Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2020 and 2019
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, 2020 and 2019

Contents

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Report of Independent Auditors

The Board of Directors
JEA
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of JEA, a component unit of the City of Jacksonville as of and for the year ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEA as of September 30, 2020 and 2019, and the changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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.

The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the 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 also have issued our report dated December 11, 2020 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

December 11, 2020

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, 2020 and 2019. The statements of net position present JEA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Revenue and expense information is presented in the accompanying statements of revenues, expenses, and changes in net position. The accompanying statements of cash flows present JEA's sources and uses of cash and cash equivalents and are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

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

The following tables summarize the financial condition and operations of JEA for the 2020 and 2019 fiscal years:

Condensed Statements of Net Position

	2020	2019	2018
		(In millions)	
Assets and deferred outflows of resources			
Current assets	**$ 726**	$ 753	$ 874
Other noncurrent assets	**1,451**	1,517	1,677
Net capital assets	**5,511**	5,466	5,380
Deferred outflows of resources	**468**	461	435
Total assets and deferred outflows of resources	**$ 8,156**	$ 8,197	$ 8,366
Liabilities and deferred inflows of resources			
Current liabilities	**$ 194**	$ 200	$ 207
Current liabilities payable from restricted assets	**240**	371	367
Net pension liability	**641**	566	544
Other noncurrent liabilities	**93**	110	91
Long-term debt	**3,506**	3,696	4,053
Deferred inflows of resources	**258**	301	348
Net position			
Net investment in capital assets	**2,584**	2,249	1,857
Restricted	**355**	400	542
Unrestricted	**285**	304	357
Total liabilities, deferred inflows of resources, and net position	**$ 8,156**	$ 8,197	$ 8,366

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

	2020	2019	2018
		(In millions)	
Operating revenues	**$ 1,714**	$ 1,752	$ 1,790
Operating expenses	**(1,262)**	(1,340)	(1,399)
Operating income	**452**	412	391
Nonoperating expenses, net	**(95)**	(111)	(131)
Contributions	**(86)**	(103)	(89)
Special Item	**–**	–	(45)
Change in net position	**271**	198	126
Net position – beginning of the year	**2,953**	2,755	2,629
Net position – end of the year	**$ 3,224**	$ 2,953	$ 2,755

Financial Analysis of JEA for fiscal years 2020 and 2019

2020 Compared to 2019

Electric Enterprise

Operating Revenues

Total operating revenues decreased approximately $59 million (4.5%) and total megawatt hours (MWh) sales decreased 262,985 (2.1%) compared to fiscal year 2019. Revenues from territorial sales decreased $39 million and territorial MWh sales were down 181,834 MWh (1.5%). The territorial sales decrease was comprised of a $10 million decrease in base revenues and a $29 million decrease in fuel revenues. The $10 million decrease in base revenues was driven by a decrease in consumption. The $29 million decrease in fuel revenues was primarily the result of a $23 million fuel credit provided to customers and a decrease in consumption. Lower consumption was associated with COVID-19 shutdowns and partially offset by a 1.9 percent increase in customers. Off system revenues decreased by approximately $4 million and MWhs decreased by 81,151 driven by lower sales to The Energy Authority. Stabilization fund revenues decreased $12 million (see note 2, Regulatory Deferrals, for additional information). There was also a $2 million decrease in revenues due to an increase in allowance for doubtful accounts for the COVID-19 pandemic. Other operating revenue decreased $2 million driven by lower late and reconnection fees due to the COVID-19 suspension of late fees and disconnections (see note 16, Disaster Costs, for additional information). Additionally, mutual aid revenues increased by $2 million for Hurricanes Michael and Florence, and transmission and SJRPP revenues each decreased by $1 million.

Operating Expenses

Total operating expenses decreased approximately $97 million (9.6%), compared to fiscal year 2019.

Fuel and purchased power expense decreased $90 million (19.2 percent), primarily driven by:

- a $82 million decrease as a result of lower MWh purchased (1,634,084 MWh, 49.1%);
- a $70 million decrease in generation costs primarily driven by lower fuel prices;
- a $32 million increase in purchased power cost; and
- a $30 million increase as a result of higher MWh generated (1,297,497 MWh, 13.5%).

As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. JEA's power supply mix is detailed below.

	FY 2020	FY 2019
Natural gas	**63%**	49%
Purchases	**13%**	26%
Coal	**12%**	16%
Petroleum coke	**12%**	9%
Total	**100%**	100%

Operating expenses, other than fuel and purchased power, decreased approximately $7 million, compared to fiscal year 2019.

Maintenance and other operating expenses increased $11 million. The drivers for the increase were a $16 million increase in compensation and benefits, primarily related to SJRPP pension contributions and COVID-19 stipends, a $5 million increase in professional services, and a $2 million increase in insurance costs. These increases were offset by a $5 million decrease in maintenance, a $3 million decrease in industrial services, a $2 million decrease in Plant Scherer costs, and a $2 million decrease in environmental costs.

Recognition of deferred costs and revenues, net decreased $12 million due to a decrease in environmental projects paid from the rate stabilization fund. Depreciation expense decreased $5 million due to a decrease in the depreciable base. State utility and franchise taxes decreased $2 million due to lower electric revenue taxable sales. Interfund utility charges to the Electric Enterprise fund increased $1 million.

