	(146,327)	(166,545)	(188,487)	(232,761)
Income before contributions and special item	345,638	317,183	263,602	226,612	156,762
Contributions (to) from:					
General fund, City of Jacksonville	(115,823)	(129,187)	(111,688)	(109,188)	(106,687)
Capital contributions:					
Developers and other	66,875	53,652	52,709	38,845	29,292
Reduction of plant cost through contributions	(42,069)	(31,632)	(33,105)	-	-
Total contributions	(91,017)	(107,167)	(92,084)	(70,343)	(77,395)
Special item	-	-	151,490	-	-
Change in net position	254,621	210,016	323,008	156,269	79,367
Net position–beginning of year, originally reported	2,376,925	2,166,909	1,843,901	2,039,737	1,991,311
Effect of change in accounting	-	-	-	(352,105)	(30,941)
Net position–beginning of year, as restated	2,376,925	2,166,909	1,843,901	1,687,632	1,960,370
Net position–end of year	$2,631,546	$2,376,925	$2,166,909	$1,843,901	$2,039,737

Total Operating Revenues and Expenses



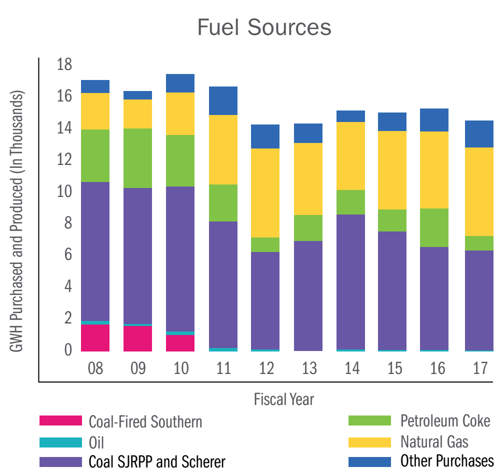
Sources of Capital Project Funding

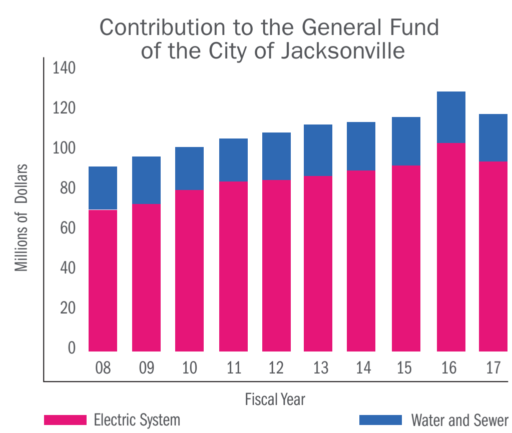


FINANCIAL SUMMARY, CONTINUED

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

	2012-11	2011-10	2010-09	2009-08	2008-07
Operating revenues:					
Electric	$1,473,134	$1,624,473	$1,548,248	$1,525,966	$1,330,280
Water and sewer	385,631	358,176	303,241	249,813	248,115
District energy system	8,571	8,067	7,595	6,914	6,162
Other, net	41,046	48,842	50,692	48,687	48,863
Total operating revenues	1,908,382	2,039,558	1,909,776	1,831,380	1,633,420
Operating expenses:					
Fuel and purchased power	548,030	733,296	741,374	719,296	694,007
Maintenance and other operating expense	366,751	334,066	322,672	295,480	311,071
Depreciation	379,570	351,931	353,606	344,158	326,301
State utility and franchise taxes	72,925	78,787	73,120	72,127	48,551
Recognition of deferred costs and revenues, net	59,153	27,014	22,149	33,108	43,345
Total operating expenses	1,426,429	1,525,094	1,512,921	1,464,169	1,423,275
Operating income	481,953	514,464	396,855	367,211	210,145
Nonoperating revenues (expenses):					
Interest on debt	(248,681)	(289,320)	(285,669)	(264,701)	(249,622)
Investment income (loss)	8,804	11,908	(3,604)	23,463	17,307
Allowance for funds used during construction	3,365	5,387	9,713	12,708	19,448
Other nonoperating income, net	16,420	7,698	3,832	-	-
Earnings from The Energy Authority	6,328	12,265	6,103	4,088	22,374
Water & Sewer Expansion Authority	-	(485)	(719)	(864)	(1,216)
Gain (loss) sale of asset	-	-	-	(986)	740
Other interest, net	(23)	(109)	(54)	(72)	(451)
Total nonoperating expenses, net	(213,787)	(252,656)	(270,398)	(226,364)	(191,420)
Income before contributions	268,166	261,808	126,457	140,847	18,725
Contributions (to) from:					
General fund, City of Jacksonville	(104,188)	(101,688)	(99,187)	(96,687)	(94,188)
Capital contributions:					
Developers and other	18,774	23,539	19,883	38,071	47,471
Water & Sewer Expansion Authority	-	11,465	-	-	-
City of Jacksonville Better Jacksonville Plan	-	-	-	1,516	2,857
Total contributions	(85,414)	(66,684)	(79,304)	(57,100)	(43,860)
Change in net position	182,752	195,124	47,153	83,747	(25,135)
Net position–beginning of year	1,808,559	1,613,435	1,566,282	1,482,535	1,507,670
Net position–end of year	$1,991,311	$1,808,559	$1,613,435	$1,566,282	$1,482,535





OPERATING SUMMARY: ELECTRIC SYSTEM

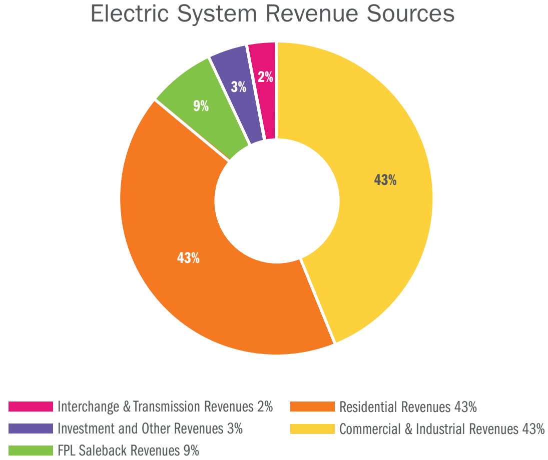
Electric System, Bulk Power System and St Johns River Power Park

	2017-16	2016-15	2015-14	2014-13	2013-12
Electric revenues (000's omitted):					
Residential	$584,663	$599,009	$619,897	$608,983	$580,893
Commercial and industrial	587,972	597,796	627,547	632,121	617,962
Public street lighting	13,069	13,488	11,982	13,943	14,661
Sales for resale	21,813	31,210	32,424	34,700	29,989
Florida Power & Light saleback	128,737	130,053	128,475	159,747	158,031
Total	1,336,254	1,371,556	1,420,325	1,449,494	1,401,536
Sales (megawatt hours):					
Residential	5,108,945	5,328,245	5,243,002	5,086,866	4,877,264
Commercial and industrial	6,725,201	6,847,583	6,767,836	6,636,445	6,599,249
Public street lighting	65,721	80,108	89,376	111,325	123,177
Sales for resale					
Territorial	150,268	305,315	333,994	337,353	329,922
Off-system	150,635	169,037	83,367	136,342	42,286
Florida Power & Light saleback	1,693,082	1,856,198	1,862,122	2,003,682	1,810,651
Total	13,893,852	14,586,486	14,379,697	14,312,013	13,782,549
Average number of accounts:					
Residential	403,164	396,664	389,287	382,438	375,600
Commercial and industrial	52,060	51,472	50,867	48,999	47,709
Public street lighting	3,727	3,649	3,549	3,477	3,460
Sales for resale (1)	2	3	2	3	3
Total	458,953	451,788	443,705	434,917	426,772
System installed capacity–MW (2)	3,722	3,722	3,759	3,759	3,759
Peak demand–MW (60 minute net)	2,682	2,674	2,863	2,823	2,596
System load factor–%	53%	56%	51%	51%	54%
Residential averages–annual:					
Revenue per account–$	1,450.19	1,510.12	1,592.39	1,592.37	1,546.57
kWh per account	12,672	13,433	13,468	13,301	12,985
Revenue per kWh–¢	11.44	11.24	11.82	11.97	11.91
All other retail–annual:					
Revenue per account–$	10,773.85	11,089.86	11,752.59	12,311.61	12,363.40
kWh per account	121,729	125,682	126,015	128,588	131,377
Revenue per kWh–¢	8.85	8.82	9.33	9.57	9.41
Heating-cooling degree days	3,737	4,117	4,159	3,998	3,830

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

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

Electric System Revenue Sources



OPERATING SUMMARY: ELECTRIC SYSTEM, CONTINUED

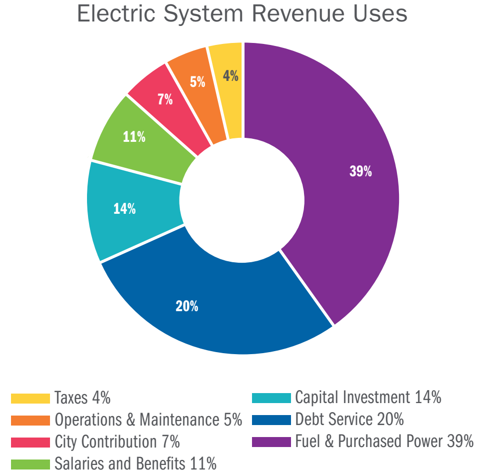
Electric System, Bulk Power System and St Johns River Power Park

	2012-11	2011-10	2010-09	2009-08	2008-07
Electric revenues (000's omitted):					
Residential	$601,581	$686,706	$659,829	$645,725	$559,042
Commercial and industrial	670,983	704,976	647,316	678,218	588,910
Public street lighting	15,311	15,347	14,203	14,440	12,066
Sales for resale	37,153	41,155	53,990	52,941	49,660
Florida Power & Light saleback	166,873	196,353	190,293	157,898	137,910
Total	1,491,901	1,644,537	1,565,631	1,549,222	1,347,588
Sales (megawatt hours):					
Residential	4,806,144	5,444,926	5,707,670	5,300,203	5,363,697
Commercial and industrial	6,670,200	6,908,240	6,932,123	6,849,291	7,314,128
Public street lighting	122,614	122,402	121,413	120,191	116,966
Sales for resale					
Territorial	374,116	394,548	418,867	406,051	437,870
Off-system	74,852	99,953	391,559	579,730	457,421
Florida Power & Light saleback	1,806,781	2,492,559	2,950,244	2,659,565	2,635,812
Total	13,854,707	15,462,628	16,521,876	15,915,031	16,325,894
Average number of accounts:					
Residential	371,658	369,566	368,682	367,864	365,632
Commercial and industrial	47,230	46,710	46,325	45,810	45,207
Public street lighting	3,424	3,424	3,495	3,550	3,576
Sales for resale (1)	3	3	3	3	3
Total	422,315	419,703	418,505	417,227	414,418
System installed capacity – MW (2)	3,759	3,759	3,376	3,376	3,241
Peak demand – MW (60 minute net)	2,665	3,062	3,224	3,064	2,914
System load factor – %	53%	50%	49%	49%	54%
Residential averages – annual:					
Revenue per account – $	1,618.64	1,858.14	1,789.70	1,755.34	1,528.97
kWh per account	12,932	14,733	15,481	14,408	14,670
Revenue per kWh – ¢	12.52	12.61	11.56	12.42	11.97
All other retail – annual:					
Revenue per account – $	13,548.66	14,367.95	13,278.18	14,032.78	12,319.37
kWh per account	134,102	140,237	141,580	141,197	152,330
Revenue per kWh – ¢	10.10	10.25	9.38	9.94	8.09
Heating-cooling degree days	3,618	4,345	4,705	4,094	3,785

(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.

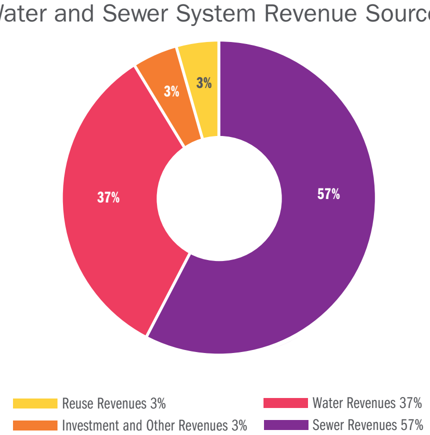
Electric System Revenue Uses



OPERATING SUMMARY: WATER AND SEWER SYSTEM

		2017-16	2016-15	2015-14	2014-13	2013-12
WATER	**Water revenues (000's omitted):**					
	Residential	$96,615	$89,946	$86,215	$83,014	$81,832
	Commercial and Industrial	47,969	46,212	45,078	43,647	42,809
	Irrigation	36,836	34,846	32,681	30,088	32,796
	Total	181,420	171,004	163,974	156,749	157,437
	Water sales (kgals):					
	Residential	17,624,952	17,086,586	16,271,698	15,507,752	15,741,904
	Commercial and Industrial	13,402,094	13,343,376	12,870,984	12,131,400	11,777,128
	Irrigation	6,218,142	5,927,957	5,415,602	4,829,184	5,568,772
	Total	37,245,188	36,357,919	34,558,284	32,468,336	33,087,804
	Average number of accounts:					
	Residential	278,838	272,157	265,373	259,159	253,662
	Commercial and Industrial	25,423	24,698	23,951	23,722	23,487
	Irrigation	36,755	36,284	36,028	35,827	35,765
	Total	341,016	333,139	325,352	318,708	312,914
	Residential averages – annual:					
	Revenue per account – $	346.49	330.49	324.88	320.32	322.60
	kgals per account	63.21	62.78	61.32	59.84	62.06
	Revenue per kgal – $	5.48	5.26	5.30	5.35	5.20
SEWER	**Sewer revenues (000's omitted):**					
	Residential	$143,967	$135,288	$129,976	$125,526	$124,642
	Commercial and Industrial	107,446	103,731	101,910	97,339	96,009
	Total	251,413	239,019	231,886	222,865	220,651
	Volume (kgals):					
	Residential	15,225,124	14,614,026	13,934,981	13,269,638	13,439,781
	Commercial and Industrial	11,487,646	11,203,632	10,987,160	10,257,338	10,184,193
	Total	26,712,770	25,817,658	24,922,141	23,526,976	23,623,974
	Average number of accounts:					
	Residential	246,187	239,738	233,203	227,216	221,821
	Commercial and Industrial	18,149	17,981	17,771	17,620	17,462
	Total	264,336	257,719	250,974	244,836	239,283
	Residential averages – annual:					
	Revenue per account – $	584.79	564.32	557.35	552.45	561.90
	kgals per account	61.84	60.96	59.75	58.40	60.59
	Revenue per kgal – $	9.46	9.26	9.33	9.46	9.27
REUSE	**Reuse revenues (000's omitted):**	$13,216	$10,267	$7,378	$5,533	$4,551
	Reuse sales (kgals):	3,290,311	2,644,046	1,783,730	1,300,838	1,109,653
	Average number of accounts:	9,391	7,498	5,891	4,501	3,143
RAINFALL	**Inches**	72.89	31.38	49.43	51.17	45.54

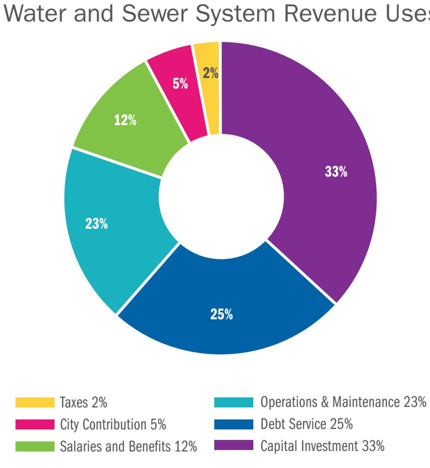
Water and Sewer System Revenue Sources



OPERATING SUMMARY: WATER AND SEWER SYSTEM, CONTINUED

		2012-11	2011-10	2010-09	2009-08	2008-07
WATER	**Water revenues (000's omitted):**					
	Residential	$83,390	$81,859	$70,396	$59,441	$59,297
	Commercial and Industrial	43,629	40,299	34,872	27,591	26,692
	Irrigation	34,802	35,932	26,876	19,080	19,679
	Total	161,821	158,090	132,144	106,112	105,668
	Water sales (kgals):					
	Residential	16,589,517	18,485,853	17,609,301	17,572,032	18,848,414
	Commercial and Industrial	12,134,488	12,271,645	12,091,091	12,184,482	12,837,866
	Irrigation	6,621,039	8,225,409	7,049,874	7,089,431	7,924,021
	Total	35,345,044	38,982,907	36,750,266	36,845,945	39,610,301
	Average number of accounts:					
	Residential	250,204	248,605	247,609	246,276	245,659
	Commercial and Industrial	23,365	23,221	22,996	23,460	23,473
	Irrigation	35,652	35,559	35,441	35,340	35,107
	Total	309,221	307,385	306,046	305,076	304,239
	Residential averages–annual:					
	Revenue per account–$	333.29	329.27	284.30	241.36	241.38
	kgals per account	66.30	74.36	71.12	71.35	76.73
	Revenue per kgal–$	5.03	4.43	4.00	3.38	3.15
SEWER	**Sewer revenues (000's omitted):**					
	Residential	$126,722	$116,024	$99,327	$84,961	$84,102
	Commercial and Industrial	94,232	81,633	70,831	59,017	58,640
	Total	220,954	197,657	170,158	143,978	142,742
	Volume (kgals):					
	Residential	14,091,702	15,597,512	14,847,431	14,353,777	15,293,138
	Commercial and Industrial	10,398,369	10,321,967	10,279,241	10,413,889	11,097,674
	Total	24,490,071	25,919,479	25,126,672	24,767,666	26,390,812
	Average number of accounts:					
	Residential	218,264	216,323	214,506	212,741	211,607
	Commercial and Industrial	17,351	17,269	17,229	17,617	17,598
	Total	235,615	233,592	231,735	230,358	229,205
	Residential averages–annual:					
	Revenue per account–$	580.59	536.35	463.05	399.36	397.44
	kgals per account	64.56	72.10	69.22	67.47	72.27
	Revenue per kgal–$	8.99	7.44	6.69	5.92	5.50
REUSE	**Reuse revenues (000's omitted):**	$3,936	$3,622	$2,093	$1,156	$1,079
	Reuse sales (kgals):	1,330,359	1,551,175	989,010	805,925	547,878
	Average number of accounts:	2,241	1,666	1,201	837	502
RAINFALL	**Inches**	55.24	42.18	40.53	53.67	65.72

Water and Sewer System Revenue Uses



Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2017 and 2016
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, 2017 and 2016

Contents

Building a better working world

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of JEA as of September 30, 2017 and 2016, 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.

