2022 ANNUAL REPORT

THE STATE OF JEA

JEA

Building Community

JEA's Focus

With a goal to be the best utility in the nation, JEA team members are committed to three core values that define who we are and what we do.

SAFETY

We put the physical and emotional wellbeing of people first, both at and away from work.

RESPECT

We treat others with courtesy and respect, seeking diverse perspectives and helping to bring out the best in everyone.

INTEGRITY

We place the highest standard on ethics and personal responsibility, worthy of the trust our customers and colleagues place in us.

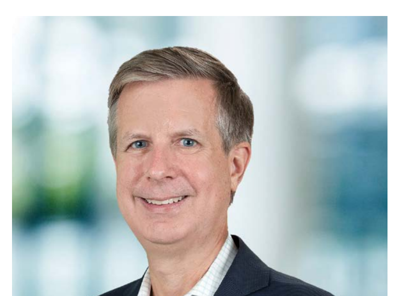
LEADERSHIP MESSAGE

Today, JEA is the largest community-owned utility in Florida and the eighth largest in the country, providing energy and water services to more than a million people. Our 2,000+ employees work every day to provide foundational services and ensure the continued growth of Northeast Florida.

Being a community-owned utility means we are dedicated to serving our customers, not out-of-town investors. And that helps us remain focused on things that matter the most, like working to keep our rates as low as possible and helping find ways to save on customers' utility costs each month. We invest in our people and infrastructure to deliver safe, reliable, affordable services, today and into the future.

JEA is embracing a brighter energy future. We are committed to clean energy options and have worked with community stakeholders over the past year to develop our Electric Integrated Resource Plan.

Robert Stein
JEA Board Chair
President, The Regency Group



Jay Stowe
Managing Director & CEO
JEA

Through customer education, we communicate continuously on things like fuel rate changes and supply chain issues that impact the way we do business. We also focus on how customers can conserve energy and save money—and how we are better serving our customers.

Through enhanced technology, we provide employees with platforms to work collaboratively and continue to Work Where We Work Best. Our tools also afford customers greater ease and convenience in doing business with us.

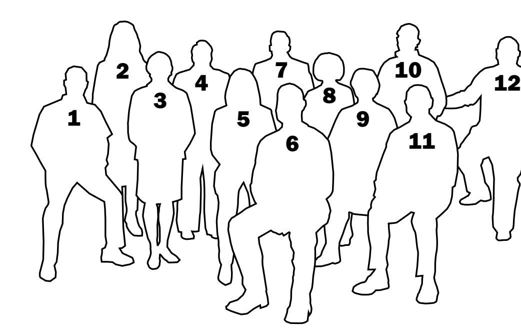
JEA's core values of safety, integrity, and respect are the lens through which every decision is made. This is further demonstrated by our emphasis on diversity, equity, and inclusion efforts.

The following pages of this report showcase our financial and operating highlights. But first, please access the QR code and enjoy a video—**The State of JEA**—highlighting how we're managing challenges and remaining focused on continuous improvement.

At JEA, we are committed to improving lives and building community as we press toward our goal of being the best utility in the nation.

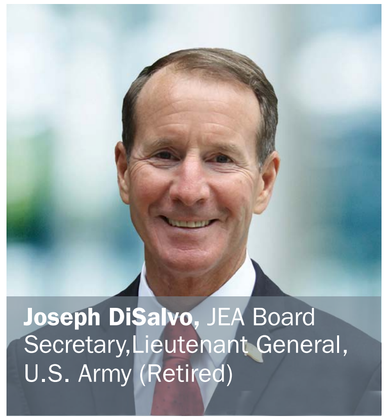
On the Cover

1. **Whitney Saunders**, Maintenance Specialist
2 **Jackie Scheel**, Dir., W/WW Reuse Delivery & Collection
3. **Walette Stanford,** Dir., Ethics
4. **Clara Barton**, Digital Communications Specialist
5. **Isa Rodriguez**, Mgr., Customer Solutions Center
6. **Jon Huff**, Maintenance Mechanic
7. **Michael Corbitt**, Dir., Real Estate
8. **Lecy Davis**, Office Support Associate
9. **Andrea White** Leadership Develop Solutions Specialist
10. **Dylan VanVlake**, Mechanical Technician
11. **Joe Perez**, Procurement Category Manager
12. **Robert "Bobbo" Lewis, Jr.**, Corporate Strategy Specialist (Toastmasters at JEA)

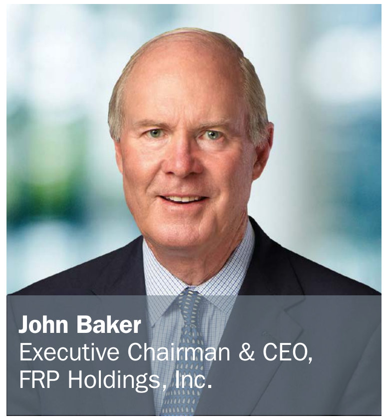


BOARD OF DIRECTORS

Marty Lanahan, JEA Board Vice Chair, Executive Vice President & Regional President, Iberia Bank

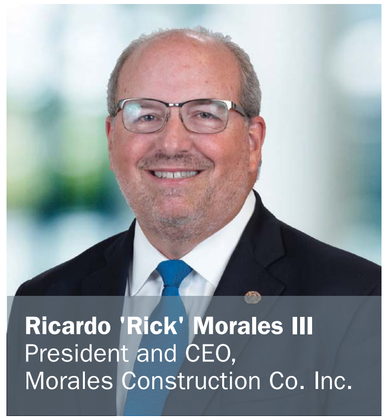


Joseph DiSalvo, JEA Board Secretary, Lieutenant General, U.S. Army (Retired)



John Baker
Executive Chairman & CEO, FRP Holdings, Inc.

Dr. Zachary Faison, Jr.
President & CEO, Edward Waters University



Ricardo 'Rick' Morales III
President and CEO, Morales Construction Co. Inc.

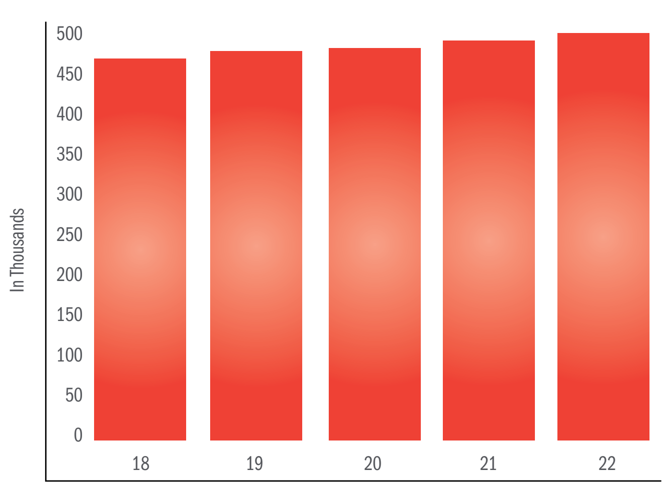
Tom VanOsdol
President and CEO, Ascension Florida

FINANCIAL REPORT

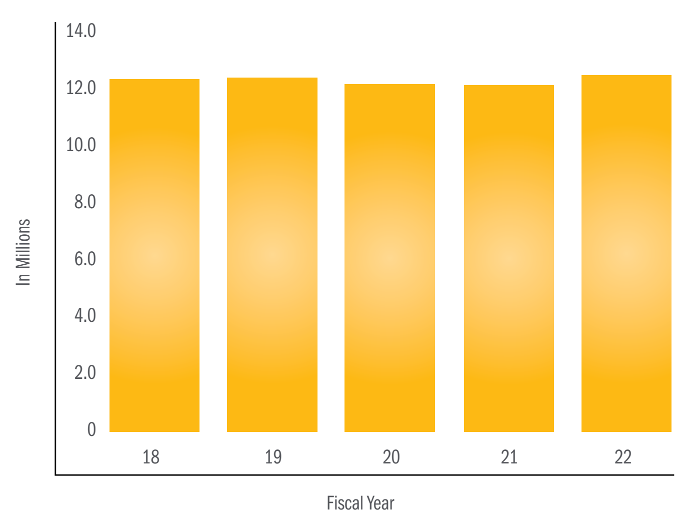
ELECTRIC FINANCIAL AND OPERATING HIGHLIGHTS

	Years Ended September 30					
	2022	2021	2020	2019	2018	% Change 2022–2021
FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,534,816	$1,308,982	$1,241,506	$1,300,208	$1,366,111	17.25%
Fuel and purchased power expenses (thousands)	$771,954	$475,461	$376,011	$465,573	$530,246	62.36%
Total operating expenses (thousands)	$1,470,109	$1,010,636	$921,912	$1,019,589	$1,102,133	45.46%
Debt service coverage:						
Senior and subordinated – Electric	5.55 x	5.17 x	4.79 x	2.81 x	2.30 x	7.35%
Senior – Electric	10.03 x	11.80 x	10.68 x	6.51 x	6.55 x	-15.00%
Bulk Power Supply System	9.36 x	1.27 x	1.96 x	2.19 x	3.47 x	637.01%
St. Johns River Power Park 2nd Resolution	2.31 x	1.15 x	1.15 x	1.19 x	1.60 x	100.87%
OPERATING HIGHLIGHTS						
Sales (megawatt hours)	12,488,252	12,239,149	12,202,973	12,465,958	12,732,236	2.04%
Peak demand – megawatts (60 minute net)	2,816	2,582	2,658	2,644	3,080	9.06%
Total accounts – average number	503,934	494,656	485,000	475,786	466,409	1.88%
Sales per residential account (kilowatt hours)	12,907	12,932	13,026	13,172	13,205	-0.19%
Average residential revenue per kilowatt hour	$13.69	$11.42	$11.21	$11.41	$11.42	19.88%
Power supply:						
Natural gas	58%	62%	63%	49%	48%	-6.45%
Purchases	29%	15%	13%	26%	18%	93.33%
Coal	6%	15%	12%	16%	22%	-60.00%
Petroleum coke	7%	8%	12%	9%	12%	-12.50%

Average Number of Electric Retail Accounts



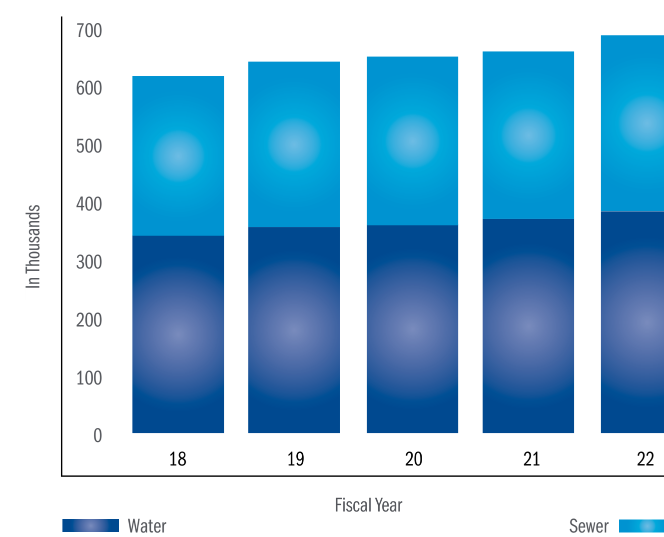
Retail Megawatt Hour Sales



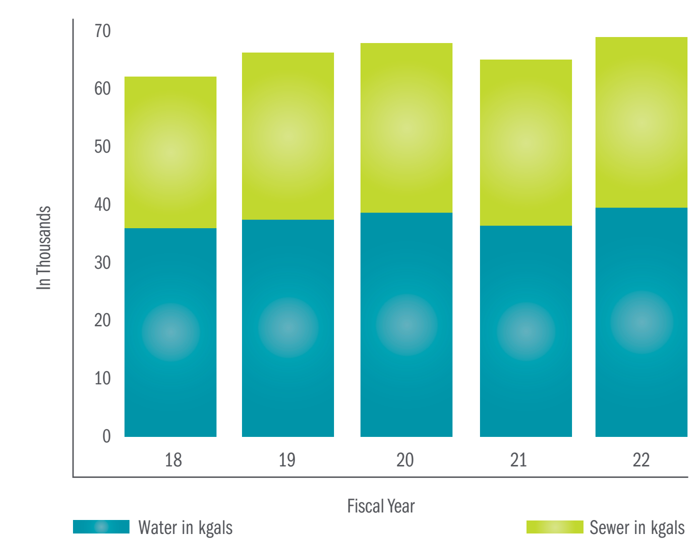
WATER AND SEWER FINANCIAL AND OPERATING HIGHLIGHTS

	Years Ended September 30					
	2022	2021	2020	2019	2018	% Change 2022–2021
FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$509,862	$471,430	$483,859	$463,817	$435,682	8.15%
Operating expenses (thousands)	$396,512	$358,288	$352,973	$334,177	$310,435	10.67%
Debt service coverage:						
Senior and subordinated	6.65 x	6.33 x	4.96 x	3.02 x	2.79 x	5.06%
Senior	7.71 x	7.24 x	5.58 x	3.59 x	3.33 x	6.49%
OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	39,208,877	37,180,568	38,271,797	37,696,072	36,186,559	5.46%
Total accounts – average number	383,481	373,075	363,597	355,635	348,159	2.79%
Average sales per residential account (kgals)	60.23	59.78	62.83	61.28	59.33	0.75%
Average residential revenue per kgal	$5.48	$5.44	$5.32	$5.40	$5.43	0.74%
SEWER						
Total sales (kgals)	29,252,868	28,139,524	28,160,202	27,726,796	26,340,622	3.96%
Total accounts – average number	303,550	293,870	285,104	277,815	270,871	3.29%
Average sales per residential account (kgals)	59.13	58.72	61.57	60.61	57.91	0.70%
Average residential revenue per kgal	$9.38	$9.45	$9.26	$9.30	$9.52	-0.74%
REUSE						
Total sales (kgals)	5,166,479	4,463,047	4,426,905	3,884,210	3,119,739	15.76%
Total accounts – average number	22,634	19,704	17,031	14,267	11,498	14.87%

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)

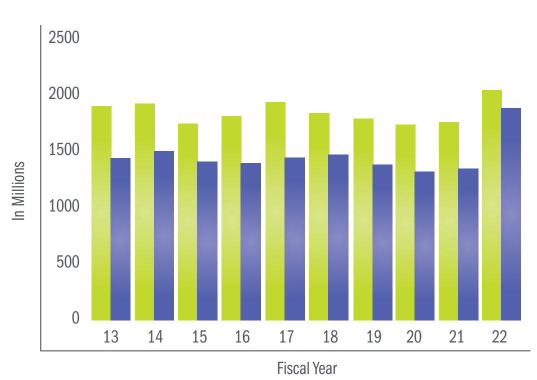
	2022-21	2021-20	2020-19	2019-18	2018-17
Operating revenues:					
Electric	$1,491,097	$1,267,212	$1,203,688	$1,259,815	$1,267,202
Water and sewer	489,814	457,076	469,914	450,116	423,480
District energy system	8,516	7,704	8,235	8,504	8,348
Other	40,435	37,269	32,621	33,526	90,952
Total operating revenues	2,029,862	1,769,261	1,714,458	1,751,961	1,789,982
Operating expenses:					
Maintenance and other operating expenses	402,290	387,916	422,925	395,692	431,269
Fuel and purchased power	771,954	475,461	376,011	465,573	530,246
Depreciation	500,257	391,715	365,146	362,313	360,609
State utility and franchise taxes	83,892	70,966	69,769	71,569	70,027
Recognition of deferred costs and revenues, net	92,261	30,718	28,619	44,792	6,856
Total operating expenses	1,850,654	1,356,776	1,262,470	1,339,939	1,399,007
Operating income	179,208	412,485	451,988	412,022	390,975
Nonoperating revenues (expenses):					
Interest on debt	(114,707)	(120,911)	(141,213)	(175,046)	(166,508)
Earnings from The Energy Authority	29,731	15,378	2,848	2,412	4,074
Allowance for funds used during construction	13,866	9,305	19,713	14,099	11,764
Other nonoperating income, net	6,853	4,796	7,370	9,082	9,857
Investment income (loss)	(9,668)	2,165	15,721	39,745	11,826
Other interest, net	(1,343)	(23)	666	(1,626)	(1,825)
Total nonoperating expenses, net	(75,268)	(89,290)	(94,895)	(111,334)	(130,812)
Income before contributions and special item	103,940	323,195	357,093	300,688	260,163
Contributions (to) from:					
General fund, City of Jacksonville	(133,713)	(120,012)	(118,824)	(132,802)	(116,620)
Capital contributions:					
Developers and other	121,227	94,580	109,546	97,726	82,157
Reduction of plant cost through contributions	(74,016)	(54,299)	(76,558)	(68,188)	(54,114)
Total contributions, net	(86,502)	(79,731)	(85,836)	(103,264)	(88,577)
Special item	100,000	-	-	-	(45,099)
Change in net position	117,438	243,464	271,257	197,424	126,487
Net position – beginning of year	3,467,454	3,223,990	2,952,733	2,755,309	2,628,822
Net position – end of year	$3,584,892	$3,467,454	$3,223,990	$2,952,733	$2,755,309

FINANCIAL SUMMARY, CONTINUED

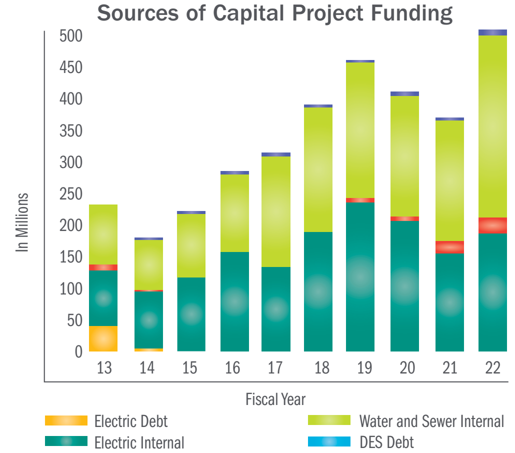
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

	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	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:					
Maintenance and other operating expenses	392,142	380,219	374,166	364,764	371,041
Fuel and purchased power	536,250	485,874	517,239	585,021	539,646
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)
Earnings from The Energy Authority	6,335	6,136	1,461	3,567	4,325
Allowance for funds used during construction	11,774	9,407	5,723	3,894	3,986
Other nonoperating income, net	5,918	8,765	11,634	7,280	7,530
Investment income (loss)	10,576	14,225	12,904	20,546	(13,240)
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)	-	-	-
Water & Sewer Expansion Authority	-	-	(33,105)	-	-
Total contributions, net	(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	(2,724)	-	-	(352,105)	(30,941)
Net position – beginning of year, as restated	2,374,201	2,166,909	1,843,901	1,687,632	1,960,370
Net position – end of year	$2,628,822	$2,376,925	$2,166,909	$1,843,901	$2,039,737

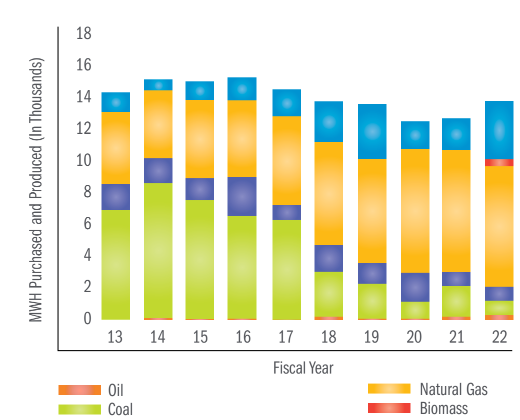
Total Operating Revenues and Expenses



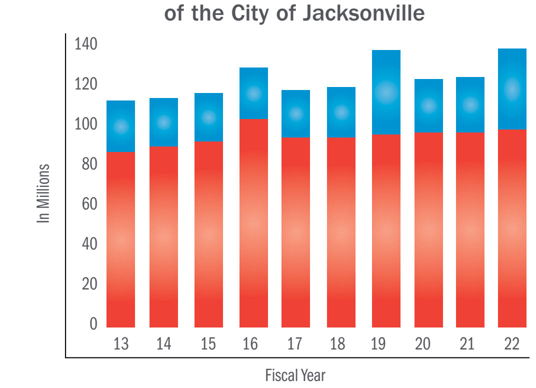
Sources of Capital Project Funding



Fuel Sources



Contribution to the General Fund of the City of Jacksonville



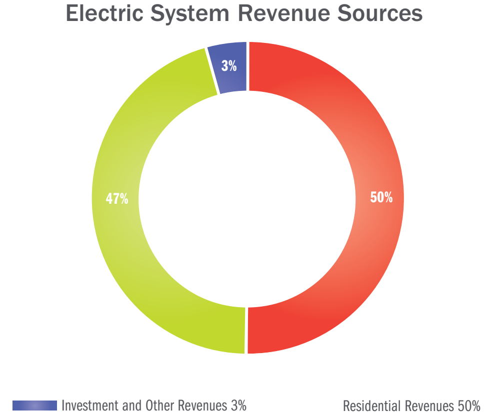
OPERATING SUMMARY: ELECTRIC SYSTEM

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

	2022-21	2021-20	2020-19	2019-18	2018-17
Electric revenues (000s omitted):					
Residential	$785,986	$644,639	$624,078	$629,355	$618,171
Commercial and industrial	714,288	566,942	556,722	590,473	594,395
Public street lighting	15,039	13,821	13,410	13,176	12,873
Sales for resale	1,341	2,137	2,128	3,914	5,474
Florida Power & Light saleback	-	1	(1)	1,664	30,767
Total	1,516,654	1,227,540	1,196,337	1,238,582	1,261,680
Sales (megawatt hours):					
Residential	5,741,350	5,642,412	5,566,222	5,515,428	5,414,721
Commercial and industrial	6,674,205	6,518,435	6,562,365	6,793,557	6,851,803
Public street lighting	54,939	55,487	55,974	57,410	59,176
Sales for resale	17,758	22,815	18,412	99,563	74,069
Florida Power & Light saleback	-	-	-	-	332,467
Total	12,488,252	12,239,149	12,202,973	12,465,958	12,732,236
Average number of accounts:					
Residential	444,840	436,299	427,321	418,728	410,060
Commercial and industrial	55,105	54,381	53,750	53,204	52,573
Public street lighting	3,989	3,976	3,929	3,854	3,776
Total	503,934	494,656	485,000	475,786	466,409
System installed capacity – MW (1)	2,931	3,129	3,113	3,114	3,084
Peak demand – MW (60 minute net)	2,816	2,582	2,658	2,644	3,080
System load factor – %	52%	56%	54%	56%	48%
Residential averages – annual:					
Revenue per account – $	1,766.90	1,477.52	1,460.44	1,503.02	1,507.51
kWh per account	12,907	12,932	13,026	13,172	13,205
Revenue per kWh – ¢	13.69	11.42	11.21	11.41	11.42
All other retail – annual:					
Revenue per account – $	12,341.81	9,951.90	9,884.57	10,579.57	10,776.91
kWh per account	113,872	112,650	114,744	120,070	122,646
Revenue per kWh – ¢	10.84	8.83	8.61	8.81	8.79
Heating-cooling degree days	3,937	4,012	4,015	4,294	4,256

(1) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) through closure in January 2018 and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4 through December 2021. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



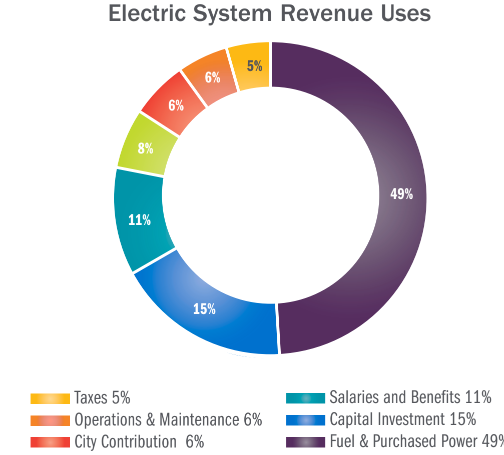
OPERATING SUMMARY: ELECTRIC SYSTEM, CONTINUED

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

	2017-16	2016-15	2015-14	2014-13	2013-12
Electric revenues (000s 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	300,903	474,352	417,361	473,695	372,208
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
Total	458,951	451,785	443,703	434,914	426,769
System installed capacity – MW (1)	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 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.