Water and Sewer Enterprise

Operating Revenues

Total operating revenues increased approximately $20 million (4.3%) compared to fiscal year 2019. Water revenues increased $3 million (1.8%) due to a 1.5% increase in consumption and a 2.2% increase in customer accounts. Water consumption increased 575,725 kilogallons (kgals) to 38,271,797 kgals. Sewer revenues increased approximately $5 million (1.8%) primarily related to a 1.6% increase in sales and a 2.6% increase in sewer accounts. Sewer sales increased 433,406 kgals to 28,160,202 kgals. Reuse revenues increased approximately $3 million (17.8%), primarily related to a 19.4% increase in reuse accounts and a 14.0% increase in sales. Reuse sales increased 542,695 kgals to 4,426,905 kgals. Water and sewer revenues also increased due to a $9 million net increase in transfers from stabilization funds (see note 2, Regulatory Deferrals, for additional information). There was also a $1 million decrease in revenues due to an increase in allowance for doubtful accounts for the COVID-19 pandemic. Other operating revenues increased by $1 million driven by mutual aid revenues.

Operating Expenses

Operating expenses increased $19 million (5.6%), compared to fiscal year 2019. Maintenance and other expenses increased $15 million due to a $5 million increase in compensation and benefits, a $4 million increase in professional services, a $2 million increase in interlocal payments, a $2 million increase in maintenance, a $1 million increase in insurance costs, and a $1 million increase in industrial services. Depreciation expense increased $8 million due to an increase in the depreciable base. Recognition of deferred costs and revenues, net decreased $4 million due to a decrease in environmental projects paid from the rate stabilization fund.

District Energy System

Operating Revenues

Operating revenues remained flat when compared to fiscal year 2019 at $9 million.

Operating Expenses

Operating expenses remained flat when compared to fiscal year 2019 at $7 million.

Nonoperating Revenues and Expenses

There was a decrease of approximately $16 million (14.8%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

	FY 2020 *(in millions)*
Changes in nonoperating expenses, net	
Decrease in interest on debt	$ 34
Decrease in investment income	(14)
Decrease in investment gains – fair value adjustments	(10)
Increase in allowance for funds used during construction	6
Decrease in customer deposit interest	2
Decrease in other nonoperating income - timber	(2)
Total change in nonoperating expenses, net	$ 16

2019 Compared to 2018

Electric Enterprise

Operating Revenues

Total operating revenues decreased approximately $66 million (4.8%) compared to fiscal year 2018. Electric revenues decreased $7 million and other operating revenues decreased by $59 million.

The $7 million decrease in electric revenues was driven by a $29 million decrease in sales to Florida Power & Light Company (FPL) as a result of the shutdown of SJRPP in January 2018. That decrease was mostly offset by a $16 million net increase in transfers from stabilization funds (see note 2, Regulatory Deferrals, for additional information) and a $6 million increase in territorial sales. Territorial MWh sales were up 40,695 MWh (0.3%), driven by a 0.9% increase in degree days that was partially offset by a 1.6% decrease in average MWhs per customer. SJRPP Sales to FPL decreased by 332,467 MWh and off-system sales increased by 25,494 MWh, which brought the change to a net decrease in MWh sales of 266,278 MWh (2.1%).

The decrease in other operating revenues was due to the cycling of the prior year FPL shutdown payment. See the St. Johns River Power Park section of note 3, Asset Retirement Obligations, for further details.

Operating Expenses

Total operating expenses decreased approximately $83 million (7.5%), compared to fiscal year 2018.

Fuel and purchased power expense decreased approximately $65 million (12.2%), compared to fiscal year 2018. Costs decreased by $76 million while MWh generated and purchased increased by $11 million. As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. In addition, the shutdown of the SJRPP power plant has decreased power production sourced by coal significantly. Total MWh power volumes increased 0.7% compared to fiscal year 2018 to 12,964,577 MWh, with an increase of 39.8% for MWh purchased and a decrease of 8.2% for MWh generated. Detailed below is JEA's power supply mix.

	FY 2019	FY 2018
Natural gas	**49%**	48%
Purchases	**26%**	18%
Coal	**16%**	22%
Petroleum coke	**9%**	12%
Total	**100%**	100%

Operating expenses, other than fuel and purchased power, decreased approximately $18 million, compared to fiscal year 2018.

Maintenance and other operating expenses decreased $46 million. The drivers for the decrease were a $49 million reduction in SJRPP operating expenses due to the plant shutdown, a $14 million decrease in Scherer capital improvements and operating costs as outage years are in even-numbered years, and a $4 million decrease in industrial services. These decreases were offset by an $11 million increase in professional services, an $8 million increase in compensation and benefits, a $1 million increase in insurance, and a $1 million increase in maintenance.

Recognition of deferred costs and revenues, net increased $33 million due to a $22 million increase in environmental projects paid from the rate stabilization fund and $11 million in higher deferred cost amortization, primarily related to the reduced depreciation for SJRPP capital assets subsequent to the impairment. See the St. Johns River Power Park section of note 3, Asset Retirement Obligations, for additional details. Depreciation expense decreased $6 million due to a decrease in the depreciable base, driven by the impairment of the SJRPP capital assets due to the shutdown of the SJRPP plant. State utility and franchise taxes increased $1 million due to higher electric revenue taxable sales.

Water and Sewer Enterprise

Operating Revenues

Total operating revenues increased approximately $28 million (6.5%) compared to fiscal year 2018. Water revenues increased $8 million (4.5%) due to a 4.2% increase in consumption and a 2.1% increase in customer accounts. Water consumption increased 1,509,513 kgals to 37,696,072 kgals. Sewer revenues increased approximately $9 million (3.9%) primarily related to a 5.3% increase in sales and a 2.6% increase in sewer accounts. Sewer sales increased 1,386,174 kgals to 27,726,796 kgals. Reuse revenues increased approximately $4 million (31.1%), primarily related to a 24.1% increase in reuse accounts and a 24.5% increase in sales. Reuse sales increased 764,471 kgals to 3,884,210 kgals. Water and sewer revenues also increased due to a $5 million net increase in transfers from stabilization funds. See note 2, Regulatory Deferrals, for additional information. Other operating revenues increased by $2 million as a result of increases in miscellaneous service revenues.