Other Matters

Required Supplementary Information

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

Supplementary 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, 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 combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are 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 5, 2017 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 5, 2017

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, 2017 and 2016. 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 2017 and 2016 fiscal years:

Condensed Statements of Net Position

	2017	2016	2015*
		(In millions)	
Assets and deferred outflows of resources			
Current assets	**$ 902**	$ 917	$ 870
Other noncurrent assets	**1,592**	1,552	1,480
Net capital assets	**5,814**	5,875	5,959
Deferred outflows of resources	**432**	462	391
Total assets and deferred outflows of resources	**$ 8,740**	$ 8,806	$ 8,700
Liabilities and deferred inflows of resources			
Current liabilities	**$ 189**	$ 168	$ 228
Current liabilities payable from restricted assets	**449**	389	398
Net pension liability	**554**	493	409
Other noncurrent liabilities	**50**	47	48
Long-term debt	**4,410**	4,791	4,968
Deferred inflows of resources	**457**	541	482
Net position			
Net investment in capital assets	**1,622**	1,420	1,305
Restricted	**614**	612	530
Unrestricted	**395**	345	332
Total liabilities, deferred inflows of resources, and net position	**$ 8,740**	$ 8,806	$ 8,700

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

	2017	2016	2015*
		(In millions)	
Operating revenues	**$ 1,875**	$ 1,782	$ 1,749
Operating expenses	**(1,380)**	(1,319)	(1,319)
Operating income	**495**	463	430
Nonoperating expenses, net	**(149)**	(146)	(167)
Contributions	**(91)**	(107)	(92)
Special Item	**–**	–	152
Change in net position	**255**	210	323
Net position – beginning of the year	**2,377**	2,167	1,844
Net position – end of the year	**$ 2,632**	$ 2,377	$ 2,167

* During fiscal year 2015, JEA implemented Regulated Operations guidance in GASB Statement 62. As a result, regulatory assets and liabilities that met the requirement for deferral are included in Statement of Position and a prior period adjustment in Special item in conjunction with the implementation is included in the Statement of Revenues, Expenses and Changes in Net Position.

Financial Analysis of JEA for fiscal years 2017 and 2016

Operating Revenues

2017 Compared to 2016

Total Electric Enterprise operating revenues increased approximately $64 million (4.7%) compared to fiscal year 2016. Electric revenues increased $61 million and other operating revenues increased by $3 million. The increase in electric revenues was due to an increase in transfers from stabilization funds related to fuel and debt management of $96 million, which was partially offset by a $35 million decrease in sales. See note 2, Regulatory Deferrals, for additional information. Territorial MWh sales were down 511,116 megawatt hours (MWh) (4.1%), resulting in a 5.6% decrease in average MWhs per customer. SJRPP Sales to FPL decreased by 163,116 MWh and off-system sales decreased by 18,402 MWh, which brought the total decrease in MWh sales to 692,634 MWh (4.7%).

Total W&S operating revenues increased approximately $30 million (7.1%) compared to fiscal year 2016. Water revenues increased $10 million (6.1%) due to a 2.4% increase in consumption and a 2.4% increase in customer accounts. Water consumption increased 887,269 kgals to 37,245,188 kgals. Sewer revenues increased approximately $12 million (5.2%) primarily related to a 3.5% increase in sales and a 2.6% increase in sewer accounts. Sewer sales increased 895,112 kgals to 26,712,770 kgals. Reuse revenues increased approximately $3 million (28.7%), primarily related to a 24.4% increase in sales and a 25.2% increase in reuse accounts. Reuse sales increased 646,265 kgals to 3,290,311 kgals. Water and sewer revenues were impacted by a $5 million net increase in transfers, primarily related to a withdrawal from the debt management stabilization fund for a debt defeasance. See note 2, Regulatory Deferrals, for additional information.

DES operating revenues remained flat when compared to fiscal year 2016 at $9 million.

2016 Compared to 2015

Total Electric Enterprise operating revenues decreased approximately $6 million (0.4%) 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% increase in sales. Territorial MWh sales were up 127,043 MWh (1.0%), 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%. 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 fiscal year 2016.

Total W&S operating revenues increased approximately $38 million (9.8%), 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 (4.3%), due to a 5.2% increase in consumption and a 2.4% 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 (3.1%), primarily related to a 3.6% increase in sales and a 2.7% increase in sewer accounts. Sewer sales increased 895,517 kgals to 25,817,658 kgals. Reuse revenues increased approximately $3 million (39.2%), primarily related to a 48.2% increase in sales and a 27.3% 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.

Operating Expenses

2017 Compared to 2016

Total Electric Enterprise operating expenses increased approximately $56 million (5.4%), compared to fiscal year 2016.

Fuel and purchased power expense increased approximately $51 million (10.4%), compared to fiscal year 2016, primarily due to higher solid fuels, natural gas and purchased power costs. The increase in commodity costs was partially offset by a decrease in total MWH generated and purchased. Generation cost increased by $62 million, purchased power cost increased by $12 million, while MWh generated and purchased decreased by $23 million. 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 sources of power. Total MWh power volumes decreased 4.4% compared to fiscal year 2016 to 12,667,351 MWh, with a decrease of 5.6% for MWh generated and an increase of 3.7% for MWh purchased. Detailed below is JEA's power supply mix.

	FY 2017	FY 2016
Coal	**43%**	42%
Natural gas	**39%**	32%
Petroleum coke	**6%**	15%
Other purchases	**12%**	11%
Total	**100%**	100%

Electric Enterprise operating expenses, other than fuel and purchased power, increased approximately $5 million, compared to fiscal year 2016. Maintenance and other operating expenses increased $3 million. The drivers for the increase were a $9 million increase in compensation and benefits costs and a $3 million increase related to insurance costs. These increases were offset by a decrease of $9 million in maintenance expenses due to a prior year major outage at Brandy Branch not repeated in the current year and reduced maintenance expenses at SJRPP and Scherer. Depreciation expense increased $5 million due to an increase in the depreciable base. State utility and franchise taxes decreased $2 million due to lower electric revenue sales. Recognition of deferred costs and revenues, net decreased $1 million as a result of lower deferred cost amortization.

W&S operating expenses increased $8 million (2.6%), compared to fiscal year 2016. Maintenance and other expenses increased $10 million due to a $5 million increase in compensation and benefits costs, $4 million increase in interfund charges, and a $1 million net increase in miscellaneous other operating expenses. Recognition of deferred costs and revenues, net decreased $2 million due to a decrease in environmental projects paid from the rate stabilization fund.

DES operating expenses remained flat when compared to fiscal year 2016 at $7 million.

2016 Compared to 2015

Total Electric Enterprise operating expenses decreased approximately $29 million (2.7%), 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% 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 (10.3%), 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.

Nonoperating Revenues and Expenses

2017 Compared to 2016

There was an increase of approximately $3 million (1.7%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

	FY 2017 (in millions)
Changes in nonoperating expenses, net	
Investment losses – fair value adjustments	$ (9)
Increase in investment income	5
Decrease in other nonoperating income – timber	(3)
Increase in allowance for funds used during construction	2
Decrease in interest on debt	2
Total change in nonoperating expenses, net	$ (3)

2016 Compared to 2015

There was a decrease of approximately $20 million (12.1%), 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.

St. Johns River Power Park Decommissioning

JEA and FPL entered into an Agreement for Joint Ownership, Construction and Operation of SJRPP Coal Units #1 and #2 (JOA) dated as of April 2, 1982. JEA owns 80% and FPL owns 20% of SJRPP. A Purchased Power Agreement (PPA) in the JOA assigned 37.5% of JEA's 80% generation to FPL, which effectively provided 50% of the generation to both owners of SJRPP. The JOA ends on April 2, 2022. JEA and FPL agreed that it was in the best interest of their customers to cease operations at SJRPP as a generating facility; therefore, reached an agreement to close SJRPP, including early termination of the PPA. The agreement was subject to FPL receiving regulatory approval for cost recovery associated with the terms of the agreement. In October 2017, the Florida Public Service Commission approved the final order related to FPL's petition to shut down SJRPP.

At shutdown, FPL agreed to pay JEA a $90.4 million payment made up of FPL's cash reserves at SJRPP and a shutdown cash payment. In addition, FPL will convey their 20% share of SJRPP and related assets and their share of coal inventory to JEA. FPL will also pay 20% of the environmental remediation and dismantlement costs. JEA is assuming FPL's 20% share of the pension liability and has agreed to defease the Issue-Two debt. The retirement of SJRPP will provide JEA with operating cost savings and avoid future capital expenditures. The transactions related to the asset termination agreement will be recorded at shutdown, which is planned for January 2018. More detailed information is presented in note 3, St. Johns River Power Park Decommissioning, to the financial statements.

Capital Assets and Debt Administration for Fiscal Years 2017 and 2016

Capital Assets

As of September 30, 2017, JEA had approximately $5,814 million in capital assets, net of accumulated depreciation. This included $3,162 million in electric plant, $2,616 million in water and sewer plant, and $36 million in chilled water plant. During fiscal year 2017, capital additions were $327 million, which included $145 million in electric plant, $180 million in water and sewer plant, and $2 million in chilled water plant. 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. More detailed information about JEA's capital asset activity is presented in note 6, Capital Assets, to the financial statements.

With the adoption of the depreciation ratemaking policy, accounting for contributions changed effective October 1, 2014. The depreciation of contributed assets will not be included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2017, $1 million of contributed capital related to the Electric System and $41 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2016, $2 million of contributed capital related to the Electric System and $30 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions.

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 2018 are as follows:

Projected Capital Expenditures *(Millions)*		
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$	259
Water and Sewer Fund		215
DES		3
	$	477

SJRPP and Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is $54 million and is included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2017, was $4,401 million, a decrease of approximately $251 million from the prior fiscal year.

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

JEA's debt ratings on its long-term debt remained unchanged and were as follows for September 2017 and 2016:

	2017					**2016**				
	Electric System	**Water and Sewer System**	**SJRPP**	**Scherer**	**District Energy System**	**Electric System**	**Water and Sewer System**	**SJRPP**	**Scherer**	**District Energy System**
Senior debt:										
Fitch	**AA**	**AA**	**AA**	**AA**	**AA**	AA	AA	AA	AA	AA
Standard & Poor's	**AA-**	**AAA**	**AA-**	**AA-**	**AA+**	AA-	AAA	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	*	*	*

* There are no subordinated bonds related to this system.

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 November 2016, the Board approved a Base Energy Charge increase for several classes and a Fuel Charge reduction from $36.75/MWh to $32.50/MWh, a decrease of $4.25/MWh, effective December 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 November 2016 meeting, an Economic Stimulus Rider that provides a financial incentive for new commercial or industrial customers to locate within the JEA service area.

Additionally, in February 2017, the Board approved the JEA SmartSavings Pilot, an optional experimental residential demand rate. The Board also approved modifications to the electric and water/sewer service charges, the fire protection service section, the backflow program, and introduced two 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 2017	September 2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 489,559**	$ 418,514
Investments	**25,122**	143,077
Accounts and interest receivable, net of allowance ($2,101 for 2017 and $3,641 for 2016)	**245,444**	237,293
Inventories:		
Fuel	**72,243**	49,852
Materials and supplies	**70,250**	67,951
Total current assets	**902,618**	916,687
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**124,475**	178,406
Investments	**936,708**	884,612
Accounts and interest receivable	**1,729**	1,545
Total restricted assets	**1,062,912**	1,064,563
Costs to be recovered from future revenues	**506,094**	463,610
Investment in The Energy Authority	**6,283**	6,166
Other assets	**16,490**	17,931
Total noncurrent assets	**1,591,779**	1,552,270
Capital assets:		
Land and easements	**194,554**	190,660
Plant in service	**11,039,255**	10,792,942
Less accumulated depreciation	**(5,733,893)**	(5,427,480)
Plant in service, net	**5,499,916**	5,556,122
Construction work in progress	**313,883**	318,803
Net capital assets	**5,813,799**	5,874,925
Total assets	**8,308,196**	8,343,882
Deferred outflows of resources		
Unrealized pension contributions and losses	**173,578**	137,010
Unamortized deferred losses on refundings	**133,356**	141,780
Accumulated decrease in fair value of hedging derivatives	**125,269**	182,928
Total deferred outflows of resources	**432,203**	461,718
Total assets and deferred outflows of resources	**$ 8,740,399**	$ 8,805,600

See accompanying notes to financial statements.

JEA

Statements of Net Position (continued)

(In Thousands)

	September 2017	September 2016
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	**$ 131,892**	$ 113,225
Customer deposits	**57,278**	55,123
Total current liabilities	**189,170**	168,348
Current liabilities payable from restricted assets:		
Debt due within one year	**229,095**	181,525
Renewal and replacement reserve	**82,577**	80,809
Interest payable	**82,221**	86,978
Construction contracts and accounts payable	**54,961**	39,730
Total current liabilities payable from restricted assets	**448,854**	389,042
Noncurrent liabilities:		
Net pension liability	**554,337**	493,346
Other liabilities	**50,022**	46,333
Total other noncurrent liabilities	**604,359**	539,679
Long-term debt:		
Bonds and commercial paper payable, less current portion	**4,172,160**	4,470,195
Unamortized premium, net	**112,475**	138,673
Fair value of debt management strategy instruments	**125,269**	181,793
Total long-term debt	**4,409,904**	4,790,661
Total liabilities	**5,652,287**	5,887,730
Deferred inflows of resources		
Revenues to be used for future costs	**444,606**	528,262
Unrealized pension gains	**11,960**	12,683
Total deferred inflows of resources	**456,566**	540,945
Net position		
Net investment in capital assets	**1,622,160**	1,420,504
Restricted	**614,199**	611,607
Unrestricted	**395,187**	344,814
Total net position	**2,631,546**	2,376,925
Total liabilities, deferred inflows of resources, and net position	**$ 8,740,399**	$ 8,805,600

See accompanying notes to financial statements.

JEA

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

	September 2017	September 2016
Operating revenues		
Electric	**$ 1,382,206**	$ 1,321,713
Water and sewer	**448,057**	417,404
District energy system	**8,185**	8,337
Other	**36,729**	34,298
Total operating revenues	**1,875,177**	1,781,752
Operating expenses		
Operations and maintenance:		
Fuel	**458,794**	422,413
Purchased power	**77,456**	63,461
Maintenance and other operating expenses	**392,142**	380,219
Depreciation	**386,699**	382,432
State utility and franchise taxes	**69,683**	71,244
Recognition of deferred costs and revenues, net	**(4,075)**	(1,527)
Total operating expenses	**1,380,699**	1,318,242
Operating income	**494,478**	463,510
Nonoperating expenses, net		
Interest on debt	**(182,992)**	(184,457)
Investment income	**10,576**	14,225
Allowance for funds used during construction	**11,774**	9,407
Other nonoperating income, net	**5,918**	8,765
Earnings from The Energy Authority	**6,335**	6,136
Other interest, net	**(451)**	(403)
Total nonoperating expenses, net	**(148,840)**	(146,327)
Income before contributions	**345,638**	317,183
Contributions (to) from		
General Fund, City of Jacksonville, Florida	**(115,823)**	(129,187)
Developers and other	**66,875**	53,652
Reduction of plant cost through contributions	**(42,069)**	(31,632)
Total contributions, net	**(91,017)**	(107,167)
Change in net position	**254,621**	210,016
Net position, beginning of year	**2,376,925**	2,166,909
Net position, end of year	**$ 2,631,546**	$ 2,376,925

See accompanying notes to financial statements.

JEA

Statements of Cash Flows
(In Thousands)

	September 2017	September 2016
Operating activities		
Receipts from customers	**$ 1,758,264**	$ 1,838,667
Payments to suppliers	**(735,004)**	(744,358)
Payments to employees	**(252,420)**	(240,248)
Other operating activities	**5,060**	39,771
Net cash provided by operating activities	**775,900**	893,832
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(115,694)**	(128,979)
Payment from the City of Jacksonville, Florida	**–**	38
Net cash used in noncapital and related financing activities	**(115,694)**	(128,941)
Capital and related financing activities		
Acquisition and construction of capital assets	**(307,918)**	(298,045)
Interest paid on debt	**(193,406)**	(197,668)
Repayment of debt principal	**(181,525)**	(187,500)
Defeasance of debt	**(159,345)**	–
Proceeds from issuance of debt, net	**90,405**	3,000
Developer and other contributions	**24,805**	22,020
Other capital financing activities	**1,968**	8,381
Net cash used in capital and related financing activities	**(725,016)**	(649,812)
Investing activities		
Purchase of investments	**(1,803,447)**	(2,304,666)
Proceeds from sale and maturity of investments	**1,861,596**	2,128,966
Investment income	**17,593**	14,005
Distributions from The Energy Authority	**6,182**	7,462
Net cash provided by (used in) investing activities	**81,924**	(154,233)
Net change in cash and cash equivalents	**17,114**	(39,154)
Cash and cash equivalents at beginning of year	**596,920**	636,074
Cash and cash equivalents at end of year	**$ 614,034**	$ 596,920
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 494,478**	$ 463,510
Adjustments:		
Depreciation and amortization	**388,040**	385,610
Recognition of deferred costs and revenues, net	**(4,075)**	(1,527)
Other nonoperating income, net	**(804)**	1,499
Changes in noncash assets and noncash liabilities:		
Accounts receivable	**(14,185)**	6,779
Accounts receivable, restricted	**54**	79
Inventories	**(24,692)**	11,773
Other assets	**(27,647)**	(2,289)
Accounts and accrued expenses payable	**23,262**	(62,324)
Current liabilities payable from restricted assets	**4,409**	(799)
Other noncurrent liabilities and deferred inflows	**(62,940)**	91,521
Net cash provided by operating activities	**$ 775,900**	$ 893,832
Noncash activity		
Contribution of capital assets from developers	**$ 42,069**	$ 31,632
Unrealized gains (losses) on fair value of investments, net	**$ (7,710)**	$ 624

See accompanying notes to financial statements.