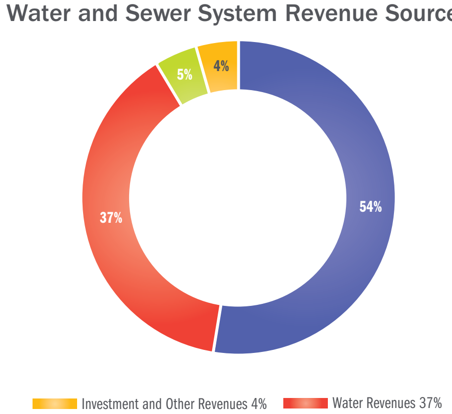
Electric System Revenue Uses



OPERATING SUMMARY: WATER AND SEWER SYSTEM

		2022-21	2021-20	2020-19	2019-18	2018-17
WATER	**Water revenues (000s omitted):**					
	Residential	$105,065	$100,361	$100,316	$96,699	$91,954
	Commercial and industrial	49,302	47,429	47,011	47,619	47,494
	Irrigation	34,510	31,666	35,030	34,800	32,004
	Total	188,877	179,456	182,357	179,118	171,452
	Water sales (kgals):					
	Residential	19,168,978	18,448,336	18,839,990	17,921,588	16,932,812
	Commercial and industrial	14,321,083	13,675,041	13,540,631	13,958,000	14,023,130
	Irrigation	5,718,816	5,057,191	5,891,176	5,816,484	5,230,617
	Total	39,208,877	37,180,568	38,271,797	37,696,072	36,186,559
	Average number of accounts:					
	Residential	318,284	308,626	299,872	292,460	285,404
	Commercial and industrial	26,939	26,518	26,190	25,963	25,702
	Irrigation	38,258	37,931	37,535	37,212	37,053
	Total	383,481	373,075	363,597	355,635	348,159
	Residential averages – annual:					
	Revenue per account – $	330.10	325.19	334.53	330.64	322.19
	kgals per account	60.23	59.78	62.83	61.28	59.33
	Revenue per kgal – $	5.48	5.44	5.32	5.40	5.43
SEWER	**Sewer revenues (000s omitted):**					
	Residential	$157,706	$152,684	$151,893	$146,186	$139,174
	Commercial and industrial	114,448	111,255	109,682	110,724	108,126
	Total	272,154	263,939	261,575	256,910	247,300
	Volume (kgals):					
	Residential	16,816,302	16,148,759	16,405,359	15,717,129	14,623,682
	Commercial and industrial	12,436,566	11,990,765	11,754,843	12,009,667	11,716,940
	Total	29,252,868	28,139,524	28,160,202	27,726,796	26,340,622
	Average number of accounts:					
	Residential	284,401	275,022	266,460	259,308	252,531
	Commercial and industrial	19,149	18,848	18,644	18,507	18,340
	Total	303,550	293,870	285,104	277,815	270,871
	Residential averages – annual:					
	Revenue per account – $	554.52	555.17	570.04	563.75	551.12
	kgals per account	59.13	58.72	61.57	60.61	57.91
	Revenue per kgal – $	9.38	9.45	9.26	9.30	9.52
REUSE	**Reuse revenues (000s omitted):**	$25,260	$20,644	$21,097	$17,909	$13,659
	Reuse sales (kgals):	5,166,479	4,463,047	4,426,905	3,884,210	3,119,739
	Average number of accounts:	22,634	19,704	17,031	14,267	11,498
RAINFALL	**Inches**	59.32	56.40	60.97	45.95	57.41
	Days	109	135	122	123	120

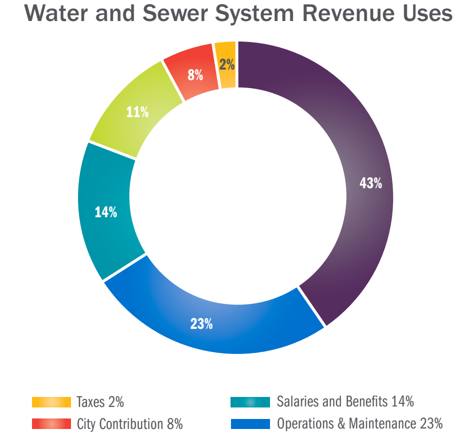
Water and Sewer System Revenue Sources



OPERATING SUMMARY: WATER AND SEWER SYSTEM, CONTINUED

		2017-16	2016-15	2015-14	2014-13	2013-12
WATER	**Water revenues (000s 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 (000s 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 (000s 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
	Days	98	98	114	114	121.00

Water and Sewer System Revenue Uses



JEA AT A GLANCE

Electric System
- 503,934 customers
- 904.64 square miles of electric service area
- 7,268 miles of distribution
- 744.02 circuit miles of transmission

Electric Generation
- Northside Generating Station (NGS)
- Plant Scherer Unit 4 (Scherer), retired January 1, 2022
- Brandy Branch (BB)
- Kennedy Station (KS)
- Greenland Energy Center (GEC)

Generation Technologies
- 2 circulating fluidized bed units (NGS)
- 1 oil/gas-fired turbine-generator unit (NGS)
- 4 diesel-fired combustion turbines (NGS)
  - 1 pulverized coal unit (Scherer). Retired January 1, 2022
- 1 combined cycle unit (BB)
- 7 gas/diesel-fired combustion turbines (3 at BB, 2 at KS, 2 at GEC)
- 8 solar photovoltaic sites

Electric Power Supply Mix
- Natural Gas 58%
- Purchased Power/Renewables* 29%
- Coal 6%
- Petroleum coke 7%

*Included in this percentage is JEA's total investment in renewable energy, including solar, landfill gas and biomass, which currently represents 2% of our total energy mix.

Water System
- 383,481 customers
- 100% groundwater supply
- 38 active WTPs
  - 28 major, 10 minor
- 2 re-pump facilities
- 136 active wells
- 2 major grids, 4 minor grids
- 4-county service area
- 4,989 miles delivery system

Sewer System
- 303,550 customers
- 11 treatment facilities
  - 7 regional, 4 non-regional
- 1,569 pump stations
- 4,289 miles collection system

Reuse System
- 22,634 customers
- 10 reclaimed water production facilities
- 2 storage and re-pump facilities
- 3 production and storage facilities
- 516 miles of pipe

District Energy System
- 3 chilled water plants
- Total capacity: 19,900 tons

FINANCIAL STATEMENTS

Building Community

21 West Church Street
Jacksonville, Florida
32202-3139
jea.com

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2022 and 2021

Contents

Ernst & Young LLP
12926 Gran Bay Parkway West
Suite 500
Jacksonville, FL 32258

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

Building a better working world

Report of Independent Auditors

The Board of Directors
JEA
Jacksonville, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activity of JEA, a component unit of the City of Jacksonville, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activity of JEA at September 30,2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JEA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JEA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 JEA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of JEA's Proportionate Share of the Net Pension Liability and Schedule of JEA Contributions, SJRPP Pension Plan – Schedule of Changes in Net Pension Liability and Related Ratios, SJRPP Pension Plan – Investment Returns and Schedule of Contributions, OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios and OPEB Plan – Investment Returns and Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 of America, which consisted of inquiries of management about the methods of preparing the

Ernst & Young LLP
12926 Gran Bay Parkway West
Suite 500
Jacksonville, FL 32258

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

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise JEA's basic financial statements. The combining statements of net position, revenues, expenses and changes in net position and cash flows and Schedules of Debt Service Coverage 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 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 solely 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 effectiveness of JEA's 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

January 27, 2023

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 – Electric Enterprise, Water and Sewer, and District Energy System (DES). Electric Enterprise is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). Electric Enterprise, Water and Sewer, and DES funds 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, 2022 and 2021. 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 fiduciary financial statements are presented on a comparative basis for the fiscal years ended September 30, 2022 and 2021. The statements of fiduciary net position present the SJRPP pension trust fund’s assets and liabilities, with the residual reported as fiduciary net position. Additions and deductions information is presented in the accompanying statements of changes in fiduciary net position.

The notes to the financial statements are an integral part of JEA’s basic and fiduciary 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 2022 and 2021 fiscal years:

Condensed Statements of Net Position

	2022	2021	2020
	(In millions)		
Assets and deferred outflows of resources			
Current assets	$ 734	$ 696	$ 728
Other noncurrent assets	1,725	1,688	1,449
Net capital assets	5,464	5,477	5,511
Deferred outflows of resources	306	421	468
Total assets and deferred outflows of resources	$ 8,229	$ 8,282	$ 8,156
Liabilities and deferred inflows of resources			
Current liabilities	$ 267	$ 205	$ 193
Current liabilities payable from restricted assets	218	221	241
Net pension liability	646	730	641
Other noncurrent liabilities	96	91	93
Long-term debt	2,870	3,232	3,506
Deferred inflows of resources	547	336	258
Net position			
Net investment in capital assets	2,831	2,696	2,533
Restricted	424	431	355
Unrestricted	330	340	336
Total liabilities, deferred inflows of resources, and net position	$ 8,229	$ 8,282	$ 8,156

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

	2022	2021	2020
	(In millions)		
Operating revenue	$ 2,030	$ 1,768	$ 1,714
Operating expense	(1,851)	(1,356)	(1,262)
Operating income	179	412	452
Nonoperating expense, net	(75)	(89)	(95)
Contributions	(86)	(80)	(86)
Special Item	100	–	–
Change in net position	118	243	271
Net position – beginning of the year	3,467	3,224	2,953
Net position – end of the year	$ 3,585	$ 3,467	$ 3,224

Financial Analysis of JEA for fiscal years 2022 and 2021

2022 Compared to 2021

Electric Enterprise

Operating Revenues

Total operating revenues increased approximately $226 million (17.3%) over the prior year. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2021 operating revenues	$	1,309
Territorial sales		290
Stabilization funds		(63)
Other		(1)
September 2022 operating revenues	$	1,535

Territorial sales revenues increased $290 million, comprised of a $239 million increase in fuel revenues and a $51 million increase in base revenues. The increase in fuel revenues was due to an increase in fuel costs. The increase in base revenues was driven by higher consumption as a result of a 1.9% increase in customers. Other operating revenue decreased by $1 million due to a decrease in late fees, which were temporarily suspended during the current year. Stabilization fund revenues decreased due to increases in contributions to the purchased power stabilization fund, which were partially offset by fuel stabilization fund withdrawals.

Operating Expenses

Total operating expenses increased approximately $459 million (45.5%) over the prior year comparable period. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2021 operating expenses	$	1,011
Purchased power		173
Fuel		124
Depreciation		106
Recognition of deferred costs and revenues, net		55
State utility and franchise taxes		12
Maintenance and other operating expense		(11)
September 2022 operating expenses	$	1,470

Purchased power expense increased $173 million (155.1%) driven by an $50 million increase in purchased power unit cost, a $121 million increase in MWh purchased (1,791,636 MWh, 92.4%), and a $2 million increase in MEAG power purchase agreement debt service.

Fuel expense increased $124 million (34.0%) due to increased generation costs of $193 million and a $69 million decrease from lower MWh generated (1,561,258 MWh, 14.5%).

Depreciation expense increased $106 million (48.8%) largely due to the Plant Scherer shutdown.

Recognition of deferred costs and revenues, net increased $55 million (264.0%) driven by the Plant Scherer shutdown.

State utility and franchise taxes increased $12 million (20.8%), as a result of higher taxable revenues.

Maintenance and other operating expenses decreased $11 million (4.7%) as a result of $28 million lower maintenance costs, primarily due to SJRPP, partially offset by $12 million in higher compensation and benefits, primarily due to current year SJRPP pension contributions, $4 million in higher legal and other professional services, and $1 million in higher overhead.

As commodity prices fluctuate, the mix between generation and purchased power shifts, with JEA taking advantage of the most economical source of power. JEA's power supply mix is detailed below.

	2022	2021
Natural gas	58%	62%
Purchased power	29%	15%
Coal	6%	15%
Petroleum coke	7%	8%
Total	100%	100%

Water and Sewer Enterprise

Operating Revenues

Total operating revenues increased approximately $38 million (8.2%) over the prior year comparable period. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2021 operating revenues	$	471
Stabilization funds		11
Water		9
Sewer		8
Reuse		4
Other		6
September 2022 operating revenues	$	509

Stabilization fund revenues increased $11 million primarily due to current year withdrawals from the environmental stabilization fund. Water revenues increased $9 million driven by higher consumption as a result of a 2.8% increase in customers. Sewer revenues increased $8 million driven by higher consumption as a result of a 3.3% increase in customers. Reuse revenues increased $4 million driven by higher consumption as a result of a 14.9% increase in customers. Other operating revenue increased $6 million due to higher miscellaneous service revenues.

Operating Expenses

Operating expenses increased $38 million (10.7%) over the prior year comparable period. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2021 operating expenses	$	358
Maintenance and other operating expenses		29
Recognition of deferred costs and revenues, net		6
Depreciation		2
Franchise taxes		1
September 2022 operating expenses	$	396

Maintenance and other operating expenses increased $29 million (17.7%) due to a $7 million increase in interlocal payments, $7 million in higher compensation and benefits, $7 million in higher overhead, a $6 million increase in maintenance expenses, and $2 million in higher professional services.

Recognition of deferred costs and revenues, net increased $6 million (63.4%) due to higher environmental expenditures.

Depreciation expense increased $2 million (1.3%) due to a higher depreciable base.

Franchise taxes increased $1 million (3.7%), as a result of higher taxable revenues.

District Energy System

Operating revenues and expenses remained relatively flat when compared to the prior year comparable period at approximately $9 and $8 million, respectively.

Nonoperating Revenues and Expenses

Total nonoperating expenses, net decreased $14 million (15.7%) over the prior year. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2021 nonoperating expenses, net	$	(89)
Increase in The Energy Authority earnings		14
Decrease in investment fair market value		(13)
Decrease in interest on debt		6
Increase in allowance for funds used during construction		5
Increase in realized investment income		1
Increase in other		1
September 2022 nonoperating expenses, net	$	(75)

2021 Compared to 2020

Electric Enterprise

Operating Revenues

Total operating revenues increased approximately $67 million (5.4%) compared to fiscal year 2020. Territorial sales revenues increased $31 million, comprised of a $24 million increase in fuel revenues and a $7 million increase in base revenues. The increase in fuel revenues was due to the fuel credit paid to customers in fiscal year 2020, which did not repeat in fiscal year 2021. The increase in base revenues was driven by higher consumption as a result of a 2.0% increase in customers. Stabilization fund revenues increased due to withdrawals from the fuel stabilization fund in fiscal year 2021, which were partially offset by debt management withdrawals in fiscal year 2020. There was a decrease in the allowance for doubtful accounts of $2 million, resulting in higher operating revenues, due to a fiscal year 2020 increase in the allowance for possible COVID-19 write-offs, which did not repeat in fiscal year 2021. Other operating revenue increased $3 million largely due to higher reconnection and late fees, due to the COVID-19 suspension of disconnections and late fees in fiscal year 2020, and higher pole attachment revenue.

Operating Expenses

Total operating expenses increased approximately $89 million (9.6%), compared to fiscal year 2020. Fuel expense increased $73 million (25.1%) due to increased generation costs of $83 million and a $10 million decrease from lower MWh generated (196,717 MWh, 1.8%). Purchased power expense increased $27 million (31.0%) driven by an $11 million increase in purchased power unit cost, a $10 million increase in MWh purchased (242,875 MWh, 14.3%), and a $6 million increase in MEAG power purchase agreement debt service.

Maintenance and other operating expenses decreased $26 million (9.8%) due to $15 million in lower compensation and benefits, primarily due to fiscal year 2020 SJRPP pension contributions, and $11 million in lower legal and other professional services. Depreciation expense increased $15 million (7.3%) due to a higher depreciable base. State utility and franchise taxes increased $1 million (2.2%), as a result of higher taxable revenues. Recognition of deferred costs and revenues, net decreased $1 million (4.5%) driven by lower environmental expenditures.

As commodity prices fluctuate, the mix between generation and purchased power shifts, with JEA taking advantage of the most economical source of power. JEA's power supply mix is detailed below.

	FY 2021	FY 2020
Natural gas	62%	63%
Purchases	15%	13%
Coal	15%	12%
Petroleum coke	8%	12%
Total	100%	100%

Water and Sewer Enterprise

Operating Revenues

Total operating revenues decreased approximately $13 million (2.7%) compared to fiscal year 2020. Stabilization fund revenues decreased $13 million primarily due to fiscal year 2020 withdrawals from the debt management stabilization fund. Water revenues decreased $3 million with the $5 million decrease in consumption being partially offset by a $2 million increase due to changes in mix. Sewer revenues increased $2 million due to changes in mix. Other operating revenue increased $1 million due to higher miscellaneous service revenues.

Operating Expenses

Operating expenses increased $5 million (1.3%), compared to fiscal year 2020. Depreciation expense increased $12 million (7.3%) due to a higher depreciable base. Maintenance and other operating expenses decreased $10 million (5.7%) due to $6 million in lower professional services, a $2 million decrease in interlocal payments, and a $2 million decrease in maintenance expenses. Recognition of deferred costs and revenues, net increased $3 million (46.5%) due to higher environmental expenditures.

District Energy System

Operating revenues and expenses remained relatively flat when compared to fiscal year 2020 comparable period at approximately $8 million and $7 million, respectively.

Nonoperating Revenues and Expenses

Total nonoperating expenses, net decreased $6 million (5.9%) over fiscal year 2020. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2020 nonoperating expenses, net	$	(95)
Decrease in interest on debt		20
Increase in The Energy Authority earnings		13
Decrease in allowance for funds used during construction		(11)
Decrease in investment fair market value		(8)
Decrease in realized investment income		(6)
Loss on sale of land		(2)
September 2021 nonoperating expenses, net	$	(89)

Capital Assets and Debt Administration for Fiscal Years 2022 and 2021

Capital Assets

JEA's total investment in capital assets and capital expenditures are detailed below.

	Total Investment				Additions			
(Dollars in millions)	September 30, 2022		September 30, 2021		FY 2022		FY 2021	
Electric Enterprise	$	2,480	$	2,618	$	189	$	152
Water and Sewer Enterprise		2,947		2,824		297		200
District Energy System		37		35		6		3
Total	$	5,464	$	5,477	$	492	$	355

Under the utility basis methodology for rate setting, the depreciation of contributed assets is not included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2022, $5 million of contributed capital related to the Electric System and $69 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2021, $3 million of contributed capital related to the Electric System and $51 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 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 primarily provided from revenues generated from operations, existing construction fund balances, and a potential issuance of new debt in the Water and Sewer Fund.

Debt Administration

Debt outstanding at September 30, 2022 was $2,734 million, a decrease of approximately $266 million from the prior fiscal year. This decrease was due to defeasance of principal of $177 million and scheduled principal payments of $92 million, partially offset by $3 million in revolving credit agreement withdrawals.

Debt outstanding at September 30, 2021, was $3,000 million, a decrease of approximately $257 million from the prior fiscal year. This decrease was due to defeasance of principal of $316 million, scheduled principal payments of $103 million, and $5 million in revolving credit agreement repayments, being partially offset by new debt issued of $167 million.

JEA's debt ratings on its long-term debt per Standard & Poor's and Fitch remained unchanged from fiscal year 2021. On March 28, 2022, Moody's upgraded its ratings with respect to the Bonds of JEA as follows:

- With respect to Electric System Revenue Bonds Senior Lien, St. Johns River Power Park System revenue bonds, and Scherer revenue bonds, the long-term ratings each were raised to A1 from A2, and

- With respect to Electric System Revenue Bonds Subordinate Lien, the long-term ratings were raised to A2 from A3.

On May 31, 2022, Moody's upgraded its ratings with respect to the Bonds of JEA as follows:

- With respect to Water and Sewer Revenue Bonds, Senior and Subordinate Liens, the long-term ratings each were raised to Aa2 from Aa3, and

- With respect to District Energy System Revenue Bonds, the long-term ratings were raised to Aa3 from A1.

JEA's outlooks on its long-term debt per Standard & Poor's and Fitch remained unchanged from fiscal year 2021. On March 28, 2022, Moody's revised JEA's electric utility system, including St. Johns River Power Park System and Bulk Power Supply System, rating outlook to stable from positive. All ratings and outlooks as of September 30, 2022 are detailed below.

	Moody's		Standard & Poor's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
JEA Electric System						
Senior	A1	stable	A+	negative	AA	stable
Subordinated	A2	stable	A	negative	AA	stable
Scherer	A1	stable	A+	negative	AA	stable
SJRPP	A1	stable	A+	negative	AA	stable
W&S						
Senior	Aa2	stable	AA+	stable	AA	positive
Subordinated	Aa2	stable	AA	stable	AA	positive
DES	Aa3	stable	AA	stable	AA	positive

All ratings and outlooks as of September 30, 2021 are detailed below.

	Moody's		Standard & Poor's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
JEA Electric System						
Senior	A2	positive	A+	negative	AA	stable
Subordinated	A3	positive	A	negative	AA	stable
Scherer	A2	positive	A+	negative	AA	stable
SJRPP	A2	positive	A+	negative	AA	stable
W&S						
Senior	Aa3	stable	AA+	stable	AA	positive
Subordinated	Aa3	stable	AA	stable	AA	positive
DES	A1	stable	AA	stable	AA	positive

Currently Known Facts Expected to have a Significant Effect on Financial Position and/or Changes in Operations

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. At the At the May 2022 meeting, the Board approved the FY23 Budget which included fuel expenses of $671.6M to be collected by monthly adjusted fuel charges. At the September 2022 meeting, the Board approved the following rate changes, also effective October 1, 2022:

- Modification of the District Energy System Tariff Document:
  - to add connection fees,
  - to add commodity charges,
  - to restructure existing consumption charges,
  - to add demand charges, and
- Modification of the Electric Tariff Documentation to extend the Economic Development Program.

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.

SJRPP Pension Trust Fund for Fiscal Years 2022 and 2021

The Statements of Fiduciary Net Position present information on all of the SJRPP Pension Trust Fund's assets and liabilities with the difference between these two amounts being reported as fiduciary net position available for benefits. Assets and liabilities are segregated based on their nature and liquidity. The Statements of Changes in Fiduciary Net Position present the current year additions and deductions from the fiduciary net position during the fiscal year.

	2022	2021	2020
		(in thousands)	
Condensed Statement of Fiduciary Net Position			
Total assets	$ 156,148	$ 190,477	$ 170,038
Total liabilities	505	383	56
Fiduciary net position available for benefits	$ 155,643	$ 190,094	$ 169,982
Condensed Statement of Changes in Fiduciary Net Position			
Total contributions	$ 6,912	$ 15	$ 13,326
Net investment earnings (losses)	(27,684)	33,731	7,877
Total additions (losses) to fiduciary net position	(20,772)	33,746	21,203
Total deductions from fiduciary net position	13,679	13,634	13,234
Net change in fiduciary net position	$ (34,451)	$ 20,112	$ 7,969

2022 compared to 2021

Total assets decreased due to a decrease in investment values as a result of market conditions. Total liabilities increased due to timing of broker settlements regarding investment sales and purchases.

Total contributions increased as contributions were made during fiscal year 2022 compared to no employer contributions during fiscal year 2021. A net investment loss during fiscal year 2022 was due to a decline in market performance as compared to the prior year.

2021 compared to 2020

Total assets increased due to an increase in investment values as a result of market conditions. Total liabilities increased due to timing of broker settlements regarding investment sales and purchases.

Total contributions decreased as there were no employer contributions during fiscal year 2021. Net investment income increased due to a much improved market performance as compared to fiscal year 2020.

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 2022	September 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 245,337	$ 350,495
Investments	278	4,140
Customer accounts receivable, net of allowance ($679 for 2022 and $3,155 for 2021)	314,362	221,348
Inventories:		
Materials and supplies	67,064	62,796
Fuel	52,483	32,911
Prepaid assets	31,774	6,482
Other current assets	22,987	17,952
Total current assets	734,285	696,124
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	275,353	362,618
Investments	306,650	269,820
Other restricted assets	215	240
Total restricted assets	582,218	632,678
Costs to be recovered from future revenues	814,161	881,949
Hedging derivative instruments	267,807	150,453
Other assets	60,137	22,939
Total noncurrent assets	1,724,323	1,688,019
Net capital assets	5,464,497	5,476,493
Total assets	7,923,105	7,860,636
Deferred outflows of resources		
Unrealized pension contributions and losses	131,651	157,296
Unamortized deferred losses on refundings	80,372	89,729
Unrealized asset retirement obligation	42,931	37,669
Accumulated decrease in fair value of hedging derivatives	39,582	129,355
Unrealized OPEB contributions and losses	11,029	7,302
Total deferred outflows of resources	305,565	421,351
Total assets and deferred outflows of resources	$ 8,228,670	$ 8,281,987

See accompanying notes to financial statements.

JEA

Statements of Net Position (continued)
(In Thousands)

	September 2022	September 2021
Liabilities		
Current liabilities:		
Accounts and accrued expense payable	$ 117,105	$ 76,702
Customer deposits and prepayments	89,690	75,030
Billings on behalf of state and local governments	33,764	26,006
Compensation and benefits payable	14,306	13,361
City of Jacksonville payable	10,245	10,193
Asset retirement obligation	2,254	3,307
Total current liabilities	267,364	204,599
Current liabilities payable from restricted assets:		
Construction contracts and accounts payable	90,627	45,466
Debt due within one year	74,070	91,535
Interest payable	48,950	51,454
Renewal and replacement reserve	4,252	32,776
Total current liabilities payable from restricted assets	217,899	221,231
Noncurrent liabilities:		
Long-term debt:		
Debt payable, less current portion	2,659,885	2,908,175
Unamortized premium, net	171,753	194,070
Fair value of debt management strategy instruments	38,231	129,355
Total long-term debt	2,869,869	3,231,600
Net pension liability	646,112	729,569
Asset retirement obligations	40,677	34,362
Compensation and benefits payable	34,726	33,433
Net OPEB liability	1,642	5,136
Other liabilities	18,701	18,338
Total noncurrent liabilities	3,611,727	4,052,438
Total liabilities	4,096,990	4,478,268
Deferred inflows of resources		
Accumulated increase in fair value of hedging derivatives	267,807	150,453
Revenues to be used for future costs	141,722	156,814
Unrealized pension gains	118,660	14,273
Unrealized OPEB gains	18,599	14,725
Total deferred inflows of resources	546,788	336,265
Net position		
Net investment in capital assets	2,830,411	2,696,104
Restricted for:		
Capital projects	347,929	296,059
Debt service	73,635	90,423
Other purposes	2,473	44,774
Unrestricted	330,444	340,094
Total net position	3,584,892	3,467,454
Total liabilities, deferred inflows of resources, and net position	$ 8,228,670	$ 8,281,987

See accompanying notes to financial statements.