Operating Expenses

Operating expenses increased $24 million (7.6%), compared to fiscal year 2018. Maintenance and other expenses increased $11 million due to a $7 million increase in compensation and benefits and a $4 million increase in professional and industrial services. Depreciation expense increased $8 million due to an increase in the depreciable base. Recognition of deferred costs and revenues, net increased $5 million due to an increase in environmental projects paid from the rate stabilization fund.

District Energy System

Operating Revenues

Operating revenues remained flat when compared to fiscal year 2018 at $9 million.

Operating Expenses

Operating expenses remained flat when compared to fiscal year 2018 at $7 million.

Nonoperating Revenues and Expenses

There was a decrease of approximately $20 million (14.9%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

		FY 2019
		(in millions)
Changes in nonoperating expenses, net		
Write-off of losses on refundings due to defeasances	$	(24)
Investment gains – fair value adjustments		17
Decrease in scheduled interest on debt		16
Increase in investment income		11
Increase in allowance for funds used during construction		2
Cycling of prior year gain on sale of assets		(2)
Decrease in The Energy Authority earnings		(2)
Increase in other nonoperating income - timber		2
Total change in nonoperating expenses, net	$	20

Capital Assets and Debt Administration for Fiscal Years 2020 and 2019

Capital Assets

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

	Total Investment		Additions	
(Dollars in millions)	**September 30, 2020**	**September 30, 2019**	**FY 2020**	**FY 2019**
Electric Enterprise	$ 2,684	$ 2,684	$ 203	$ 277
Water and Sewer Enterprise	2,793	2,748	197	209
District Energy System	34	33	4	1
Total	$ 5,511	$ 5,465	$ 404	$ 487

With the adoption of the depreciation ratemaking policy in 2014, the depreciation of contributed assets are not included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2020, $2 million of contributed capital related to the Electric System and $75 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2019, $5 million of contributed capital related to the Electric System and $62 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for improvements to existing generating facilities that are determined to be necessary as a result of JEA's annual resource planning process; (b) the Electric Enterprise Fund's capital requirements for transmission and distribution facilities and other capital items; and (c) the Water and Sewer Fund capital requirements that are determined to be necessary as a result of the annual resource planning process. The cost of the capital improvement program is planned to be 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, 2020, was $3,257 million, a decrease of approximately $364 million from the prior fiscal year. This decrease was due to defeasance of principal of $523 million and scheduled principal payments of $193 million, being partially offset by new debt issued of $352 million.

Debt outstanding at September 30, 2019, was $3,621 million, a decrease of approximately $379 million from the prior fiscal year. This decrease was due to defeasance of principal of $195 million and scheduled principal payments of $186 million, being partially offset by new debt issued of $2 million.

JEA's debt ratings on its long-term debt per Fitch remained unchanged from fiscal year 2019. On February 21, 2020, Standard & Poor's lowered its ratings with respect to the Bonds of JEA as follows:

(a) with respect to Water and Sewer Revenue Bonds and Water and Sewer Subordinated Revenue Bonds, the long term ratings were lowered to "AA+" from "AAA" and to "AA" from "AA+," respectively, and

(b) with respect to DES Revenue Bonds, the long-term ratings were lowered to "AA" from "AA+."

On September 28, 2020, Moody's Investors Service raised its ratings with respect to the Bonds of JEA as follows:

(c) with respect to Water and Sewer Revenue Bonds and Water and Sewer Subordinated Revenue Bonds, the long term ratings were each raised to "Aa3" from "A2" and

(d) with respect to DES Revenue Bonds, the long-term ratings were raised to "A1" from "A3."

	2020					2019				
	Electric System	Water and Sewer System	SJRPP	Scherer	District Energy System	Electric System	Water and Sewer System	SJRPP	Scherer	District Energy System
Senior debt:										
Moody's Investors Service	**A2**	**Aa3**	**A2**	**A2**	**A1**	A2	A2	A2	A2	A3
Standard & Poor's	**A+**	**AA+**	**A+**	**A+**	**AA**	A+	AAA	A+	A+	AA+
Fitch	**AA**	**AA**	**AA**	**AA**	**AA**	AA	AA	AA	AA	AA
Subordinated debt:										
Moody's Investors Service	**A3**	**Aa3**	*	*	*	A3	A2	*	*	*
Standard & Poor's	**A**	**AA**	*	*	*	A	AA+	*	*	*
Fitch	**AA**	**AA**	*	*	*	AA	AA	*	*	*

* There are no subordinated bonds related to this system.

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 April 2020 meeting, the Board approved a one-time Fuel Charge credit to all customers in May 2020. 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.

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		
		2020		**2019**
Assets				
Current assets:				
Cash and cash equivalents	**$**	**387,148**	$	414,438
Investments		**3,107**		2,399
Customer accounts receivable, net of allowance ($3,864 for 2020 and $1,341 for 2019)		**219,814**		227,331
Inventories:				
Materials and supplies		**61,663**		58,962
Fuel		**37,822**		30,898
Other current assets		**16,364**		19,109
Total current assets		**725,918**		753,137
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents		**253,984**		265,784
Investments		**311,130**		380,250
Accounts and interest receivable		**1,071**		1,071
Total restricted assets		**566,185**		647,105
Costs to be recovered from future revenues		**852,314**		851,046
Other assets		**32,221**		19,016
Total noncurrent assets		**1,450,720**		1,517,167
Net capital assets		**5,511,175**		5,465,444
Total assets		**7,687,813**		7,735,748
Deferred outflows of resources				
Accumulated decrease in fair value of hedging derivatives		**179,286**		161,485
Unrealized pension contributions and losses		**143,881**		131,554
Unamortized deferred losses on refundings		**100,314**		108,875
Unrealized asset retirement obligation		**35,241**		50,329
Unrealized OPEB contributions and losses		**9,406**		9,100
Total deferred outflows of resources		**468,128**		461,343
Total assets and deferred outflows of resources	**$**	**8,155,941**	$	8,197,091

See accompanying notes to financial statements.