(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, 2017 and 2016:

	2017	2016
Bulk Power Supply System:		
Inventories	**$ 7,042**	$ 6,383
Costs to be recovered from future revenues	**11,686**	12,444
Capital assets, net	**143,981**	155,044
Debt due within one year	**5,205**	6,045
Long-term debt	**100,465**	105,938
Revenues to be used for future costs	**41,438**	45,316
SJRPP:		
Inventories	**53,977**	34,375
Other current assets	**63,040**	67,954
Capital assets, net	**474,437**	522,298
Restricted assets	**272,823**	293,489
Costs to be recovered from future revenues	**4,042**	7,039
Long-term debt	**420,060**	467,060
Other liabilities	**184,464**	184,610

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), Setting of rates.

(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 $31,664 in fiscal year 2017 and $34,759 in fiscal year 2016. JEA withdrew the net amount of $65,791 in fiscal year 2017 and deposited $34,645 in fiscal year 2016 to stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 9.2% of its electric revenue from electricity sold to FPL in fiscal year 2017 and 9.7% in fiscal year 2016. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $73,244 in 2017 and $60,845 in 2016.

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 July 2015, the Board approved a Fuel Charge Credit for residential customers of $60,000. 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, and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized. The costs of capital projects include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. Maintenance and replacements of minor items are charged to operating expenses. The cost of depreciable plant retired is removed from the capital asset accounts, and such cost plus removal expense less salvage value is charged to accumulated depreciation.

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

(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 (%)	**2017**	**2016**
Electric Enterprise Fund	**4.2%**	4.2%
Water and Sewer Fund	**4.2%**	4.2%
District Energy System	**3.6%**	3.5%

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 $183,443 for fiscal year 2017 and $184,860 for fiscal year 2016. Interest expense of $11,774 less investment income on bond proceeds of $0 was capitalized during fiscal year 2017. Interest expense of $9,407 less investment income on bond proceeds of $0 was capitalized during fiscal year 2016.

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.5% and 3.6% for fiscal years 2017 and 2016, respectively. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

Average Depreciable Life *(Years)*	**2017**	**2016**
Electric Enterprise Fund	**24.1**	24.3
Water and Sewer Fund	**27.7**	27.9
District Energy System	**24.0**	24.2

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

(g) Amortization

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

(h) Losses on Refundings

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as deferred outflows of resources on the accompanying 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 14, 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 as either 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 2017 and 2016, 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, with obsolete items being 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 2017, 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 activity in the program during fiscal year 2017 or 2016 and those collars have since expired.

At September 30, 2017 and 2016, the energy market risk management program had no open NYMEX natural gas futures contracts and had margin deposits of $0 in 2017 and $12 in 2016. 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 $0 were included in deferred outflows of resources on the statements of net position at September 30, 2017 and $1,134 at 2016. 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, 2017, there was a realized loss included in fuel expense of $323 and $3,842 in 2016.

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 statement 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 $42,069 and $31,632 were recorded in fiscal years 2017 and 2016 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, pension expense and fiduciary net position; JEA's portion of the City of Jacksonville General Employees' Retirement Plan (GERP) and St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) have been determined on the same basis as reported in the GERP and SJRPP Plan financial statements. Employer contributions made subsequent to the measurement date and before the fiscal year end are recorded as a deferred outflow of resources.

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. Florida law and the Florida Division of Retirement require 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. SJRPP's Plan is governed by a five member Pension Committee 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.

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

Upon termination from employment, employees are 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, 2017, was $31,798. Of this amount, $3,527 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $28,271 was included in other liabilities on the accompanying statements of net position. During fiscal year 2017, annual leave earned totaled $21,856 and annual leave taken totaled $19,757. 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.

(q) Pollution Remediation Obligations

JEA applies GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. See note 15, Commitments and Contingent Liabilities, for further discussion.

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

JEA records certain assets and liabilities (or deferred inflows) that result from the effects of the ratemaking 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.

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.

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

(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 November 2016, the Board approved a Base Energy Charge increase for several classes and a Fuel Charge reduction from $36.75/MWh to $32.50/MWh, a decrease of $4.25/MWh, effective December 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 November 2016 meeting, an Economic Stimulus Rider that provides a financial incentive for new commercial or industrial customers to locate within the JEA service area.

Additionally, in February 2017, the Board approved the JEA SmartSavings Pilot, an optional experimental residential demand rate. The Board also approved modifications to the electric and water/sewer service charges, the fire protection service section, the backflow program, and introduced two additional LED street lighting options.

(t) Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

(u) 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.

(v) Newly Adopted Standards for Fiscal Year 2017

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*. The implementation of this statement did not have an impact on JEA's financial statements.

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

(w) Recently Issued Accounting Pronouncements Not Yet Effective

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. This statement is effective for JEA in fiscal year 2018. The impact of implementing this statement will result in in a net OPEB liability of $26,726 replacing the currently reported OPEB asset included in other assets on the statement of net position.

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 JEA in fiscal year 2018. The implementation of this statement is not expected to have an impact on JEA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is effective for JEA in fiscal year 2019. However, JEA plans to early adopt this statement in fiscal year 2018 in association with its accounting for the shutdown and dismantlement of St. Johns River Power Park.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for JEA in fiscal year 2020. The impact on JEA's financial reporting has not been determined.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits. This statement will be effective for JEA in fiscal year 2018. The implementation of this statement is not expected to have an impact on JEA's financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing

(Dollars in Thousands)

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

resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement will be effective for JEA in fiscal year 2018. The implementation of this statement is not expected to have an impact on JEA's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The impact on JEA's financial reporting has not been determined.

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 ratemaking 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	2017	2016
Unfunded pension costs	**$ 392,719**	$ 369,019
Water environmental projects	**68,409**	76,961
Costs to be recovered from FEMA	**27,999**	–
SJRPP and Bulk Power cost to be recovered	**14,940**	16,094
Debt issue cost	**2,027**	1,536
Total regulatory assets	**$ 506,094**	$ 463,610

2. Regulatory Deferrals (continued)

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 2016. In addition, the Board approved the deferral of the difference between the annual contributions (funding) and pension expense.

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 $68,409 remained unrecovered as of September 30, 2017 and $76,961 as of September 30, 2016. This deferral is being amortized over ten years.

Costs to be recovered from FEMA – This amount represents storm costs that are expected to be recovered from the Federal Emergency Management Agency (FEMA). See note 16, Storm Costs, for further details.

SJRPP and Bulk Power costs to be recovered – SJRPP deferred debt-related costs of $3,254 at September 30, 2017 and $3,650 at September 30, 2016 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 $11,686 at September 30, 2017 and $12,444 at September 30, 2016. 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 they are 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 $2,027 was recognized in fiscal year 2017 and $1,536 in 2016.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Regulatory Credits

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

Regulatory Liabilities	2017	2016
SJRPP and Bulk Power revenues to be used for future costs	**$ 189,070**	$ 204,964
Fuel stabilization	**131,715**	180,115
Debt management stabilization	**44,093**	62,416
Environmental	**41,630**	31,674
Nonfuel purchase power	**25,189**	34,400
Self-insurance medical reserve	**9,214**	11,178
Customer benefit stabilization	**3,695**	3,515
Total regulatory liabilities	**$ 444,606**	$ 528,262

SJRPP and Bulk Power revenues to be used for future costs – SJRPP deferred debt-related revenues of $147,632 at September 30, 2017 and $159,648 at September 30, 2016 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 $41,438 at September 30, 2017 and $45,316 at September 30, 2016 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 2017, a net of $48,400 of costs were incurred in excess of the revenues collected and was recognized as a reduction of the regulatory liability. During fiscal year 2016, a net of $85,977 was collected in excess of fuel costs incurred and was 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. 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

2. Regulatory Deferrals (continued)

annual revenue requirements. As a result, $44,093 collected in the past for the debt management stabilization fund was recorded as a regulatory liability at September 30, 2017 and $62,416 in 2016. During fiscal year 2017, $18,323 was withdrawn and used to defease bonds. During fiscal year 2016, no additional amounts were deposited or withdrawn from the stabilization fund.

Environmental – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt-hour and water customer kilogallon sales. Electric 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. Water 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 2017, $31,659 was collected through the surcharge with $11,286 of capital projects, $8,551 of recovery of previously approved environmental capital projects, and $1,866 of operations and maintenance costs being incurred with the remaining $9,956 recognized as a regulatory liability. During fiscal year 2016, $31,188 was collected through the surcharge with $12,836 of capital projects, $8,551 of recovery of previously approved environmental capital projects, and $1,558 of operations and maintenance costs being incurred with the remaining $8,243 recognized as a regulatory liability.

Nonfuel purchased 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 purchased 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.

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 over medical and prescription benefits. 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.

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 and include claims that have been incurred but not reported.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

The changes in the self-insurance medical reserve for the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Beginning balance	**$ 11,178**	$ 10,937
Contributions	**29,615**	34,266
Incurred claims	**(31,579)**	(34,025)
Ending balance	**$ 9,214**	$ 11,178

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.

3. St. Johns River Power Park Decommissioning

JEA and FPL entered into an Agreement for Joint Ownership, Construction and Operation of SJRPP Coal Units #1 and #2 (JOA) dated as of April 2, 1982. JEA owns 80% and FPL owns 20% of SJRPP. A Purchased Power Agreement (PPA) in the JOA assigned 37.5% of JEA's 80% generation to FPL, which effectively provided 50% of the generation to both owners of SJRPP. The JOA ends on April 2, 2022. JEA and FPL reached an agreement to close SJRPP, including early termination of the PPA. On May 16, 2017, JEA's board of directors approved the Asset Transfer and Contract Termination Agreement, which outlined the terms of the retirement, decommissioning, and dismantling of the plant. The week following, FPL approved the contract and filed a petition with the Florida Public Service Commission (FPSC) for approval to shut down SJRPP, requesting a decision by December 1, 2017. The Office of Public Counsel, which represents consumers, filed an intervention to the petition. On September 25, 2017, the FPSC approved a settlement agreement between FPL and The Office of Public Counsel resolving all of the issues in FPL's petition to shutdown SJRPP. The final order was approved in October 2017.

At shutdown, FPL agreed to pay JEA $90,400, made up of FPL's cash reserves at SJRPP and a shutdown cash payment. "Shutdown" is expected to occur in January 2018 and means all the required regulatory approvals for the transactions have been obtained and the parties have ceased operation. Following the shutdown date, JEA shall assume all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited into the SJRPP Pension Fund. In addition, at shutdown, FPL shall pay JEA the FPL Debt Service Reserves, which JEA shall pay to an escrow account the amount required to consummate the bond defeasance of Issue-Two debt. FPL will also convey their 20% interest in SJRPP's fuel inventory to JEA. The fuel inventory received will be recorded at the fair value. FPL will receive a credit for their estimated share of the material and supplies inventory balance at shutdown; however, will pay a shutdown payment adjustment for their share of 20% of any loss on the sale of materials and supplies inventory.

3. St. Johns River Power Park Decommissioning

As part of the agreement, the parties agreed that all operation of SJRPP as a generating facility would cease at shutdown. As such, the majority of the plant assets will be dismantled. SJRPP assets are currently being depreciated over a 40-year period. The un-depreciated book value of approximately $451,000 for JEA's 80% share of SJRPP assets that will not be retained will be written down to zero at shutdown. This write down will be subject to regulatory accounting and will be amortized over the life of the remaining debt outstanding for SJRPP. In addition, FPL will convey their 20% undivided ownership interest in the SJRPP site to JEA. FPL's share of the assets retained will be recorded at fair value.

Under a service management agreement, FPL will pay 20% of the dismantlement and remediation costs incurred. JEA's share of the estimated cost for dismantlement and remediation is approximately $54,400. As discussed in note 1, Summary of Significant Accounting Policies and Practices, JEA plans to early adopt Statement No. 83, *Certain Retirement Obligations*, in fiscal year 2018 in association with its accounting for the asset retirement obligations related to dismantlement and remediation at SJRPP.

(Dollars in Thousands)

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2017 and 2016:

	2017	2016
Electric System:		
Renewal and Replacement Fund	**$ 201,388**	$ 192,227
Sinking Fund	**174,529**	144,634
Debt Service Reserve Fund	**65,433**	65,433
Adjustment to fair value of investments	**750**	2,943
Total Electric System	**442,100**	405,237
SJRPP System:		
Debt Service Reserve Fund	**141,145**	138,807
Renewal and Replacement Fund	**82,577**	80,809
Sinking Fund	**43,881**	47,258
Revenue Fund	**1,903**	20,756
Construction Fund	**7,399**	7,377
Adjustment to fair value of investments	**(4,082)**	(1,518)
Total SJRPP System	**272,823**	293,489
Water and Sewer System:		
Renewal and Replacement Fund	**150,331**	179,437
Debt Service Reserve Fund	**107,488**	108,086
Sinking Fund	**82,208**	65,410
Adjustment to fair value of investments	**2,133**	5,093
Environmental Fund	**1,839**	2,659
Revenue Fund	**745**	767
Construction Fund	**15**	152
Total Water and Sewer System	**344,759**	361,604
DES:		
Sinking Fund	**2,331**	2,324
Renewal and Replacement Fund	**899**	1,909
Total DES	**3,230**	4,233
Total restricted assets	**$ 1,062,912**	$ 1,064,563

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.

(Dollars in Thousands)

4. Restricted Assets (continued)

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 14, Fair Value Measurements.

(Dollars in Thousands)

5. Cash and Investments (continued)

At September 30, 2017 and 2016, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2017	2016
Securities:		
U.S. Treasury and government agency securities	**$ 538,887**	$ 582,215
State and local government securities	**323,507**	299,770
Commercial paper	**170,829**	252,454
Local government investment pool	**138,207**	–
Money market mutual funds	**51,460**	138,533
Total securities, at fair value	**$ 1,222,890**	$ 1,272,972

These securities are held in the following accounts:

	2017	2016
Current assets:		
Cash and cash equivalents	**$ 489,559**	$ 418,517
Investments	**25,122**	143,077
Restricted assets:		
Cash and cash equivalents	**124,475**	178,406
Investments	**936,708**	884,612
Total cash and investments	**1,575,864**	1,624,612
Plus: interest due on securities	**2,967**	2,272
Less: cash on deposit	**(355,941)**	(353,912)
Total securities, at fair value	**$ 1,222,890**	$ 1,272,972

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2017, 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, 2017 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	$ 187,873	$ 348,038	$ 2,976	$ –	$ 538,887
State and local government securities	94,456	142,605	12,088	74,358	323,507
Commercial paper	170,829	–	–	–	170,829
Local government investment pools	138,207	–	–	–	138,207
Money market mutual funds	51,460	–	–	–	51,460
Total securities, at fair value	$ 642,825	$ 490,643	$ 15,064	$ 74,358	$ 1,222,890

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

Credit Risk – JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the Florida Statutes and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (2) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company, 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, 2017, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. In addition, 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, 2017, JEA had 14.0% of its investments in commercial paper.

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

5. Cash and Investments (continued)

Concentration of Credit Risk – As of September 30, 2017, investments in any one issuer representing 5% or more of JEA's investments included $351,408 (28.7%) invested in issues of the Federal Home Loan Bank and $172,132 (14.1%) 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, 2017, 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, 2017 is as follows:

	Balance September 30, 2016	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2017
Electric Enterprise Fund:					
Generation assets	$ 3,679,557	$ –	$ (41,299)	$ 47,105	$ 3,685,363
Transmission assets	547,705	–	(1,563)	25,668	571,810
Distribution assets	1,822,944	–	(5,011)	109,125	1,927,058
Other assets	436,508	–	(3,238)	25,970	459,240
Total capital assets	6,486,714	–	(51,111)	207,868	6,643,471
Less: accumulated depreciation and amortization	(3,525,733)	(243,438)	51,111	–	(3,718,060)
Land	127,895	–	(30)	2,381	130,246
Construction work-in-process	181,247	144,855	–	(220,090)	106,012
Net capital assets	3,270,123	(98,583)	(30)	(9,841)	3,161,669
Water and Sewer Fund:					
Pumping assets	501,502	–	(9,152)	17,140	509,490
Treatment assets	606,217	–	(6,434)	27,382	627,165
Transmission and distribution assets	1,161,588	–	(314)	21,146	1,182,420
Collection assets	1,468,752	–	(530)	16,946	1,485,168
Reclaimed water assets	131,557	–	(91)	7,069	138,535
General and other assets	382,964	–	(3,408)	18,209	397,765
Total capital assets	4,252,580	–	(19,929)	107,892	4,340,543
Less: accumulated depreciation	(1,879,932)	(135,928)	19,929	4,189	(1,991,742)
Land	59,714	–	(830)	2,375	61,259
Construction work-in-process	135,881	180,276	–	(110,267)	205,890
Net capital assets	2,568,243	44,348	(830)	4,189	2,615,950
District Energy System:					
Chilled water plant assets	53,648	–	(88)	1,680	55,240
Total capital assets	53,648	–	(88)	1,680	55,240
Less: accumulated depreciation	(21,815)	(2,364)	88	–	(24,091)
Land	3,051	–	–	–	3,051
Construction work-in process	1,675	1,985	–	(1,680)	1,980
Net capital assets	36,559	(379)	–	–	36,180
Total	$ 5,874,925	$ (54,614)	$ (860)	$ (5,652)	$ 5,813,799

(Dollars in Thousands)

6. Capital Assets (continued)

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	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	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	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)

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 $6,335 in fiscal year 2017 and $6,136 in fiscal year 2016 for all power marketing activities. JEA's distributions from TEA were $6,182 in fiscal year 2017 and $7,462 in fiscal year 2016. The investment in TEA was $6,283 at September 30, 2017 and $6,166 at September 2016 and is included in noncurrent assets on the accompanying statement of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2017 and 2016. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2017	**2016**
Condensed statement of net position:		
Current assets	**$ 177,777**	$ 128,527
Noncurrent assets	**15,622**	12,282
Total assets	**$ 193,399**	$140,809
Current liabilities	**$ 155,313**	$ 102,615
Noncurrent liabilities	**394**	346
Members' capital	**37,692**	37,848
Total liabilities and members' capital	**$ 193,399**	$ 140,809
Condensed statement of operations:		
Operating revenues	**$ 1,153,933**	$ 1,039,075
Operating expenses	**1,092,748**	1,008,613
Operating income	**$ 61,185**	$ 30,462
Net income	**$ 61,223**	$ 30,472

As of September 30, 2017, 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 $15,100, in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. JEA has approved up to $60,000 (plus attorney fees) for TEA's natural gas procurement and trading activities.