JEA

Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	September 2022	September 2021
Operating revenue		
Electric	$ 1,491,097	$ 1,267,212
Water and sewer	489,814	457,076
District energy system	8,516	7,704
Other operating revenue	40,435	37,269
Total operating revenue	2,029,862	1,769,261
Operating expense		
Operations and maintenance:		
Maintenance and other operating expense	402,290	387,916
Fuel	487,776	364,074
Purchased power	284,178	111,387
Depreciation	500,257	391,715
State utility and franchise taxes	83,892	70,966
Recognition of deferred costs and revenues, net	92,261	30,718
Total operating expense	1,850,654	1,356,776
Operating income	179,208	412,485
Nonoperating revenue (expense)		
Interest on debt	(114,707)	(120,911)
Earnings from The Energy Authority	29,731	15,378
Allowance for funds used during construction	13,866	9,305
Other nonoperating income, net	6,853	4,796
Investment income, net	(9,668)	2,165
Other interest, net	(1,343)	(23)
Total nonoperating expense, net	(75,268)	(89,290)
Income before contributions	103,940	323,195
Contributions (to) from		
General Fund, City of Jacksonville, Florida	(133,713)	(120,012)
Developers and other	121,227	94,580
Reduction of plant cost through contributions	(74,016)	(54,299)
Total contributions, net	(86,502)	(79,731)
Special item	100,000	-
Change in net position	117,438	243,464
Net position, beginning of year	3,467,454	3,223,990
Net position, end of year	$ 3,584,892	$ 3,467,454

See accompanying notes to financial statements.

JEA

Statements of Cash Flows
(In Thousands)

	September 2022	September 2021
Operating activities		
Receipts from customers	$ 1,915,319	$ 1,683,033
Payments to suppliers	(1,024,326)	(692,283)
Payments for salaries and benefits	(274,104)	(238,024)
Other operating activities	144,458	37,953
Net cash provided by operating activities	761,347	790,679
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(133,613)	(119,913)
Net cash used in noncapital and related financing activities	(133,613)	(119,913)
Capital and related financing activities		
Acquisition and construction of capital assets	(454,761)	(352,715)
Defeasance of debt	(177,220)	(316,255)
Proceeds received from debt	-	166,375
Interest paid on debt	(128,061)	(133,894)
Repayment of debt principal	(91,535)	(102,700)
Capital contributions	47,211	40,281
Revolving credit agreement withdrawals (repayments)	3,000	(5,000)
Other capital financing activities	8,581	51,240
Net cash used in capital and related financing activities	(792,785)	(652,668)
Investing activities		
Proceeds from sale and maturity of investments	520,053	325,679
Purchase of investments	(570,815)	(289,935)
Distributions from The Energy Authority	15,464	10,848
Investment income	7,926	7,291
Net cash provided by (used in) investing activities	(27,372)	53,883
Net change in cash and cash equivalents	(192,423)	71,981
Cash and cash equivalents at beginning of year	713,113	641,132
Cash and cash equivalents at end of year	$ 520,690	$ 713,113
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 179,208	$ 412,485
Adjustments:		
Depreciation and amortization	500,531	392,827
Recognition of deferred costs and revenues, net	92,261	30,718
Other nonoperating income, net	98,656	56
Changes in noncash assets and noncash liabilities:		
Accounts receivable	(92,794)	(1,756)
Inventories	(23,839)	3,778
Other assets	(25,209)	(4,652)
Accounts and accrued expense payable	63,640	7,624
Current liabilities payable from restricted assets	(32,585)	(4,978)
Other noncurrent liabilities and deferred inflows	1,478	(45,423)
Net cash provided by operating activities	$ 761,347	$ 790,679
Non-cash activity		
Contribution of capital assets from developers	$ 74,016	$ 54,299
Unrealized investment fair market value changes, net	$ (17,794)	$ (4,534)

See accompanying notes to financial statements.

JEA

Statements of Fiduciary Net Position
SJRPP Pension Trust Fund
(In Thousands)

	September 2022	September 2021
Assets		
Cash and cash equivalents	$ 3,469	$ 11,110
Receivables:		
Interest and dividends	437	425
Sale of investments	191	14
Employee	-	1
Employer	5	-
Total receivables	633	440
Investments at fair value:		
Bonds and notes	59,441	67,322
Common stock	46,640	57,236
Mutual funds	45,965	54,369
Total investments	152,046	178,927
Total assets	$ 156,148	$ 190,477
Liabilities		
Accounts payable and other liabilities	$ 505	$ 383
Net position		
Restricted for pensions	155,643	190,094
Total liabilities and net position	$ 156,148	$ 190,477

See accompanying notes to financial statements.

JEA

Statements of Changes in Fiduciary Net Position
SJRPP Pension Trust Fund
(In Thousands)

	September 2022	September 2021
Additions		
Contributions:		
Employer	$ 6,900	$ -
Members	12	15
Total contributions	6,912	15
Investment earnings (losses):		
Net gains (losses)	(30,023)	31,424
Interest, dividends, and other	2,932	2,858
Total investment earnings (losses)	(27,091)	34,282
Less investment activity costs	(593)	(551)
Net investment earnings (losses)	(27,684)	33,731
Total additions (losses)	(20,772)	33,746
Deductions		
Benefits paid to participants or beneficiaries	13,579	13,540
Administrative expense	100	94
Total deductions	13,679	13,634
Net change in fiduciary net position	(34,451)	20,112
Net position, beginning of year	190,094	169,982
Net position, end of year	$ 155,643	$ 190,094

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 – Electric Enterprise, Water and Sewer, and District Energy System (DES). Electric Enterprise is comprised of the Electric System; the Bulk Power Supply System (Scherer), which is jointly 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) owned by JEA (100% ownership as of August 2022, previously 80% ownership interest by JEA and 20% ownership interest by FPL). Water and Sewer consists of water and sewer system activities. DES consists of chilled water activities. Separate accounting records are currently maintained for each system. These financial statements include JEA's ownership interest in Scherer. The following information relates to JEA's ownership interest in Scherer as of September 30, 2022 and 2021:

	2022	2021
Inventories	$ 2,341	$ 2,477
Other current assets	160	24
Costs to be recovered from future revenues	22,406	608
Net capital assets	1,115	110,434
Unrealized asset retirement obligations	42,879	37,601
Unamortized deferred losses on refundings	-	757
Current portion of asset retirement obligations	2,202	3,239
Accounts and accrued expenses payable	999	999
Debt due within one year	2,410	7,080
Interest payable	774	1,749
Long-term portion of asset retirement obligations	40,677	34,362
Long-term debt	24,765	74,414
Revenues to be used for future costs	-	28,102

The funds 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 operations. The operations of Scherer 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(t), Setting of rates.

On November 24, 2020, JEA executed a retirement agreement with FPL, setting forth the terms and conditions of the Plant Scherer closure as of January 1, 2022. On that same date, JEA also executed a 20-year Purchased Power Agreement (PPA) between JEA and FPL for natural gas-fired system product with a solar conversion option and a related 10-year natural gas hedge to replace the capacity and energy of Plant Scherer. On August 15, 2022, JEA executed a termination of covenant agreement with FPL, terminating FPL's 20% ownership in SJRPP.

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

(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 Annual Comprehensive 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.

(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.

(Dollars in Thousands)

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

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 and/or from stabilization funds. Discounts and allowances totaled $38,297 in fiscal year 2022 and $32,541 in 2021. JEA contributed the net amount of $1,300 in fiscal year 2022 to stabilization funds and withdrew the net amount of $50,942 in 2021 from stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $96,027 in fiscal year 2022 and $73,489 in 2021.

(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 their 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.

(e) Allowance for Funds Used During Construction

Beginning in fiscal year 2022, JEA elected to apply regulatory accounting to continue capitalizing qualifying interest cost as a regulatory asset. See note 2, Regulatory Deferrals, for additional information.

For construction projects prior to fiscal year 2022, an allowance for funds used during construction (AFUDC) was included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds and renewal and replacement funds. The average AFUDC rate for the debt of each system is listed in the table below.

Average AFUDC Rate (%)	2022	2021
Electric Enterprise Fund	4.5%	4.3%
Water and Sewer Fund	4.1%	4.1%
District Energy System	4.0%	4.0%

(Dollars in Thousands)

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

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 $114,707 for fiscal year 2022 and $120,911 for 2021, of which $13,866 was capitalized in fiscal year 2022 as a regulatory asset and $9,305 was capitalized in 2021 as construction work-in-progress. Investment income on bond proceeds was $16 in fiscal year 2022 and $34 in 2021.

(f) Depreciation

Depreciation of capital assets is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. Depreciation begins on the date the assets are placed in service. Generally, recurring renewal and replacement capital additions are placed in service at the end of each fiscal year. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically. The latest depreciation study was completed during fiscal year 2019 and the rates for that study became effective in fiscal year 2020. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.99% and 3.19% for fiscal years 2022 and 2021, 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)*	2022	2021
Electric Enterprise Fund	23.6	23.7
Water and Sewer Fund	27.1	27.1
District Energy System	23.0	19.1

(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.

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

(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* (GASB 53), 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.

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 2022 and 2021, 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.

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

(l) Inventory

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet generation requirements. Inventories are valued at average cost, 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. JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred outflow of resources or a deferred inflow of resources until such time that the transactions end. 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.

(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 $74,016 and $54,299 were recorded in fiscal years 2022 and 2021 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 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's General Employees' Retirement Plan (GERP), JEA's portion of the City's Defined Contribution Disability Plan 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. The SJRPP Plan is governed by a three-member Pension Committee to ensure compliance with actuarial standards.

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

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

(p) Compensated Absences

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

Upon termination from employment, employees are paid for their unused leave balances. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 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 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, 2022 is $39,191. Of this amount, $4,465 is included in compensation and benefits payable under current liabilities on the accompanying statement of net position. The remaining balance of $34,726 is included in compensation and benefits payable in noncurrent liabilities on the accompanying statement of net position. During fiscal year 2022, annual leave earned totaled $27,167 and annual leave taken totaled $25,199. The compensated absence liability as of September 30, 2021 was $37,195. Of this amount, $3,762 was included in compensation and benefits payable under current liabilities on the accompanying statements of net position. The remaining balance of $33,433 was included in compensation and benefits payable in noncurrent liabilities on the accompanying statements of net position. During fiscal year 2021, annual leave earned totaled $24,247 and annual leave taken totaled $22,478.

(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.

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

(r) Asset Retirement Obligations

JEA applies GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). See note 3, Asset Retirement Obligations, for further discussion.

(s) 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.

(t) 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. At the May 2022 meeting, the Board approved the FY23 Budget which included fuel expenses of $671.6M to be collected by monthly adjusted fuel charges. At the September 2022 meeting, the Board approved the following rate changes, also effective October 1, 2022:

- Modification of the District Energy System Tariff Document:
  - to add connection fees; and
  - to add commodity charges; and
  - to restructure existing consumption charges; and
  - to add demand charges; and
- Modification of the Electric Tariff Documentation
  - to extend the Economic Development Program.

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.

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

(u) Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

(v) 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 and liabilities 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.

(w) Newly Adopted Standards for Fiscal Year 2022

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. This statement was effective for JEA in fiscal year 2022. The implementation of this statement did not have an impact on JEA's financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. However, GASB allows those entities meeting the criteria for regulated operations and electing to apply the related provisions of Statement 62, to continue to capitalize qualifying interest cost as a regulatory asset. This statement was effective for JEA in fiscal year 2022. The implementation of the fiscal year 2022 requirements changed the classification of capitalized interest from construction work-in-progress to regulatory asset for the current and future years.

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Some requirements were effective for fiscal year 2020, while the remaining requirements were effective for JEA in fiscal year 2022. The implementation of this statement did not have an impact on JEA's financial statements.

In June 2017, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this statement is to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement apply to the financial statements of all state and local governments and were effective for fiscal year 2022. The implementation of this statement did not have an impact on JEA's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Some requirements were effective for fiscal year 2022, while the remaining requirements are effective for JEA in fiscal years 2023 and 2024. The implementation of the fiscal year 2022 requirements of this statement did not have an impact on JEA's financial statements. The impact on JEA's financial reporting for future requirements has not been determined.

(x) Recently Issued Accounting Pronouncements Not Yet Effective

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for JEA in fiscal year 2023. The implementation of this statement is not expected to have an impact on JEA's financial statements.

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

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates (GASB 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. The removal of LIBOR as an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt is effective for JEA in fiscal year 2023 while all other requirements of this statement were effective for JEA for fiscal year 2021. JEA has derivative instruments that hedge the interest rate risk of taxable debt that use LIBOR which will need to be replaced with an appropriate benchmark interest rate.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement is effective for JEA in fiscal year 2023. The impact on JEA's financial reporting has not been determined.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement is effective for JEA in fiscal year 2023. The impact on JEA's financial reporting has not been determined.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Portions of this statement were effective for fiscal year 2020 while the remaining requirements are effective for JEA in fiscal year 2023. The impact on JEA's financial reporting for the fiscal year 2023 provisions has not been determined.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for JEA in fiscal year 2024. The impact on JEA's financial reporting has not been determined.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for JEA in fiscal year 2025. The impact on JEA's financial reporting has not been determined.

(Dollars in Thousands)

2. Regulatory Deferrals

Based on regulatory action taken by the Board and in accordance with the Regulated Operations section within GASB Statement 62, JEA has recorded the following regulatory assets and liabilities that will be included in the ratemaking process and recognized as expenses and revenues, respectively, in future periods. These amounts are shown under costs to be recovered from future revenues 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 Assets	2022	2021
Unfunded pension costs	$ 623,640	$ 589,355
SJRPP and Bulk Power costs to be recovered	107,560	218,458
Environmental projects	31,360	45,616
Allowance for funds used during construction	13,868	–
Deferred fuel regulatory costs	12,582	–
Unfunded OPEB costs	9,212	12,559
Storm and COVID-19 costs to be recovered	8,501	6,958
Debt issue costs	7,438	9,003
Total regulatory assets	$ 814,161	$ 881,949

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. 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.

SJRPP and Bulk Power costs to be recovered – SJRPP deferred debt-related costs of $85,254 at September 30, 2022 and $218,458 at September 30, 2021 are the result of differences between expenses in determining rates and those used in financial reporting. During fiscal year 2018, operations of SJRPP, as generating facility, ceased and the majority of the assets were dismantled. As of September 30, 2022, SJRPP has remaining plant in service assets of $8,505 and outstanding debt of $108,000. The details relating to the shutdown of SJRPP are further discussed in the St. Johns River Power Park section of note 3, Asset Retirement Obligations. The JEA board approved the deferral of this regulatory asset. SJRPP has a contract with the JEA Electric System 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 $22,306 at September 30, 2022 and $0 at September 30, 2021. 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.

2. Regulatory Deferrals (continued)

Environmental Projects – The Board approved the recovery of previously approved water 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 $25,654 and $34,205 remained unrecovered as of September 30, 2022 and 2021, respectively. This deferral is being amortized over ten years. The Board also approved the recovery of previously approved electric environmental capital projects that had not been collected through the environmental surcharge over a five-year period beginning October 1, 2018. The amount approved for recovery and transferred out of capital assets was $28,527 of which $5,706 and $11,411 remained unrecovered as of September 30, 2022 and 2021, respectively. This deferral is being amortized over five years.

Allowance for Funds Used During Construction – This amount represents interest cost incurred before the end of a construction period. The regulatory asset is amortized over the life of constructed assets after they are placed into service.

Deferred fuel regulatory costs – During fiscal year 2022 the fuel stabilization fund was discontinued. JEA began adjusting the fuel charge monthly. This represents amount under-collected that will be recovered in the next period.

Unfunded OPEB Costs – Accrued OPEB represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to JEA's other postemployment benefit 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 OPEB. The Board approved the recovery of the unfunded amounts in future revenue requirements with the adoption of GASB 75 in fiscal year 2018. In addition, the Board approved the deferral of the difference between the annual contributions (funding) and OPEB expense.

Storm and COVID-19 costs to be recovered – This amount represents storm costs and COVID-19 costs that are expected to be recovered from insurance and the Federal Emergency Management Agency (FEMA). See note 16, Disaster Costs, for further details.

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.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Regulatory Liabilities

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

Regulatory Liabilities	2022	2021
Nonfuel purchased power	$ 55,000	$ 10,513
Environmental	46,822	49,833
Excess pension contributions	16,931	5,094
Self-insurance medical reserve	14,145	14,272
Customer benefit stabilization	8,824	7,233
Fuel stabilization	–	41,767
Bulk Power revenues to be used for future costs	–	28,102
Total regulatory liabilities	$ 141,722	$ 156,814

Nonfuel purchased power – JEA entered into a power purchase agreement related to the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia (Plant Vogtle). This agreement is discussed in further detail in note 10, Fuel Purchase and Purchased Power Commitments. Related to that agreement, the JEA Board approved a nonfuel 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. Deposits of $72,731 and $0 were made to the stabilization fund for fiscal years 2022 and 2021, respectively.

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.

The changes in the environmental regulatory liability for the years ended September 30, 2022 and 2021 are as follows:

Environmental	2022	2021
Beginning balance	$ 49,833	$ 45,190
Surcharge revenue	33,436	32,696
Prior capital projects cost recovery	(14,257)	(14,257)
Capital projects	(16,421)	(12,512)
Operations and maintenance projects	(5,769)	(1,284)
Ending balance	$ 46,822	$ 49,833

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Excess pension contributions – Excess pensions contributions represents a regulatory liability related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to the SJRPP Plan. The regulatory liability is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension.

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. The Board, as part of the budget process, will approve amounts to be collected in rates that include both the current anticipated cost less approved amounts 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. 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.

The changes in the self-insurance medical reserve for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
Beginning balance	$ 14,272	$ 10,890
Contributions	31,504	30,599
Incurred claims	(31,631)	(27,217)
Ending balance	$ 14,145	$ 14,272

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.

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. Net expense incurred in excess of the revenue collected and recognized as a reduction of the regulatory liability during fiscal year 2022 was $41,767. Net revenue collected in excess of expense incurred and recognized as an addition to the regulatory liability during fiscal year 2021 was $31,580. The fuel stabilization fund was discontinued during the fiscal year 2022.

Bulk Power revenues to be used for future costs – This amount represents Bulk Power Supply System early debt principal paid in excess of straight-line depreciation.

3. Asset Retirement Obligations

Scherer

On November 24, 2020, JEA executed a retirement agreement with FPL, setting forth the terms and conditions of the Plant Scherer closure as of January 1, 2022. On that same date, JEA also executed the FPL PPA and a related 10-year natural gas hedge. The obligation of JEA to retire Plant Scherer was subject to FPL having performed and complied in all material respects with the agreement including remittance of the $100,000 consummation payment to be used by JEA in its discretion to pay for JEA's costs in completing the retirement of Unit No. 4, including, but not limited to, the defeasance of the outstanding bonds.

As part of JEA's ownership of Scherer, it has a proportionate ownership interest in associated common facilities (Common Facilities) of 5.91% (23.64% divided by 4, as there are 4 units in total). There is no majority owner of the Common Facilities. Georgia Power is the nongovernmental minority owner that has operational responsibility of the Common Facilities and, as such, is responsible for calculating any associated asset retirement obligations (AROs). The AROs at Scherer are primarily related to the ash pond.

In accordance with GASB 83, JEA's minority share of the AROs is reported using the measurement produced by Georgia Power, who is registered with the Securities and Exchange Commission and is subject to accounting rules set by the Financial Accounting Standards Board.

At September 30, 2022, the total amount of the AROs at Scherer are $725,528, with JEA's minority share being $42,879. Of the total liability, $2,202 is recorded in asset retirement obligations in current liabilities and $40,677 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of $42,879, which is recorded in deferred outflows of resources.

At September 30, 2021, the total amount of the AROs at Scherer are $636,226, with JEA's minority share being $37,601. Of the total liability, $3,239 is recorded in asset retirement obligations in current liabilities and $34,362 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of $37,601, which is recorded in deferred outflows of resources.

There are no legally required funding or assurance provisions associated with JEA's minority share of the AROs and JEA has not restricted any of its assets for payment of this liability.

3. Asset Retirement Obligations (continued)

St. Johns River Power Park

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. 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 ended on April 2, 2022. JEA and FPL reached an agreement to close SJRPP. 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. The final order was approved by FPSC in October 2017.

FPL received a credit for their estimated share of the material and supplies inventory balance at shutdown, pending sale of the inventory. After the sales period passed, FPL paid a shutdown payment adjustment for their share of 20% of the loss on the remaining materials and supplies inventory. During fiscal year 2020, JEA liquidated the remaining material and supplies inventory.

Regulatory balances remaining will be amortized over the life of the remaining debt outstanding related to Issue Three debt. See note 2, Regulatory Deferrals, for additional information related to SJRPP's regulatory deferrals.

FPL conveyed their 20% undivided ownership of plant in service assets to JEA. The retained plant in service assets were recorded at fair value. In addition, FPL will convey their 20% undivided ownership interest in the SJRPP site to JEA upon completion of dismantlement and environmental remediation. Under a service management agreement, FPL will pay 20% of the dismantlement and remediation costs incurred. Dismantlement and remediation is expected to be complete by January 2023. Monitoring of the site will continue for thirty years subsequent to the completion date. JEA's share of the estimated cost for dismantlement and remediation remaining of approximately $52 is recorded in current portion of asset retirement obligations and is offset by the separate line item, unrealized asset retirement obligation, in the statement of net position. Currently, JEA does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on the site until completion of future environmental studies. In addition, conditions that are currently unknown could result in additional exposure, the amount and materiality of which cannot presently be reasonably estimated. Based upon information currently available, however, JEA believes its ARO accurately reflects the estimated cost of remedial actions currently required.

(Dollars in Thousands)

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2022 and 2021:

	September 30, 2022				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	$ 233,018	$ 4,252	$ 113,105	$ 1,049	$ 351,424
Sinking Fund	69,890	17,350	32,499	2,421	122,160
Debt Service Reserve Fund	53,352	3,879	56,606	–	113,837
Revenue Fund	–	190	–	–	190
Construction Fund	111	–	646	–	757
Adjustment to fair value of investments	(8,061)	13	(2,502)	–	(10,550)
Environmental Fund	–	–	4,400	–	4,400
Total	$ 348,310	$ 25,684	$ 204,754	$ 3,470	$ 582,218

	September 30, 2021				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	$ 183,800	$ 32,998	$ 97,073	$ 634	$ 314,505
Sinking Fund	89,817	19,489	30,006	2,397	141,709
Debt Service Reserve Fund	55,844	10,098	55,665	–	121,607
Revenue Fund	–	29,871	–	–	29,871
Construction Fund	286	–	14,266	–	14,552
Adjustment to fair value of investments	2,977	72	4,184	–	7,233
Environmental Fund	83	–	3,118	–	3,201
Total	$ 332,807	$ 92,528	$ 204,312	$ 3,031	$ 632,678

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

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

Electric System:	An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined.
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.

(Dollars in Thousands)

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.

At September 30, 2022 and 2021, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2022	2021
Securities:		
Money market mutual funds	$ 122,525	$ 331,417
Local government investment pool	126,075	168,799
Commercial paper	97,301	117,378
State and local government securities	92,400	113,483
U.S. Treasury and government agency securities	153,708	43,860
Total securities, at fair value	$ 592,009	$ 774,937

These securities are held in the following accounts:

	2022	2021
Current assets:		
Cash and cash equivalents	$ 245,337	$ 350,495
Investments	278	4,140
Restricted assets:		
Cash and cash equivalents	275,353	362,618
Investments	306,650	269,820
Total cash and investments	827,618	987,073
Less: cash on deposit	(236,546)	(212,896)
Plus: interest due on securities	937	760
Total securities, at fair value	$ 592,009	$ 774,937

(Dollars in Thousands)

5. Cash and Investments (continued)

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2022, 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.

The maturity distribution of the investments held at September 30, 2022 is listed below.

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
Money market mutual funds	$ 122,525	$ –	$ –	$ –	$ 122,525
Local government investment pools	126,075	–	–	–	126,075
State and local government securities	5,524	6,045	43,668	37,163	92,400
U.S. Treasury and government agency securities	82,789	66,724	–	4,195	153,708
Commercial paper	97,301	–	–	–	97,301
Total securities, at fair value	$ 434,214	$ 72,769	$ 43,668	$ 41,358	$ 592,009

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.