JEA

Statements of Net Position (continued)
(In Thousands)

	September 2020	September 2019
Liabilities		
Current liabilities:		
Customer deposits and prepayments	**$ 71,304**	$ 73,974
Accounts and accrued expenses payable	**67,279**	53,813
Billings on behalf of state and local governments	**25,959**	26,292
Compensation and benefits payable	**14,599**	17,242
City of Jacksonville payable	**10,255**	10,269
Asset retirement obligations	**4,136**	18,884
Total current liabilities	**193,532**	200,474
Current liabilities payable from restricted assets:		
Debt due within one year	**102,700**	192,555
Interest payable	**52,856**	64,775
Construction contracts and accounts payable	**46,366**	66,775
Renewal and replacement reserve	**37,910**	46,955
Total current liabilities payable from restricted assets	**239,832**	371,060
Noncurrent liabilities:		
Net pension liability	**641,086**	566,372
Asset retirement obligations	**31,105**	31,445
Compensation and benefits payable	**31,342**	29,434
Net OPEB liability	**10,091**	18,256
Other liabilities	**20,556**	30,406
Total other noncurrent liabilities	**734,180**	675,913
Long-term debt:		
Debt payable, less current portion	**3,154,590**	3,428,080
Unamortized premium, net	**174,205**	118,125
Fair value of debt management strategy instruments	**177,288**	149,887
Total long-term debt	**3,506,083**	3,696,092
Total liabilities	**4,673,627**	4,943,539
Deferred inflows of resources		
Revenues to be used for future costs	**206,782**	238,690
Unrealized pension gains	**24,304**	50,880
Unrealized OPEB gains	**15,294**	11,249
Accumulated increase in fair value of hedging derivatives	**11,944**	-
Total deferred inflows of resources	**258,324**	300,819
Net position		
Net investment in capital assets	**2,584,074**	2,248,863
Restricted for:		
Capital projects	**204,855**	165,186
Debt service	**101,558**	193,063
Other purposes	**48,617**	42,005
Unrestricted	**284,886**	303,616
Total net position	**3,223,990**	2,952,733
Total liabilities, deferred inflows of resources, and net position	**$ 8,155,941**	$ 8,197,091

See accompanying notes to financial statements.

JEA

Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	September 2020	September 2019
Operating revenues		
Electric	**$ 1,203,688**	$ 1,259,815
Water and sewer	**469,914**	450,116
District energy system	**8,235**	8,504
Other	**32,621**	33,526
Total operating revenues	**1,714,458**	1,751,961
Operating expenses		
Operations and maintenance:		
Maintenance and other operating expenses	**422,925**	395,692
Fuel	**290,965**	330,328
Purchased power	**85,046**	135,245
Depreciation	**365,146**	362,313
State utility and franchise taxes	**69,769**	71,569
Recognition of deferred costs and revenues, net	**28,619**	44,792
Total operating expenses	**1,262,470**	1,339,939
Operating income	**451,988**	412,022
Nonoperating revenues (expenses)		
Interest on debt	**(141,213)**	(175,046)
Investment income	**15,721**	39,745
Allowance for funds used during construction	**19,713**	14,099
Other nonoperating income, net	**7,370**	9,082
Earnings from The Energy Authority	**2,848**	2,412
Other interest, net	**666**	(1,626)
Total nonoperating expenses, net	**(94,895)**	(111,334)
Income before contributions	**357,093**	300,688
Contributions (to) from		
General Fund, City of Jacksonville, Florida	**(118,824)**	(132,802)
Developers and other	**109,546**	97,726
Reduction of plant cost through contributions	**(76,558)**	(68,188)
Total contributions, net	**(85,836)**	(103,264)
Change in net position	**271,257**	197,424
Net position, beginning of year	**2,952,733**	2,755,309
Net position, end of year	**$ 3,223,990**	$ 2,952,733

See accompanying notes to financial statements.

JEA

Statements of Cash Flows
(In Thousands)

	September 2020	September 2019
Operating activities		
Receipts from customers	$ 1,657,763	$ 1,686,275
Payments to suppliers	(612,098)	(716,656)
Payments to employees	(262,229)	(233,377)
Other operating activities	34,063	33,088
Net cash provided by operating activities	817,499	769,330
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(118,733)	(132,707)
Net cash used in noncapital and related financing activities	(118,733)	(132,707)
Capital and related financing activities		
Defeasance of debt	(523,050)	(195,045)
Acquisition and construction of capital assets	(409,139)	(466,730)
Proceeds received from debt	352,260	2,000
Repayment of debt principal	(192,555)	(185,790)
Interest paid on debt	(154,096)	(169,836)
Capital contributions	32,988	29,538
Other capital financing activities	69,890	(3,835)
Net cash used in capital and related financing activities	(823,702)	(989,698)
Investing activities		
Purchase of investments	(268,366)	(415,403)
Proceeds from sale and maturity of investments	339,818	863,004
Investment income	13,166	27,471
Distributions from The Energy Authority	1,228	2,443
Net cash provided by investing activities	85,846	477,515
Net change in cash and cash equivalents	(39,090)	124,440
Cash and cash equivalents at beginning of year	680,222	555,782
Cash and cash equivalents at end of year	$ 641,132	$ 680,222
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 451,988	$ 412,022
Adjustments:		
Depreciation and amortization	366,311	363,534
Recognition of deferred costs and revenues, net	28,619	44,792
Other nonoperating income, net	373	2,035
Changes in noncash assets and noncash liabilities:		
Accounts receivable	7,062	(5,888)
Accounts receivable, restricted	-	8
Inventories	(9,626)	6,215
Other assets	(8,281)	2,903
Accounts and accrued expenses payable	11,371	(19,218)
Current liabilities payable from restricted assets	(7,939)	(5,299)
Other noncurrent liabilities and deferred inflows	(22,379)	(31,774)
Net cash provided by operating activities	$ 817,499	$ 769,330
Noncash activity		
Contribution of capital assets from developers	$ 76,558	$ 68,188
Unrealized gains (losses) on fair value of investments, net	$ 3,041	$ 13,314