7. Investment in The Energy Authority (continued)

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

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

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

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.

Below is the schedule of outstanding indebtedness for the fiscal years 2017 and 2016.

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2017	September 30 2016
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.000%	2039	**$ 5**	$ 5
Series Three 2005B	4.750%	2033	**100**	100
Series Three 2008A[2]	Variable	2027–2036	**51,680**	51,680
Series Three 2008B-1[3]	Variable	2017–2040	**60,395**	60,745
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	2017–2036	**49,810**	50,185
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	2017–2036	**111,420**	113,840
Series Three 2009C	5.000%	2017	**3,355**	15,730
Series Three 2009D[6]	6.056%	2033–2044	**45,955**	45,955
Series Three 2010A	4.000%	2017–2019	**14,980**	24,960
Series Three 2010C	4.125–4.500%	2026–2031	**8,975**	11,420
Series Three 2010D	4.000–5.000%	2017–2038	**79,470**	92,100
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%	2017–2039	**128,250**	133,390
Series Three 2013A	3.000–5.000%	2017–2026	**93,815**	111,130
Series Three 2013B	3.000–5.000%	2026–2038	**7,500**	7,600
Series Three 2013C	4.000–5.000%	2017–2030	**28,685**	30,940
Series Three 2014A	3.400–5.000%	2017–2034	**32,305**	47,565
Series Three 2015A	2.750–5.000%	2017–2041	**79,495**	81,810
Series Three 2015B	3.000–5.000%	2017–2031	**36,005**	42,355
Series Three 2017A	5.000%	2019	**18,670**	–
Total Electric System Senior Revenue Bonds			**1,137,820**	1,208,460

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2017	2016
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
2008 Series D[2]	Variable	2024-2038	**39,455**	39,455
2009 Series A	5.625%	2029-2032	**21,140**	21,140
2009 Series D	5.000%	2017-2018	**23,925**	23,925
2009 Series E	4.000%	2017-2018	**2,215**	4,065
2009 Series F[6]	4.625-6.406%	2017-2034	**64,670**	65,600
2009 Series G	4.000-5.000%	2018-2019	**16,090**	22,975
2010 Series A	3.000%	2017	**710**	4,960
2010 Series B	3.000-5.000%	2017-2024	**7,535**	35,380
2010 Series C	4.000%	2025-2027	**4,385**	15,925
2010 Series D[6]	3.500-5.582%	2017-2027	**45,575**	45,575
2010 Series E	n/a	n/a	**–**	4,505
2012 Series A	3.000-5.000%	2017-2033	**88,500**	110,780
2012 Series B	3.000-5.000%	2017-2037	**93,750**	105,800
2013 Series A	3.000-5.000%	2017-2030	**54,110**	59,330
2013 Series B	3.000-5.000%	2017-2026	**25,385**	41,215
2013 Series C	1.375-5.000%	2017-2038	**80,390**	88,605
2013 Series D	4.000-5.250%	2017-2035	**124,025**	145,055
2014 Series A	4.000-5.000%	2017-2039	**206,105**	223,770
2017 Series A	2.000-5.000%	2017-2019	**71,735**	–
Total Electric System Subordinated Revenue Bonds			**1,062,665**	1,151,025

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2017	September 30 2016
Bulk Power Supply System Revenue Bonds:				
Series 2010A[6]	4.250–5.920%	2017–2030	**$ 39,875**	$ 42,785
Series 2014A	2.000–5.000%	2017–2038	**66,050**	69,185
Total Bulk Power System Revenue Bonds			**105,925**	111,970
SJRPP System Revenue Bonds:				
Issue Two, Series Seventeen	4.700%	2019	**100**	100
Issue Two, Series Eighteen	4.500%	2018	**50**	50
Issue Two, Series Nineteen	4.600%	2017	**100**	100
Issue Two, Series Twenty	4.500%	2021	**100**	100
Issue Two, Series Twenty-One	5.000%	2021	**5**	5
Issue Two, Series Twenty-Two	4.000%	2019	**5**	5
Issue Two, Series Twenty-Three	3.000–5.000%	2017–2021	**64,910**	64,910
Issue Two, Series Twenty-Four	4.000%	2017–2021	**29,625**	29,625
Issue Two, Series Twenty-Five	3.000%	2021	**45**	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**	7,025
Issue Three, Series One[5]	4.500%	2037	**100**	100
Issue Three, Series Two[5]	5.000%	2034–2037	**29,370**	29,370
Issue Three, Series Four[5][6]	4.200–5.450%	2017–2028	**24,085**	25,720
Issue Three, Series Six[5]	2.375–5.000%	2019–2037	**91,330**	91,330
Issue Three, Series Seven[5]	2.000–5.000%	2019–2033	**79,500**	79,500
Issue Three, Series Eight[5]	2.000–5.000%	2019–2039	**57,895**	57,895
Total SJRPP System Revenue Bonds			**450,215**	494,000

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2017	2016
Water and Sewer System Senior Revenue Bonds:				
2006 Series B[4]	Variable	2017-2022	**$ 34,625**	$ 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	4.500-5.700%	2017-2025	**15,570**	17,300
2010 Series C	5.000%	2020	**9,545**	10,650
2010 Series D	4.000-5.000%	2017-2039	**101,850**	101,850
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	N/A	N/A	**–**	785
2012 Series A	3.000-5.000%	2017-2041	**317,935**	317,935
2012 Series B	2.000-5.000%	2017-2041	**130,085**	131,765
2013 Series A	4.000-5.000%	2017-2027	**89,740**	91,085
2013 Series B	1.882%	2017	**3,830**	16,730
2014 Series A	2.000-5.000%	2017-2040	**284,595**	289,565
Total Water and Sewer System Senior Revenue Bonds			**1,340,075**	1,368,695
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2017–2038	**52,950**	53,500
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	5.000%	2017–2022	**13,150**	14,065
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	**35,505**	41,640
Subordinated 2013 Series A	2.125–5.000%	2017–2029	**72,250**	76,040
Total Water and Sewer System Subordinated Revenue Bonds			**263,430**	274,820

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2017	2016
Water and Sewer System Other Subordinated Debt:				
Revolving Credit Agreement[7]	Variable	2018	**$ 3,000**	$ 3,000
Total Water and Sewer System Other Subordinated Debt			**3,000**	3,000
District Energy System:				
2013 Series A	1.425–4.538%	2017–2034	**38,125**	39,750
Total District Energy System			**38,125**	39,750
Total Debt Principal Outstanding			**4,401,255**	4,651,720
Less: Debt Due Within One Year			**(229,095)**	(181,525)
Total Long-Term Debt			**$ 4,172,160**	$ 4,470,195

(1) Interest rates apply only to bonds outstanding at September 30, 2017. 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, 2017 and 2016.

(2) Variable rate demand obligations – interest rates ranged from 0.86% to 0.98% at September 30, 2017.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 1.34% at September 30, 2017.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 3.41% to 3.50% at September 30, 2017.

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

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

(7) Revolving Credit Agreement – interest rates were 2.29% at September 30, 2017.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2017 was as follows:

System	Bonds Payable September 30, 2016	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2017	Current Portion of Bonds Payable September 30, 2017
Electric	**$ 2,359,485**	**$ 90,405**	**$ (153,210)**	**$ (96,195)**	**$ 2,200,485**	**$ 129,900**
Bulk Power Supply	**111,970**	**–**	**–**	**(6,045)**	**105,925**	**5,205**
SJRPP	**494,000**	**–**	**–**	**(43,785)**	**450,215**	**41,330**
Water and Sewer	**1,643,515**	**–**	**(6,135)**	**(33,875)**	**1,603,505**	**51,020**
DES	**39,750**	**–**	**–**	**(1,625)**	**38,125**	**1,640**
Total	**$ 4,648,720**	**$ 90,405**	**$ (159,345)**	**$ (181,525)**	**$ 4,398,255**	**$ 229,095**

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

(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, 2017 is summarized as follows:

Fiscal Year Ending	Electric System		Bulk Power Supply System		SJRPP	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 129,900	$ 37,187	$ 5,205	$ 2,237	$ 41,330	$ 9,571
2018	124,185	74,734	5,710	4,233	40,715	17,252
2019	115,175	69,045	6,150	3,959	52,940	15,292
2020	59,680	63,759	6,975	3,716	54,245	12,894
2021	59,140	61,042	7,080	3,498	23,395	10,311
2022–2026	393,785	264,977	28,025	13,861	82,265	40,220
2027–2031	531,565	188,503	24,335	7,935	85,425	24,504
2032–2036	535,770	104,819	14,540	3,485	50,810	11,167
2037–2041	237,730	23,759	7,905	513	19,090	1,298
2042–2046	13,555	1,663	–	–	–	–
Total	$ 2,200,485	$ 889,488	$ 105,925	$ 43,437	$ 450,215	$ 142,509

Fiscal Year Ending	Water and Sewer System		District Energy System		Total Debt
September 30	Principal	Interest	Principal	Interest	Service(1)(2)(3)
2017	$ 51,020	$ 31,188	$ 1,640	$ 691	$ 309,969
2018	51,720	61,383	1,660	1,359	382,951
2019	54,705	59,208	1,690	1,330	379,494
2020	57,410	57,058	1,725	1,296	318,758
2021	59,915	54,953	1,770	1,254	282,358
2022-2026	301,985	237,968	9,675	5,430	1,378,191
2027-2031	293,185	173,767	11,665	3,445	1,344,329
2032-2036	347,895	111,675	8,300	764	1,189,225
2037-2041	358,440	43,838	–	–	692,573
2042-2046	27,230	2,575	–	–	45,023
Total	$ 1,603,505	$ 833,613	$ 38,125	$ 15,569	$ 6,322,871

(1) Includes debt service accrued from October 1 through September 30 of the corresponding fiscal year, except for fiscal year 2017, 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, 2017.

(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	2018	2019	2018	2018	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2017 is summarized as follows:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain/(Loss)
Electric	Series Three 2017A	Refunding(1)	Senior	Feb 2017	$ 18,670	$ 18,990	$ (849)
Electric	2017 Series A	Refunding(2)	Subordinated	Feb 2017	71,735	68,080	(4,558)
					$ 90,405	$ 87,070	$ (5,407)

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $21,126 compared to prior debt service of $22,995 and $1,081 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $74,648 compared to prior debt service of $82,262 and $3,388 of net present value economic savings.

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

System	Authorization Senior	Authorization Subordinated	Expiration
Electric	$ 571,000	$ 333,000	December 31, 2018
SJRPP Issue Three	80,000	–	December 31, 2018
Water and Sewer	253,000	165,000	December 31, 2018

See note 18, Subsequent Events, for further details.

8. Long-Term Debt (continued)

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System VRDOs appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2017, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period. The current commitment fees range from approximately 0.3% to 0.5% with stated termination dates ranging from November 15, 2017 to May 8, 2020, unless otherwise extended. Subsequent to the end of the fiscal year, several SBPAs were renewed. See note 18, Subsequent Events, for further details.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2017, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The current commitment fee is approximately 0.5% with a stated expiration date of December 2, 2018, unless otherwise extended.

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.

Short-Term Bank Borrowings

As of September 30, 2017, 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 expenditures or for capital expenditures.

(Dollars in Thousands)

8. Long-Term Debt (continued)

During fiscal year 2016, the revolving credit agreement was drawn upon by the Water and Sewer System for $3,000 and remains outstanding as of September 30, 2017, with $297,000 available to be drawn.

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 follows 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 deferred outflow or deferred inflow resources.

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

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, 2017, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	**$ 174,000**	**$ 84,800**	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	**116,425**	**86,000**	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	**38,730**	**34,625**	3.9-4.1%	Oct 2006	Oct 2017-2022	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	**$ 527,125**				

(Dollars in Thousands)

8. Long-Term Debt (continued)

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	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	86,375	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	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	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	$ 531,605				

The following table includes fiscal year 2017 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, 2017		
System	**Classification**	**Amount**	**Classification**	**Amount(1)**	**Notional**
Electric	Deferred outflows	**$ (44,458)**	Fair value of debt management strategy instruments	**$ (101,350)**	**$ 407,210**
Water and Sewer	Deferred outflows	**(12,067)**	Fair value of debt management strategy instruments	**(23,919)**	**119,915**
Total		**$ (56,525)**		**$ (125,269)**	**$ 527,125**

(1) Fair value amounts were calculated using market rates as of September 30, 2017, and standard cash flow present valuing techniques.

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)

For fiscal years ended September 30, 2017 and 2016, 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:

	2017	2016
68% of LIBOR Index:		
Notional amount outstanding	**$ 209,975**	$ 210,350
Variable rate received (weighted average)	**0.60%**	0.30%
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)	**0.80%**	0.30%
Fixed rate paid (weighted average)	**4.00%**	4.00%
CPI Index:		
Notional amount outstanding	**$ 34,625**	$ 38,730
Variable rate received (weighted average)	**2.60%**	1.70%
Fixed rate paid (weighted average)	**4.00%**	4.00%
Net debt management swap loss	**$ (16,181)**	$ (18,732)

(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, 2017:

Electric System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2017	$ 400	$ 345	$ 1,034	$ 1,779
2018	400	3,552	12,408	16,360
2019	425	3,548	12,397	16,370
2020	3,200	3,544	12,385	19,129
2021	3,275	3,512	12,295	19,082
2022-2026	61,570	16,629	58,747	136,946
2027-2031	177,915	11,367	41,073	230,355
2032-2036	114,875	4,846	17,826	137,547
2037-2041	45,150	727	2,441	48,318
Total	$ 407,210	$ 48,070	$ 170,606	$ 625,886

Water and Sewer System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2017	$ 4,255	$ 659	$ 313	$ 5,227
2018	5,520	1,735	2,779	10,034
2019	5,740	1,544	2,749	10,033
2020	9,195	1,345	2,718	13,258
2021	4,860	1,026	2,668	8,554
2022-2026	22,650	3,382	12,316	38,348
2027-2031	2,945	2,698	10,331	15,974
2032-2036	17,035	2,396	9,183	28,614
2037-2041	47,715	1,234	4,726	53,675
Total	$ 119,915	$ 16,019	$ 47,783	$ 183,717

(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, 2017. 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, 2017.

(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, 2017, 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, 2017.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2017, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A3/A	$ 180,180
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/AA-	125,175
Merrill Lynch Derivative Products AG	BBB+/Baa1/A	85,290
Total		$ 527,125

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, 2017, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 1.04%, while the SIFMA swap index rate is 0.94% and 68% of LIBOR is 0.84%.

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 were in a liability position, JEA would be liable to the counterparty for a payment equal to the liability.

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

9. Transactions with City of Jacksonville

Utility and Administrative Services

JEA is a separately governed authority and considered 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
2017	**$ 36,842**	**$ 5,433**
2016	$ 38,379	$ 5,985

City Contribution

Fiscal year 2016 was the final year of an eight-year agreement. On March 22, 2016, the City 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.

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, at its sole discretion, may utilize any of its available revenues, regardless of source, to satisfy its total annual obligation to the City.

The contributions from the JEA Electric Enterprise Fund and JEA Water and Sewer Fund for fiscal years 2017 and 2016 were as follows:

Fiscal Year	Electric	Water and Sewer
2017	**$ 92,271**	**$ 23,552**
2016	$ 103,720	$ 25,467

(Dollars in Thousands)

9. Transactions with City of Jacksonville (continued)

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. 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.

Fiscal Year 2016 – The JEA Electric Enterprise Fund was 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 was 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 were 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 was also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

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. These amounts are included in operating revenues and expenses and were as follows:

Fiscal Year	**Electric**	**Water and Sewer**
2017	**$ 27,704**	**$ 10,562**
2016	$ 28,524	$ 10,401

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.

(Dollars in Thousands)

9. Transactions with City of Jacksonville (continued)

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. JEA is also a participant in the City's general liability insurance program. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs. These amounts are included in operating expenses and were as follows:

Fiscal Year	Workers' Compensation	General Liability
2017	**$ 1,435**	**$ 1,511**
2016	$ 1,571	$ 2,132

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, 2017 and 2016. The amounts are recorded at present value using a 4% discount rate for the fiscal years ended September 30, 2017 and September 30, 2016.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	$ 90,873	$ 3,025	$ 17,132	$ 2,237
Change in provision	22,910	1,386	6,287	1,150
Payments	(19,483)	(1,255)	(7,888)	(1,079)
Ending balance	$ 94,300	$ 3,156	$ 15,531	$ 2,308

10. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for Scherer Unit 4 through calendar year 2019. SJRPP will fulfill all coal commitments by the end of November 2017. Northside coal and petroleum coke commitments conclude by the end of January 2018. 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.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. From time to time, JEA has purchased portions of its coal supply for SJRPP from domestic suppliers and taken delivery at the mine. In these instances, JEA contracted with CSX Transportation, Inc. (CSXT) for rail transportation from the mine to the SJRPP plant. CSXT filed a claim against JEA and FPL regarding a contract dispute on a railway transportation agreement for the delivery of coal to SJRPP. This matter is being addressed through confidential arbitration in accordance with the parties' agreement. CSXT is seeking liquidated damages for breach of contract in the amount of $14,728, or alternatively, an unspecified amount of actual damages in excess of the liquidated damages. JEA and FPL have disputed the breach of contract claim and invoked the force majeure clause of the agreement between the parties based on changes in federal law. The arbitration panel has been selected and discovery is ongoing.