5. Cash and Investments (continued)

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 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; (2) 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; 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, 2022, 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 as well as 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, 2022, JEA had 16% 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.

Concentration of Credit Risk – As of September 30, 2022, investments in any one issuer representing 5% or more of JEA's investments included $130,283 (22.0%) invested in issues of the Federal Home Loan Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total 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, 2022, 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, 2022 is as follows:

	Balance September 30, 2021	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2022
Electric Enterprise Fund:					
Generation assets	$ 3,873,079	$ –	$ (829)	$ 29,890	$ 3,902,140
Transmission assets	678,921	–	(38)	10,653	689,536
Distribution assets	2,240,186	–	(2,297)	67,108	2,304,997
Other assets	531,608	–	(4,627)	27,735	554,716
Total capital assets	7,323,794	–	(7,791)	135,386	7,451,389
Less: accumulated depreciation and amortization	(4,957,598)	(324,800)	7,791	–	(5,274,607)
Land	131,496	–	–	2,263	133,759
Construction work-in-process	120,138	186,706	–	(137,649)	169,195
Net capital assets	2,617,830	(138,094)	–	–	2,479,736
Water and Sewer Fund:					
Pumping assets	648,724	–	(5,217)	37,244	680,751
Treatment assets	809,191	–	(312)	19,987	828,866
Transmission and distribution assets	1,332,578	–	(1,122)	29,904	1,361,360
Collection assets	1,605,027	–	(2,626)	36,163	1,638,564
Reclaimed water assets	163,609	–	–	5,586	169,195
General and other assets	471,723	–	(2,007)	5,638	475,354
Total capital assets	5,030,852	–	(11,284)	134,522	5,154,090
Less: accumulated depreciation	(2,532,588)	(169,697)	11,284	4,189	(2,686,812)
Land	79,102	–	–	2,331	81,433
Construction work-in-process	246,928	288,749	–	(136,853)	398,824
Net capital assets	2,824,294	119,052	–	4,189	2,947,535
District Energy System:					
Chilled water plant assets	60,858	–	(41)	4,395	65,212
Total capital assets	60,858	–	(41)	4,395	65,212
Less: accumulated depreciation	(31,841)	(2,607)	41	6	(34,401)
Land	3,051	–	–	–	3,051
Construction work-in process	2,301	5,464	–	(4,401)	3,364
Net capital assets	34,369	2,857	–	–	37,226
Total	$ 5,476,493	$ (16,185)	$ –	$ 4,189	$ 5,464,497

(Dollars in Thousands)

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2021 is as follows:

	Balance September 30, 2020	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2021
Electric Enterprise Fund:					
Generation assets	$ 3,853,169	$ –	$ (1,003)	$ 20,913	$ 3,873,079
Transmission assets	645,784	–	(3,635)	36,772	678,921
Distribution assets	2,132,333	–	(6,122)	113,975	2,240,186
Other assets	520,644	–	(2,886)	13,850	531,608
Total capital assets	7,151,930	–	(13,646)	185,510	7,323,794
Less: accumulated depreciation and amortization	(4,752,821)	(218,423)	13,646	–	(4,957,598)
Land	130,408	–	–	1,088	131,496
Construction work-in-process	154,702	152,034	–	(186,598)	120,138
Net capital assets	2,684,219	(66,389)	–	–	2,617,830
Water and Sewer Fund:					
Pumping assets	597,500	–	(5,726)	56,950	648,724
Treatment assets	803,698	–	(3,010)	8,503	809,191
Transmission and distribution assets	1,298,283	–	(79)	34,374	1,332,578
Collection assets	1,598,138	–	(15)	6,904	1,605,027
Reclaimed water assets	158,868	–	(7)	4,748	163,609
General and other assets	456,506	–	(1,429)	16,646	471,723
Total capital assets	4,912,993	–	(10,266)	128,125	5,030,852
Less: accumulated depreciation	(2,379,631)	(167,412)	10,266	4,189	(2,532,588)
Land	83,459	–	(5,155)	798	79,102
Construction work-in-process	175,783	200,068	–	(128,923)	246,928
Net capital assets	2,792,604	32,656	(5,155)	4,189	2,824,294
District Energy System:					
Chilled water plant assets	59,530	–	–	1,328	60,858
Total capital assets	59,530	–	–	1,328	60,858
Less: accumulated depreciation	(29,255)	(2,586)	–	–	(31,841)
Land	3,051	–	–	–	3,051
Construction work-in process	1,026	2,603	–	(1,328)	2,301
Net capital assets	34,352	17	–	–	34,369
Total	$ 5,511,175	$ (33,716)	$ (5,155)	$ 4,189	$ 5,476,493

(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, with an ownership interest of 17.6%. 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 $29,731 in fiscal year 2022 and $15,378 in 2021 for all power marketing activities. JEA's distributions from TEA were $15,464 in fiscal year 2022 and $10,848 in 2021. The investment in TEA was $25,507 at September 30, 2022 and $12,153 at September 30, 2021 and is included in noncurrent assets on the accompanying statements of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2022 and 2021. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited 2022	Unaudited 2021
Condensed statement of net position:		
Current assets	$ 699,272	$ 329,376
Noncurrent assets	34,897	35,937
Total assets	$ 734,169	$ 365,313
Current liabilities	$ 589,538	$ 291,886
Noncurrent liabilities	15,423	14,153
Deferred inflows	18,447	17,252
Members' capital	144,541	69,416
Total liabilities and members' capital	$ 767,949	$ 392,707
Condensed statement of operations:		
Operating revenues	$ 3,912,598	$ 2,086,069
Operating expenses	3,638,084	1,958,481
Operating income	$ 274,514	$ 127,588
Net income	$ 275,020	$ 127,610

As of September 30, 2022, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $45,000, increasing to $60,000 on December 1, 2022, and TEA's natural gas procurement and trading activities up to $47,300, 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 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.

The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Below is the schedule of outstanding indebtedness for the fiscal years 2022 and 2021.

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2022	September 30 2021
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	2022-2040	56,395	58,745
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	2022-2036	42,110	45,385
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	2022-2036	97,705	100,675
Series Three 2009D[4]	6.056%	2033-2044	45,955	45,955
Series Three 2010E[4]	5.350-5.482%	2028-2040	34,255	34,255
Series Three 2013A	5.000%	2022	15,245	27,485
Series Three 2013C	4.600-5.000%	2022-2029	2,795	4,705
Series Three 2015A	N/A	N/A	–	1,555
Series Three 2015B	5.000%	2030-2031	4,535	4,535
Series Three 2017B	3.375-5.000%	2026-2039	198,095	198,095
Series Three 2020A	3.000-5.000%	2026-2041	129,255	129,255
Series Three 2021A	4.000-5.000%	2033-2039	10,385	10,385
Total Electric System Senior Revenue Bonds			880,460	904,760

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2022	2021
Electric System Subordinated Revenue Bonds:				
2000 Series A[2]	Variable	2022-2025	$ 14,770	$ 17,740
2008 Series D[2]	Variable	2024-2038	39,455	39,455
2009 Series F[4]	5.500-6.406%	2024-2034	58,420	58,880
2010 Series D[4]	4.749-5.582%	2022-2027	34,485	38,335
2013 Series A	5.000%	2027-2029	6,725	9,770
2013 Series B	5.000%	2022	5,225	10,235
2013 Series C	5.000%	2029-2037	31,900	33,640
2013 Series D	N/A	N/A	–	5,485
2014 Series A	5.000%	2022-2039	29,140	41,420
2017 Series B	3.375-5.000%	2026-2034	142,065	142,065
2020 Series A	4.000-5.000%	2028-2038	92,415	92,415
2021 Series A	4.000-5.000%	2029-2034	34,175	34,175
Total Electric System Subordinated Revenue Bonds			488,775	523,615
Bulk Power Supply System Revenue Bonds:				
Series 2010A[4]	5.200-5.920%	2022-2030	27,175	29,510
Series 2014A	N/A	N/A	–	52,375
Total Bulk Power System Revenue Bonds			27,175	81,885
SJRPP System Revenue Bonds:				
Issue Three, Series One	N/A	N/A	–	100
Issue Three, Series Two	N/A	N/A	–	29,370
Issue Three, Series Four[4]	4.850-5.450%	2022-2028	15,195	17,085
Issue Three, Series Six	2.625-5.000%	2022-2027	35,435	77,940
Issue Three, Series Seven	2.500-3.375%	2022-2028	43,375	73,815
Issue Three, Series Eight	2.500-3.125%	2022-2027	13,995	53,455
Total SJRPP System Revenue Bonds			108,000	251,765

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2022	September 30 2021
Water and Sewer System Senior Revenue Bonds:				
2006 Series B[5]	Variable	2022	$ 5,055	$ 9,915
2008 Series A-2[2]	Variable	2028-2042	51,820	51,820
2008 Series B[2]	Variable	2023-2041	85,290	85,290
2010 Series A[4]	6.210-6.310%	2026-2044	83,115	83,115
2010 Series B	5.500-5.700%	2022-2025	6,920	8,650
2010 Series F[4]	4.300-5.887%	2022-2040	38,335	38,665
2012 Series B	3.000-5.000%	2024-2034	13,170	13,170
2013 Series A	4.500-5.000%	2023-2027	4,995	4,995
2014 Series A	4.000-5.000%	2023-2040	148,390	148,390
2017 Series A	3.125-5.000%	2023-2041	346,770	346,770
2020 Series A	3.000-5.000%	2023-2040	104,000	104,000
2021 Series A	3.000-5.000%	2023-2041	121,815	121,815
Total Water and Sewer System Senior Revenue Bonds			1,009,675	1,016,595
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2022-2038	41,900	44,350
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 2012 Series B	3.250-5.000%	2030-2034	4,480	4,480
Subordinated 2013 Series A	5.000%	2028-2029	2,760	2,760
Subordinated 2017 Series A	2.750-5.000%	2023-2034	55,015	55,015
Subordinated 2020 Series A	4.000-5.000%	2024-2040	26,590	26,590
Total Water and Sewer System Subordinated Revenue Bonds			187,230	189,680

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2022	2021
District Energy System:				
2013 Series A	3.000-4.538%	2022-2034	$ 29,640	$ 31,410
Total District Energy System			29,640	31,410
District Energy System Other Subordinated Debt:				
Revolving Credit Agreement	Variable	2024	$ 3,000	$ –
Total District Energy System Subordinated Debt			3,000	–
Total Debt Principal Outstanding			2,733,955	2,999,710
Less: Debt Due Within One Year			(74,070)	(91,535)
Total Long-Term Debt			$ 2,659,885	$ 2,908,175

(1) Interest rates apply only to bonds outstanding at September 30, 2022. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode, or the flexible mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2022 and 2021.

(2) Variable rate demand obligations – interest rates ranged from 1.80% to 2.80% at September 30, 2022.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 2.91% at September 30, 2022.

(4) 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.

(5) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates were 8.48% at September 30, 2022. JEA has executed fixed-payer interest rate swaps to effectively fix a portion of its net payments relative to the CPI bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2022 and 2021.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity for the year ended September 30, 2022 was as follows:

System	Debt Payable September 30, 2021	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2022	Current Portion of Debt Payable September 30, 2022
Electric:						
Revenue	$ 1,223,570	$ –	$ –	$ (50,545)	$ 1,173,025	$ 35,785
Direct Purchase	204,805	–	–	(8,595)	196,210	8,925
Total Electric	1,428,375	–	–	(59,140)	1,369,235	44,710
Bulk Power Supply	81,885	–	(47,630)	(7,080)	27,175	2,410
SJRPP	251,765	–	(129,590)	(14,175)	108,000	15,285
Water and Sewer	1,206,275	–	–	(9,370)	1,196,905	9,850
DES:						
Revenue	31,410	–	–	(1,770)	29,640	1,815
Revolver	–	3,000	–	–	3,000	–
Total DES	31,410	3,000	–	(1,770)	32,640	1,815
Total	$ 2,999,710	$ 3,000	$ (177,220)	$ (91,535)	$ 2,733,955	$ 74,070

Long-term debt activity for the year ended September 30, 2021 was as follows:

System	Debt Payable September 30, 2020	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2021	Current Portion of Debt Payable September 30, 2021
Electric:						
Revenue	$ 1,397,445	$ 44,560	$ (164,150)	$ (54,285)	$ 1,223,570	$ 50,545
Direct Purchase	211,310	–	–	(6,505)	204,805	8,595
Total Electric	1,608,755	44,560	(164,150)	(60,790)	1,428,375	59,140
Bulk Power Supply	88,860	–	–	(6,975)	81,885	7,080
SJRPP	265,105	–	–	(13,340)	251,765	14,175
Water and Sewer	1,256,435	121,815	(152,105)	(19,870)	1,206,275	9,370
DES:						
Revenue	33,135	–	–	(1,725)	31,410	1,770
Revolver	5,000	–	(5,000)	–	–	–
Total DES	38,135	–	(5,000)	(1,725)	31,410	1,770
Total	$ 3,257,290	$ 166,375	$ (321,255)	$ (102,700)	$ 2,999,710	$ 91,535

(Dollars in Thousands)

8. Long-Term Debt (continued)

The debt service payments to maturity on the outstanding debt as of September 30, 2022 are summarized below.

	Electric System Revenue		Electric System Direct Purchase		Bulk Power Supply System	
Fiscal Year	Principal	Interest[1][2]	Principal	Interest[2]	Principal	Interest[1]
2023	$ 35,785	$ 46,616	$ 8,925	$ 3,907	$ 2,410	$ 1,485
2024	8,830	45,651	7,950	3,744	2,495	1,356
2025	19,745	45,132	10,190	3,536	2,580	1,221
2026	26,020	44,344	10,605	3,316	3,105	1,066
2027	59,110	42,576	11,050	3,087	3,100	890
2028–2032	347,650	170,161	80,960	10,454	13,485	1,630
2033–2037	451,860	88,216	52,235	3,791	–	–
2038–2042	210,470	17,220	14,295	356	–	–
2043–2045	13,555	1,253	–	–	–	–
Total	$ 1,173,025	$ 501,169	$ 196,210	$ 32,191	$ 27,175	$ 7,648

	SJRPP		Water and Sewer System		District Energy System		Total Debt
Fiscal Year	Principal	Interest[1]	Principal	Interest[1][2]	Principal	Interest	Service
2023	$ 15,285	$ 3,749	$ 9,850	$ 48,229	$ 1,815	$ 1,289	$ 179,345
2024	15,865	3,124	52,365	46,701	4,870	1,195	194,146
2025	16,445	2,457	55,675	44,187	1,930	1,058	204,156
2026	17,105	1,825	60,155	41,531	1,995	990	212,057
2027	17,565	1,245	55,015	38,897	2,065	917	235,517
2028–2032	25,735	782	278,085	155,411	11,665	3,194	1,099,212
2033–2037	–	–	329,220	93,333	8,300	576	1,027,531
2038–2042	–	–	332,555	32,217	–	–	607,113
2043–2045	–	–	23,985	1,710	–	–	40,503
Total	$ 108,000	$ 13,182	$ 1,196,905	$ 502,216	$ 32,640	$ 9,219	$ 3,799,580

(1) The interest requirement reflects gross interest, prior to any 35% cash subsidy payments, on the Federally Taxable – Issuer Subsidy – Build America Bonds.

(2) The 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, 2022.

(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, excluding federally taxable bonds with make-whole redemption provisions, is as follows:

	Electric System	SJRPP	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2023	2023	2023	2023
Redemption price	100%	100%	100%	100%
Par available for redemption	$ 80,650	$ 92,805	$ 105,035	$ 27,825

JEA, at its option, may redeem federally taxable bonds, including Build America Bonds, with make-whole redemption provisions, in whole or in part, on any date, as discussed in the official statements covering their issuance. A summary of the make-whole redemption provisions is as follows:

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System
Earliest fiscal year for redemption	2023	2023	2023	2023
Redemption price	Make-Whole	Make-Whole	Make-Whole	Make-Whole
Par available for redemption	$ 173,115	$ 27,175	$ 15,195	$ 128,370

There was no JEA debt issued during fiscal year 2022.

JEA debt issued during fiscal year 2021 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 2021A	Refunding(1)	Senior	Jul 2021	$ 10,385	$ 13,750	$ 238
Electric	2021 Series A	Refunding(2)	Subordinated	Jul 2021	34,175	46,010	(30)
Water and Sewer	2021 Series A	Refunding(3)	Senior	Jul 2021	121,815	152,105	2,490
					$ 166,375	$ 211,865	$ 2,698

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $16,741 compared to prior debt service of $21,078 and $3,812 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $52,598 compared to prior debt service of $65,896 and $11,494 of net present value economic savings.

(3) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $187,119 compared to prior debt service of $242,496 and $46,194 of net present value economic savings.

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

	Authorization		
System	Senior	Subordinated	Expiration
Electric	$ 466,615	$ 236,825	December 31, 2022
SJRPP Issue Three	250,000	–	December 31, 2022
Water and Sewer	290,185	111,000	December 31, 2022

Variable Rate Demand Obligations (VRDOs) – 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, 2022, 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. Commitment fees range 0.40% to 0.68% with stated termination dates ranging from May 8, 2023 to September 8, 2026, unless otherwise extended.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of 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, 2022, 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 commitment fee is 0.42% with a stated expiration date of December 1, 2023, 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 Purchase Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchase 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 Purchase Bonds that were not purchased 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 the scheduled mandatory tender date. The continuing covenant agreements specify certain events of default that require immediate repayment of outstanding amounts and other events of default that require repayment of outstanding amounts if the event of default continues from 7 days to 180 days. During the years ended September 30, 2022 and 2021, JEA did not default on any terms of the continuing covenant agreements. The current expiration date of the continuing covenant agreements is December 9, 2024, unless otherwise extended. The interest rate is variable and set weekly based upon SIFMA plus 45 basis points.

8. Long-Term Debt (continued)

Revolving Credit Agreement

JEA has a revolving credit agreement with a commercial bank for an unsecured amount of $500,000. 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 for operating or capital expenditures. The revolving credit agreement specifies events of default that require immediate repayment of outstanding amounts. During the years ended September 30, 2022 and 2021, JEA did not default on any terms of the revolving credit agreement. During fiscal year 2022, the revolving credit agreement was drawn upon by the District Energy System for $3,000 which remains outstanding as of September 30, 2022, with $497,000 available to be drawn. The revolving credit agreement is scheduled to expire on May 24, 2024.

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 of resources.

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2022, 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[1]
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	78,300	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR[1]
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR[1]
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	5,055	4.1%	Oct 2006	Oct 2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	$ 489,855				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2021, 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[1]
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	81,575	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR[1]
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR[1]
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	9,915	4.1%	Oct 2006	Oct 2021-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	$ 497,990				

(1) On November 30, 2020, the ICE Benchmark Administration announced that it planned to consult on its intention to cease publication of the overnight, one-month, six-month and 12-month LIBOR tenors on June 30, 2022. The International Swap and Derivatives Association ("ISDA") has been leading an industry effort to implement fallback language for derivatives contracts. Notwithstanding the disclosure herein relating to the GASB issued Statement No. 93, Replacement of Interbank Rates, JEA is continuing to evaluate the effective date for the removal of LIBOR as an appropriate benchmark interest rate of all of JEA's LIBOR swaps. JEA and its LIBOR swap counterparties have not amended its swap documentation to provide for a new fallback interest rate to replace LIBOR if LIBOR is not available. At the appropriate time, JEA will coordinate with its LIBOR swap counterparties and ISDA with respect to any necessary adherences or amendments to respective ISDA Master Agreements and corresponding confirmations to provide for a definitive replacement rate for LIBOR and at such time, may replace LIBOR with a rate based on the Secured Overnight Financing Rate or another appropriate benchmark interest rate.

(Dollars in Thousands)

8. Long-Term Debt (continued)

For fiscal years ended September 30, 2022 and 2021, all outstanding interest rate swap agreements were considered effective hedging instruments. The following table includes fiscal year 2022 and 2021 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, 2022		
System	Classification	Amount	Classification	Amount[1]	Notional
Electric	Deferred outflows	$ (71,248)	Fair value of debt management strategy instruments	$ (31,504)	$ 399,510
Water and Sewer	Deferred outflows	(19,876)	Fair value of debt management strategy instruments	(6,727)	90,345
Total		$ (91,124)		$ (38,231)	$ 489,855

	Changes in Fair Value		Fair Value at September 30, 2021		
System	Classification	Amount	Classification	Amount[1]	Notional
Electric	Deferred outflows	$ (36,855)	Fair value of debt management strategy instruments	$ (102,752)	$ 402,785
Water and Sewer	Deferred outflows	(11,078)	Fair value of debt management strategy instruments	(26,603)	95,205
Total		$ (47,933)		$ (129,355)	$ 497,990

(1) Fair value amounts were calculated using market rates and standard cash flow present valuing techniques.

For fiscal years ended September 30, 2022 and 2021, 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:

	2022	2021
68% of LIBOR Index:		
Notional amount outstanding	$ 202,275	$ 205,550
Variable rate received (weighted average)	0.55%	0.08%
Fixed rate paid (weighted average)	3.70%	3.69%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	$ 282,525	$ 282,525
Variable rate received (weighted average)	0.61%	0.06%
Fixed rate paid (weighted average)	4.02%	4.02%
CPI Index:		
Notional amount outstanding	$ 5,055	$ 9,915
Variable rate received (weighted average)	7.42%	2.19%
Fixed rate paid (weighted average)	4.09%	4.08%
Net debt management swap loss	$ (15,916)	$ (18,811)

(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, 2022:

Electric System

Fiscal Year	Principal	Interest[1]	Net Swap Interest	Total
2023	$ 3,375	$ 7,226	$ 9,556	$ 20,157
2024	5,400	7,080	9,503	21,983
2025	13,840	6,844	9,220	29,904
2026	19,205	6,503	8,772	34,480
2027	19,750	6,147	8,297	34,194
2028–2032	177,915	21,359	28,477	227,751
2033–2037	114,875	8,480	11,810	135,165
2038–2040	45,150	565	975	46,690
Total	$ 399,510	$ 64,204	$ 86,610	$ 550,324

Water and Sewer System

Fiscal Year	Principal	Interest[1]	Net Swap Interest	Total
2023	$ 5,055	$ 1,699	$ 2,188	$ 8,942
2024	4,035	1,412	2,229	7,676
2025	4,420	1,335	2,109	7,864
2026	4,525	1,258	1,986	7,769
2027	4,615	1,178	1,860	7,653
2028–2032	2,945	5,788	9,133	17,866
2033–2037	17,035	4,912	7,758	29,705
2038–2042	47,715	1,910	3,018	52,643
Total	$ 90,345	$ 19,492	$ 30,281	$ 140,118

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swaps was determined by using the interest rates that were in effect at the financial statement date of September 30, 2022. 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, 2022.

(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"/"Aaa" by one or more nationally recognized rating agencies at the time of execution, (ii) "A"/"A2" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "A"/"A2" 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. With respect to swap agreements entered into in 2014 between JEA and three swap counterparties, each counterparty will be required to provide collateral when (a) the ratings of such counterparty fall below "A+"/"A1" by any one of the rating agencies and (b) a termination payment would be owed to JEA above a specified threshold amount. All outstanding interest rate swaps at September 30, 2022, 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, 2022.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2022, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	A-/A1/A	$ 150,610
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa2/AA	117,475
Merrill Lynch Derivative Products AG	A-/A2/AA-	85,290
Total		$ 489,855

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, 2022, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 2.62%, the SIFMA swap index rate is 2.46%, and 68% of LIBOR is 1.74%.

8. Long-Term Debt (continued)

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

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

9. Related Party Transactions

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:

City Contribution

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 2022. On February 28, 2019, the agreement was amended to extend its expiration date to September 30, 2023.

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.

(Dollars in Thousands)

9. Related Party Transactions (continued)

The contributions from the JEA Electric Enterprise Fund and JEA Water and Sewer Fund were as follows:

	2022	2021
Electric	$ 94,546	$ 93,609
Water and Sewer	$ 26,667	$ 26,403

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. 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 2023, 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.

JEA made an additional one-time contribution of $12,500 from the JEA Water and Sewer Fund to the City to be used for septic tank phase out.

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:

	2022	2021
Electric	$ 34,484	$ 28,750
Water and Sewer	$ 11,294	$ 10,886

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. Related Party Transactions (continued)

JEA has excess coverage for individual workers' compensation claims above $1,500. 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:

	2022	2021
General liability	$ 2,015	$ 2,218
Workers' compensation	$ 1,712	$ 1,796

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, 2022 and 2021. The amounts are recorded by the City at present value using a 4% discount rate for the fiscal years ended September 30, 2022 and September 30, 2021.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	$ 132,727	$ 3,391	$ 18,797	$ 2,306
Change in provision	38,926	(3)	8,311	1,682
Payments	(24,485)	(737)	(9,205)	(1,708)
Ending balance	$ 147,168	$ 2,651	$ 17,903	$ 2,280

10. Fuel Purchase and Purchased Power Commitments

JEA has committed to purchase approximately 73,000 tons of coal and 93,000 tons of petroleum coke for Northside. 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 and petroleum coke contracts. JEA's coal and petroleum coke supply is purchased with transportation included.