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 consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company (Georgia Power) and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which is jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). 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, 2020 and 2019:

	2020	2019
Inventories	**$ 6,590**	$ 4,753
Other current assets	**320**	3,491
Costs to be recovered from future revenues	**940**	3,970
Net capital assets	**118,821**	127,207
Unrealized asset retirement obligations	**32,368**	32,282
Unamortized deferred losses on refundings	**801**	846
Current portion of asset retirement obligations	**1,263**	837
Accounts and accrued expenses payable	**991**	951
Debt due within one year	**6,975**	6,150
Interest payable	**1,858**	1,980
Long-term portion of asset retirement obligations	**31,105**	31,445
Long-term debt	**81,461**	88,403
Revenues to be used for future costs	**29,784**	33,682

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.

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

On June 26, 2020, the Board adopted Resolution 2020-06, which delegated authority to the Interim Managing Director and Chief Executive Officer to enter into a Cooperation Agreement with FPL (FPL Cooperation Agreement) for the closure on or before January 1, 2022 of Plant Scherer with the capacity and energy to be replaced by a 20-year PPA between JEA and FPL for natural gas-fired system product with a solar conversion option (FPL PPA). The FPL Cooperation Agreement was executed on August 25, 2020 and calls for the parties to cooperate in good faith in a joint effort to consummate the retirement of Plant Scherer and enter into the FPL PPA. However, unless and until a definitive agreement regarding the retirement has been executed, neither party is under any legal obligation to retire Plant Scherer.

(b) Basis of Accounting

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

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

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

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

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

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

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

(Dollars in Thousands)

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

(c) Revenues

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

Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to stabilization funds. Discounts and allowances totaled $35,895 in fiscal year 2020 and $34,996 in 2019. JEA withdrew the net amount of $33,510 in fiscal year 2020 and $36,713 in 2019 from stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 0.0% of its electric revenue from billings to FPL in fiscal year 2020 and 0.1% in 2019. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $74,566 in 2020 and $78,973 in 2019.

(d) Capital Assets

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

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

(e) Allowance for Funds Used During Construction

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

Average AFUDC Rate (%)	**2020**	**2019**
Electric Enterprise Fund	**4.3%**	4.4%
Water and Sewer Fund	**4.2%**	4.3%
District Energy System	**3.9%**	3.8%

(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 $141,213 for fiscal year 2020 and $175,046 for 2019, of which $19,713 was capitalized in fiscal year 2020 and $14,099 in 2019. Investment income on bond proceeds was $837 in fiscal year 2020 and $186 in 2019.

(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 become effective in fiscal year 2020. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.08% and 3.18% for fiscal years 2020 and 2019, 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)*	**2020**	**2019**
Electric Enterprise Fund	**23.4**	23.7
Water and Sewer Fund	**27.3**	27.4
District Energy System	**22.7**	23.7

(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 2020 and 2019, 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 $76,558 and $68,188 were recorded in fiscal years 2020 and 2019 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) 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.

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

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.

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.

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

The compensated absence liability as of September 30, 2020 was $35,402. Of this amount, $4,060 was included in compensation and benefits payable under current liabilities on the accompanying statements of net position. The remaining balance of $31,342 was included in compensation and benefits payable in noncurrent liabilities on the accompanying statements of net position. During fiscal year 2020, annual leave earned totaled $23,492 and annual leave taken totaled $20,243. The compensated absence liability as of September 30, 2019 was $32,094. Of this amount, $2,660 was included in compensation and benefits payable under current liabilities on the accompanying statements of net position. The remaining balance of $29,434 was included in compensation and benefits payable in noncurrent liabilities on the accompanying statements of net position. During fiscal year 2019, annual leave earned totaled $22,794 and annual leave taken totaled $21,583.

(q) Pollution Remediation Obligations

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

(r) 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 April 2020 meeting, the Board approved a one-time Fuel Charge credit to all customers in May 2020. 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 2019 amounts have been reclassified to conform to the 2020 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 2020

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. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments were effective upon issuance. There was no impact on JEA's financial reporting for the provisions of this statement that were effective for JEA in fiscal year 2020. See note 1(x) for portions of the statement that are not yet effective.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

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

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. There was no impact on JEA's financial reporting for the provisions of this statement that were effective for JEA in fiscal year 2020. See note 1(x) for portions of the statement that are not yet effective.

(x) Recently Issued Accounting Pronouncements Not Yet Effective

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for JEA in fiscal year 2021. The impact on JEA's financial reporting will be the reporting of its pension and other postemployment benefit plans in fiduciary fund financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for JEA in fiscal year 2022. The impact on JEA's financial reporting has not been determined.

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

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 is effective for JEA in fiscal year 2022. The implementation of this statement is not expected to have an impact on JEA's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for JEA in fiscal year 2021. The implementation of this statement is not expected to have an impact on JEA's financial statements.

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.