In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends 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 expire in 2021. Contract terms for the natural gas supply 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 has long-term contracts with Peoples Gas system, Florida Gas Transmission, Southern Natural Gas and SeaCoast Gas Transmission for firm gas transportation to allow the delivery of natural gas through those pipeline systems. There is no purchase commitment of natural gas associated with those transportation contracts.

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 appears in the table below:

Fiscal Year	Coal and Pet Coke		Natural Gas		
Ending	Fuel	Transportation	Transportation	Transmission	Total
2018	1,795	3,024	7,236	6,110	18,165
2019	751	–	7,236	6,547	14,534
2020	188	–	7,256	6,999	14,443
2021	–	–	4,817	4,234	9,051
2022	–	–	–	7,528	7,528
2023-2042	–	–	–	168,709	168,709

10. Fuel Purchase and Purchased Power Commitments (continued)

Vogtle Units Purchased Power Agreement

Overview

As a result of an earlier 2008 policy establishing a 10% of total energy from nuclear energy goal, 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 megawatts (MW) of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units or Plant Vogtle Units 3 and 4) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The owners of the Additional Vogtle Units include Georgia Power Company (Georgia Power), Oglethorpe Power Corporation (Oglethorpe), MEAG Power and the City of Dalton, Georgia (collectively, the Owners or Vogtle Co-Owners). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 13% of JEA's total energy requirements in the year 2023.

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 and on the loans made and to be made by the Project J Entity referred to below, in each case, to finance the portion of the capacity to be sold to JEA from 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.

Financing and In-Service Costs

MEAG Power created three separate "projects" (the Vogtle Units 3 and 4 Project Entities) for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). The project corresponding to the portion of MEAG Power's ownership interest which will provide the capacity and energy to be purchased by JEA under the Additional Vogtle Units PPA is referred to herein as "Project J." MEAG Power currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately $5.7 billion, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs and switchyard and transmission costs. This cost reflects the expected payments from Toshiba Corporation (Toshiba) of approximately $835.4 million (of which approximately $344 million is allocable to Project J) under the Guarantee Settlement Agreement discussed further in this section. MEAG Power has additionally provided that its total financing needs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately $6.1 billion. Based on information provided by MEAG Power, (i) the portion of the total in-service cost for Plant Vogtle Units 3 and 4 allocable to Project J is approximately $2.394 billion, which is an increase of approximately

10. Fuel Purchase and Purchased Power Commitments (continued)

$548 million from the previous estimate, and (ii) the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately $187 million resulting in total financing needs of approximately $2.581 billion, which is an increase in total financing needs for Plant Vogtle Units 3 and 4 allocable to Project J of approximately $579 million from the previous estimate.

Financing for Project J – 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 approximately $1.248 billion of its Plant Vogtle Units 3 and 4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. Of the total 2010 PPA Bonds, approximately $1.224 billion were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG Power expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest, subject to reduction due to sequestration. At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2013 for the current fiscal year through fiscal year 2021. The exact amount of such reduction is determined on or about the beginning of the federal government's fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 6.6% became effective on September 1, 2017. MEAG Power issued approximately $185.2 million of additional Project J tax-exempt bonds on September 9, 2015.

On June 24, 2015, in order to obtain certain loan guarantees from the United States Department of Energy (DOE) for further funding of 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 and transferred such interests to the Vogtle Units 3 and 4 Project Entities. 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 (the Project J Entity).

The Project J Entity entered into a loan guarantee agreement with DOE in 2015, subsequently amended in 2016 and 2017, under which the Project J Entity is permitted to borrow from the Federal Financing Bank (FFB) an aggregate amount of approximately $577.7 million. To date, the Project J Entity has received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of approximately $336.7 million. There is additional borrowing capacity of approximately $241.0 million under the Project J Entity's existing DOE-guaranteed loan. On September 28, 2017, DOE and MEAG Power and the Vogtle Units 3 and 4 Project Entities entered into a conditional commitment for additional DOE loan guarantees in the aggregate amount of $414.7 million, of which $111.5 million is allocable to the Project J Entity. Subject to satisfaction of the conditions contained in such conditional commitment, it is expected that the Project J Entity will obtain from FFB such additional lending commitment in the amount of $111.5 million. MEAG Power expects that the total financing needs for Project J will exceed the aggregate of the Project J Entity's FFB lending commitments and the balance will be financed in the public capital markets.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Summary of financing associated with Project J:

	Borrowings to Date	Additional Capacity	Total Projected Borrowings
2010A Build America Bonds	$1,224,265	$ –	$1,224,265
2010B tax-exempt bonds	24,170	–	24,170
2015A tax-exempt bonds	185,180	–	185,180
DOE loan guarantee	336,674	241,069	577,743
Additional conditional DOE loan guarantee	–	111,541	111,541
Additional public markets bonds	–	390,713	390,713
Other sources of funds[1]		67,355	67,355
Total	$1,770,289	$ 810,678	$2,580,967

(1) MEAG anticipates funding the difference between the total in-service costs of approximately $2.581 billion referred to under the first paragraph under "Financing and In-Service Costs" herein and the $2,513,612 shown as Total Projected Borrowings above (excluding Other sources of funds) with interest earnings on unexpended borrowings.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Based on information provided by MEAG Power, JEA's portion of the debt service to maturity on the outstanding Project J debt as of September 30, 2017 is summarized as follows:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy(1)	Capitalized Interest	Net Debt Service
2017	$ 8,795	$ 96,583	$ 105,378	$ (27,702)	$ (68,882)	$ 8,794
2018	11,698	96,139	107,837	(27,696)	(68,443)	11,698
2019	12,750	95,495	108,245	(27,612)	(67,883)	12,750
2020	15,114	94,714	109,828	(27,392)	(67,321)	15,115
2021	18,016	93,831	111,847	(27,100)	(66,731)	18,016
2022	20,706	92,824	113,530	(26,790)	(31,897)	54,843
2023	21,510	91,747	113,257	(26,466)	(4,109)	82,682
2024	22,967	90,613	113,580	(26,129)	–	87,451
2025	23,819	89,420	113,239	(25,776)	–	87,463
2026	24,685	88,178	112,863	(25,409)	–	87,454
2027	25,570	86,886	112,456	(25,026)	–	87,430
2028	26,538	85,541	112,079	(24,626)	–	87,453
2029	27,511	84,140	111,651	(24,209)	–	87,442
2030	28,528	82,682	111,210	(23,774)	–	87,436
2031	29,586	81,164	110,750	(23,320)	–	87,430
2032	30,661	79,584	110,245	(22,847)	–	87,398
2033	31,842	77,939	109,781	(22,353)	–	87,428
2034	33,035	76,226	109,261	(21,838)	–	87,423
2035	34,272	74,442	108,714	(21,300)	–	87,414
2036	28,275	72,584	100,859	(20,740)	–	80,119
2037	16,223	70,650	86,873	(20,155)	–	66,718
2038	10,905	68,637	79,542	(19,545)	–	59,997
2039	6,973	66,540	73,513	(18,909)	–	54,604
2040	1,424	64,321	65,745	(18,246)	–	47,499
2041	–	62,012	62,012	(17,553)	–	44,459
2042	–	30,231	30,231	(9,217)	–	21,014
2043	–	3,952	3,952	(1,249)	–	2,703
Total	$ 511,403	$ 2,097,075	$ 2,608,478	$ (602,979)	$ (375,266)	$ 1,630,233

(1) At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2013 for the current fiscal year through fiscal year 2021. The exact amount of such reduction is determined on or about the beginning of the federal government's fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 6.6% became effective on September 1, 2017.

10. Fuel Purchase and Purchased Power Commitments (continued)

Description of Construction Contracts

In 2008, Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners, entered into a contract (the EPC Contract) pursuant to which the Contractor agreed to design, engineer, procure, construct and test the Additional Vogtle Units. The entities that constituted the Contractor prior to June 9, 2017 were Westinghouse Electric Company LLC (Westinghouse) and WECTEC Global Project Services Inc. (WECTEC, and together with Westinghouse, the Contractor).

On March 29, 2017, Westinghouse and WECTEC each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

On June 9, 2017, Georgia Power (for itself and as agent for the other Vogtle Co-Owners) and the Contractor entered into a services agreement (the “Services Agreement”) for the Contractor to transition construction management of Plant Vogtle Units 3 and 4 to Southern Nuclear Operating Company, an affiliate of Georgia Power (SNC or Southern Nuclear), and to provide ongoing design, engineering, and procurement services to SNC. The Services Agreement has taken effect and provides that the Contractor will generally be compensated on a time and materials basis for services rendered. The Services Agreement will continue until the start-up and testing of Plant Vogtle Units 3 and 4 is complete and electricity is generated and sold from both units. The Services Agreement is terminable by the Vogtle Co-Owners upon 30 days’ written notice.

Georgia Power recommended in the 17th Vogtle Construction Monitoring report (the VCM 17 Report, filed with the Georgia Public Service Commission (GPSC) on August 31, 2017) that the construction of the Additional Vogtle Units be continued. The recommendation to continue construction was supported by all of the Vogtle Co-Owners. Georgia Power has requested GPSC approval for a new project management structure in light of the realities that now exist after the Westinghouse and WECTEC bankruptcy. Under the new project management structure, Georgia Power, along with SNC acting as the project manager, will manage the construction of the Additional Vogtle Units on behalf of the Owners pursuant to a revised Ownership Participation Agreement. Bechtel Power Corporation (Bechtel) will serve as the prime construction contractor (see the description of the Construction Agreement below).

Going forward, Georgia Power through its agent SNC will manage the remaining bulk construction phase of the Additional Vogtle Units.

On October 19, 2017, Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners, entered into a Construction Completion Agreement (the “Construction Agreement”) with Bechtel, which became effective on October 23, 2017. Under the Construction Agreement, Bechtel will serve as the primary contractor for the remaining construction activities for Plant Vogtle Units 3 and 4. Facility design and engineering remains the responsibility of Westinghouse under the Services Agreement.

10. Fuel Purchase and Purchased Power Commitments (continued)

Unlike the EPC Contract, which required the contractor to absorb most of the construction cost overruns for the Additional Vogtle Units, the Construction Agreement is a cost reimbursable plus fee arrangement, whereby Bechtel will be reimbursed by the Vogtle Co-Owners for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel's performance against cost and schedule targets. Each Vogtle Co-Owner is severally (not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to Bechtel under the Construction Agreement.

The Vogtle Co-Owners may terminate the Construction Agreement at any time for their convenience, provided that the Vogtle Co-Owners will be required to pay amounts related to work performed prior to the termination (including the applicable portion of the base fee), certain termination-related costs and, at certain stages of the work, the at-risk fee. Bechtel may terminate the Construction Agreement under certain circumstances, including, certain Vogtle Co-Owner suspensions of work, certain breaches of the Construction Agreement by the Vogtle Co-Owners, Vogtle Co-Owner insolvency and certain other events.

In addition, pursuant to the separate Loan Guarantee Agreements (each, a "DOE Loan Guarantee Agreement"), dated as of June 24, 2015, between each of the Vogtle Units 3 and 4 Project Entities and DOE, as amended, each Vogtle Units 3 and 4 Project Entity is required to obtain approval of the Construction Agreement by the DOE prior to any further advances under its respective DOE Loan Guarantee Agreement.

In connection with the recommendation to continue with construction of Plant Vogtle Units 3 and 4, the Vogtle Co-Owners agreed on a term sheet to amend the existing joint ownership agreements to provide for additional Vogtle Co-Owner approval requirements. Subsequently, the Vogtle Co-Owners entered into an amendment, dated as of November 2, 2017, to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the "Joint Ownership Agreements") to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Pursuant to the Joint Ownership Agreements, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain adverse events occur, including: (1) the bankruptcy of Toshiba or (except in the case in which each of the Vogtle Co-Owners has assigned its rights under the Guarantee Settlement Agreement to a third party) a material breach by Toshiba of the Guarantee Settlement Agreement; (2) termination or rejection in bankruptcy of certain agreements, including the Services Agreement or the Construction Agreement; (3) the GPSC or Georgia Power determines that any of Georgia Power's costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates because such costs are deemed unreasonable or imprudent; or (4) an increase in the construction budget contained in the VCM 17 Report of more than $1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. In addition, pursuant to the Joint Ownership Agreements, the required approval of holders of ownership interests in Plant Vogtle Units 3 and 4 is at least (1) 90% for a change of the primary construction contractor and (2) 67% for material amendments to the Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

The effectiveness of the amendment to the Joint Ownership Agreements is subject to the condition that Oglethorpe obtains the approval of the Administrator of the Rural Utilities Service.

10. Fuel Purchase and Purchased Power Commitments (continued)

The Joint Ownership Agreements also confirm that the Vogtle Co-Owners' sole recourse against Georgia Power or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Co-Owners is limited to removal of Georgia Power and/or Southern Nuclear as agent, except in cases of willful misconduct.

MEAG Power, based upon information provided to it by its agent, Georgia Power, has advised JEA that the current estimated in-service dates for the Additional Vogtle Units are November 2021 and November 2022.

Regulatory Proceedings

The Vogtle Co-Owners recommended that the Additional Vogtle Units be completed on the condition that any of the Owners have the right to abandon the construction of the Plant Vogtle Units 3 and 4 if the revised cost estimate or the revised construction schedule is not approved by the GPSC, or if there is a determination by the GPSC that any of Georgia Power's share of the total investment in Plant Vogtle Units 3 and 4 or Georgia Power's associated financing costs will not be recovered in Georgia Power's retail rates because they are deemed by the GPSC to be unreasonable or imprudent or for any other reason, or that such investment or associated financing costs will be presumed to be unreasonable or imprudent or unrecoverable.

JEA has informed MEAG Power that it disagrees with the recommendation to complete the Additional Vogtle Units and that it believes that the project should be canceled rather than completed. JEA was granted intervener status in the GPSC proceedings to consider whether to allow cost recovery for Georgia Power for the continuation of the project.

JEA cannot predict the outcome of these proceedings or the impact on continuation of construction at the project. JEA has not determined what additional action, if any, it may take regarding this matter.

Description of Toshiba Guarantee

Toshiba has guaranteed certain payment obligations of Westinghouse and WECTEC under the EPC Contract, including any liability of Westinghouse and WECTEC for abandonment of work (the "Toshiba Guarantee"). However, due to Toshiba's difficult financial situation, substantial risk regarding the Vogtle Co-Owners' ability to fully collect under the Toshiba Guarantee exists.

On June 9, 2017, Georgia Power and the other Vogtle Co-Owners and Toshiba entered into a settlement agreement regarding the Toshiba Guarantee (the "Guarantee Settlement Agreement"). Pursuant to the Guarantee Settlement Agreement, Toshiba has acknowledged the amount of its obligation under the Toshiba Guarantee is $3.68 billion (the Guarantee Obligations) and that the Guarantee Obligations exist regardless of whether the Additional Vogtle Units are completed. The Guarantee Settlement Agreement also provides for a schedule of payments for the Guarantee Obligations, beginning in October 2017 and continuing through January 2021. Approximately $344 million of such $3.68 billion is allocable to Project J. In the event Toshiba receives certain payments, including sale proceeds, from or related to Westinghouse (or its subsidiaries) or Toshiba Nuclear Energy Holdings (UK) Limited (or its subsidiaries), it will hold a

10. Fuel Purchase and Purchased Power Commitments (continued)

portion of such payments in trust for the Vogtle Co-Owners and promptly pay them over as offsets against any remaining Guarantee Obligations. Under the Guarantee Settlement Agreement, the Vogtle Co-Owners will forbear from exercising remedies in respect of the Toshiba Guarantee, including drawing on the $920 million of letters of credit from financial institutions securing a portion of the Contractor's potential obligations under the EPC Contract (the Westinghouse Letters of Credit), until June 30, 2020, unless, among other items, certain events of nonpayment, insolvency, or other material breach of the Guarantee Settlement Agreement by Toshiba occur. If such an event occurs, the balance of the Guarantee Obligations will become immediately due and payable, and the Vogtle Co-Owners may exercise any and all rights and remedies, including drawing on the Westinghouse Letters of Credit without restriction. In addition, the Guarantee Settlement Agreement does not restrict the Vogtle Co-Owners from fully drawing on the Westinghouse Letters of Credit in the event they are not renewed or replaced prior to the expiration date.

On October 2, 2017, MEAG Power received the first payment from Toshiba under the Guarantee Settlement Agreement. MEAG Power's share of the $300 million payment was approximately $68 million, with the remainder going to the other Co-Owners of the Additional Vogtle Units. The portion of this payment allocable to Project J was approximately $28 million. On November 1, 2017, the second scheduled payment of $77.5 million was received by the Co-Owners of the Additional Vogtle Units. The portion of the payment allocable to Project J was approximately $7 million.

Toshiba has previously announced the existence of material events and conditions that raise substantial doubt about Toshiba's ability to continue as a going concern. Accordingly, substantial risk regarding the Vogtle Co-Owners' ability to fully collect the Guarantee Obligations exists. An inability or other failure by Toshiba to perform its obligations under the Guarantee Settlement Agreement could have a further material impact on the net cost to the Vogtle Co-Owners to complete construction of the Additional Vogtle Units. The Vogtle Co-Owners are exploring options that would reduce the risk of Toshiba's failure to make its payments under the Guarantee Settlement Agreement.