On January 1, 2022, Scherer Unit 4 was retired and replaced by the FPL PPA, which will provide 200 MW of day-ahead scheduled power. The pricing structure of the FPL PPA is based on the cost of a natural gas combined cycle unit and has a term of 20 years.

JEA had commitments to purchase natural gas delivered to Jacksonville under a long-term contract with Shell Energy North America L.P. (Shell Energy) until 2031. 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.

JEA has five contracts to purchase prepaid natural gas supplies at specified volumes per day. Beginning with an average of 21,000 MMBtu/day and then increasing to 22,000 MMBtu on July 1, 2029, prepaid gas will be supplied from locations accessible to JEA via firm natural gas transportation or natural gas supply agreements. The contracts expire at various dates in 2039, 2048, 2049, and 2052. JEA's financial obligations under the gas supply agreements are based on index prices for monthly deliveries at the delivery point and are on a "take and pay" basis whereby JEA is only obligated to pay for gas that is delivered.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

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
2023	$ 845	$ 3,841	$ 5,328	$ 16,800	$ 26,814
2024	–	–	5,342	16,800	22,142
2025	–	–	5,328	16,800	22,128
2026	–	–	5,328	16,800	22,128
2027	–	–	5,328	16,800	22,128
2028-2042	–	–	19,544	239,400	258,944
Total	$ 845	$ 3,841	$ 46,198	$ 323,400	$ 374,284

Vogtle Units Purchased Power Agreement

Overview

As a result of an earlier 2008 Board 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) for 206 megawatts (MW) of capacity and related energy from MEAG'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, MEAG and the City of Dalton, Georgia (collectively, the Vogtle Co-Owners). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 12% of JEA's total energy requirements in the year 2026.

The Additional Vogtle Units PPA requires JEA to pay MEAG for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG 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, 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.

10. Fuel Purchase and Purchased Power Commitments (continued)

Financing and In-Service Costs

MEAG 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'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 currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately $7,320,311, including construction and financing costs through the estimated in-service dates, initial fuel load costs, switchyard and transmission costs, and contingencies established by Georgia Power at the project level for all Vogtle Co-Owners. MEAG has additionally provided that its total capital costs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately $7,854,732. A certain portion of these costs is subject to reduction in accordance with the 2019 Global Amendments to the Plant Vogtle Joint Operating Agreements.

On September 29, 2022, MEAG announced that MEAG and the Vogtle Units 3 and 4 Project Entities have entered into a Definitive Settlement Agreement with Georgia Power (the Settlement Agreement) to resolve claims relating to the 2019 Global Amendments currently pending in litigation filed by MEAG and the Vogtle Units 3 and 4 Project Entities on June 18, 2022, in the Superior Court of Fulton County, Georgia. Under the Settlement Agreement:

- Georgia Power will reimburse the Vogtle Units 3 and 4 Project Entities for (1) 15% of their share of the actual cost of construction of the Additional Vogtle Units in excess of $18.7 billion, up to and including $19.6 billion, and (2) 20% of their share of the actual cost of construction of the Additional Vogtle Units in excess of $19.6 billion. MEAG and the Vogtle Units 3 and 4 Project Entities will release Georgia Power from claims for reimbursement of costs of construction of the Additional Vogtle Units other than pursuant to the Settlement Agreement;

- The Vogtle Units 3 and 4 Project Entities will not tender any of their ownership interests in the Additional Vogtle Units to Georgia Power, which will remain 22.7% in the aggregate;

- The parties will dismiss with prejudice the existing litigation among them and deliver customary releases relating to the litigation; and

- MEAG Power waives its rights under the Agreement Regarding Additional Participating Party Rights, dated November 2, 2017, by and among MEAG, Georgia Power, and the other Vogtle Co-Owners ("Additional Rights Agreement"), and agrees to vote to continue the construction of the Additional Vogtle Units upon occurrence of specified project adverse events unless the commercial operation date of either of the Additional Vogtle Units is not projected to occur by December 31, 2025.

The total in-service cost for Plant Vogtle Units 3 and 4 allocable to Project J and the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately $3,378,599.

10. Fuel Purchase and Purchased Power Commitments (continued)

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, MEAG issued $1,248,435 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 $1,224,265 were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG 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 2019 for the current fiscal year through fiscal year 2030. The current sequestration rate of 5.7% will be applied unless and until a law is enacted that cancels or otherwise affects the sequester. MEAG issued $185,180 of additional Project J tax-exempt bonds on September 9, 2015. In addition, MEAG issued $570,925 of additional Project J tax-exempt bonds on July 19, 2019. JEA was not asked to, and did not, provide updated disclosure regarding JEA in connection with the preparation of MEAG's July 18, 2019 Project J Bonds Series 2019A Official Statement relating to the issuance and JEA did not make any representations or warranties, or deliver any opinions of legal counsel, in connection with the offering, issuance, and sale of the Project J Bonds, Series 2019A. Further, on July 20, 2021 and July 12, 2022, MEAG issued $150,350 and $212,005 of additional Project J tax-exempt bonds, Series 2021A and Series 2022A, respectively. JEA provided updated disclosure regarding JEA in connection with MEAG's July 8, 2021 Project J Bonds, Series 2021A Official Statement and June 29, 2022 Project J Bonds, Series 2022A Official Statement, respectively, relating to the issuances and JEA made certain representations and warranties and delivered opinions of legal counsel in connection with the offering, issuance, and sale of the Project J Bonds, Series 2021A and 2022A (See note 18, Subsequent Events for more information).

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 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 transferred approximately 41.175% of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG'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 the 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 $687,279, all of which has been advanced to date.

On September 28, 2017, DOE, MEAG, and the Vogtle Units 3 and 4 Project Entities entered into a conditional commitment for additional DOE loan guarantees in the aggregate amount of $414,700. On March 22, 2019, MEAG announced that it had closed on the additional DOE loan guarantees in the aggregate amount of $414,700. The Project J Entity's portion of the $414,700 in additional loan guarantees is $111,541 and this amount was fully drawn on October 2, 2021. MEAG 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 capital markets.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Summary of financing associated with Project J:

Long-term bonds	
2010A Build America bonds	$ 1,224,265
2010B tax-exempt bonds	24,170
2015A tax-exempt bonds	185,180
2019A tax-exempt bonds	570,925
2021A tax-exempt bonds	150,350
2022A tax-exempt bonds	212,005
Remaining financing requirement	146,215
Total long-term bonds	2,513,110
DOE advances[1]	
2015 DOE advances	345,990
2019 DOE advances	229,748
2020 DOE advances	111,541
Total DOE advances	687,279
Estimated interest earnings and bond premiums	178,210
Total capital requirements[2]	$ 3,378,599

(1) Includes advances and related capitalized interest accretion.

(2) Represents estimated total construction costs and required reserve deposits, net of payments received.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Based on information provided by MEAG, JEA's portion of the debt service on the outstanding Project J debt as of September 30, 2022, is summarized as follows:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
2023	$ 31,967	$ 150,394	$ 182,361	$ (26,439)	$ (77,630)	$ 78,292
2024	34,451	147,901	182,352	(26,100)	(7,407)	148,845
2025	35,771	144,567	180,338	(25,746)	–	154,592
2026	37,109	142,548	179,657	(25,378)	–	154,279
2027	38,516	140,696	179,212	(24,993)	–	154,219
2028	40,011	138,676	178,687	(24,592)	–	154,095
2029	41,544	136,684	178,228	(24,173)	–	154,055
2030	43,135	134,578	177,713	(23,737)	–	153,976
2031	44,795	132,386	177,181	(23,281)	–	153,900
2032	46,477	130,215	176,692	(22,806)	–	153,886
2033	48,332	127,705	176,037	(22,311)	–	153,726
2034	50,235	125,219	175,454	(21,794)	–	153,660
2035	52,168	122,696	174,864	(21,255)	–	153,609
2036	45,678	120,071	165,749	(20,692)	–	145,057
2037	34,584	117,285	151,869	(20,106)	–	131,763
2038	30,988	114,410	145,398	(19,494)	–	125,904
2039	28,020	111,344	139,364	(18,855)	–	120,509
2040	18,891	108,248	127,139	(18,189)	–	108,950
2041	15,847	104,965	120,812	(17,495)	–	103,317
2042	9,710	101,860	111,570	(16,770)	–	94,800
2043	3,393	62,828	66,221	(11,035)	–	55,186
2044	–	6,028	6,028	(1,193)	–	4,835
Total	$ 731,622	$ 2,621,304	$ 3,352,926	$ (456,434)	$ (85,037)	$ 2,811,455

10. Fuel Purchase and Purchased Power Commitments (continued)

Construction Arrangements for the Additional Vogtle Units

As a result of the bankruptcy of the original contractor for the Additional Vogtle Units and increases in the construction costs, the Vogtle Co-Owners have restructured the construction arrangements for the Additional Vogtle Units. Under the restructured construction arrangements:

- Bechtel Power Corporation (Bechtel) will serve as the prime construction contractor for the remaining construction activities for Plant Vogtle Units 3 and 4 under a Construction Agreement entered into between Bechtel and Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners (the Construction Agreement), which is a cost reimbursable plus fee arrangement, which means that the Construction Agreement does not require Bechtel to absorb any increases in construction costs.

- In August 2018, the Vogtle Co-Owners approved amendments to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the Vogtle Joint Ownership Agreements) that limit the circumstances under which the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 are required to approve the continuance of the construction of the Additional Vogtle Units to a few events, including the delay of one year or more over the most recently approved project schedule. Such events do not include increases in the construction budget.

- Under the Vogtle Joint Ownership Agreements, Georgia Power has the right to cancel the project at any time in its discretion.

The estimated construction costs to complete Project J's share of the Additional Vogtle Units have significantly increased from the original project budget of approximately $1,400,000 to the current estimate of approximately $3,378,599 inclusive of financing costs and required reserves. In addition, significant delays in the project's construction schedule have resulted in the original placed in service dates for Vogtle Unit 3 of April 2016 and for Vogtle Unit 4 of April 2017 being revised to the current projected placed in service dates for Vogtle Unit 3 and for Vogtle Unit 4 of March 2023 and December 2023, respectively.

JEA is not a party to the Construction Agreement or to the Vogtle Joint Ownership Agreements and does not have the right under the Additional Vogtle Units PPA to cause a termination of the Construction Agreement, to cancel the project, or to approve increases in the construction costs or delays in the construction schedule of the project. Accordingly, JEA can provide no assurance that construction costs for the Additional Vogtle Units will not significantly increase or that the schedule of the project will not be significantly delayed.

Increases in construction costs for Plant Vogtle Units 3 and 4 result in increases in the payment obligations of JEA for capacity and energy under the Additional Vogtle Units PPA. See the *Overview* and *Financing and In-Service Costs* sections above and *Litigation and Regulatory Proceedings* section below for a description of the complaint filed by JEA and the City challenging the enforceability of the Additional Vogtle Units PPA.

10. Fuel Purchase and Purchased Power Commitments (continued)

Litigation and Regulatory Proceedings

Litigation – On September 11, 2018, MEAG filed suit against JEA in the Northern District of Georgia alleging claims for (i) a declaratory judgment that the Additional Vogtle Units PPA is enforceable against JEA, (ii) breach of contract for JEA's alleged failure to adhere to the Additional Vogtle Units PPA's cooperation clause, and (iii) specific performance requiring JEA to continue to comply with the Additional Vogtle Units PPA. The same day, JEA and the City filed suit against MEAG in the Fourth Judicial Circuit Court of Florida seeking a declaratory judgment that the Additional Vogtle Units PPA is invalid and unenforceable against JEA. MEAG removed JEA's and the City's suit to the Middle District of Florida. On April 9, 2019, the district court for the Northern District of Georgia entered an order granting JEA's motion to dismiss and dismissing MEAG's complaint. The court gave several reasons for dismissing MEAG's complaint, including because MEAG lacks standing due to failing to allege a definite threat of future injury and because its claim for breach of the cooperation clause is not actionable absent allegations that JEA had breached another provision of the Additional Vogtle Units PPA. MEAG filed a notice of appeal of the dismissal to the Eleventh Circuit Court of Appeals.

On July 12, 2019, the Middle District of Florida issued an order denying JEA's and the City's motions to remand the case to Florida state court. The court's July 12, 2019 order also granted MEAG's motion to transfer the case to the district court for the Northern District of Georgia. On July 26, 2019, MEAG filed a counterclaim against JEA and the City seeking a declaratory judgment that the Additional Vogtle Units PPA is valid and enforceable, breach of contract for JEA's alleged failure to adhere to the Additional Vogtle Units PPA's cooperation clause, and specific performance requiring JEA to continue to comply with the Additional Vogtle Units PPA. On August 16, 2019, JEA filed defenses to MEAG's counterclaim and alternative counterclaims against MEAG for breach of fiduciary duty, failure to perform in good faith, and negligent performance of an undertaking, in the event the Additional Vogtle Units PPA is determined to be enforceable. On September 6, 2019, MEAG filed motions to strike JEA's defenses and to dismiss JEA's alternative counterclaims. On November 1, 2019, MEAG filed a motion for leave to file a motion for judgment on the pleadings to seek a ruling on its affirmative defenses. JEA filed a memorandum opposing that motion on November 8, 2019. On November 4, 2019, JEA filed a motion for summary judgment seeking a declaration that the Additional Vogtle Units PPA is void and unenforceable. On November 8, 2019, the district court entered an order striking JEA's motion for summary judgment and setting a status conference with the parties. The same date, JEA filed a motion for leave to file a motion for summary judgment. On November 15, 2019, the district court conducted a status conference with the parties and subsequently entered an order staying all motions in the case pending submission of a revised scheduling order by December 15, 2019. On November 25, 2019, the court entered an order denying in whole MEAG's motion to strike certain of JEA's and the City of Jacksonville's affirmative defenses. The Court also dismissed two of JEA's counterclaims against MEAG, but left intact JEA's claim against MEAG for breach of the PPA based on a negligent undertaking theory, which claim is contingent and brought only in the event of a finding that the PPA is enforceable. On December 27, 2019, MEAG filed a motion for summary judgment on the pleadings as to certain legal issues. On June 17, 2021, the district court granted MEAG's motion for summary judgment on the pleadings, specifically declaring that the Additional Vogtle Units PPA is valid and enforceable and that the Additional Vogtle Units PPA unconditionally requires JEA to pay MEAG for capacity and energy at the full cost of production of Project J, including debt service on the bonds and DOE-guaranteed loans.

10. Fuel Purchase and Purchased Power Commitments (continued)

Settlement of Litigation – On July 30, 2020, JEA and MEAG filed a voluntary notice and announced a settlement of all disputed issues relating to the Additional Vogtle Units PPA.

On August 12, 2020, JEA, the City and MEAG dismissed the litigation among the parties in both the United States District Court for the Northern District of Georgia and the United States Court of Appeals for the Eleventh Circuit. As part of the settlement, the parties agreed to accept without challenge or appeal the June 17, 2020 order of the district court determining that the Additional Vogtle Units PPA is valid and enforceable.

Also, in connection with the settlement of such litigation, MEAG and JEA executed an amendment to the Additional Vogtle Units PPA pursuant to which MEAG and JEA agreed to an increase in the "Additional Compensation Obligation" payable by JEA to MEAG of $0.75 per MWh of energy delivered to JEA thereunder.

As part of the settlement, MEAG and JEA also entered into an agreement that, subject to the rights granted to other Project J participants in their Project J power sales contracts, grants to JEA a right of first refusal to purchase all or any portion of the entitlement share of a Project J participant to the output and services of Project J in the event that any Project J participant requests MEAG to effectuate a sale of such entitlement share pursuant to such participant's Project J power sales contract. This right of first refusal is applicable during the period commencing ten (10) years following the commercial operation date of the first of Vogtle Unit 3 or Vogtle Unit 4 to achieve commercial operation and continuing until the expiration of twenty (20) years following such commercial operation date. In order to exercise its right of first refusal as described above, JEA will be required to pay the price offered by a third-party purchaser or the fully embedded costs as provided for in the Project J power sales contract, whichever is greater.

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, with $3,750 paid in both fiscal year 2011 and 2012, respectively. 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 optional 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 PPA 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 currently owned by Rev Renewables, an LS Power company, and generated approximately 18,024 MWh of electricity in fiscal year 2022 and 14,925 MWh of electricity in 2021. JEA pays only for the energy produced. Purchases of energy were $3,928 for fiscal year 2022 and $3,169 in 2021.

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 PPAs in December 2014 and April 2015. Seven PPAs, representing 27 MWac, have been finalized. The solar PPAs are distributed around JEA’s service territory.

10. Fuel Purchase and Purchased Power Commitments (continued)

As of the end of calendar year 2019, all seven projects had been completed: NW Jacksonville Solar, Old Plank Road Solar, Starratt Solar, Simmons Solar, Blair Road Solar, Old Kings Solar, and Sunport Solar. JEA entered into 20-25 year PPAs for the energy and the associated environmental attributes from each solar farm. The solar facilities generated approximately 53,607 MWh in fiscal year 2022 and 51,629 MWh in 2021. JEA pays only for the energy produced. Purchases of energy were $4,174 for fiscal year 2022 and $3,990 in 2021.

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, were structured as PPAs. EDF-DS was selected as the vendor for the sites and contract were executed in January 2019, however, impacts caused by the COVID-19 pandemic resulted in project delays. As it stands now, all five of the EDF agreements have been terminated. Planning and identification of substitute projects and future solar generation will be part of JEA's ongoing Integrated Resources Plan process.

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, or JEA can exercise its option to receive the remaining 3.2 MW from New River Landfill in Raiford, FL. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville, which came online in January 2015. Purchases of landfill energy were 68,457 MWh for $5,161 in fiscal year 2022 and 86,836 MWh for $6,424 in 2021.

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. JEA entered into financial swaps that locked in the monthly commodity price of natural gas for calendar years 2022 through 2031. These swaps cover approximately 52% of expected annual natural gas requirements for calendar year 2023. Each year thereafter, until calendar year 2028, the number of financial swaps gradually declines. Calendar years 2028 through 2031 have consistent numbers of financial swaps.

Under the existing natural gas supply contract with Shell Energy, JEA has the option to enter into fixed price transactions with Shell Energy in relation to the purchases to be made under the contract. As of September 30, 2022, JEA has executed fixed price transactions on 44% of the natural gas supply to be received from Shell Energy through July 2027.

11. Energy Market Risk Management Program (continued)

JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either deferred charges or deferred credits until such time that the transactions end. At September 30, 2022, deferred credits of $267,808 were included in accumulated increase in fair value of hedging derivatives and deferred charges of $1,351 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position. At September 30, 2021, deferred credits of $150,453 were included in accumulated increase in fair value of hedging derivatives on the statement of net position. 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. There were realized gains offsetting fuel expense of $121,870 and $18,014 in fiscal years 2022 and 2021, respectively.

12. Pension Plans

Substantially all JEA employees participate in and contribute to the GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan (DB) with a defined contribution alternative (DC). The defined benefit pension plan portion of the GERP is closed to new members, with all new employees entering the defined contribution plan. 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. GERP, based on laws outlined in the City's 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 Comprehensive Annual Financial Report of the City. This report may be obtained at: https://www.coj.net/departments/finance/accounting/comprehensive-annual-financial-reports.aspx or by writing to the City of Jacksonville, Florida, Accounting Division, City Hall at St. James Building, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202-5725.

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, 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.

A member who has suffered an illness, injury, or disease, which renders the member permanently and totally incapacitated, physically or mentally, from regular and continuous duty as an employee is considered disabled under the terms of the GERP. The GERP provides two types of disability benefits: a service related disability benefit and a non-service related disability benefit. The service related disability benefit is 50% of the member's final monthly compensation at the time of the disability. Members are eligible for non-service related disability benefits after five years of service. The benefit is 25% of the member's final monthly compensation at the time of the disability, increasing 2.5% for each year of service in excess of five years to a maximum of 50%.

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. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

JEA plan members of the DB plan were required to contribute 10.0% of their annual covered salary, which includes 0.3% to the DB disability plan. JEA's pension contribution for the DB plan was $43,825 (30.92%) in fiscal year 2022 and $40,401 (29.51%) in 2021.

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, 2022 and September 30, 2021 was measured based on an actuarial valuation as of September 30, 2021 and September 30, 2020, respectively. JEA's allocated share of the net pension liability is $643,001 (52.29%) as of September 30, 2022, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2021. JEA's allocated share of the net pension liability was $729,569 (52.71%) as of September 30, 2021, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2020.

(Dollars in Thousands)

12. Pension Plans (continued)

For the years ended September 30, 2022 and 2021, JEA's recognized pension expense is $74,455 and $102,382, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30	
	2022	2021
Deferred outflows of resources		
Contributions subsequent to the measurement date	$ 43,825	$ 40,401
Changes in assumptions	35,819	32,995
Changes in proportion	21,906	35,203
Differences between expected and actual experience	17,494	15,348
Net difference between projected and actual earnings on pension investments	–	28,733
Total	$ 119,044	$ 152,680
Deferred inflows of resources		
Net difference between projected and actual earnings on pension investments	$ (87,658)	$ –
Changes in proportion	$ (8,370)	$ (11,507)
Differences between expected and actual experience	–	(959)
Total	$ (96,028)	$ (12,466)

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)
2023	$ 56,933
2024	12,876
2025	(17,709)
2026	(29,084)
Total	$ 23,016

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Inflation	2.50%
Salary increases assumption	3.00%-7.50%, of which 2.50% is the Plan's long-term payroll inflation
Investment rate of return	6.63% (2022) and 6.80% (2021), net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	FRS pre-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with scale MP2018.
Healthy post-retirement mortality rates	FRS healthy post-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with Scale MP2018.
Disabled mortality rates	FRS disabled mortality tables for personnel other than special risk, with no set forward, projected generationally from 2010 with Scale MP2018. The FRS tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, reasonably reflect the healthy annuitant mortality experience of the General Employees Retirement Plan as of the measurement date. The FRS disabled mortality tables for personnel other than special risk reasonably reflect the disabled annuitant mortality experience as of the measurement date.
Rationale for assumptions	The information and analysis used in selecting each demographic assumption that has a significant effect on this actuarial valuation is shown in the Experience Study Report for the five-year period ended September 30, 2017.

(Dollars in Thousands)

12. Pension Plans (continued)

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

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Domestic equity	30.0%	6.40%	30.0%	6.55%
Fixed income	20.0%	0.40%	20.0%	0.50%
International equity	20.0%	6.80%	20.0%	7.40%
Real estate	15.0%	3.90%	15.0%	3.75%
Alternatives	7.5%	2.75%	7.5%	2.55%
Private equity	7.5%	10.40%	7.5%	10.65%
Total	100%		100%	

Discount Rate – The discount rate used to measure the total pension liability is 6.63%. 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.

(Dollars in Thousands)

12. Pension Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 6.63% for 2022 and 6.90% for 2021, 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	
	2022	2021
1% decrease	$ 861,454	$ 940,491
Current discount	643,001	729,569
1% increase	460,660	553,394

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

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. All employees hired after September 30, 2017 now enter this plan.

In fiscal years 2022 and 2021, JEA plan members of the defined contribution plan were required to contribute 7.7% of their annual covered salary. JEA's contribution for the members of the defined contribution plan was $5,792 (11.70%) in fiscal year 2022 and $3,972 (11.71%) in 2021.

Defined Contribution Disability Program Fund

The City of Jacksonville started in fiscal year 2022 to account for the defined contribution disability contributions separately from the disability contributions of the Defined Benefit plan an requested and actuarial valuation for the Defined Contribution Disability Program Fund as of September 30, 2021.

Contributions – In fiscal years 2022 and 2021, JEA plan members of the defined contribution plan were required to contribute 0 3% of their annual covered salary to the DC disability fund. JEA's contribution since the actuarial valuation as of September 30, 2021 for the members of the defined contribution disability plan was $150 (0.30%) fiscal year 2022. On the first valuation performed as of September 30, 2021 for the DC disability fund, the prior year contributions were $312, which were paid in Fiscal year 2022.

(Dollars in Thousands)

12. Pension Plans (continued)

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

Net Pension Liability – JEA's Defined Contribution Disability net pension liability at September 30, 2022 was measured based on an actuarial valuation as of September 30, 2021. JEA's allocated share of the net pension liability is $3,111 (37%) as of September 30, 2022, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2021.

For the year ended September 30, 2022, JEA's recognized pension expense is $1,054. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA reported deferred outflows of resources and deferred inflows of resources related to the DC disability fund from the following sources:

	September 30 2022
Deferred outflows of resources	
Differences between expected and actual experience	$ 1,400
Changes in proportion	942
Contributions subsequent to the measurement date	150
Net difference between projected and actual earnings on pension investments	15
Total	$ 2,507
Deferred inflows of resources	
Changes in assumptions	$ (3,051)
Total	$ (3,051)

(Dollars in Thousands)

12. Pension Plans (continued)

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)
2023	$ 82
2024	(67)
2025	(67)
2026	(67)
2027	(71)
Thereafter	(354)
Total	$ (544)

Actuarial Assumptions – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Inflation	2.50%
Salary increases assumption	3.00%-7.50%, of which 2.50% is the Plan's long-term payroll inflation
Investment rate of return	6.63% (2022), net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	FRS pre-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with scale MP2018.
Spouse post-retirement mortality rates	FRS healthy post-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with Scale MP2018.
Disabled mortality rates	FRS disabled mortality tables for personnel other than special risk, with no set forward, projected generationally from 2010 with Scale MP2018. The FRS tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, reasonably reflect the healthy annuitant mortality experience of the General Employees Retirement Plan as of the measurement date. The FRS disabled mortality tables for personnel other than special risk reasonably reflect the disabled annuitant mortality experience as of the measurement date.