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. See note 1(w) for portions of this statement that were effective for fiscal year 2020. The remaining requirements are effective for JEA in fiscal year 2022. The impact on JEA's financial reporting for the fiscal year 2022 provisions has not been determined.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. 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 is effective for JEA in fiscal year 2022. All other requirements of this statement are effective for JEA for fiscal year 2021. All of JEA's LIBOR swaps will be replaced with SOFR (Secured Overnight Funding Rate) swaps by December 31, 2021.

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

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. See note 1(w) for portions of this statement that were effective for fiscal year 2020. 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.

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.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Regulatory Assets

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

Regulatory Asset		2020		2019
Unfunded pension costs	$	**527,330**	$	485,698
SJRPP and Bulk Power cost to be recovered		**232,605**		248,343
Environmental projects		**59,872**		74,129
Unfunded OPEB costs		**15,979**		20,405
Storm costs to be recovered		**8,610**		15,683
Debt issue cost		**7,918**		6,788
Total regulatory assets	$	**852,314**	$	851,046

Unfunded Pension Costs – Accrued pension represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation. In fiscal year 2020, the asset consisted of amounts attributable to JEA's portion of the GERP. For the SJRPP pension plan, JEA made excess contributions during fiscal year 2020 that resulted in a regulatory liability. See excess pension contributions in the Regulatory Liabilities section of this footnote. In fiscal year 2019, the balance includes amounts attributable to JEA's portion of the GERP and amounts related to the SJRPP Plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension.

SJRPP and Bulk Power costs to be recovered – SJRPP deferred debt-related costs of $232,335 at September 30, 2020 and $245,104 at September 30, 2019 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, 2020, SJRPP has remaining plant in service assets of $9,324 and outstanding debt of $265,105. 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 $270 at September 30, 2020 and $3,239 at September 30, 2019. 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.

(Dollars in Thousands)

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 $42,756 and $51,307 remained unrecovered as of September 30, 2020 and 2019, 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 $17,116 and $22,822 remained unrecovered as of September 30, 2020 and 2019. This deferral is being amortized over five years.

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

Regulatory Liabilities

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

Regulatory Liabilities	**2020**	**2019**
Fuel stabilization	**$ 73,347**	$ 47,153
Environmental	**45,190**	41,319
Nonfuel purchase power	**36,326**	56,870
Debt management stabilization	**–**	44,093
Bulk Power revenues to be used for future costs	**29,784**	33,682
Self-insurance medical reserve	**10,890**	11,210
Excess pension contributions	**5,821**	–
Customer benefit stabilization	**5,424**	4,363
Total regulatory liabilities	**$ 206,782**	$ 238,690

2. Regulatory Deferrals (continued)

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 revenue collected in excess of expense incurred and recognized as an addition to the regulatory liability during fiscal year 2020 was $26,194. Net expense incurred in excess of the revenue collected and recognized as a reduction of the regulatory liability during fiscal year 2019 was $27,223.

Environmental – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt-hour and water customer kilogallon sales. Electric costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Water costs included in the surcharge include operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or over-collected are recorded as a regulatory asset or liability. During fiscal year 2020, $33,146 was collected through the surcharge with $14,257 of recovery of previously approved environmental capital projects, $11,038 of capital projects, and $3,980 of operations and maintenance costs being incurred with the remaining $3,871 recognized as an addition to the regulatory liability. During fiscal year 2019, $32,678 was collected through the surcharge with $14,257 of recovery of previously approved environmental capital projects, $26,827 of capital projects, and $5,352 of operations and maintenance costs being incurred with the remaining $13,758 recognized as a reduction of the regulatory liability.

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. No deposits were made to the stabilization fund for fiscal year 2020. Deposits made to the stabilization fund were $17,566 for fiscal year 2019.

Debt management stabilization – The Board previously authorized the use of a debt management stabilization fund. Amounts were included in the fund based on differences between budgeted and actual debt cost up to an established maximum reserve fund. At the September 2019 board meeting, the Board approved the elimination of the debt management stabilization fund and the use of the corresponding funds to execute Phase 2 of the Strategic and Timely Asset Realignment plan.

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.

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.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

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, 2020 and 2019 are as follows:

	2020	2019
Beginning balance	**$ 11,210**	$ 8,139
Contributions	**30,027**	32,116
Incurred claims	**(30,347)**	(29,045)
Ending balance	**$ 10,890**	$ 11,210

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.

Customer benefit stabilization – The pricing policy adopted by the Board includes a demand side management surcharge. The costs approved for recovery through the surcharge included programs for the electrification, direct load control, demand side management, residential low-income efficiency programs, and customer utility optimization education programs.

3. Asset Retirement Obligations

Scherer

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, 2020, the total amount of the AROs at Scherer are $547,683, with JEA's minority share being $32,368. Of the total liability, $1,263 is recorded in asset retirement obligations in current liabilities and $31,105 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of $32,368, which is recorded in deferred outflows of resources.

At September 30, 2019, the total amount of the AROs at Scherer are $546,227, with JEA's minority share being $32,282. Of the total liability, $837 is recorded in current portion of asset retirement obligations and $31,445 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by $32,282, which is recorded in the separate line item, unrealized asset retirement obligation, 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.

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. A Purchased Power Agreement (PPA) in the JOA assigned 37.5% of JEA's 80% generation to FPL, which effectively provided 50% of the generation to both owners of SJRPP. The JOA ends on April 2, 2022. JEA and FPL reached an agreement to close SJRPP, including early termination of the PPA. On May 16, 2017, JEA's board of directors approved the Asset Transfer and Contract Termination Agreement, which outlined the terms of the retirement, decommissioning, and dismantling of the plant. The week following, FPL approved the contract and filed a petition with the Florida Public Service Commission (FPSC) for approval to shut down SJRPP. 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.