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 planned to have 2,234 MW of electric generating capacity with a projected on-line 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 2010 policy target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

10. Fuel Purchase and Purchased Power Commitments (continued)

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA 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 was received from the NRC in December 2016. In August 2017, Duke Carolinas filed with the North Carolina Utilities Commission and the South Carolina Public Service Commission to cancel the plant. This cancellation allows Duke Carolinas to seek cost recovery for the expenditures on licensing the plant, however, the NRC license remains active and the cancellation is not permanent. 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 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 within two years of the projected online date for the Lee Project, once such date is set. No alternative resource for the Lee Project has yet been proposed by Duke Carolinas.

Solar Projects

In 2009, JEA entered into a 30-year purchased 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 20,074 MWh of electricity in 2017 and 20,877 MWh of electricity in 2016. JEA pays only for the energy produced. Purchases of energy for the fiscal years 2017 and 2016 were $3,819 and $3,865.

In 2015, JEA entered into a 25-year purchased power agreement with Northwest Jacksonville Solar Partners, LLC for the produced energy, as well as the associated environmental attributes from a solar farm, Montgomery Solar, which has been constructed in JEA's service territory. The facility, which consists of 28,000 single-axis tracking photovoltaic panels on a vendor-leased 100-acre site, is owned by American Electric Power (AEP) and generated approximately 5,378 MWh of electricity in 2017. JEA pays only for the energy produced. Purchases of energy for fiscal year 2017 was $354 (first year of operation).

10. Fuel Purchase and Purchased Power Commitments (continued)

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 MWac of solar photovoltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Seven PPAs, representing 27 MWac, have been 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. The projects are scheduled for completion in 2017 and early 2018.

In October 2017, the JEA Board approved a further solar expansion consisting of five 50 MWac solar facilities to be constructed on JEA owned property. These projects, totaling 250 MWac, will be structured as PPAs. Requests for Qualifications to select the vendor(s) were issued in October 2017. Vendors have not yet been selected. It is expected the facilities will be completed in late 2019 – early 2020.

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 MWs. 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 2017 and 2016 were $3,671 and $3,724.

11. 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 2017, 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 or 2017 and those collars have since expired.

At September 30, 2017 and 2016, the energy market risk management program had no open NYMEX natural gas futures contracts and had margin deposits of $0 in 2017 and $12 in 2016. 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 $0 were included in deferred outflows of resources on the statements of net position at September 30, 2017 and $1,134 at 2016. 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, 2017, there was a realized loss included in fuel expense of $323 and $3,842 in 2016.

12. Pension Plans

Substantially all employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employee Retirement Plan (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 2016 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at: http://www.coj.net/getattachment/Departments/Finance/Accounting/Comprehensive-Annual-Financial-Reports/City-of-Jacksonville-2016-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 first phase of pension reform was approved by the City of Jacksonville in April 2017. The reform provides 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 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 surtax, is expected to reach or exceed 100%.

In order for a plan to benefit from the sales tax revenue, the GERP was closed to new members and employees as of September 30, 2017. Employee contribution rates for GERP participants increased from 8% to 10%. Employees who participate in the defined benefit plan will continue to participate with no changes in benefits.

New employees hired after September 30, 2017 now enter the General Employees Defined Contribution Plan. Ongoing defined contribution participants and new employees continue to contribute 8% of salary while employer contributions to the defined contribution plan increased from 8% to 12%.

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

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

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 2017 and 2016, 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 $48,942 (38.27%) in 2017 and $43,156 (33.48%) in 2016. 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 hired prior to September 30, 2017 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 2017 and 2016, 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 $982 (8%) in 2017 and $920 (8%) in 2016.

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated 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, Deferred Outflows of Resources, and Deferred Inflow of Resources Related to Pensions

Net Pension Liability – JEA's net pension liability at September 30, 2017 and September 30, 2016 was measured based on an actuarial valuation as of September 30, 2016 and September 30, 2015, respectively. JEA's allocated share of the net pension liability is $541,025 (50.37%) as of September 30, 2017 based on an allocation proportional to the actual contributions paid during the year ended September 30, 2016. JEA's allocated share of the net pension liability as of September 30, 2016 was $480,353 (49.15%) 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 year ended September 30, 2017 and 2016, JEA's recognized pension expense is $74,849 and $57,217, respectively. JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30	
	2017	**2016**
Deferred outflows of resources		
Changes in assumptions	**$ 49,859**	$ 29,940
Contributions subsequent to the measurement date	**48,942**	43,156
Differences between expected and actual experience	**24,354**	–
Net difference between projected and actual earnings on pension investments	**24,319**	50,257
Changes in proportion	**9,599**	1,925
Total	**$ 157,073**	$ 125,278
Deferred inflows of resources		
Changes in assumptions	**$ (5,454)**	$ (7,095)
Differences between expected and actual experience	**(2,525)**	(3,461)
Total	**$ (7,979)**	$ (10,556)

Contributions of $48,942 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2016 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2018	$ 30,643
2019	30,643
2020	27,366
2021	11,500
Total	$ 100,152

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 30, 2016, 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	7.40%, net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy post-retirement mortality rates	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled mortality rates	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females

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. Data from the experience study is reviewed in conjunction with each annual valuation, and updates to the mortality improvement scale and discount rate have been made as of September 30, 2016.

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, 2016, 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 Marco Advisors.

(Dollars in Thousands)

12. Pension Plans (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	35%	6.71%
International equity	20%	7.71%
Fixed income	19%	2.11%
Real estate	25%	5.21%
Cash	1%	1.10%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability is 7.40%. The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at their applicable contribution rates and that City contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 7.40% for 2017 and 7.5% for 2016, as well as what the Jacksonville GERP's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate used:

	Net Pension Liability	
	2017	**2016**
1% decrease	**$ 713,190**	$ 634,471
Current discount	**541,025**	480,353
1% increase	**397,385**	351,381

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the 2016 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

12. Pension Plans (continued)

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 committee (Pension Committee).

The SJRPP Plan periodically issue stand-alone audited financial statements, with the most recent report issued for the year ended September 30, 2016. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

Pursuant to the February 25, 2013 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. Participants hired after February 25, 2013 are only eligible to accrue Tier Two benefits.

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 final average earnings (FAE) 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

FAE is the annual average of a participant's earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination. Retirement benefits are payable bi-weekly beginning on the first day of the month following or coincident with the participant's Earliest Retirement Age.

(Dollars in Thousands)

12. Pension Plans (continued)

As of February 25, 2013, the accrued benefits in Tier One of newly classified Tier Two participants were frozen. 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 between February 25, 2013 and September 30, 2015 and 8.5% of earnings on or after October 1, 2015. 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 of Tier One 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, 2017 and September 30, 2016, the following employees were covered by the benefit terms:

	2017	**2016**
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	**299**	273
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	**49**	52
Active Plan Members	**209**	226
Total Plan Members	**557**	551

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 2017 and 2016, SJRPP plan members were required to contribute 4% of their annual covered salary, and SJRPP employer's contribution to the SJRPP Plan was $8,039 (51.47%) in 2017 and $2,142 (17.77%) in 2016.

Net Pension Liability – SJRPP's net pension liability at September 30, 2017 and September 30, 2016 was measured based on an actuarial valuation as of September 30, 2016 and September 30, 2015, respectively.

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions –The total pension liability in the October 1, 2016 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	Mortality Rates used by the Florida Retirement System for classes other than Special Risk, described as follows: Healthy Mortality (Pre-Retirement and Post-Retirement) rates used: Females: RP2000 Healthy Annuitant rates with 100% White Collar adjustment, generationally projected from year 2000 using Scale BB. Males: RP2000 Healthy Annuitant rates with 50% White Collar/50% Blue Collar adjustment, generationally projected from year 2000 using Scale BB.

The actuarial assumptions used in the October 1, 2016, valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued. Mortality rates were developed by the Florida Retirement System in a recent experience study and are different from rates used in the previous valuation. These rates will be mandated by the State Statutes for funding valuations beginning with 2016 valuations.

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 at the measurement date of September 30, 2016, are summarized in the following table.

(Dollars in Thousands)

12. Pension Plans (continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	47%	7.99%
Fixed income	45%	2.50%
International equity	8%	6.90%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability is 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	2017	2016
1% decrease	**$ 33,650**	$ 32,982
Current discount rate	**16,640**	16,241
1% increase	**2,206**	1,928

(Dollars in Thousands)

12. Pension Plans (continued)

Changes in the net pension liability are detailed below.

		2017		2016
Total pension liability				
Beginning balance	**$**	**155,143**	$	150,629
Service cost		**1,210**		1,275
Interest on the total pension liability		**10,514**		10,271
Changes in benefit terms		**(59)**		–
Difference between expected and actual experience		**4,444**		–
Changes in assumptions		**–**		3,316
Benefit payments		**(12,326)**		(10,348)
Ending balance		**158,926**		155,143
Plan fiduciary net postion				
Beginning balance		**138,902**		145,425
Employer contributions		**2,142**		3,509
Employee contributions		**629**		648
Pension plan net investment income (loss)		**13,379**		(266)
Benefit payments		**(12,326)**		(10,348)
Administrative expense		**(440)**		(66)
Ending balance		**142,286**		138,902
Net pension liability	**$**	**16,640**	$	16,241

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

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

Net Pension Liability – SJRPP's net pension liability at September 30, 2017 and September 30, 2016 was measured based on an actuarial valuation as of September 30, 2016 and September 30, 2015, respectively. SJRPP's net pension liability is $16,640 as of September 30, 2017 and $16,241 as of September 30, 2016.

(Dollars in Thousands)

12. Pension Plans (continued)

For the year ended September 30, 2017 and 2016, SJRPP recognized pension expense is $4,785 and $3,402, respectively. SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30 2017	2016
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ 6,136**	$ 8,181
Contributions subsequent to the measurement date	**8,664**	2,771
Differences between expected and actual experience	**4,022**	1,148
Changes in assumptions	**1,809**	2,563
Total	**$ 20,631**	$ 14,663
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ (4,976)**	$ (2,657)
Total	**$ (4,976)**	$ (2,657)

Contributions of $8,664 were reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the September 30, 2016 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2018	$ 2,683
2019	2,371
2020	2,630
2021	(693)
Total	$ 6,991

(Dollars in Thousands)

13. Other Postemployment Benefits

Plan Description

Plan administration – JEA maintains a medical benefits plan (OPEB 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.

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.

Plan membership – As of September 30, 2015 (the actuarial valuation date), the OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	590
Active plan members	2,073
TOTAL	2,663

Benefits provided – 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 January 1, 2016, the PPO plan out of pocket maximums increased to $5,000/$10,000, the deductible increased to $500 per year, the coinsurance changed to 80%/50%, and the specialist copay increased to $60. The HRA out of pocket maximum increased to $5,000/$10,000. The HSA deductible was set to $1,500 for in network and $2,500 for out of network. The copays for prescription drug benefits under all plan options increased to $10/$40/$60 and copays for specialty drugs increased to $250. These changes were modeled by replacing the previously assumed trend of 6.5% with -1.00% for the 2017 plan year.

Contributions – 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.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Actuarial assumptions – The total OPEB liability was determined by an actuarial rollforward for September 30, 2017 that was based on an actuarial valuation previously performed on September 30, 2015. The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Salary increases	2.50% to 12.50% depending on service, including inflation.
Investment rate of return	7.00%
Healthcare cost trend rates*	7.00% 1st year, -1.00% 2nd year, 6.25% 3rd year, decreasing to an ultimate rate of 4.59% in the 25th year

* 2nd year reflects a -1.00% trend rate to model the changes made to out of pocket expenses for participants effective January 1, 2016.

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.

Annual OPEB Costs and Net OPEB Asset

Fiscal Year Ending September 30	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Asset
2017	**$ 4,221**	**$ 4,138**	**98.05%**	**$ (2,723)**
2016	5,064	7,738	152.81%	(2,806)
2015	4,978	7,256	145.75%	(131)

* Implicit premiums paid by JEA.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

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 asset to JEA as of September 30, 2016 and 2015. In the statement of net position, the net OPEB asset is recorded in other assets.

	September 30	
	2017	**2016**
Annual required contribution (ARC)	**4,138**	5,061
Interest on OPEB plan obligation	**(196)**	(9)
Adjustment to ARC	**279**	12
Annual OPEB plan retiree cost*	**4,221**	5,064
OPEB plan obligation (asset) at beginning of year	**$ (2,806)**	$ (131)
Contributions made	**(4,138)**	(7,739)
OPEB plan asset at end of year	**$ (2,723)**	$ (2,806)

* Implicit additional premiums paid by JEA.

Funded Status

As of October 1, 2015, the most recent valuation date, the OPEB Plan was 34.46% funded. The actuarial accrued liability for benefits was $52,682, and the actuarial value of assets was $18,156, resulting in an unfunded actuarial accrued liability (UAAL) of $34,526. 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 23.01%. These numbers reflect the changes to participant benefits effective as of January 1, 2016.

14. 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

(Dollars in Thousands)

14. Fair Value Measurements (continued)

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). The local government investment pools transact with participants at a stable NAV and are recorded at NAV. Certain U.S. Treasury and government agency securities and commercial paper are measured at cost.

	2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
U.S. Treasury and government agency securities	**$ 420,524**	**$ 420,524**	**$ –**	**$ –**
State and local government securities	**323,507**	**54,923**	**268,584**	**–**
Total investments by fair value level	**$ 744,031**	**$ 475,447**	**$ 268,584**	**$ –**
Investments measured at NAV				
Money market mutual funds	**51,460**			
Local government investment pools	**138,207**			
Total investments measured at fair value	**933,698**			
Investments measured at cost				
U.S. Treasury and government agency securities	**118,363**			
Commercial paper	**170,829**			
Total investments by cost	**289,192**			
Total investments per statement of net position	**$ 1,222,890**			

	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			

(Dollars in Thousands)

14. Fair Value Measurements (continued)

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2017 and 2016 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 is detailed below.

	2017	2016
Electric	**$ (101,350)**	$ (145,808)
Water and Sewer	**(23,919)**	(35,986)
Total	**$ (125,269)**	$ (181,794)

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consisted of call and put options. These hedges were valued using prices observed on commodities exchanges and/or using industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which placed them at Level 3 in the fair value hierarchy. The fair market value changes in the hedges were 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, 2017 and 2016, deferred charges of $0 and $1,134 were included in deferred outflows of resources on the statements of net position, respectively.

15. Commitments and Contingent Liabilities

Grants

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

Regulatory Initiatives

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

15. 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 (CPS), 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.

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. On March 28, 2017, President Trump issued an Executive Order establishing a national policy "in favor of energy independence, economic growth, and the rule of law". The President has directed agencies to review existing regulations that potentially burden the development of domestic energy resources, and appropriately suspend, revise, or rescind regulations that unduly burden the development of U.S. energy resources beyond what is necessary to protect the public interest or otherwise comply with the law. The Executive Order specifically directed EPA to review and, if appropriate, initiate reconsideration proceedings to suspend, revise or rescind the new EPA Final Rules pertaining to CO2 emissions. EPA initially obtained temporary court orders to hold the court challenge of the CPP and the CPS in abeyance, pending the completion of EPA's review of the rules. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

On October 16, 2017, EPA issued a proposed rule to repeal the CPP in its entirety due to the Administration's different interpretation of the authority for CO2 regulation under the CAA. EPA indicates that its review of the CPS is continuing. Regardless of the outcome of the legal challenges or of related EPA rulemaking, the EPA's Endangerment Finding that mandates the regulation of CO2 emissions remains intact. EPA indicates that it has not determined the scope of any new regulation or if or when a new rule will be promulgated. Because of this, JEA is unable at this time to ascertain the impact of prospective regulation of CO2 emissions.

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

15. Commitments and Contingent Liabilities (continued)

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 comply 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.

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 currently operating cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule even after the plant is decommissioned in 2018. SJRPP's two closed byproduct storage areas (Areas I and II) 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.

15. Commitments and Contingent Liabilities (continued)

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.

On September 30, 2016, 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. Accordingly, no improvements will be necessary at SJRPP because of its looming decommissioning. The costs of compliance at NGS and Scherer have been evaluated and are anticipated in operating budgets and 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

15. Commitments and Contingent Liabilities (continued)

in the region. MFLs are intended to assess the potential for ecological resource risks from water 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.

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 $19,720 at September 30, 2017. 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 site, WSSC PCB Issue, Northside Generating Station RCRA Corrective Action program; and remediation at a number of miscellaneous petroleum sites. Of the $19,720 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: 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. Costs associated with these obligations that were expensed prior to the approval of regulatory accounting for environmental projects are recorded in other noncurrent liabilities and total $17,672. The remaining liability is recognized as part of revenues to be used for future costs.

15. Commitments and Contingent Liabilities (continued)

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. 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.

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. The plaintiff is seeking approximately $75,000; however, the trial court ruled that JEA is entitled to a sovereign immunity cap of $500. Plaintiff has appealed this ruling.

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. As part of this decommissioning, JEA signed the Brownfield Site Rehabilitation Agreement (BSRA) and Clean Closure Plan with the Florida Department of Environmental Protection. 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 obtained approval for development rights for the site, approval of Master Plan Design Guidelines, a development agreement with the City, and an agreement between JEA, the Florida Department of Environmental Protection, and the purchaser regarding the BSRA responsibilities. At its November 2017 meeting, the JEA Board approved an extension through March 30, 2018 for the limited purpose of allowing the City and the prospective purchaser to enter into an agreement to assign the contract to the City. Closing of the sale will be scheduled by July 16, 2018 under the terms of the extension.