(Dollars in Thousands)

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 6.63%. 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.

The Plan's assets are not currently invested but are planned to be invested under the same investment policy as that employed by the General Employee's Retirement Plan, and thus the same investment return assumption as that used for the valuation of the Retirement Plan is used to measure TPL

Sensitivity of the Net DC Disability Fund Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville DC disability plan, calculated using the discount rate of 6.63% for 2022, 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 discount rate used:

	Net Pension Liability
	2022
1% decrease	$ 3,626
Current discount	3,111
1% increase	2,685

St. Johns River Power Park Plan Description

Plan Description – The SJRPP Plan is a single employer contributory defined benefit plan that covers former employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan was 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 three-member pension committee (Pension Committee). As part of the Asset Transfer Agreement with FPL related to the shutdown of SJRPP, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited in SJRPP Pension Fund.

The SJRPP Plan periodically issues stand-alone financial statements, with the most recent report issued for the year ended September 30, 2020. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

12. Pension Plans (continued)

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.

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.

(Dollars in Thousands)

12. Pension Plans (continued)

Employees Covered by Benefit Terms – At September 30, 2022 and September 30, 2021, the following employees were covered by the benefit terms:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	387	385
Inactive plan members entitled to but not yet receiving benefits	68	74
Active plan members	3	5
Total plan members	458	464

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 2022 and 2021, SJRPP plan members were required to contribute 4% of their annual covered salary. SJRPP made employer contributions of $6,900 (2,323.23%) in fiscal year 2022 and did not make any employer contributions in fiscal year 2021.

Net Pension Liability – SJRPP's net pension liability (asset) at September 30, 2022 and September 30, 2021 was measured based on an actuarial valuation as of September 30, 2021 and September 30, 2020, respectively.

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	6.00% per year compounded annually, net of investment expenses
Retirement Age	Experience-based table of rates based on year of eligibility.
Mortality rates	Mortality tables used by the Florida Retirement System for classes other than K-12 School Instructional Personnel described as follows: *Healthy pre-retirement mortality rates*: PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates*: PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Disabled mortality rates*: PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.

(Dollars in Thousands)

12. Pension Plans (continued)

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

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Domestic equity	47%	6.19%	47%	6.11%
Fixed income	45%	1.54%	45%	1.65%
International equity	8%	4.94%	8%	5.05%
Total	100%		100%	

Discount Rate – The discount rate used to measure the total pension liability is 6.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate – The following presents the net pension asset of SJRPP, calculated using a discount rate of 6.00%, as well as what the net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	2022	2021
1% decrease	$ (10,261)	$ 14,626
Current discount rate	(26,412)	(2,285)
1% increase	(40,153)	(16,630)

(Dollars in Thousands)

12. Pension Plans (continued)

Changes in the net pension asset are detailed below.

	2022	2021
Total pension liability		
Beginning balance	$ 167,697	$ 169,807
Service cost	22	21
Interest on the total pension liability	9,656	9,795
Difference between expected and actual experience	(153)	1,222
Changes in assumptions	–	–
Benefit payments	(13,540)	(13,148)
Ending balance	163,682	167,697
Plan fiduciary net postion		
Beginning balance	169,982	162,013
Employer contributions	–	13,307
Employee contributions	15	19
Pension plan net investment income	33,731	7,877
Benefit payments	(13,540)	(13,148)
Administrative expense	(94)	(86)
Ending balance	190,094	169,982
Net pension asset	$ (26,412)	$ (2,285)

Plan Assets – Cash balances are amounts on deposit with the SJRPP Plan's trust bank, as well as amounts held in various money market funds as authorized in the Investment Policy Statement (Policy). All investments shall comply with the Policy as approved by the Pension Committee, and with the fiduciary standards set forth by the Employee Retirement Income Security Act and requirements set forth by the Florida Statutes. The trust bank balances are collateralized and subject to the Florida Security for Public Deposits Act of Chapter 280, Florida Statutes.

The Plan follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual fund is a 2a-7 fund registered with the SEC and, therefore is presented at actual pooled share price, which approximates fair value.

(Dollars in Thousands)

12. Pension Plans (continued)

At September 30, 2022 and September 30, 2021, the SJRPP Plan's cash and cash equivalents consisted of the following:

	2022	2021
Cash on hand	$ -	$ 13
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account	3,469	11,097
Total cash and cash equivalents	$ 3,469	$ 11,110

The Policy specifies investment objectives and guidelines for the SJRPP Plan's investment portfolio and provides asset allocation targets for various asset classes.

Investments controlled by the SJRPP Plan that represent 5% or more of the SJRPP Plan's net position were the Alliance Domestic Passive Collective Trust. At September 30, 2022, the investment had a basis of $11,761, a fair market value of $45,965, and represented 30% of the fiduciary net position available for benefits. At September 30, 2021, the investment had a basis of $11,761, a fair market value of $54,369, and represented 29% of the fiduciary net position available for benefits.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the SJRPP Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. The average modified duration of the managed fixed securities portfolio was 4.6 years as of September 30, 2022 and 5.0 years as of September 30, 2021.

Credit risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The SJRPP Plan's rated debt instruments as of September 30, 2022 and 2021 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization.

The fixed income managers limit their investments to securities with an investment grade rating (BBB or equivalent) and the overall weighted average composite quality rating of the managed fixed income portfolio was Aa3.

(Dollars in Thousands)

12. Pension Plans (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the SJRPP Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the SJRPP Plan's investments are held by the SJRPP Plan's directed trustee and custodian in the SJRPP Plan's name, or by an agent in the SJRPP Plan's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Policy specifies an overall target allocation of 55% equities and 45% fixed income, including cash. The Policy further specifies target allocations for the equity investments among several asset classes.

The fair value of the asset classes and portfolio and specific target allocations are as follows:

	September 30, 2022			September 30, 2021		
		Percent			Percent	
	Fair Value	Actual	Target	Fair Value	Actual	Target
U.S. Government Securities and Agencies	$ 30,525	20%	N/A	$ 33,584	17%	N/A
Corporate bonds - non-convertible	28,916	18%	N/A	33,738	18%	N/A
Money Market / Cash	3,469	2%	N/A	11,110	6%	N/A
Total fixed income	62,910	40%	45%	78,432	41%	45%
S&P 500 Index Fund	45,965	30%	28%	54,368	29%	28%
S&P 400 Mid-Cap Index Fund	18,794	12%	11%	22,327	12%	11%
Small and Mid-Cap Value Fund	15,281	10%	8%	18,156	9%	8%
International equities	12,565	8%	8%	16,754	9%	8%
Total equities	92,605	60%	55%	111,605	59%	55%
Total	$ 155,515	100%	100%	$ 190,037	100%	100%

12. Pension Plans (continued)

The Policy allows the percentage allocation to each asset class to vary by plus or minus 5% depending upon market conditions.

The annual money-weighted rate of return on pension plan investments was 20.67% for the year ended September 30, 2022 and 4.86% for the year ended September 30, 2021. This reflects the changing amounts actually invested.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through its investments in an international equity mutual fund. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 8% of total investments as of September 30, 2022 and 9% as of September 30, 2021.

Fair Value Disclosures

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.

The SJRPP Plan 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 are accessible 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)

12. Pension Plans (continued)

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. The table below summarizes the SJRPP Plan's investments.

	September 30, 2022			September 30, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Government Securities and Agencies	$ 21,042	$ 9,483	$ 30,525	$ 23,498	$ 10,086	$ 33,584
Corporate bonds - non-convertible	–	28,916	28,916	–	33,738	33,738
Money Market / Cash	3,469	–	3,469	11,110	–	11,110
Total fixed income	24,511	38,399	62,910	34,608	43,824	78,432
S&P 500 Index Fund	–	45,965	45,965	–	54,368	54,368
S&P 400 Mid-Cap Index Fund	18,241	553	18,794	21,638	689	22,327
Small and Mid-Cap Value Fund	13,931	1,350	15,281	16,939	1,217	18,156
International equities	92	12,473	12,565	140	16,614	16,754
Total equities	32,264	60,341	92,605	38,717	72,888	111,605
Total	$ 56,775	$ 98,740	$ 155,515	$ 73,325	$ 116,712	$ 190,037

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

Net Pension Asset – SJRPP's net pension asset at September 30, 2022 and September 30, 2021 was measured based on an actuarial valuation as of September 30, 2021 and September 30, 2020, respectively. SJRPP's net pension asset is $26,412 as of September 30, 2022 and is included in other noncurrent assets on the statement of net position. SJRPP's net pension asset is $2,285 as of September 30, 2021.

For the year ended September 30, 2022 and 2021, SJRPP recognized pension expense is $4,937 and $727, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

(Dollars in Thousands)

12. Pension Plans (continued)

SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30	
	2022	2021
Deferred outflows of resources		
Contributions subsequent to the measurement date	$ 6,900	$ –
Net difference between projected and actual earnings on pension plan investments	3,200	4,616
Total	$ 10,100	$ 4,616
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	$ (19,581)	$ (1,807)
Total	$ (19,581)	$ (1,807)

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)
2023	$ 3,099
2024	(3,373)
2025	(4,419)
2026	(4,788)
Total	$ (9,481)

(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 an agent multiple-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 separate financial statements.

Plan membership – As of September 30, 2022 and September 30, 2021, the OPEB Plan membership consisted of the following:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	371	401
Active plan members	1,877	1,934
Total plan members	2,248	2,335

Benefits provided – The OPEB Plan refers to the benefits applicable to current and future retirees and their beneficiaries. These benefits consist of continued access to medical, dental, and vision benefits as well as life insurance coverage upon retirement through the plan sponsored by JEA. Premiums for the first $5,000 of coverage are being subsidized by JEA and, as such, are considered as other postemployment benefits for purposes of GASB Statement No. 75.

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.

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 – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	6.00%
Salary increases	2.5% to 12.5%, including inflation; varies by years of service
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows: *Healthy pre-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Disabled mortality rates* : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.00% (2022) and 6.25% (2021) and gradually decreasing to an ultimate trend rate of 3.75% (2022) and 3.99% (2021).
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
Expenses	Investment returns are net of the investment expenses; and, Administrative expenses related to the operation of the health plan are included in the premium costs.
Other Information	The expected claims costs and premiums were updated to reflect recent information provided for this valuation. Long-term trend rates of healthcare increases were lowered from 3.99% to 3.75%, and the year for reaching the ultimate value was revised from 2040 to 2050.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation are summarized in the following table.

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Large cap domestic equity	25%	9.8%	34%	6.8%
Global fixed income	15%	5.6%	15%	4.1%
International equity	21%	10.9%	15%	8.9%
Domestic fixed income	15%	5.3%	15%	3.7%
Small cap domestic equity	14%	11.2%	11%	8.3%
Real estate	10%	9.4%	10%	7.3%
Total	100%		100%	

Discount Rate – GASB Statement No. 75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As the assets are projected to be sufficient to meet benefit payments, the assumed valuation discount rate of 6.00% was used.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, calculated using a discount rate of 6.00% as well as what the net OPEB liability would be if it were calculated using a rate that is 1% lower or 1% higher than the current rate:

	2022	2021
1% decrease	$ 6,785	$ 9,386
Current discount rate	1,642	5,136
1% increase	(2,613)	1,532

Healthcare Cost Trend Rate – JEA followed the Getzen model with trend rates for costs and premiums declining from 6.00% assumed for the year 2022 to the ultimate level of 3.75% and 6.25% for the year 2021 to the ultimate level of 3.99%.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability, calculated using a healthcare cost trend rate of 6.00% for 2022 and 6.25% for 2021, down to 3.75% for 2022 and 3.99% for 2021, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current trend rate:

	2022	2021
1% decrease	$ (2,873)	$ 1,310
Current healthcare cost trend rate	1,642	5,136
1% increase	7,098	9,647

Changes in the net OPEB liability are detailed below.

	2022	2021
Total OPEB liability		
Beginning balance	$ 39,135	$ 40,794
Service cost	432	453
Interest on the total OPEB liability	2,291	2,392
Difference between expected and actual experience	(2,934)	(620)
Change of assumptions	6,202	(1,131)
Benefit payments	(2,788)	(2,753)
Ending balance	42,338	39,135
Plan fiduciary net postion		
Beginning balance	33,999	30,703
Employer contributions	2,946	4,394
Net investment income	6,552	2,112
Reimbursements to employer	(2,774)	(3,187)
OPEB plan administrative expense	(27)	(23)
Ending balance	40,696	33,999
Net OPEB liability	$ 1,642	$ 5,136
Plan fiduciary net position as a percentage of the total OPEB liability	96.12%	86.88%
Covered payroll	$169,291	$162,138
Net OPEB liability as a percentage of covered payroll	0.97%	3.17%

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Plan Assets – The assets of the plan consist of shares held in the Florida Municipal Investment Trust (FMIT), which is administered by the Florida League of Cities. The FMIT is an interlocal governmental entity created under the laws of the State of Florida and an Authorized Investment under Sec. 163.01 Florida Statutes. It is considered an external investment pool for reporting purposes. JEA owns shares in the OPEB Fund A as directed in the Master Trust Agreement. OPEB Fund A target asset allocation is 60% equities, 30% fixed income, and 10% real estate.

At September 30, 2022 and September 30, 2021, the OPEB Plan's cash and money market balance within the OPEB Fund A was $122 and $272, respectively.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The table below details the interest rate risk in years for investments in the trust.

	September 30, 2022		September 30, 2021	
Fixed Income Fund	Modified Duration	Weighted Average Maturity	Modified Duration	Weighted Average Maturity
FMIT Broad Market High Quality Bond Fund	5.39	6.30	5.52	6.60
FMIT Core Plus Fixed Income Fund	3.98	8.21	3.35	5.82

Credit risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The FMIT Broad Market High Quality Bond Fund was rated by Fitch as AAf/S4 as of September 30, 2022 and September 30, 2021. The remaining funds of the trust are unrated.

Money-Weighted rates of return

The money-weighted rates of return for the fiscal years ended September 30, 2022 and September 30, 2021 were 19.13% and 6.69%, respectively.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Fair Value Disclosures

The table below summarizes the OPEB Plan's investments. 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. The disclosure below is based on the asset allocation provided by the FMIT of those investments held by OPEB Fund A.

	September 30, 2022			September 30, 2021		
	Level 2	Level 3	Total	Level 2	Level 3	Total
FMIT Core Plus Fixed Income Fund	$ –	$ 6,227	$ 6,227	$ –	$ 4,998	$ 4,998
FMIT Broad Market High Quality Bond Fund	6,674	–	6,674	4,794	–	4,794
Total fixed income	6,674	6,227	12,901	4,794	4,998	9,792
FMIT Large Cap Diversified Value Portfolio	10,337	–	10,337	12,137	–	12,137
FMIT International Equity Portfolio	8,505	–	8,505	5,508	–	5,508
FMIT Diversified Small to Mid Cap Equity Portfolio	5,657	–	5,657	3,434	–	3,434
FMIT Core Real Estate Portfolio	–	3,174	3,174	–	2,856	2,856
Total equities	24,499	3,174	27,673	21,079	2,856	23,935
Total	$ 31,173	$ 9,401	$ 40,574	$ 25,873	$ 7,854	$ 33,727

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

Net OPEB Liability – JEA's net OPEB liability at September 30, 2022 and September 30, 2021 was measured based on an actuarial valuation as of and with the measurement dates of September 30, 2021 and September 30, 2020, respectively. JEA's net OPEB liability is $1,642 as of September 30, 2022 and $5,136 as of September 30, 2021.

For the year ended September 30, 2022 and 2021, JEA's recognized OPEB expense is $(1,621) and $(907), respectively. As JEA has implemented regulatory accounting for OPEB, the difference between the recognized OPEB expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

The JEA Plan recorded deferred outflows of resources and deferred inflows of resources related to OPEB as detailed in the table below.

	September 30	
	2022	2021
Deferred outflows of resources		
Change of assumptions	$ 9,022	$ 4,002
Contributions subsequent to the measurement date	1,714	2,946
Differences between expected and actual experience	249	288
Net difference between projected and actual earnings on OPEB plan investments	44	66
Total	$ 11,029	$ 7,302
Deferred inflows of resources		
Differences between expected and actual experience	$ (9,490)	$ (8,099)
Change of assumptions	(5,329)	(6,094)
Net difference between projected and actual earnings on OPEB plan investments	(3,780)	(532)
Total	$ (18,599)	$ (14,725)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	Recognition of Deferred (Inflows)
2023	$ (334)
2024	(2,015)
2025	(2,036)
2026	(1,990)
2027	(1,088)
Thereafter	(107)
Total	$ (7,570)

(Dollars in Thousands)

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 GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

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

Investments

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). 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.

	2022		
	Total	Level 1	Level 2
Investments by fair value level			
State and local government securities	$ 92,400	$ –	$ 92,400
U.S. Treasury and government agency securities	153,707	19,420	134,287
Total investments by fair value level	246,107	19,420	226,687
Investments measured at NAV			
Money market mutual funds	122,525		
Local government investment pools	126,076		
Total investments measured at NAV	248,601		
Investments measured at cost			
Commercial paper	97,301		
Total investments measured at cost	97,301		
Total investments per statement of net position	$ 592,009		

(Dollars in Thousands)

14. Fair Value Measurements (continued)

	2021	
	Total	Level 2
Investments by fair value level		
State and local government securities	$ 113,483	$ 113,483
U.S. Treasury and government agency securities	43,860	43,860
Total investments by fair value level	157,343	157,343
Investments measured at NAV		
Money market mutual funds	331,417	
Local government investment pools	168,799	
Total investments measured at NAV	500,216	
Investments measured at cost		
Commercial paper	117,378	
Total investments measured at cost	117,378	
Total investments per statement of net position	$ 774,937	

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2022 and 2021 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.

	2022	2021
Electric	$ (31,504)	$ (102,752)
Water and Sewer	(6,727)	(26,603)
Total	$ (38,231)	$ (129,355)

14. Fair Value Measurements (continued)

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consisted of swap agreements, covering calendar years 2022 through 2031. 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. At September 30, 2022, deferred credits of $267,808 were included in accumulated increase in fair value of hedging derivatives and deferred charges of $1,351 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position. At September 30, 2021, deferred credits of $150,453 were included in accumulated increase in fair value of hedging derivatives on the statement of net position.

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 affecting JEA:

Electric Enterprise System – On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO_2) 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.

15. Commitments and Contingent Liabilities (continued)

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 CO_2 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 published a proposal to repeal the Clean Power Plan (CPP). On August 31, 2018, EPA published a proposal to replace the CPP, called the Affordable Clean Energy (ACE) Rule. On July 8, 2019, EPA published the final ACE rule. The compliance requirements of the ACE rule are significantly less stringent than those of the CPP. Rule will establish a CO_2 emission limit for Northside Generating Units 1 and 2. The CO_2 emission limit will be set using a baseline of previous CO_2 emissions and what potential reductions can be completed by heat rate improvements (HRI). Units 1 and 2 are currently being assessed on what HRI projects could be implemented. These studies were completed in November 2020. Cost of compliance is being evaluated at this time, but should not result in significant capital outlay. The ACE rule requires state plans to be submitted by July 8, 2022. On January 19, 2021, the D.C. Circuit vacated the Affordable Clean Energy rule and remanded to the Environmental Protection Agency for further proceedings consistent with its opinion. EPA is in process of developing a new rule.

On October 29, 2021, the Supreme Court accepted appeal of ACE vacatur (CPP Replacement) from West Virginia and 18 states, North Dakota, Westmoreland Mining and North American Coal Corp. On June 30, 2022, the Supreme Court reversed and remanded the January 19, 2021 DC Circuit Court decision, with a vote of 6-3. SCOTUS stated that Section 111(d) does not allow generating shifting, and the DC Circuit Court was wrong to interpret that the CAA gives the EPA expansive power to curb carbon emissions. EPA is to propose a replacement rule by March 2023.

15. Commitments and Contingent Liabilities (continued)

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act, because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter ($PM_{2.5}$), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO_2 and NOx emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of $PM_{2.5}$ and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NOx emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule.

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 established technical requirements for surface impoundments and landfills. The rule requires protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, is enforced only by citizen-initiated lawsuits, rather than by the EPA. However, with passage of the WIIN Act in 2016, the rule can now be reformed to provide the following: 1) conversion from a "self-implementing" program to a permit program the states or EPA would have primary responsibility to administer and enforce; and, 2) flexibility for state programs to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements. Multiple federal rulemaking proceedings are underway, many of which are subject to litigation. Florida has started the process to incorporate the rule and regulations and is seeking approval from EPA of a state program.

15. Commitments and Contingent Liabilities (continued)

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of byproducts at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. The recently closed cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule. SJRPP's two closed Area A byproduct storage areas (Areas A-I and A-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 is currently projected to run through 2030.

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 was completed in 2020. Study results are currently being evaluated. Estimated final compliance deadlines are not expected until after 2025 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 no later than December 31, 2023. 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.

15. Commitments and Contingent Liabilities (continued)

Water Supply System Regulatory Initiatives – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida, the Suwannee River Water Management District (SRWMD), Florida Department of Environmental Protection (FDEP), and the SJRWMD have set or are setting/revising Minimum Flows and Levels (MFLs) for water bodies in the region. MFLs are intended to assess the potential for ecological resource risks from 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. The SRWMD is re-evaluating the 2015 MFLs and a draft MFL has been released and is still in recovery status. In 2020, the SJRWMD released draft MFLs for Lakes Brooklyn and Geneva in the Keystone Heights area. The draft MFL indicates the lakes will require a prevention and recovery strategy. In 2021, JEA along with other northeast Florida water utilities entered into an MOA with SJRWMD to provide financial assistance with a proposed pipeline from Black Creek to assist in providing additional water resource for recharging of the lakes. In addition, JEA completed and submitted the CUP 10-year compliance report in May 2021 and the report was accepted by SJRWMD.

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.

The Florida Legislature passed statutory changes in 2021 to eliminate the disposal of effluent from wastewater treatment facilities (WWTF) via surface water discharge by 2032. This change would require the WWTF effluent be used for aquifer recharge, potable reuse, conventional reuse, or ecological restoration. The bill also declares potable reuse to be an alternative water supply and prohibits exclusion of use of potable reuse water from regional water supply planning. JEA will be completing the FDEP required plan in accordance with the legislation requirements in November 2021 and the costs of compliance are being evaluated.

15. Commitments and Contingent Liabilities (continued)

Pollution Remediation Obligations

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities, the liability is estimated to be $29,285 at September 30, 2022. The accrual is related to the following environmental matters: Kennedy Generating Station (KGS) RCRA Corrective Action for former wood preserving site; Northside Generating Station RCRA Corrective Action for former chemical waste pond site; SJRPP Area B Landfill; Pearl Street Electric Shop remedial activities; Sans Souci Substation remedial activities; KGS Bulkhead remedial activities; Westside Service Center PCB remedial activities, and remediation at a number of miscellaneous petroleum sites. Of the $29,285 that JEA has accrued as environmental liabilities, approximately $16,515 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 and the Ellis Road CERCLA 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 $15,797. The remaining liability is recognized as part of revenues to be used for future costs.

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.

15. Commitments and Contingent Liabilities (continued)

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff sued 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 $100,000 in damages from JEA; however, the trial court ruled that JEA is entitled to a sovereign immunity cap of $500. The issue was argued in the Mississippi Supreme Court in January 2019. In June 2019, the U.S. Supreme Court reversed a long-standing precedent with respect to the ability of one state's courts to exercise jurisdiction over another state. The same week, the Mississippi Supreme Court dismissed Promenade's damages cap appeal and remanded the case to the trial court for consideration of JEA's jurisdiction defense in light of the U.S. Supreme Court's 2019 decision. JEA has filed a Re-Urged Motion to Dismiss, which was originally set for hearing in 2020, but was cancelled and rescheduled multiple times due to COVID-19. Additionally, plaintiff's parent corporation has filed bankruptcy and the case is currently stayed indefinitely. The motion is not set for hearing and it is unknown when the trial court will rule on the pending motion.

New Headquarters Building Lease

On July 11, 2019, JEA signed a 15-year building lease for a new headquarters building with the option to renew the lease for three consecutive renewal terms of 5 years each. In May 2020, the Board approved a revised building scope and program that reduced the building size and number of stories and extended the initial lease term from 15 years to 20 years. Ryan Companies completed the main building (core and shell) and garage structure in March 2022. The tenant improvement construction commenced in January 2022 and is nearing completion. The costs to finance and build the new building will be paid for by the lessor and the lease term will commence once construction is complete. The annual lease payment for the initial year is estimated to be approximately $5,548 and will increase by 2.50% each year thereafter for years 2 through 15 and escalate 1.25% annually in years 16 through 20.