15. Commitments and Contingent Liabilities (continued)

General Litigation

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

16. Storm Costs

Hurricane Matthew tracked parallel along the coast of Florida on October 7, 2016 and Hurricane Irma passed to the west of Jacksonville as a tropical storm on September 11, 2017, causing extensive damage within the JEA service territory. Damage to JEA property was primarily to the transmission and distribution systems. Because of the extensive damage, Jacksonville was declared a federal major disaster area, making JEA eligible to receive reimbursement from FEMA. Requests for Public Assistance for both declared disasters were filed and accepted.

Total storm costs incurred as of September 30, 2017 were $31,999. JEA is in the midst of the cost reimbursement process through FEMA, which allows cost share of 87.5% of eligible cost (75.0% from FEMA and 12.5% from the State of Florida). As a result, $27,999 of the eligible costs have been deferred as costs to be recovered from future revenues in the statement of net position with the 12.5%, or $4,000, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position. JEA believes it is probable FEMA will reimburse JEA for the eligible cost incurred.

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, the Water and Sewer System, and DES and includes purchases of electricity, water, sewer, and chilled water 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 $13,324 for fiscal year 2017 and $12,329 for fiscal year 2016. Electricity charges to DES were $3,351 for fiscal year 2017 and $3,389 for fiscal year 2016. Water and sewer charges to the Electric System were $147 for fiscal year 2017 and $561 for fiscal year 2016. Water and sewer charges to DES were $144 for fiscal year 2017 and $133 for fiscal year 2016. Chilled water charges to the Water and Sewer System were $507 for fiscal year 2017 and $394 for fiscal year 2016.

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 $43,327 for fiscal year 2017 and $41,535 for fiscal year 2016.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System for $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 $280 for fiscal year 2017 and $186 for fiscal year 2016.

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 $1,999 for fiscal year 2017 and $1,979 for fiscal year 2016.

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 revenues. 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, 2017 and 2016 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Condensed statements of net position								
Total current assets	**$ 604,305**	$ 667,702	**$ 117,017**	$ 102,329	**$ 204,171**	$ 162,810	**$ 4,355**	$ 4,449
Total noncurrent assets	**734,748**	662,330	**276,865**	300,528	**576,909**	585,179	**3,257**	4,233
Net capital assets	**2,687,232**	2,747,825	**474,437**	522,298	**2,615,950**	2,568,243	**36,180**	36,559
Deferred outflows of resources	**275,667**	304,425	**27,339**	27,091	**128,994**	129,991	**203**	211
Total assets and deferred outflows of resources	**$ 4,301,952**	$ 4,382,282	**$ 895,658**	$ 952,246	**$ 3,526,024**	$ 3,446,223	**$ 43,995**	$ 45,452
Total current liabilities	**$ 145,154**	$ 122,809	**$ 11,722**	$ 14,049	**$ 35,426**	$ 31,528	**$ 89**	$ 158
Total current liabilities payable from restricted assets	**191,785**	155,691	**157,877**	156,447	**120,756**	94,706	**2,445**	2,605
Total noncurrent liabilities	**369,633**	334,961	**14,865**	14,114	**219,850**	190,565	**11**	39
Total long-term debt	**2,328,211**	2,583,143	**420,060**	467,060	**1,625,187**	1,702,376	**36,446**	38,082
Total liabilities	**3,034,783**	3,196,604	**604,524**	651,670	**2,001,219**	2,019,175	**38,991**	40,884
Deferred inflows of resources	**282,419**	353,170	**151,613**	161,774	**22,534**	26,001	**–**	–
Net investment in capital assets	**425,023**	312,000	**(3,751)**	(11,572)	**1,202,706**	1,123,294	**(1,818)**	(3,218)
Restricted net position	**336,210**	296,268	**39,530**	63,217	**211,911**	228,181	**2,539**	3,534
Unrestricted net position	**223,517**	224,240	**103,742**	87,157	**87,654**	49,572	**4,283**	4,252
Total net position	**984,750**	832,508	**139,521**	138,802	**1,502,271**	1,401,047	**5,004**	4,568
Total liabilities, deferred inflows of resources, and net position	**$ 4,301,952**	$ 4,382,282	**$ 895,658**	$ 952,246	**$ 3,526,024**	$ 3,446,223	**$ 43,995**	$ 45,452
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	**$ 1,299,592**	$ 1,234,189	**$ 268,899**	$ 252,940	**$ 457,908**	$ 427,750	**$ 8,692**	$ 8,731
Depreciation	**199,743**	195,105	**42,754**	42,754	**141,838**	142,282	**2,364**	2,291
Total operating expenses	**782,778**	735,271	**203,273**	182,531	**163,293**	155,043	**4,570**	4,823
Operating income	**317,071**	303,813	**22,872**	27,655	**152,777**	130,425	**1,758**	1,617
Total nonoperating expenses, net	**(72,558)**	(72,820)	**(22,153)**	(22,848)	**(52,807)**	(49,293)	**(1,322)**	(1,366)
Total contributions	**(92,271)**	(103,720)	**–**	–	**1,254**	(3,447)	**–**	–
Changes in net position	**152,242**	127,273	**719**	4,807	**101,224**	77,685	**436**	251
Net position, beginning of year	**832,508**	705,235	**138,802**	133,995	**1,401,047**	1,323,362	**4,568**	4,317
Net position, end of year	**$ 984,750**	$ 832,508	**$ 139,521**	$ 138,802	**$ 1,502,271**	$ 1,401,047	**$ 5,004**	$ 4,568
Condensed statements of cash flow information								
Net cash provided by operating activities	**$ 447,372**	$ 534,172	**$ 37,578**	$ 64,888	**$ 287,362**	$ 289,931	**$ 3,588**	$ 4,841
Net cash used in noncapital and related financing activities	**(92,225)**	(103,548)	**–**	–	**(23,469)**	(25,393)	**–**	–
Net cash used in capital and related financing activities	**(396,812)**	(357,929)	**(63,622)**	(72,629)	**(259,443)**	(214,659)	**(5,139)**	(4,595)
Net cash provided by (used in) investing activities	**86,505**	(93,551)	**17,053**	(2,159)	**(21,679)**	(58,544)	**45**	21
Net change in cash and cash equivalents	**44,840**	(20,856)	**(8,991)**	(9,900)	**(17,229)**	(8,665)	**(1,506)**	267
Cash and cash equivalents at beginning of year	**295,223**	316,079	**130,018**	139,918	**163,138**	171,803	**8,541**	8,274
Cash and cash equivalents at end of year	**$ 340,063**	$ 295,223	**$ 121,027**	$ 130,018	**$ 145,909**	$ 163,138	**$ 7,035**	$ 8,541

(Dollars in Thousands)

18. Subsequent Events

During October 2017, JEA replaced three standby bond purchase agreements relating to Variable Rate Electric System Subordinated Revenue Bonds, 2008 Series D, 2000 Series F-2, and 2000 Series A with stated expiration dates of October 2, 2020.

During its November 2017 meeting, the JEA Board increased the authorization levels for refunding bond transactions previously authorized by the Board under the December 2016 Resolutions for the Electric and Water and Sewer Systems in anticipation of potential refunding transactions currently being evaluated. The following table summarizes the changes:

	Prior Authorization		Revised Authorization		
System	**Senior**	**Subordinated**	**Senior**	**Subordinated**	**Expiration**
Electric	$ 571,000	$ 333,000	$ 771,000	$ 533,000	December 31, 2018
Water and Sewer	253,000	165,000	603,000	265,000	December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information – Pension
(Dollars in Thousands)

September 30, 2017

Schedules of Required Supplementary Information

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

City of Jacksonville General Employees Retirement Plan

Last Four Fiscal Years*

	2017	2016	2015	2014
Proportional share percentage	**50.37%**	49.15%	48.85%	48.85%
Net pension liability	**$ 541,025**	$ 480,353	$ 404,466	$ 386,789
Covered payroll	**$ 126,808**	$ 127,440	$ 128,084	$ 129,922
Net pension liability as a percentage of covered payroll	**426.65%**	376.92%	315.78%	297.71%
Plan fiduciary net pension as a percentage of the total pension liability	**63.00%**	64.03%	69.06%	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years*

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % 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%
2017	48,942	48,942	–	126,375	38.73%

* 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 measurement year basis.

(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date:	October 1, 2016
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 1.5% 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	7.40%, 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, 2016 valuation.

JEA

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

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

	2017	2016	2015
Total Pension Liability			
Beginning balance	**$ 155,143**	$ 150,629	$ 146,521
Service cost	**1,210**	1,275	1,470
Interest	**10,514**	10,271	10,026
Changes in benefit terms	**(59)**	–	–
Difference between actual and expected experience	**714**	3,316	2,121
Changes in assumptions	**3,730**	–	–
Benefit payments	**(12,326)**	(10,348)	(9,509)
Total pension liability – ending	**$ 158,926**	$ 155,143	$ 150,629
Plan Fiduciary Net Position			
Beginning balance	**$ 138,902**	$ 145,425	$ 135,019
Contributions – employer	**2,142**	3,509	5,559
Contributions – employee	**629**	648	655
Net investment income	**13,379**	(266)	13,763
Benefit payments	**(12,326)**	(10,348)	(9,509)
Administrative expense	**(440)**	(66)	(62)
Plan fiduciary net position – ending	**$ 142,286**	$ 138,902	$ 145,425
Net Pension Liability – Ending	**$ 16,640**	$ 16,241	$ 5,204
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**89.53%**	89.53%	96.55%
Covered Payroll	**$ 15,730**	$ 16,665	$ 21,304
Net Pension Liability as a Percentage of Covered Payroll	**105.79%**	97.46%	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.

JEA
Required Supplementary Information – Pension (continued)
(Dollars in Thousands)

SJRPP Pension Plan – Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2008	$ 10,045	$ 10,081	$ (36)	$ 21,610	46.65%
2009	10,239	10,398	(159)	21,327	48.76%
2010	13,453	13,565	(112)	19,431	69.81%
2011	8,919	9,028	(109)	19,895	45.38%
2012	7,995	8,005	(10)	19,318	41.44%
2013	11,845	11,885	(40)	17,761	66.92%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	16,665	21.06%
2016	2,050	2,142	(92)	15,730	13.62%
2017	7,967	8,039	(72)	15,621	51.46%

* Payroll amount shown for the year ending 9/30/2014 represents covered payroll, payroll amount for the year ending 9/30/2015 is the same as the valuation payroll for the 10/1/2015 valuation and the 9/30/2016 amounts represents covered payroll and is based on the employee contributions reported for that year.

(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date:	October 1, 2015
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	3 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	Mortality Rates used by the Florida Retirement System for classes other than Special Risk, described as follows: Healthy Mortality (Pre-Retirement and Post-Retirement) rates used: Females: RP2000 Healthy Annuitant rates with 100% White Collar adjustment, generationally projected from year 2000 using Scale BB. Males: RP2000 Healthy Annuitant rates with 50% White Collar/50% Blue Collar adjustment, generationally projected from year 2000 using Scale BB.

Other information:

Notes	There were no benefit changes during the year.

JEA
Required Supplementary Information – OPEB
(Dollars in Thousands)

Schedule of Funding Progress

The following funding schedule presents multi-year trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2017. 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	$ 6,471	$ 77,280	$ 70,809	8.37%	$ 150,714	46.98%
October 1, 2013	$ 13,349	$ 62,479	$ 49,130	21.36%	$ 148,617	33.06%
October 1, 2015*	$ 18,156	$ 52,682	$ 34,526	34.46%	$ 150,073	23.01%

* Adjusted to reflect plan changes effective as of January 1, 2016.

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

JEA
Combining Statement of Net Position
(In Thousands)

September 30, 2017

	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	$ 340,063	$ 41,950	$ –	$ 382,013	$ 103,741	$ 3,805	$ 489,559
Investments	20,629	4,493	–	25,122	–	–	25,122
Accounts and interest receivable, net of allowance of $2,101	203,433	16,597	(27,230)	192,800	52,094	550	245,444
Inventories:							
Fuel	38,044	34,199	–	72,243	–	–	72,243
Materials and supplies	2,136	19,778	–	21,914	48,336	–	70,250
Total current assets	604,305	117,017	(27,230)	694,092	204,171	4,355	902,618
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	–	79,077	–	79,077	42,168	3,230	124,475
Investments	442,080	192,794	–	634,874	301,834	–	936,708
Accounts and interest receivable	20	952	–	972	757	–	1,729
Total restricted assets	442,100	272,823	–	714,923	344,759	3,230	1,062,912
Costs to be recovered from future revenues	275,936	4,042	–	279,978	226,089	27	506,094
Investment in The Energy Authority	6,283	–	–	6,283	–	–	6,283
Other assets	10,429	–	–	10,429	6,061	–	16,490
Total noncurrent assets	734,748	276,865	–	1,011,613	576,909	3,257	1,591,779
Capital assets:							
Land and easements	123,585	6,660	–	130,245	61,258	3,051	194,554
Plant in service	5,326,764	1,316,707	–	6,643,471	4,340,544	55,240	11,039,255
Less accumulated depreciation	(2,867,037)	(851,023)	–	(3,718,060)	(1,991,742)	(24,091)	(5,733,893)
Plant in service, net	2,583,312	472,344	–	3,055,656	2,410,060	34,200	5,499,916
Construction work in progress	103,920	2,093	–	106,013	205,890	1,980	313,883
Net capital assets	2,687,232	474,437	–	3,161,669	2,615,950	36,180	5,813,799
Total assets	4,026,285	868,319	(27,230)	4,867,374	3,397,030	43,792	8,308,196
Deferred outflows of resources							
Unrealized pension contributions and losses	95,814	16,505	–	112,319	61,259	–	173,578
Unamortized deferred losses on refundings	78,503	10,834	–	89,337	43,816	203	133,356
Accumulated decrease in fair value of hedging derivatives	101,350	–	–	101,350	23,919	–	125,269
Total deferred outflows of resources	275,667	27,339	–	303,006	128,994	203	432,203
Total assets and deferred outflows of resources	$ 4,301,952	$ 895,658	$ (27,230)	$ 5,170,380	$ 3,526,024	$ 43,995	$ 8,740,399

JEA
Combining Statement of Net Position
(In Thousands)

September 30, 2017

	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	$ 102,962	$ 11,722	$ (3,221)	$ 111,463	$ 20,340	$ 89	$ 131,892
Customer deposits	42,192	–	–	42,192	15,086	–	57,278
Total current liabilities	145,154	11,722	(3,221)	153,655	35,426	89	189,170
Current liabilities payable from restricted assets:							
Debt due within one year	135,105	41,330	–	176,435	51,020	1,640	229,095
Renewal and replacement reserve	–	82,577	–	82,577	–	–	82,577
Interest payable	40,458	9,571	–	50,029	31,501	691	82,221
Construction contracts and accounts payable	16,222	24,399	(24,009)	16,612	38,235	114	54,961
Total current liabilities payable from restricted assets	191,785	157,877	(24,009)	325,653	120,756	2,445	448,854
Noncurrent liabilities:							
Net pension liability	330,025	13,312	–	343,337	211,000	–	554,337
Other liabilities	39,608	1,553	–	41,161	8,850	11	50,022
Total noncurrent liabilities	369,633	14,865	–	384,498	219,850	11	604,359
Long-term debt:							
Bonds payable, less current portion	2,171,305	408,885	–	2,580,190	1,555,485	36,485	4,172,160
Unamortized premium (discount), net	55,556	11,175	–	66,731	45,783	(39)	112,475
Fair value of debt management strategy instruments	101,350	–	–	101,350	23,919	–	125,269
Total long-term debt	2,328,211	420,060	–	2,748,271	1,625,187	36,446	4,409,904
Total liabilities	3,034,783	604,524	(27,230)	3,612,077	2,001,219	38,991	5,652,287
Deferred inflows of resources							
Revenues to be used for future costs	277,552	147,632	–	425,184	19,422	–	444,606
Unrealized pension gains	4,867	3,981	–	8,848	3,112	–	11,960
Total deferred inflows of resources	282,419	151,613	–	434,032	22,534	–	456,566
Net position							
Net investment in capital assets	425,023	(3,751)	–	421,272	1,202,706	(1,818)	1,622,160
Restricted	336,210	39,530	24,009	399,749	211,911	2,539	614,199
Unrestricted	223,517	103,742	(24,009)	303,250	87,654	4,283	395,187
Total net position	984,750	139,521	–	1,124,271	1,502,271	5,004	2,631,546
Total liabilities, deferred inflows of resources, and net position	$ 4,301,952	$ 895,658	$ (27,230)	$ 5,170,380	$ 3,526,024	$ 43,995	$ 8,740,399

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	$ 40,096	$ –	$ 335,319	$ 78,887	$ 4,308	$ 418,514
Investments	132,878	10,199	–	143,077	–	–	143,077
Accounts and interest receivable, net of allowance of $3,641	201,002	17,659	(20,603)	198,058	39,094	141	237,293
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	667,702	102,329	(20,603)	749,428	162,810	4,449	916,687
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	48	725	–	773	772	–	1,545
Total restricted assets	405,237	293,489	–	698,726	361,604	4,233	1,064,563
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	10,498	–	–	10,498	7,433	–	17,931
Total noncurrent assets	662,330	300,528	–	962,858	585,179	4,233	1,552,270
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	925,155	(20,603)	4,982,409	3,316,232	45,241	8,343,882
Deferred outflows of resources							
Unrealized pension contributions and losses	77,673	11,731	–	89,404	47,606	–	137,010
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
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	$ 952,246	$ (20,603)	$ 5,313,925	$ 3,446,223	$ 45,452	$ 8,805,600

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	41,213	–	–	41,213	13,910	–	55,123
Total current liabilities	122,809	14,049	(196)	136,662	31,528	158	168,348
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	37,142	1,121	–	38,263	8,031	39	46,333
Total noncurrent liabilities	334,961	14,114	–	349,075	190,565	39	539,679
Long-term debt:							
Bonds payable, less current portion	2,369,215	450,215	–	2,819,430	1,612,640	38,125	4,470,195
Unamortized premium (discount), 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	(11,572)	–	300,428	1,123,294	(3,218)	1,420,504
Restricted	296,268	63,217	20,407	379,892	228,181	3,534	611,607
Unrestricted	224,240	87,157	(20,407)	290,990	49,572	4,252	344,814
Total net position	832,508	138,802	–	971,310	1,401,047	4,568	2,376,925
Total liabilities, deferred inflows of resources, and net position	$ 4,382,282	$ 952,246	$ (20,603)	$ 5,313,925	$ 3,446,223	$ 45,452	$ 8,805,600