In addition to the annual rent, JEA will also pay an additional rental related to operating expenses for operation, maintenance, management, and repair of the building. This amount will vary each year, but will be no more than 105% of the preceding year's controllable operating expenses. Controllable expenses exclude real estate taxes, utilities and insurance. The initial year's estimate of additional rental is $1,190, including estimated real estate taxes. JEA paid for expense carry costs between March and September 2022 during tenant improvement construction.

Ryan Companies received a Certificate of Occupancy on October 13, 2022 and the parties agreed to Substantial Completion on November 3, 2022, which is the rent commencement date. The building was concurrently sold by Ryan Companies to Real Capital Solutions (RCS), a Colorado based corporation. Ryan Companies will manage the building on behalf of RCS. JEA is beginning phased move preparation with a likely move-in and opening in early February 2023.

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. Disaster Costs

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.

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) of those costs not covered by insurance. As a result, $41,912 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with $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 in fiscal year 2017. Through September 30, 2022, JEA has received $35,110, which reduced the deferred costs to be recovered from future revenues. Of the $35,110 received, $18,500 was from insurance and $16,610 from FEMA. JEA believes it is probable that reimbursement from FEMA will be received for the eligible cost incurred that is remaining.

COVID-19 Pandemic

JEA incurred $1,977 of expenditures for personal protective equipment as well as cleaning supplies in response to the COVID-19 pandemic that were eligible for recovery from FEMA. 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, $1,700 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with $277, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2022. JEA believes it is probable that reimbursement from FEMA will be received for the eligible cost incurred.

(Dollars in Thousands)

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 100% owned by JEA as of August 2022, previously 80% owned by JEA and 20% owned by FPL. The facility is currently in the process of being decommissioned as discussed in note 3, Asset Retirement Obligations. 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 financial statements. See intercompany charges detailed below.

	2022			2021		
	Electric	W&S	DES	Electric	W&S	DES
Electricity services	N/A	$ 16,602	$ 3,672	N/A	$ 13,411	$ 2,971
Water and sewer services	200	N/A	116	152	N/A	107
Chilled water services	–	473	N/A	–	338	N/A

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 $61,677 for fiscal year 2022 and $55,041 for 2021.

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 $499 for fiscal year 2022 and $79 for 2021.

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 $2,251 for fiscal year 2022 and $2,136 for 2021.

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, 2022 and 2021 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2022	2021	2022	2021	2022	2021	2022	2021
Condensed statements of net position								
Total current assets	$ 535,598	$ 445,868	$ 3,313	$ 55,600	$ 194,076	$ 197,209	$ 1,670	$ 1,726
Total noncurrent assets	1,078,285	879,809	142,830	319,734	504,333	490,180	3,640	3,061
Net capital assets	2,471,231	2,608,916	8,505	8,914	2,947,535	2,824,294	37,226	34,369
Deferred outflows of resources	199,666	285,785	11,379	7,783	94,375	127,626	145	157
Total assets and deferred outflows of resources	$ 4,284,780	$ 4,220,378	$ 166,027	$ 392,031	$ 3,740,319	$ 3,639,309	$ 42,681	$ 39,313
Total current liabilities	$ 212,802	$ 165,716	$ 335	$ 585	$ 54,126	$ 38,166	$ 101	$ 165
Total current liabilities payable from restricted assets	86,407	100,332	23,236	57,630	103,224	64,288	5,404	3,227
Total long-term debt	1,470,557	1,646,423	92,838	237,921	1,275,664	1,317,635	30,810	29,621
Total other noncurrent liabilities	466,278	510,091	4,765	4,765	275,486	310,670	94	77
Total liabilities	2,236,044	2,422,562	121,174	300,901	1,708,500	1,730,759	36,409	33,090
Deferred inflows of resources	435,934	288,139	36,512	6,901	74,342	41,225	–	–
Net investment in (divestment of) capital assets	1,110,851	1,089,669	(10,215)	(15,562)	1,727,842	1,619,661	1,933	2,336
Restricted net position	279,515	252,077	15,524	44,708	125,762	127,821	2,864	2,404
Unrestricted net position	222,436	167,931	3,032	55,083	103,873	119,843	1,475	1,483
Total net position	1,612,802	1,509,677	8,341	84,229	1,957,477	1,867,325	6,272	6,223
Total liabilities, deferred inflows of resources, and net position	$ 4,284,780	$ 4,220,378	$ 166,027	$ 392,031	$ 3,740,319	$ 3,639,309	$ 42,681	$ 39,313
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	$ 1,534,588	$ 1,308,870	$ 53,450	$ 26,755	$ 509,862	$ 471,430	$ 8,997	$ 8,043
Depreciation	323,596	217,362	410	410	173,644	171,357	2,607	2,586
Other operating expenses	1,080,820	800,390	118,505	19,117	222,868	186,931	5,239	4,460
Operating income (loss)	130,172	291,118	(65,465)	7,228	113,350	113,142	1,151	997
Total nonoperating expenses, net	(32,501)	(42,532)	(10,423)	(9,378)	(31,242)	(36,128)	(1,102)	(1,252)
Total contributions, net	(94,546)	(93,609)	–	–	8,044	13,878	–	–
Special item	100,000	–	–	–	–	–	–	–
Changes in net position	103,125	154,977	(75,888)	(2,150)	90,152	90,892	49	(255)
Net position, beginning of year	1,509,677	1,354,700	84,229	86,379	1,867,325	1,776,433	6,223	6,478
Net position, end of year	$ 1,612,802	$ 1,509,677	$ 8,341	$ 84,229	$ 1,957,477	$ 1,867,325	$ 6,272	$ 6,223
Condensed statements of cash flow information								
Net cash provided by operating activities	$ 410,856	$ 470,963	$ 35,673	$ 16,251	$ 310,931	$ 300,270	$ 3,887	$ 3,195
Net cash used in noncapital and related financing activities	(94,468)	(93,631)	–	–	(39,145)	(26,282)	–	–
Net cash used in capital and related financing activities	(358,106)	(392,662)	(155,106)	(23,060)	(276,226)	(227,143)	(6,347)	(4,803)
Net cash provided by (used in) investing activities	(17,323)	46,228	10,344	(370)	(20,414)	8,023	21	2
Net change in cash and cash equivalents	(59,041)	30,898	(109,089)	(7,179)	(24,854)	54,868	(2,439)	(1,606)
Cash and cash equivalents at beginning of year	386,774	355,876	133,953	141,132	193,136	138,268	4,250	5,856
Cash and cash equivalents at end of year	$ 327,733	$ 386,774	$ 24,864	$ 133,953	$ 168,282	$ 193,136	$ 1,811	$ 4,250

18. Subsequent Events

On December 22, 2022, the revolving credit agreement was drawn upon by the District Energy System for $4,000 leaving $493,000 available to be drawn.

On January 19, 2023, MEAG issued $192,370 of additional Project J tax-exempt bonds, Series 2023A. JEA provided updated disclosure regarding JEA in connection with MEAG's January 12, 2023 Project J Bonds, Series 2023A Official Statement, relating to the issuances and JEA made certain representations and warranties and delivered opinions of legal counsel in connection with the offering, issuance, and sale of the Project J Bonds, Series 2023A.

On January 24, 2023, JEA entered into an agreement with The Energy Authority to purchase electric energy and capacity resources and renewable attributes (Solar) from Florida Power & Light. The contract is over a five year term and totals $106,600.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information – Pension
(Dollars in Thousands)

City of Jacksonville General Employees Retirement Plan

Schedule of JEA's Proportionate Share of the Net Pension Liability[(a)]

Fiscal Year	Proportional Share Percentage	Net Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	48.85%	$ 386,789	$ 129,922	297.71%	68.64%
2015	48.85%	404,466	128,084	315.78%	69.06%
2016	49.15%	480,353	127,440	376.92%	64.03%
2017	50.37%	541,025	126,808	426.65%	63.00%
2018	51.68%	527,680	134,443	392.49%	63.71%
2019	50.59%	562,371	135,709	414.40%	65.23%
2020	48.84%	633,292	134,549	470.68%	60.54%
2021	52.71%	729,569	133,714	545.62%	59.16%
2022	52.29%	643,001	130,400	493.10%	65.16%

Schedule of JEA Contributions[(b)]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2013	$ 27,038	$ 27,038	$ -	$ 129,990	20.80%
2014	34,149	34,149	-	129,922	26.28%
2015	40,179	40,179	-	128,084	31.37%
2016	43,156	43,156	-	127,440	33.86%
2017	48,942	48,942	-	126,808	38.60%
2018	35,459	35,929	(470)	134,443	26.72%
2019	33,856	34,352	(496)	135,709	25.31%
2020	37,592	38,095	(503)	134,549	28.31%
2021	40,401	40,401	-	133,714	30.21%
2022	43,825	43,825	-	130,400	33.61%

(a) 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.

(b) All information is on measurement year basis.

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date:	Actuarially determined contribution rates are calculated as of October 1, 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 Actuarial Cost Method
Amortization method	Level percent of payroll, using 1.50% annual increases*
Remaining amortization period	As of October 1, 2019, the effective amortization period is 27 years
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.

Actual assumptions:

Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Inflation rate	2.50%*
Projected salary increases	3.00% – 7.50%, of which 2.50% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	Plan provisions contain a 3.00% COLA.

* The Fund's payroll inflation assumption is 2.50% as of October 1, 2019. Per Part VII, Chapter 112.64(5)(a) of *Florida Statutes*, the payroll growth assumption used for amortization of the unfunded liability is not allowed to exceed the average annual payroll growth for the proceeding ten years. However, pursuant to Chapter 112.64(5)(b), and after adjusting this analysis to account for bargained pay level increases and inclusion of DC plan participants in the total payroll, the assumption was set at 1.50%.

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

City of Jacksonville Defined Contribution Disability Fund

Schedule of JEA's Proportionate Share of the Net Pension Liability[a]

Fiscal Year	Proportional Share Percentage	Net Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	37.00%	$ 3,111	$ 50,609	6.15%	22.07%

Schedule of JEA Contributions[a]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2022	N/A	$ 150	N/A	$ 50,609	0.30%

(a) 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.

Notes to Schedule of Contributions

Benefits changes	Initial liability for the creation of the plan was first recognized for the fiscal year ending September 30, 2022, based on a September 30, 2021 measurement.
Assumptions changes	The discount rate was increased from 2.21% to 6.25% based on a September 30, 2021 measurement.

JEA

Required Supplementary Information – Pension
(Dollars in Thousands)

SJRPP Plan – Schedule of Changes in Net Pension (Asset) Liability and Related Ratios[a]

	2021	2020	2019[b]	2018	2017	2016	2015
Total Pension Liability							
Beginning balance	$ 167,697	$ 169,807	$ 174,666	$ 169,321	$ 158,926	$ 155,143	$ 148,508
Service cost	22	21	35	112	1,032	1,210	1,275
Interest	9,656	9,795	10,086	11,163	10,768	10,514	10,271
Changes in benefit terms	–	–	–	–	–	(59)	–
Difference between actual and expected experience	(153)	1,222	1,193	(1,784)	10,826	714	2,121
Changes in assumptions	–	–	(2,975)	15,782	26	3,730	3,316
Benefit payments	(13,540)	(13,148)	(13,198)	(19,928)	(12,257)	(12,326)	(10,348)
Total pension liability – ending	$ 163,682	$ 167,697	$ 169,807	$ 174,666	$ 169,321	$ 158,926	$ 155,143
Plan Fiduciary Net Position							
Beginning balance	$ 169,982	$ 162,013	$ 170,665	$ 152,798	$ 142,286	$ 138,902	$ 145,425
Contributions – employer	–	13,307	–	26,409	8,039	2,142	3,509
Contributions – employee	15	19	90	232	625	629	648
Net investment income (loss)	33,731	7,877	4,610	11,499	14,571	13,379	(266)
Benefit payments	(13,540)	(13,148)	(13,198)	(19,928)	(12,257)	(12,326)	(10,348)
Administrative expense	(94)	(86)	(154)	(345)	(466)	(440)	(66)
Plan fiduciary net position – ending	$ 190,094	$ 169,982	$ 162,013	$ 170,665	$ 152,798	$ 142,286	$ 138,902
Net Pension Liability (Asset) – Ending	$ (26,412)	$ (2,285)	$ 7,794	$ 4,001	$ 16,523	$ 16,640	$ 16,241
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	116.14%	101.36%	95.41%	97.71%	90.24%	89.53%	89.53%
Covered Payroll	$ 373	$ 468	$ 452	$ 3,992	$ 15,621	$ 15,730	$ 16,665
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-7078.62%	-488.67%	1723.50%	100.24%	105.78%	105.79%	97.46%

[a] 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.

[b] The mortality tables and improvement scales used by FRS were updated in their July 1, 2019 valuation. The new FRS mortality assumptions were adopted for this measurement.

Required Supplementary Information – Pension
(Dollars in Thousands)

SJRPP Plan – Investment Returns[a]

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
17.17%	12.64%	10.32%	-0.19%	9.99%	10.39%	7.37%	2.48%	4.78%	21.33%

SJRPP Plan – Schedule of Contributions[a]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2018	7,727	26,409	(18,682)	3,992	661.57%
2019	-	-	-	452	0.00%
2020	4,582	13,307	(8,725)	468	2845.69%
2021	-	-	-	373	0.00%
2022	-	6,900	(6,900)	297	2323.23%

(a) All information is on measurement year basis

Notes to Schedule of Contributions

Valuation date:	Actuarially determined contributions are calculated in a valuation performed as of the beginning of the year prior to the fiscal year in which contributions are made and reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	1 year
Asset valuation method	Market value of assets less Credit Balance Account
Inflation	2.25%
Salary increases	2.5% - 12.5% per year, including inflation
Investment rate of return	6.00% per year, compounded annually, net of investment expenses.
Retirement Rates	Experience-based table of rates based on year of eligibility.
Mortality	Mortality rates used by the Florida Retirement System for Non-K12 Instructional Regular Class members, described as follows: *Healthy pre-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Disabled mortality rates* : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.

Required Supplementary Information – OPEB
(Dollars in Thousands)

OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios[a]

	2021[b]	2020[c]	2019[d]	2018	2017	2016
Total OPEB Liability						
Beginning balance	$ 39,135	$ 40,794	$ 46,705	$ 44,547	$ 60,949	$ 62,554
Service cost	432	453	539	499	811	781
Interest on the total OPEB liability	2,291	2,392	2,740	3,044	4,253	4,203
Changes in benefit terms	–	–	–	–	(11,556)	–
Difference between actual and expected experience	(2,934)	(620)	362	(4,057)	(7,891)	–
Change of assumptions	6,202	(1,131)	(6,387)	5,794	–	–
Benefit payments	(2,788)	(2,753)	(3,165)	(3,122)	(2,019)	(6,589)
Total OPEB liability – ending	$ 42,338	$ 39,135	$ 40,794	$ 46,705	$ 44,547	$ 60,949
Plan Fiduciary Net Position						
Beginning balance	$ 33,999	$ 30,703	$ 28,449	$ 25,712	$ 21,441	$ 18,156
Employer contributions	2,946	4,394	3,903	4,078	5,240	5,061
Net investment income	6,552	2,112	1,617	1,989	2,942	2,135
Reimbursements to employer	(2,774)	(3,187)	(3,244)	(3,308)	(3,911)	(3,911)
OPEB plan administrative expense	(27)	(23)	(22)	(22)	–	–
Plan fiduciary net position – ending	$ 40,696	$ 33,999	$ 30,703	$ 28,449	$ 25,712	$ 21,441
Net OPEB Liability – Ending	$ 1,642	$ 5,136	$ 10,091	$ 18,256	$ 18,835	$ 39,508
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	96.12%	86.88%	75.26%	60.91%	57.72%	35.18%
Covered Payroll	$ 169,291	$ 162,138	$ 157,415	$ 156,042	$ 155,326	$ 150,073
Net OPEB Liability as a Percentage of Covered Payroll	0.97%	3.17%	6.41%	11.70%	12.13%	26.33%

(a) This schedule is 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.

(b) The expected claims costs and premiums were updated to reflect recent information provided for this valuation. Long-term trend rates of healthcare increases were lowered from 3.99% to 3.75%, and the year for reaching the ultimate value was revised from 2040 to 2050.

(c) A load for modeling the excise tax was removed following the repeal of the Cadillac tax.

(d) First year trend on premiums was reduced from 6.50% to 2.06%. Assumed initial cost of coverage was reduced from previously projected $1,090 per subscriber per month to $1,016 per subscriber per month, partially offset by a modest change in the first year average premium to $699 per month from expected $695 per month. Assumed mortality rates were updated to PUB-2021 tables. These are the same rates used by the Florida Retirement System in their July 1, 2019 Actuarial Valuation for non K-12 Instructional Regular Class Members. Demographic assumptions for GERP members were updated following an experience study by the plan actuary for the GERP. Updated assumptions include salary increase assumptions, rates of disability, rates of withdrawal, and rates of retirement. The ultimate inflation assumption was changed from 2.5% to 2.25% with healthcare cost trend assumption revised accordingly.

Required Supplementary Information – OPEB
(Dollars in Thousands)

OPEB Plan – Investment Returns[a]

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
15.84%	11.93%	8.22%	-0.46%	7.90%	13.35%	7.54%	5.55%	6.69%	19.13%

OPEB Plan – Schedule of Contributions[a]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	5,211	5,423	(212)	150,714	3.60%
2013	5,433	6,185	(752)	N/A	N/A
2014	4,819	4,382	437	148,617	2.95%
2015	5,011	7,255	(2,244)	N/A	N/A
2016	5,061	7,739	(2,678)	150,073	5.16%
2017	4,138	5,240	(1,102)	155,326	3.37%
2018	4,078	4,078	-	156,042	2.61%
2019	3,903	3,903	-	157,415	2.48%
2020	4,394	4,394	-	162,138	2.71%
2021	2,946	2,946	-	169,291	1.74%

(a) All information is on measurement year basis.

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	5 years
Asset valuation method	Market value
Inflation	2.25%
Salary increases	2.5% – 12.5% per year, including inflation; varies by years of service
Investment rate of return	6.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows:
	Healthy pre-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Healthy post-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Disabled mortality rates : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.25% (2021) and 6.50% (2020) and gradually decreasing to an ultimate trend rate of 3.99% in 2040.
Aging factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Investment returns are net of the investment expenses; and, administrative expenses related to operation of the health plan are included in the premium costs.

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2022

	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	$ 173,076	$ 3,031	$ –	$ 176,107	$ 67,889	$ 1,341	$ 245,337
Investments	–	278	–	278	–	–	278
Customer accounts receivable, net of allowance ($679)	257,894	–	–	257,894	56,145	323	314,362
Inventories:							
Materials and supplies	2,342	–	–	2,342	64,722	–	67,064
Fuel	52,483	–	–	52,483	–	–	52,483
Prepaid assets	31,385	1	–	31,386	382	6	31,774
Other current assets	18,418	3	(372)	18,049	4,938	–	22,987
Total current assets	535,598	3,313	(372)	538,539	194,076	1,670	734,285
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	154,657	21,833	–	176,490	95,393	3,470	275,353
Investments	193,653	3,811	–	197,464	109,186	–	306,650
Other restricted assets	–	40	–	40	175	–	215
Total restricted assets	348,310	25,684	–	373,994	204,754	3,470	582,218
Costs to be recovered from future revenues	428,479	85,968	–	514,447	299,544	170	814,161
Hedging derivative instruments	267,807	–	–	267,807	–	–	267,807
Other assets	33,689	31,178	(4,765)	60,102	35	–	60,137
Total noncurrent assets	1,078,285	142,830	(4,765)	1,216,350	504,333	3,640	1,724,323
Net capital assets	2,471,231	8,505	–	2,479,736	2,947,535	37,226	5,464,497
Total assets	4,085,114	154,648	(5,137)	4,234,625	3,645,944	42,536	7,923,105
Deferred outflows of resources							
Unrealized pension contributions and losses	71,715	10,100	–	81,815	49,836	–	131,651
Unamortized deferred losses on refundings	45,710	1,227	–	46,937	33,290	145	80,372
Unrealized asset retirement obligation	42,879	52	–	42,931	–	–	42,931
Accumulated decrease in fair value of hedging derivatives	32,855	–	–	32,855	6,727	–	39,582
Unrealized OPEB contributions and losses	6,507	–	–	6,507	4,522	–	11,029
Total deferred outflows of resources	199,666	11,379	–	211,045	94,375	145	305,565
Total assets and deferred outflows of resources	$ 4,284,780	$ 166,027	$ (5,137)	$ 4,445,670	$ 3,740,319	$ 42,681	$ 8,228,670

JEA

Combining Statement of Net Position (continued)

(In Thousands)

September 30, 2022

	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 expense payable	$ 105,033	$ 281	$ –	$ 105,314	$ 11,717	$ 74	$ 117,105
Customer deposits and prepayments	57,113	–	–	57,113	32,577	–	89,690
Billings on behalf of state and local governments	29,873	2	–	29,875	3,889	–	33,764
Compensation and benefits payable	10,573	–	–	10,573	3,706	27	14,306
City of Jacksonville payable	8,008	–	–	8,008	2,237	–	10,245
Asset retirement obligation	2,202	52	–	2,254	–	–	2,254
Total current liabilities	212,802	335	–	213,137	54,126	101	267,364
Current liabilities payable from restricted assets:							
Debt due within one year	47,120	15,285	–	62,405	9,850	1,815	74,070
Interest payable	23,504	2,029	–	25,533	22,811	606	48,950
Construction contracts and accounts payable	15,783	1,670	(372)	17,081	70,563	2,983	90,627
Renewal and replacement reserve	–	4,252	–	4,252	–	–	4,252
Total current liabilities payable from restricted assets	86,407	23,236	(372)	109,271	103,224	5,404	217,899
Noncurrent liabilities:							
Long-term debt:							
Debt payable, less current portion	1,349,290	92,715	–	1,442,005	1,187,055	30,825	2,659,885
Unamortized premium (discount), net	89,763	123	–	89,886	81,882	(15)	171,753
Fair value of debt management strategy instruments	31,504	–	–	31,504	6,727	–	38,231
Total long-term debt	1,470,557	92,838	–	1,563,395	1,275,664	30,810	2,869,869
Net pension liability	381,206	–	–	381,206	264,906	–	646,112
Asset retirement obligations	40,677	–	–	40,677	–	–	40,677
Compensation and benefits payable	24,725	–	–	24,725	9,907	94	34,726
Net OPEB liability	969	–	–	969	673	–	1,642
Other liabilities	18,701	4,765	(4,765)	18,701	–	–	18,701
Total noncurrent liabilities	1,936,835	97,603	(4,765)	2,029,673	1,551,150	30,904	3,611,727
Total liabilities	2,236,044	121,174	(5,137)	2,352,081	1,708,500	36,409	4,096,990
Deferred inflows of resources							
Revenues to be used for future costs	98,697	16,931	–	115,628	26,094	–	141,722
Accumulated increase in fair value of hedging derivatives	267,807	–	–	267,807	–	–	267,807
Unrealized OPEB gains	10,973	–	–	10,973	7,626	–	18,599
Unrealized pension gains	58,457	19,581	–	78,038	40,622	–	118,660
Total deferred inflows of resources	435,934	36,512	–	472,446	74,342	–	546,788
Net position							
Net investment in (divestment of) capital assets	1,110,851	(10,215)	–	1,100,636	1,727,842	1,933	2,830,411
Restricted for:							
Capital projects	233,129	–	–	233,129	113,751	1,049	347,929
Debt service	46,386	15,321	–	61,707	10,113	1,815	73,635
Other purposes	–	203	372	575	1,898	–	2,473
Unrestricted	222,436	3,032	(372)	225,096	103,873	1,475	330,444
Total net position	1,612,802	8,341	–	1,621,143	1,957,477	6,272	3,584,892
Total liabilities, deferred inflows of resources, and net position	$ 4,284,780	$ 166,027	$ (5,137)	$ 4,445,670	$ 3,740,319	$ 42,681	$ 8,228,670