JEA

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

(In Thousands)

Year Ended September 30, 2017

	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	$ 1,270,144	$ 268,899	$ (140,162)	$ 1,398,881	$ –	$ –	$ (16,675)	$ 1,382,206
Water and sewer	–	–	–	–	448,348	–	(291)	448,057
District energy system	–	–	–	–	–	8,692	(507)	8,185
Other	29,448	–	–	29,448	9,560	–	(2,279)	36,729
Total operating revenues	1,299,592	268,899	(140,162)	1,428,329	457,908	8,692	(19,752)	1,875,177
Operating expenses								
Operations and maintenance:								
Fuel	289,949	168,845	–	458,794	–	–	–	458,794
Purchased power	217,618	–	(140,162)	77,456	–	–	–	77,456
Maintenance and other operating expenses	219,434	46,445	–	265,879	141,445	4,570	(19,752)	392,142
Depreciation	199,743	42,754	–	242,497	141,838	2,364	–	386,699
State utility and franchise taxes	59,121	–	–	59,121	10,562	–	–	69,683
Recognition of deferred costs and revenues, net	(3,344)	(12,017)	–	(15,361)	11,286	–	–	(4,075)
Total operating expenses	982,521	246,027	(140,162)	1,088,386	305,131	6,934	(19,752)	1,380,699
Operating income	317,071	22,872	–	339,943	152,777	1,758	–	494,478
Nonoperating expenses, net								
Interest on debt	(94,350)	(24,064)	–	(118,414)	(63,183)	(1,395)	–	(182,992)
Investment income	5,177	1,522	–	6,699	3,832	45	–	10,576
Allowance for funds used during construction	6,102	–	–	6,102	5,644	28	–	11,774
Other nonoperating income, net	4,595	389	–	4,984	934	–	–	5,918
Earnings from The Energy Authority	6,335	–	–	6,335	–	–	–	6,335
Other interest, net	(417)	–	–	(417)	(34)	–	–	(451)
Total nonoperating expenses, net	(72,558)	(22,153)	–	(94,711)	(52,807)	(1,322)	–	(148,840)
Income before contributions	244,513	719	–	245,232	99,970	436	–	345,638
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(92,271)	–	–	(92,271)	(23,552)	–	–	(115,823)
Developers and other	906	–	–	906	65,969	–	–	66,875
Reduction of plant cost through contributions	(906)	–	–	(906)	(41,163)	–	–	(42,069)
Total contributions	(92,271)	–	–	(92,271)	1,254	–	–	(91,017)
Change in net position	152,242	719	–	152,961	101,224	436	–	254,621
Net position, beginning of year	832,508	138,802	–	971,310	1,401,047	4,568	–	2,376,925
Net position, end of year	984,750	139,521	–	1,124,271	1,502,271	5,004	–	2,631,546

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	(394)	8,337
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	(18,971)	1,781,752
Operating expenses								
Operations and maintenance:								
Fuel	276,230	146,183	–	422,413	–	–	–	422,413
Purchased power	186,348	–	(122,887)	63,461	–	–	–	63,461
Maintenance and other operating expenses	214,467	48,094	–	262,561	131,806	4,823	(18,971)	380,219
Depreciation	195,105	42,754	–	237,859	142,282	2,291	–	382,432
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	225,285	(122,887)	1,032,774	297,325	7,114	(18,971)	1,318,242
Operating income	303,813	27,655	–	331,468	130,425	1,617	–	463,510
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
Allowance for funds used during construction	4,782	–	–	4,782	4,601	24	–	9,407
Other nonoperating income, net	4,305	410	–	4,715	4,050	–	–	8,765
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	4,807	–	235,800	81,132	251	–	317,183
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	4,807	–	132,080	77,685	251	–	210,016
Net position, beginning of year	705,235	133,995	–	839,230	1,323,362	4,317	–	2,166,909
Net position, end of year	$ 832,508	$ 138,802	$ –	$ 971,310	$ 1,401,047	$ 4,568	$ –	$ 2,376,925

JEA
Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2017

	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	$ 1,207,614	$ 269,957	$ (143,764)	$ 1,333,807	$ 433,648	$ 8,282	$ (17,473)	$ 1,758,264
Payments to suppliers	(601,766)	(201,275)	143,764	(659,277)	(91,308)	(4,171)	19,752	(735,004)
Payments to employees	(162,586)	(31,104)	–	(193,690)	(58,234)	(496)	–	(252,420)
Other operating activities	4,110	–	–	4,110	3,256	(27)	(2,279)	5,060
Net cash provided by operating activities	447,372	37,578	–	484,950	287,362	3,588	–	775,900
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(92,225)	–	–	(92,225)	(23,469)	–	–	(115,694)
Net cash provided by (used in) noncapital and related financing activities	(92,225)	–	–	(92,225)	(23,469)	–	–	(115,694)
Capital and related financing activities								
Acquisition and construction of capital assets	(128,450)	–	–	(128,450)	(177,345)	(2,123)	–	(307,918)
Interest paid on debt	(102,667)	(20,226)	–	(122,893)	(69,122)	(1,391)	–	(193,406)
Repayment of debt principal	(102,240)	(43,785)	–	(146,025)	(33,875)	(1,625)	–	(181,525)
Defeasance of debt	(153,210)	–	–	(153,210)	(6,135)	–	–	(159,345)
Proceeds from issuance of debt, net	90,405	–	–	90,405	–	–	–	90,405
Developer and other contributions	–	–	–	–	24,805	–	–	24,805
Other capital financing activities	(650)	389	–	(261)	2,229	–	–	1,968
Net cash used in capital and related financing activities	(396,812)	(63,622)	–	(460,434)	(259,443)	(5,139)	–	(725,016)
Investing activities								
Purchase of investments	(641,438)	(572,124)	–	(1,213,562)	(589,885)	–	–	(1,803,447)
Proceeds from sale and maturity of investments	714,603	585,322	–	1,299,925	561,671	–	–	1,861,596
Investment income	7,158	3,855	–	11,013	6,535	45	–	17,593
Distributions from The Energy Authority	6,182	–	–	6,182	–	–	–	6,182
Net cash provided by (used in) investing activities	86,505	17,053	–	103,558	(21,679)	45	–	81,924
Net change in cash and cash equivalents	44,840	(8,991)	–	35,849	(17,229)	(1,506)	–	17,114
Cash and cash equivalents at beginning of year	295,223	130,018	–	425,241	163,138	8,541	–	596,920
Cash and cash equivalents at end of year	$ 340,063	$ 121,027	$ –	$ 461,090	$ 145,909	$ 7,035	$ –	$ 614,034
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 317,071	$ 22,872	$ –	$ 339,943	$ 152,777	$ 1,758	$ –	$ 494,478
Adjustments:								
Depreciation and amortization	199,743	42,754	–	242,497	143,179	2,364	–	388,040
Recognition of deferred costs and revenues, net	(3,344)	(12,017)	–	(15,361)	11,286	–	–	(4,075)
Other nonoperating income, net	313	–	–	313	(1,117)	–	–	(804)
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(2,083)	1,058	–	(1,025)	(12,751)	(409)	–	(14,185)
Accounts receivable, restricted	28	–	–	28	26	–	–	54
Inventories	(1,582)	(19,603)	–	(21,185)	(3,507)	–	–	(24,692)
Other assets	(23,056)	–	–	(23,056)	(4,564)	(27)	–	(27,647)
Accounts and accrued expenses payable	21,878	(2,327)	–	19,551	3,780	(69)	–	23,262
Current liabilities payable from restricted liabilities	–	4,409	–	4,409	–	–	–	4,409
Other noncurrent liabilities and deferred inflows	(61,596)	432	–	(61,164)	(1,747)	(29)	–	(62,940)
Net cash provided by operating activities	$ 447,372	$ 37,578	$ –	$ 484,950	$ 287,362	$ 3,588	$ –	$ 775,900
Non-cash activity								
Contribution of capital assets from developers	$ 906	$ –	$ –	$ 906	$ 41,163	$ –	$ –	$ 42,069
Unrealized gains (losses) on fair value of investments	$ (2,193)	$ (2,556)	$ –	$ (4,749)	$ (2,961)	$ –	$ –	$ (7,710)

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	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 1,299,754	$ 255,812	$ (126,088)	$ 1,429,478	$ 416,441	$ 9,554	$ (16,806)	$ 1,838,667
Payments to suppliers	(637,812)	(165,181)	126,088	(676,905)	(82,255)	(4,169)	18,971	(744,358)
Payments to employees	(156,876)	(25,743)	–	(182,619)	(57,085)	(544)	–	(240,248)
Other operating activities	29,106	–	–	29,106	12,830	–	(2,165)	39,771
Net cash provided by operating activities	534,172	64,888	–	599,060	289,931	4,841	–	893,832
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(103,586)	–	–	(103,586)	(25,393)	–	–	(128,979)
Payment from City of Jacksonville, Florida	38	–	–	38	–	–	–	38
Net cash provided by (used in) noncapital and related financing activities	(103,548)	–	–	(103,548)	(25,393)	–	–	(128,941)
Capital and related financing activities								
Acquisition and construction of capital assets	(158,631)	–	–	(158,631)	(137,833)	(1,581)	–	(298,045)
Interest paid on debt	(105,146)	(22,094)	–	(127,240)	(69,024)	(1,404)	–	(197,668)
Repayment of debt principal	(98,765)	(50,945)	–	(149,710)	(36,180)	(1,610)	–	(187,500)
Proceeds from issuance of debt, net	–	–	–	–	3,000	–	–	3,000
Developer and other contributions	–	–	–	–	22,020	–	–	22,020
Other capital financing activities	4,613	410	–	5,023	3,358	–	–	8,381
Net cash used in capital and related financing activities	(357,929)	(72,629)	–	(430,558)	(214,659)	(4,595)	–	(649,812)
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)	(9,900)	–	(30,756)	(8,665)	267	–	(39,154)
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	$ 130,018	$ –	$ 425,241	$ 163,138	$ 8,541	$ –	$ 596,920
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 303,813	$ 27,655	$ –	$ 331,468	$ 130,425	$ 1,617	$ –	$ 463,510
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)
Other nonoperating income, net	(49)	–	–	(49)	1,548	–	–	1,499
Changes in noncash assets and noncash liabilities:								
Accounts receivable	4,834	2,872	–	7,706	(1,751)	824	–	6,779
Accounts receivable, restricted	55	–	–	55	24	–	–	79
Inventories	(195)	14,031	–	13,836	(2,063)	–	–	11,773
Other assets	(1,251)	–	–	(1,251)	(1,038)	–	–	(2,289)
Accounts and accrued expenses payable	(57,412)	(9,671)	–	(67,083)	4,632	127	–	(62,324)
Current liabilities payable from restricted liabilities	–	(799)	–	(799)	–	–	–	(799)
Other noncurrent liabilities and deferred inflows	91,889	(208)	–	91,681	(142)	(18)	–	91,521
Net cash provided by operating activities	$ 534,172	$ 64,888	$ –	$ 599,060	$ 289,931	$ 4,841	$ –	$ 893,832
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

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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 statements of net position as of September 30, 2017, 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 5, 2017.

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*.

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 5, 2017

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, in accordance with auditing standards generally accepted in the United States, 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, 2017 and 2016, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2017 and 2016 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, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016, and have issued our report, with an unmodified opinion thereon, dated December 5, 2017.

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 5, 2017

JEA Electric System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2017	**2016**
Revenues		
Electric	**$ 1,206,919**	$ 1,240,324
Investment income (1)	**5,939**	3,675
Earnings from The Energy Authority	**6,335**	6,136
Other, net (2)	**29,758**	26,777
Plus: amounts paid from the rate stabilization fund into the revenue fund	**79,216**	66,812
Less: amounts paid from the revenue fund into the rate stabilization fund	**(15,991)**	(99,758)
Total revenues	**1,312,176**	1,243,966
Operating expenses (3)		
Fuel	**253,204**	246,737
Purchased power (4)	**284,436**	251,729
Other operations and maintenance	**199,511**	189,794
State utility taxes and franchise fees	**57,951**	59,614
Total operating expenses	**795,102**	747,874
Net revenues	**$ 517,074**	$ 496,092
Debt service	**$ 71,557**	$ 79,428
Less: investment income on sinking fund	**(1,431)**	(2,603)
Less: Build America Bonds subsidy	**(1,516)**	(1,517)
Debt service requirement	**$ 68,610**	$ 75,308
Senior debt service coverage (5), (min 1.20x)	**7.54 x**	6.59 x
Net revenues (from above)	**$ 517,074**	$ 496,092
Debt service requirement (from above)	**$ 68,610**	$ 75,308
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**137,892**	98,419
Less: Build America Bonds subsidy	**(2,070)**	(2,084)
Total debt service requirement and aggregate subordinated debt service	**$ 204,432**	$ 171,643
Senior and subordinated debt service coverage (6), (min 1.15x)	**2.53 x**	2.89 x

(1) Excludes investment income on sinking funds.
(2) Excludes the Build America Bonds subsidy.
(3) Excludes depreciation and recognition of deferred costs and revenues, net.
(4) In accordance with the requirements of the Electric System Resolution, all the contract debt payments from the Electric System to the SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Systems are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the SJRPP and Bulk Power Supply System, except that the purchased power expense is net of interest income on funds maintained under the SJRPP and Bulk Power Supply System resolutions.
(5) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.
(6) Net revenues divided by total debt service requirement and aggregate subordinated debt service. Minimum annual coverage is 1.15x

JEA Bulk Power Supply System

Schedule of Debt Service Coverage
(In Thousands)

	Year ended September 30	
	2017	**2016**
Revenues		
JEA	**$ 66,818**	$ 65,382
Investment income	**150**	133
Total revenues	**66,968**	65,515
Operating expenses (1)		
Fuel	**36,745**	29,493
Other operations and maintenance	**14,522**	17,893
Total operating expenses	**51,267**	47,386
Net revenues	**$ 15,701**	$ 18,129
Aggregate debt service	**$ 9,679**	$ 10,758
Less: Build America Bonds subsidy	**(699)**	(737)
Aggregate debt service	**$ 8,980**	$ 10,021
Debt service coverage (2)	**1.75 x**	1.81 x

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

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

JEA St. Johns River Power Park System

Schedule of Debt Service Coverage

(In Thousands)

1st Resolution

	Year Ended September 30	
	2017	**2016**
Revenues		
JEA	**$ 134,020**	$ 117,157
FPL	**128,737**	130,052
Investment income	**3,828**	3,300
Total revenues	**266,585**	250,509
Operating expenses (1)		
Fuel	**168,845**	146,183
Other operations and maintenance	**38,110**	39,165
Total operating expenses	**206,955**	185,348
Net revenues	**$ 59,630**	$ 65,161
Aggregate debt service	**$ 47,521**	$ 52,123
Debt service coverage (2)	**1.25 x**	1.25 x

(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	
	2017	**2016**
Revenues		
JEA	**$ 14,572**	$ 14,510
Investment income	**250**	199
Total revenues	**14,822**	14,709
Operating expenses	**–**	–
Net revenues	**$ 14,822**	$ 14,709
Aggregate debt service	**$ 12,950**	$ 12,930
Less: Build America Bonds subsidy	**(389)**	(410)
Aggregate debt service	**$ 12,561**	$ 12,520
Debt service coverage (1)	**1.18 x**	1.17 x

(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	
	2017	**2016**
Revenues		
Water	**$ 181,313**	$ 170,807
Water capacity fees (1)	**8,859**	7,893
Sewer	**264,469**	248,990
Sewer capacity fees (1)	**15,916**	13,799
Investment Income	**6,793**	3,802
Other (2)	**9,560**	11,746
Plus: amounts paid from the rate stabilization fund into the revenue fund	**26,842**	21,790
Less: amounts paid from the revenue fund into the rate stabilization fund	**(24,276)**	(23,489)
Total revenues	**489,476**	455,338
Operating expenses		
Operations and maintenance (3)	**152,007**	142,208
Total operating expenses	**152,007**	142,208
Net revenues	**$ 337,469**	$ 313,130
Aggregate debt service	**$ 97,699**	$ 85,332
Less: Build America Bonds subsidy	**(2,500)**	(2,502)
Aggregate debt service	**$ 95,199**	$ 82,830
Senior debt service coverage (4), (min 1.25x)	**3.54 x**	3.78 x
Net revenues (from above)	**$ 337,469**	$ 313,130
Aggregate debt service (from above)	**$ 95,199**	$ 82,830
Plus: aggregate subordinated debt service on outstanding subordinated debt	**17,592**	12,587
Total aggregate debt service and aggregate subordinated debt service	**$ 112,791**	$ 95,417
Senior and subordinated debt service coverage (5)	**2.99 x**	3.28 x
Fixed charge coverage	**2.78 x**	3.01 x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the fiscal years ending September 30, 2017 and 2016, then the debt service coverage would have been 2.77x and 3.05x.

(2) Excludes the Build America Bonds subsidy.

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

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

(5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 2.77x and 3.05x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $116,309 and $97,934 for the fiscal years ending September 30, 2017 and 2016.

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2017	2016
Revenues		
Service revenues	**$ 8,692**	$ 8,731
Investment income	**45**	22
Total revenues	**8,737**	8,753
Operating expenses (1)		
Operations and maintenance	**4,570**	4,823
Total operating expenses	**4,570**	4,823
Net revenues	**$ 4,167**	$ 3,930
Aggregate debt service (2)	**$ 3,022**	$ 3,024
Debt service coverage (3) (min 1.15x)	**1.38 x**	1.30 x

(1) Excludes depreciation.

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

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

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