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2021

	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	$ 222,273	$ 51,335	$ –	$ 273,608	$ 75,668	$ 1,219	$ 350,495
Investments	–	4,140	–	4,140	–	–	4,140
Customer accounts receivable, net of allowance ($3,155)	165,572	–	–	165,572	55,273	503	221,348
Inventories:							
Materials and supplies	2,248	–	–	2,248	60,548	–	62,796
Fuel	32,911	–	–	32,911	–	–	32,911
Prepaid assets	6,123	102	–	6,225	253	4	6,482
Other current assets	16,741	23	(4,279)	12,485	5,467	–	17,952
Total current assets	445,868	55,600	(4,279)	497,189	197,209	1,726	696,124
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	164,501	82,618	–	247,119	112,468	3,031	362,618
Investments	168,306	9,677	–	177,983	91,837	–	269,820
Other restricted assets	–	233	–	233	7	–	240
Total restricted assets	332,807	92,528	–	425,335	204,312	3,031	632,678
Costs to be recovered from future revenues	376,214	220,155	–	596,369	285,550	30	881,949
Hedging derivative instruments	150,453	–	–	150,453	–	–	150,453
Other assets	20,335	7,051	(4,765)	22,621	318	–	22,939
Total noncurrent assets	879,809	319,734	(4,765)	1,194,778	490,180	3,061	1,688,019
Net capital assets	2,608,916	8,914	–	2,617,830	2,824,294	34,369	5,476,493
Total assets	3,934,593	384,248	(9,044)	4,309,797	3,511,683	39,156	7,860,636
Deferred outflows of resources							
Unrealized pension contributions and losses	90,081	4,616	–	94,697	62,599	–	157,296
Unamortized deferred losses on refundings	51,043	3,099	–	54,142	35,430	157	89,729
Unrealized asset retirement obligation	37,601	68	–	37,669	–	–	37,669
Accumulated decrease in fair value of hedging derivatives	102,752	–	–	102,752	26,603	–	129,355
Unrealized OPEB contributions and losses	4,308	–	–	4,308	2,994	–	7,302
Total deferred outflows of resources	285,785	7,783	–	293,568	127,626	157	421,351
Total assets and deferred outflows of resources	$ 4,220,378	$ 392,031	$ (9,044)	$ 4,603,365	$ 3,639,309	$ 39,313	$ 8,281,987

JEA

Combining Statement of Net Position (continued)

(In Thousands)

September 30, 2021

	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 expense payable	$ 67,698	$ 517	$ (33)	$ 68,182	$ 8,418	$ 102	$ 76,702
Customer deposits and prepayments	57,354	–	–	57,354	17,676	–	75,030
Billings on behalf of state and local governments	22,218	–	–	22,218	3,788	–	26,006
Compensation and benefits payable	7,229	–	–	7,229	6,069	63	13,361
City of Jacksonville payable	7,978	–	–	7,978	2,215	–	10,193
Asset retirement obligation	3,239	68	–	3,307	–	–	3,307
Total current liabilities	165,716	585	(33)	166,268	38,166	165	204,599
Current liabilities payable from restricted assets:							
Debt due within one year	66,220	14,175	–	80,395	9,370	1,770	91,535
Interest payable	24,886	4,947	–	29,833	20,994	627	51,454
Construction contracts and accounts payable	9,226	5,732	(4,246)	10,712	33,924	830	45,466
Renewal and replacement reserve	–	32,776	–	32,776	–	–	32,776
Total current liabilities payable from restricted assets	100,332	57,630	(4,246)	153,716	64,288	3,227	221,231
Noncurrent liabilities:							
Long-term debt:							
Debt payable, less current portion	1,444,040	237,590	–	1,681,630	1,196,905	29,640	2,908,175
Unamortized premium (discount), net	99,631	331	–	99,962	94,127	(19)	194,070
Fair value of debt management strategy instruments	102,752	–	–	102,752	26,603	–	129,355
Total long-term debt	1,646,423	237,921	–	1,884,344	1,317,635	29,621	3,231,600
Net pension liability	430,446	–	–	430,446	299,123	–	729,569
Asset retirement obligations	34,362	–	–	34,362	–	–	34,362
Compensation and benefits payable	23,915	–	–	23,915	9,441	77	33,433
Net OPEB liability	3,030	–	–	3,030	2,106	–	5,136
Other liabilities	18,338	4,765	(4,765)	18,338	–	–	18,338
Total noncurrent liabilities	2,156,514	242,686	(4,765)	2,394,435	1,628,305	29,698	4,052,438
Total liabilities	2,422,562	300,901	(9,044)	2,714,419	1,730,759	33,090	4,478,268
Deferred inflows of resources							
Revenues to be used for future costs	121,643	5,094	–	126,737	30,077	–	156,814
Accumulated increase in fair value of hedging derivatives	150,453	–	–	150,453	–	–	150,453
Unrealized OPEB gains	8,688	–	–	8,688	6,037	–	14,725
Unrealized pension gains	7,355	1,807	–	9,162	5,111	–	14,273
Total deferred inflows of resources	288,139	6,901	–	295,040	41,225	–	336,265
Net position							
Net investment in (divestment of) capital assets	1,089,669	(15,562)	–	1,074,107	1,619,661	2,336	2,696,104
Restricted for:							
Capital projects	184,086	–	–	184,086	111,339	634	296,059
Debt service	64,931	14,542	–	79,473	9,180	1,770	90,423
Other purposes	3,060	30,166	4,246	37,472	7,302	–	44,774
Unrestricted	167,931	55,083	(4,246)	218,768	119,843	1,483	340,094
Total net position	1,509,677	84,229	–	1,593,906	1,867,325	6,223	3,467,454
Total liabilities, deferred inflows of resources, and net position	$ 4,220,378	$ 392,031	$ (9,044)	$ 4,603,365	$ 3,639,309	$ 39,313	$ 8,281,987

JEA

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

Year Ended September 30, 2022

	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 revenue								
Electric	$ 1,511,371	$ 53,222	$ (53,222)	$ 1,511,371	$ –	$ –	$ (20,274)	$ 1,491,097
Water and sewer	–	–	–	–	490,130	–	(316)	489,814
District energy system	–	–	–	–	–	8,989	(473)	8,516
Other operating revenue	23,217	228	–	23,445	19,732	8	(2,750)	40,435
Total operating revenue	1,534,588	53,450	(53,222)	1,534,816	509,862	8,997	(23,813)	2,029,862
Operating expense								
Operations and maintenance:								
Maintenance and other operating expense	239,907	(14,699)	–	225,208	195,656	5,239	(23,813)	402,290
Fuel	487,776	–	–	487,776	–	–	–	487,776
Purchased power	337,400	–	(53,222)	284,178	–	–	–	284,178
Depreciation	323,596	410	–	324,006	173,644	2,607	–	500,257
State utility and franchise taxes	72,598	–	–	72,598	11,294	–	–	83,892
Recognition of deferred costs and revenues, net	(56,861)	133,204	–	76,343	15,918	–	–	92,261
Total operating expense	1,404,416	118,915	(53,222)	1,470,109	396,512	7,846	(23,813)	1,850,654
Operating income (loss)	130,172	(65,465)	–	64,707	113,350	1,151	–	179,208
Nonoperating revenue (expense)								
Interest on debt	(61,320)	(11,329)	–	(72,649)	(40,796)	(1,262)	–	(114,707)
Earnings from The Energy Authority	29,731	–	–	29,731	–	–	–	29,731
Allowance for funds used during construction	3,699	–	–	3,699	10,028	139	–	13,866
Other nonoperating income, net	3,846	259	–	4,105	2,748	–	–	6,853
Investment income, net	(7,324)	647	–	(6,677)	(3,012)	21	–	(9,668)
Other interest, net	(1,133)	–	–	(1,133)	(210)	–	–	(1,343)
Total nonoperating expense, net	(32,501)	(10,423)	–	(42,924)	(31,242)	(1,102)	–	(75,268)
Income (loss) before contributions	97,671	(75,888)	–	21,783	82,108	49	–	103,940
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(94,546)	–	–	(94,546)	(39,167)	–	–	(133,713)
Developers and other	5,387	–	–	5,387	115,840	–	–	121,227
Reduction of plant cost through contributions	(5,387)	–	–	(5,387)	(68,629)	–	–	(74,016)
Total contributions, net	(94,546)	–	–	(94,546)	8,044	–	–	(86,502)
Special item	100,000	–	–	100,000	–	–	–	100,000
Change in net position	103,125	(75,888)	–	27,237	90,152	49	–	117,438
Net position, beginning of year	1,509,677	84,229	–	1,593,906	1,867,325	6,223	–	3,467,454
Net position, end of year	$ 1,612,802	$ 8,341	$ -	$ 1,621,143	$ 1,957,477	$ 6,272	$ -	$ 3,584,892

JEA

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

Year Ended September 30, 2021

	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 revenue								
Electric	$ 1,283,593	$ 26,644	$ (26,643)	$ 1,283,594	$ –	$ –	$ (16,382)	$ 1,267,212
Water and sewer	–	–	–	–	457,335	–	(259)	457,076
District energy system	–	–	–	–	–	8,042	(338)	7,704
Other operating revenue	25,277	111	–	25,388	14,095	1	(2,215)	37,269
Total operating revenue	1,308,870	26,755	(26,643)	1,308,982	471,430	8,043	(19,194)	1,769,261
Operating expense								
Operations and maintenance:								
Maintenance and other operating expense	231,108	5,240	–	236,348	166,302	4,460	(19,194)	387,916
Fuel	364,074	–	–	364,074	–	–	–	364,074
Purchased power	138,030	–	(26,643)	111,387	–	–	–	111,387
Depreciation	217,362	410	–	217,772	171,357	2,586	–	391,715
State utility and franchise taxes	60,080	–	–	60,080	10,886	–	–	70,966
Recognition of deferred costs and revenues, net	7,098	13,877	–	20,975	9,743	–	–	30,718
Total operating expense	1,017,752	19,527	(26,643)	1,010,636	358,288	7,046	(19,194)	1,356,776
Operating income	291,118	7,228	–	298,346	113,142	997	–	412,485
Nonoperating revenue (expense)								
Interest on debt	(66,288)	(9,782)	–	(76,070)	(43,570)	(1,271)	–	(120,911)
Earnings from The Energy Authority	15,378	–	–	15,378	–	–	–	15,378
Allowance for funds used during construction	3,203	–	–	3,203	6,085	17	–	9,305
Other nonoperating income, net	4,041	290	–	4,331	465	–	–	4,796
Investment income, net	1,177	114	–	1,291	872	2	–	2,165
Other interest, net	(43)	–	–	(43)	20	–	–	(23)
Total nonoperating expense, net	(42,532)	(9,378)	–	(51,910)	(36,128)	(1,252)	–	(89,290)
Income (loss) before contributions	248,586	(2,150)	–	246,436	77,014	(255)	–	323,195
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(93,609)	–	–	(93,609)	(26,403)	–	–	(120,012)
Developers and other	2,898	–	–	2,898	91,682	–	–	94,580
Reduction of plant cost through contributions	(2,898)	–	–	(2,898)	(51,401)	–	–	(54,299)
Total contributions, net	(93,609)	–	–	(93,609)	13,878	–	–	(79,731)
Change in net position	154,977	(2,150)	–	152,827	90,892	(255)	–	243,464
Net position, beginning of year	1,354,700	86,379	–	1,441,079	1,776,433	6,478	–	3,223,990
Net position, end of year	$ 1,509,677	$ 84,229	$ -	$ 1,593,906	$ 1,867,325	$ 6,223	$ -	$ 3,467,454

JEA

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2022

	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	$ 1,423,152	$ 53,444	$ (49,349)	$ 1,427,247	$ 499,966	$ 9,169	$ (21,063)	$ 1,915,319
Payments to suppliers	(948,626)	(11,099)	49,349	(910,376)	(133,236)	(4,527)	23,813	(1,024,326)
Payments for salaries and benefits	(190,202)	(6,900)	–	(197,102)	(76,239)	(763)	–	(274,104)
Other operating activities	126,532	228	–	126,760	20,440	8	(2,750)	144,458
Net cash provided by operating activities	410,856	35,673	–	446,529	310,931	3,887	–	761,347
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(94,468)	–	–	(94,468)	(39,145)	–	–	(133,613)
Net cash used in noncapital and related financing activities	(94,468)	–	–	(94,468)	(39,145)	–	–	(133,613)
Capital and related financing activities								
Acquisition and construction of capital assets	(183,372)	–	–	(183,372)	(268,078)	(3,311)	–	(454,761)
Defeasance of debt	(47,630)	(129,590)	–	(177,220)	–	–	–	(177,220)
Interest paid on debt	(66,420)	(11,374)	–	(77,794)	(49,001)	(1,266)	–	(128,061)
Repayment of debt principal	(66,220)	(14,175)	–	(80,395)	(9,370)	(1,770)	–	(91,535)
Capital contributions	–	–	–	–	47,211	–	–	47,211
Revolving credit agreement withdrawals	–	–	–	–	–	3,000	–	3,000
Other capital financing activities	5,536	33	–	5,569	3,012	–	–	8,581
Net cash used in capital and related financing activities	(358,106)	(155,106)	–	(513,212)	(276,226)	(3,347)	–	(792,785)
Investing activities								
Proceeds from sale and maturity of investments	304,542	51,035	–	355,577	164,476	–	–	520,053
Purchase of investments	(340,927)	(41,377)	–	(382,304)	(188,511)	–	–	(570,815)
Distributions from The Energy Authority	15,464	–	–	15,464	–	–	–	15,464
Investment income	3,598	686	–	4,284	3,621	21	–	7,926
Net cash provided by (used in) investing activities	(17,323)	10,344	–	(6,979)	(20,414)	21	–	(27,372)
Net change in cash and cash equivalents	(59,041)	(109,089)	–	(168,130)	(24,854)	561	–	(192,423)
Cash and cash equivalents at beginning of year	386,774	133,953	–	520,727	188,136	4,250	–	713,113
Cash and cash equivalents at end of year	$ 327,733	$ 24,864	$ –	$ 352,597	$ 163,282	$ 4,811	$ –	$ 520,690
Reconciliation of operating income to net cash provided by operating activities								
Operating income (loss)	$ 130,172	$ (65,465)	$ –	$ 64,707	$ 113,350	$ 1,151	$ –	$ 179,208
Adjustments:								
Depreciation and amortization	323,596	410	–	324,006	173,918	2,607	–	500,531
Recognition of deferred costs and revenues, net	(56,861)	133,204	–	76,343	15,918	–	–	92,261
Other nonoperating income, net	98,866	–	–	98,866	(210)	–	–	98,656
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(92,323)	222	–	(92,101)	(873)	180	–	(92,794)
Inventories	(19,666)	–	–	(19,666)	(4,173)	–	–	(23,839)
Other assets	(25,909)	122	–	(25,787)	580	(2)	–	(25,209)
Accounts and accrued expense payable	48,003	(235)	–	47,768	15,937	(65)	–	63,640
Current liabilities payable from restricted assets	–	(32,585)	–	(32,585)	–	–	–	(32,585)
Other noncurrent liabilities and deferred inflows	4,978	–	–	4,978	(3,516)	16	–	1,478
Net cash provided by operating activities	$ 410,856	$ 35,673	$ –	$ 446,529	$ 310,931	$ 3,887	$ –	$ 761,347
Non-cash activity								
Contribution of capital assets from developers	$ 5,387	$ –	$ –	$ 5,387	$ 68,629	$ –	$ –	$ 74,016
Unrealized investment fair market value changes, net	$ (11,038)	$ (70)	$ –	$ (11,108)	$ (6,686)	$ –	$ –	$ (17,794)

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2021

	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	$ 1,229,403	$ 26,421	$ (26,587)	$ 1,229,237	$ 463,113	$ 7,662	$ (16,979)	$ 1,683,033
Payments to suppliers	(616,983)	(10,123)	26,587	(600,519)	(107,183)	(3,775)	19,194	(692,283)
Payments for salaries and benefits	(168,812)	–	–	(168,812)	(68,519)	(693)	–	(238,024)
Other operating activities	27,355	(47)	–	27,308	12,859	1	(2,215)	37,953
Net cash provided by operating activities	470,963	16,251	–	487,214	300,270	3,195	–	790,679
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(93,631)	–	–	(93,631)	(26,282)	–	–	(119,913)
Net cash used in noncapital and related financing activities	(93,631)	–	–	(93,631)	(26,282)	–	–	(119,913)
Capital and related financing activities								
Acquisition and construction of capital assets	(156,020)	–	–	(156,020)	(194,892)	(1,803)	–	(352,715)
Defeasance of debt	(164,150)	–	–	(164,150)	(152,105)	–	–	(316,255)
Proceeds received from debt	44,560	–	–	44,560	121,815	–	–	166,375
Interest paid on debt	(69,904)	(10,169)	–	(80,073)	(52,546)	(1,275)	–	(133,894)
Repayment of debt principal	(67,765)	(13,340)	–	(81,105)	(19,870)	(1,725)	–	(102,700)
Capital contributions	–	–	–	–	40,281	–	–	40,281
Revolving credit agreement repayments	–	–	–	–	(5,000)	–	–	(5,000)
Other capital financing activities	20,617	449	–	21,066	30,174	–	–	51,240
Net cash used in capital and related financing activities	(392,662)	(23,060)	–	(415,722)	(232,143)	(4,803)	–	(652,668)
Investing activities								
Proceeds from sale and maturity of investments	260,865	26,968	–	287,833	37,846	–	–	325,679
Purchase of investments	(229,929)	(27,485)	–	(257,414)	(32,521)	–	–	(289,935)
Distributions from The Energy Authority	10,848	–	–	10,848	–	–	–	10,848
Investment income	4,444	147	–	4,591	2,698	2	–	7,291
Net cash provided by (used in) investing activities	46,228	(370)	–	45,858	8,023	2	–	53,883
Net change in cash and cash equivalents	30,898	(7,179)	–	23,719	49,868	(1,606)	–	71,981
Cash and cash equivalents at beginning of year	355,876	141,132	–	497,008	138,268	5,856	–	641,132
Cash and cash equivalents at end of year	$ 386,774	$ 133,953	$ –	$ 520,727	$ 188,136	$ 4,250	$ –	$ 713,113
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 291,118	$ 7,228	$ –	$ 298,346	$ 113,142	$ 997	$ –	$ 412,485
Adjustments:								
Depreciation and amortization	217,362	410	–	217,772	172,469	2,586	–	392,827
Recognition of deferred costs and revenues, net	7,098	13,877	–	20,975	9,743	–	–	30,718
Other nonoperating income, net	9	–	–	9	47	–	–	56
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(56)	(223)	–	(279)	(1,097)	(380)	–	(1,756)
Inventories	5,041	–	–	5,041	(1,263)	–	–	3,778
Other assets	(8,075)	4,812	–	(3,263)	(1,387)	(2)	–	(4,652)
Accounts and accrued expense payable	11,305	(5,141)	–	6,164	1,474	(14)	–	7,624
Current liabilities payable from restricted assets	–	(4,978)	–	(4,978)	–	–	–	(4,978)
Other noncurrent liabilities and deferred inflows	(52,839)	266	–	(52,573)	7,142	8	–	(45,423)
Net cash provided by operating activities	$ 470,963	$ 16,251	$ –	$ 487,214	$ 300,270	$ 3,195	$ –	$ 790,679
Non-cash activity								
Contribution of capital assets from developers	$ 2,898	$ –	$ –	$ 2,898	$ 51,401	$ –	$ –	$ 54,299
Unrealized investment fair market value changes, net	$ (2,795)	$ (33)	$ –	$ (2,828)	$ (1,706)	$ –	$ –	$ (4,534)

Ernst & Young LLP
12926 Gran Bay Parkway West
Suite 500
Jacksonville, FL 32258

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

Building a better working world

Report of Independent Auditors 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the business-type activities and fiduciary activity of JEA, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise JEA's basic financial statements, and have issued our report thereon dated January 27, 2023.

Report on 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 opinions 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of 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

January 27, 2023

Building a better working world

Bond Compliance Information

JEA Electric System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2022	2021
Revenues		
Electric	$ 1,516,654	$ 1,225,962
Investment income [(1)]	2,547	2,295
Earnings from The Energy Authority	29,731	15,378
Other [(2)]	123,175	25,303
Plus: amounts paid from the Rate Stabilization Fund into the Revenue Fund	82,232	82,016
Less: amounts paid from the Revenue Fund into the Rate Stabilization Fund	(87,515)	(24,370)
Total Revenues	1,666,824	1,326,584
Cost of Operation and Maintenance [(3)]		
Fuel	478,743	326,870
Purchased power [(4)]	408,317	204,846
Maintenance and other operating expense	227,313	211,537
State utility and franchise taxes	72,598	60,080
Total Cost of Operation and Maintenance	1,186,971	803,333
Net Revenues	$ 479,853	$ 523,251
Debt Service Requirement on Electric System Bonds (prior to reduction of investment income on sinking fund and Build America Bonds subsidy)	$ 50,560	$ 47,552
Less: investment income on sinking fund	(1,167)	(1,677)
Less: Build America Bonds subsidy	(1,535)	(1,536)
Debt Service Requirement on Electric System Bonds	$ 47,858	$ 44,339
Debt service coverage on Electric System Bonds [(5)]	10.03 x	11.80 x
Debt Service Requirement on Electric System Bonds (from above)	$ 47,858	$ 44,339
Plus: Aggregate Subordinated Debt Service on Subordinated Electric System Bonds (prior to Build America Bonds subdsidy)	40,500	58,701
Less: Build America Bonds subsidy	(1,843)	(1,908)
Debt Service Requirement on Electric System Bonds and Aggregate Subordinated Debt Service on Subordinated Electric System Bonds	$ 86,515	$ 101,132
Debt service coverage on Electric System Bonds and Subordinated Electric System Bonds [(6)]	5.55 x	5.17 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 SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Supply System are reflected as a purchased power expense on these schedules. These schedules do not include revenue of 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 on Electric System Bonds. Minimum annual coverage is 1.20x.

(6) Net Revenues divided by Debt Service Requirement on Electric System Bonds and Aggregate Subordinated Debt Service on Subordinated Electric System Bonds. Minimum annual coverage is 1.15x.

JEA Bulk Power Supply System

Schedule of Debt Service Coverage
(In Thousands)

	Year ended September 30	
	2022	2021
Revenues		
Operating	$ 70,918	$ 66,816
Investment income	77	101
Total Revenues	70,995	66,917
Operation and Maintenance Expenses [1]		
Fuel	9,033	37,204
Maintenance and other operating expense	9,173	16,948
Total Operation and Maintenance Expenses	18,206	54,152
Net Revenues	$ 52,789	$ 12,765
Aggregate Debt Service (prior to reduction of Build America Bonds subsidy)	$ 6,153	$ 10,579
Less: Build America Bonds subsidy	(511)	(550)
Aggregate Debt Service	$ 5,642	$ 10,029
Debt service coverage [2]	9.36 x	1.27 x

[1] Excludes depreciation.

[2] Net Revenues divided by Aggregate Debt Service. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System, Second Resolution

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2022	2021
Revenues		
Operating	$ 53,495	$ 27,234
Investment income	717	147
Total Revenues	54,212	27,381
Operation and Maintenance Expenses	–	–
Net Revenues	$ 54,212	$ 27,381
Aggregate Debt Service (prior to reduction of Build America Bonds subsidy)	$ 23,741	$ 24,069
Less: Build America Bonds subsidy	(259)	(289)
Aggregate Debt Service	$ 23,482	$ 23,780
Debt service coverage [1]	2.31 x	1.15 x

[1] Net Revenues divided by Aggregate Debt Service. Minimum annual coverage is 1.15x.

JEA Water and Sewer System

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30 2022	2021
Revenues		
Water	$ 214,073	$ 200,100
Water Capacity Charges	17,046	15,798
Sewer	272,074	263,939
Sewer Capacity Charges	30,165	24,131
Investment income	3,674	2,578
Other [(1)]	19,732	14,123
Plus: amounts paid from the Rate Stabilization Fund into the Revenue Fund	28,991	18,494
Less: amounts paid from the Revenue Fund into the Rate Stabilization Fund	(25,008)	(25,198)
Total Revenues	560,747	513,965
Operation and Maintenance Expenses		
Maintenance and other operating expense [(2)]	195,656	166,302
State utility and franchise taxes	11,294	10,886
Total Operation and Maintenance Expenses	206,950	177,188
Net Revenues	$ 353,797	$ 336,777
Aggregate Debt Service on Water and Sewer System Bonds (prior to reduction of Build America Bonds subsidy)	$ 48,341	$ 48,944
Less: Build America Bonds subsidy	(2,443)	(2,447)
Aggregate Debt Service on Water and Sewer System Bonds	$ 45,898	$ 46,497
Debt service coverage on Water and Sewer System Bonds [(3)]	7.71 x	7.24 x
Aggregate Debt Service on Water and Sewer System Bonds (from above)	$ 45,898	$ 46,497
Plus: Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds	7,302	6,700
Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds	$ 53,200	$ 53,197
Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds excluding Capacity Charges [(4)]	5.76 x	5.58 x
Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds including Capacity Charges [(4)]	6.65 x	6.33 x

(1) Excludes the Build America Bonds subsidy.

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

(3) Net Revenues divided by Aggregate Debt Service on Water and Sewer System Bonds. Minimum annual coverage is 1.25x.

(4) Net Revenues divided by Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds. Minimum annual coverage is either 1.00x Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds (excluding Capacity Charges) or the sum of 1.00x Aggregate Debt Service on Water and Sewer System Bonds and 1.20x Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds (including Capacity Charges).

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2022	2021
Revenues		
Service revenue	$ 8,989	$ 8,042
Investment income	21	2
Other	2	1
Total Revenues	9,012	8,045
Operation and Maintenance Expenses [1]		
Maintenance and other operating expense	5,239	4,460
Total Operation and Maintenance Expenses	5,239	4,460
Net Revenues	$ 3,773	$ 3,585
Aggregate Debt Service [2]	$ 3,021	$ 3,024
Debt service coverage [3]	1.25 x	1.19 x

(1) Excludes depreciation.

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

(3) Net Revenues divided by Aggregrate Debt Service.

EY | Assurance | Tax | Transactions | Advisory

About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

ey.com