(Dollars in Thousands)

3. Asset Retirement Obligations (continued)

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 March 2021. 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 is approximately $2,873 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.

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2020 and 2019:

	September 30, 2020				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	**$ 138,696**	**$ 37,910**	**$ 38,138**	**$ 1,868**	**$ 216,612**
Sinking Fund	**91,358**	**18,928**	**41,660**	**2,373**	**154,319**
Debt Service Reserve Fund	**55,844**	**10,555**	**58,228**	**–**	**124,627**
Revenue Fund	**–**	**32,062**	**–**	**–**	**32,062**
Construction Fund	**311**	**–**	**25,541**	**–**	**25,852**
Adjustment to fair value of investments	**5,772**	**101**	**5,890**	**–**	**11,763**
Environmental Fund	**301**	**–**	**649**	**–**	**950**
Total	**$ 292,282**	**$ 99,556**	**$ 170,106**	**$ 4,241**	**$ 566,185**

	September 30, 2019				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	$ 83,017	$ 46,955	$ 48,803	$ 4,398	$ 183,173
Sinking Fund	153,650	19,635	80,775	2,356	256,416
Debt Service Reserve Fund	65,433	10,984	63,441	–	139,858
Revenue Fund	–	28,079	–	–	28,079
Construction Fund	–	–	28,968	–	28,968
Adjustment to fair value of investments	4,388	107	4,225	–	8,720
Environmental Fund	–	–	1,891	–	1,891
Total	$ 306,488	$ 105,760	$ 228,103	$ 6,754	$ 647,105

4. Restricted Assets (continued)

The Electric System, SJRPP System, Bulk Power Supply, 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.

5. Cash and Investments

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

JEA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value or cost, which is further explained in note 14, Fair Value Measurements.

(Dollars in Thousands)

5. Cash and Investments (continued)

At September 30, 2020 and 2019, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2020	2019
Securities:		
Money market mutual funds	**$ 248,983**	$ 126,452
Local government investment pool	**181,891**	188,130
State and local government securities	**140,950**	183,116
U.S. Treasury and government agency securities	**110,875**	184,525
Commercial paper	**63,765**	44,266
Total securities, at fair value	**$ 746,464**	$ 726,489

These securities are held in the following accounts:

	2020	2019
Current assets:		
Cash and cash equivalents	**$ 387,148**	$ 414,438
Investments	**3,107**	2,399
Restricted assets:		
Cash and cash equivalents	**253,984**	265,784
Investments	**311,130**	380,250
Total cash and investments	**955,369**	1,062,871
Less: cash on deposit	**(210,257)**	(338,220)
Plus: interest due on securities	**1,352**	1,838
Total securities, at fair value	**$ 746,464**	$ 726,489

(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, 2020, 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, 2020 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	$ 248,983	$ –	$ –	$ –	$ 248,983
Local government investment pools	181,891	–	–	–	181,891
State and local government securities	13,754	33,089	36,521	57,586	140,950
U.S. Treasury and government agency securities	95,628	4,376	5,169	5,702	110,875
Commercial paper	63,765	–	–	–	63,765
Total securities, at fair value	$ 604,021	$ 37,465	$ 41,690	$ 63,288	$ 746,464

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, 2020, 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, 2020, JEA had 8.5% 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, 2020, investments in any one issuer representing 5% or more of JEA's investments included $110,875 (14.9%) 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, 2020, investments in all security types were within the allowable policy limits.

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

6. Capital Assets

Capital asset activity for the year ended September 30, 2020 is as follows:

	Balance September 30, 2019	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2020
Electric Enterprise Fund:					
Generation assets	$ 3,798,017	$ –	$ (5,530)	$ 60,682	$ 3,853,169
Transmission assets	593,911	–	(20)	51,893	645,784
Distribution assets	2,050,306	–	(4,980)	87,007	2,132,333
Other assets	472,398	–	(5,379)	53,626	520,645
Total capital assets	6,914,632	–	(15,909)	253,208	7,151,931
Less: accumulated depreciation and amortization	(4,565,606)	(202,925)	15,909	–	(4,752,622)
Land	131,117	(200)	–	(708)	130,209
Construction work-in-process	203,901	203,300	–	(252,500)	154,701
Net capital assets	2,684,044	175	–	–	2,684,219
Water and Sewer Fund:					
Pumping assets	561,875	–	(5,070)	40,695	597,500
Treatment assets	681,301	–	(6,220)	128,617	803,698
Transmission and distribution assets	1,254,028	–	(72)	44,327	1,298,283
Collection assets	1,532,283	–	(291)	66,146	1,598,138
Reclaimed water assets	138,843	–	–	20,025	158,868
General and other assets	423,761	–	(3,406)	36,151	456,506
Total capital assets	4,592,091	–	(15,059)	335,961	4,912,993
Less: accumulated depreciation	(2,242,977)	(155,902)	15,059	4,189	(2,379,631)
Land	61,293	–	(633)	22,799	83,459
Construction work-in-process	337,716	196,828	–	(358,761)	175,783
Net capital assets	2,748,123	40,926	(633)	4,188	2,792,604
District Energy System:					
Chilled water plant assets	57,150	–	(1,115)	3,495	59,530
Total capital assets	57,150	–	(1,115)	3,495	59,530
Less: accumulated depreciation	(27,728)	(2,642)	1,115	–	(29,255)
Land	3,051	–	–	–	3,051
Construction work-in process	804	3,717	–	(3,495)	1,026
Net capital assets	33,277	1,075	–	–	34,352
Total	$ 5,465,444	$ 42,176	$ (633)	$ 4,188	$ 5,511,175

(Dollars in Thousands)

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2019 is as follows:

	Balance September 30, 2018	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2019
Electric Enterprise Fund:					
Generation assets	$ 3,699,914	$ –	$ (2,114)	$ 100,217	$ 3,798,017
Transmission assets	593,858	–	(3,853)	3,906	593,911
Distribution assets	2,000,076	–	(16,326)	66,556	2,050,306
Other assets	448,877	–	(5,558)	29,079	472,398
Total capital assets	6,742,725	–	(27,851)	199,758	6,914,632
Less: accumulated depreciation and amortization	(4,385,170)	(208,287)	27,851	–	(4,565,606)
Land	130,286	–	(3)	834	131,117
Construction work-in-process	174,527	276,978	–	(247,604)	203,901
Net capital assets	2,662,368	68,691	(3)	(47,012)	2,684,044
Water and Sewer Fund:					
Pumping assets	525,648	–	(2,320)	38,547	561,875
Treatment assets	646,269	–	(1,746)	36,778	681,301
Transmission and distribution assets	1,206,880	–	(1,226)	48,374	1,254,028
Collection assets	1,508,598	–	(52)	23,737	1,532,283
Reclaimed water assets	137,534	–	–	1,309	138,843
General and other assets	407,065	–	(3,768)	20,464	423,761
Total capital assets	4,431,994	–	(9,112)	169,209	4,592,091
Less: accumulated depreciation	(2,108,027)	(148,250)	9,111	4,189	(2,242,977)
Land	61,215	–	(11)	89	61,293
Construction work-in-process	297,682	209,331	–	(169,297)	337,716
Net capital assets	2,682,864	61,081	(12)	4,190	2,748,123
District Energy System:					
Chilled water plant assets	56,376	–	(261)	1,035	57,150
Total capital assets	56,376	–	(261)	1,035	57,150
Less: accumulated depreciation	(25,554)	(2,429)	255	–	(27,728)
Land	3,051	–	–	–	3,051
Construction work-in process	1,154	679	–	(1,029)	804
Net capital assets	35,027	(1,750)	(6)	6	33,277
Total	$ 5,380,259	$ 128,022	$ (21)	$ (42,816)	$ 5,465,444

(Dollars in Thousands)

7. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has eight members, and JEA's ownership interest in TEA is 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 $2,848 in fiscal year 2020 and $2,412 in 2019 for all power marketing activities. JEA's distributions from TEA were $1,228 in fiscal year 2020 and $2,443 in 2019. The investment in TEA was $8,619 at September 30, 2020 and $6,999 at September 30, 2019 and is included in noncurrent assets on the accompanying statement of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2020 and 2019. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2020	**2019**
Condensed statement of net position:		
Current assets	**$ 155,621**	$ 167,808
Noncurrent assets	**22,752**	23,666
Total assets	**$ 178,373**	$ 191,474
Current liabilities	**$ 127,800**	$ 151,620
Noncurrent liabilities	**275**	50
Members' capital	**50,298**	39,804
Total liabilities and members' capital	**$ 178,373**	$ 191,474
Condensed statement of operations:		
Operating revenues	**$ 901,423**	$ 1,279,819
Operating expenses	**852,836**	1,217,046
Operating income	**$ 48,587**	$ 62,773
Net income	**$ 48,619**	$ 61,568

As of September 30, 2020, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28,929 and TEA's natural gas procurement and trading activities up to $33,800, 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.

Under a separate agreement, TEA contracted with Southern Power Company ("Southern"), on JEA's behalf, for the purchase and sale of capacity and energy from Southern's Wansley plant located in Heard County, GA, covering the term from January 1, 2018 to December 31, 2019. In turn, JEA guaranteed the payment obligations in the agreement up to $9,000 as well as all reasonable fees and expenses of Southern's counsel in any way relating to the enforcement of Southern's rights under the agreement.

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 2020 and 2019.

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2020	2019
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	2020-2040	**59,195**	59,620
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	2020-2036	**48,585**	49,010
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	2020-2036	**103,530**	106,275
Series Three 2009D[4]	6.056%	2033-2044	**45,955**	45,955
Series Three 2010A	N/A	N/A	**–**	5,070
Series Three 2010C	N/A	N/A	**–**	1,290
Series Three 2010D	5.000%	2020	**1,145**	1,205
Series Three 2010E[4]	5.350-5.482%	2028-2040	**34,255**	34,255
Series Three 2012A	4.000-4.500%	2027-2033	**16,210**	16,210
Series Three 2012B	5.000%	2033-2039	**2,050**	85,615
Series Three 2013A	5.000%	2020-2022	**39,880**	49,050
Series Three 2013B	N/A	N/A	**–**	7,500
Series Three 2013C	4.600-5.000%	2020-2030	**8,855**	10,555
Series Three 2014A	N/A	N/A	**–**	9,350
Series Three 2015A	5.000%	2020-2021	**4,825**	59,005
Series Three 2015B	5.000%	2030-2031	**4,535**	17,225
Series Three 2017A	N/A	N/A	**–**	18,670
Series Three 2017B	3.375 - 5.000%	2026-2039	**198,095**	198,095
Series Three 2020A	3.000 - 5.000%	2026-2041	**129,255**	–
Total Electric System Senior Revenue Bonds			**940,100**	1,017,685

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2020	September 30 2019
Electric System Subordinated Revenue Bonds:				
2000 Series A[2]	Variable	2021-2035	**$ 30,965**	$ 30,965
2000 Series F-1[2]	Variable	2026-2030	**37,200**	37,200
2000 Series F-2[2]	Variable	2026-2030	**24,800**	24,800
2008 Series D[2]	Variable	2024-2038	**39,455**	39,455
2009 Series F[4]	5.000-6.406%	2020-2034	**60,605**	62,155
2009 Series G	N/A	N/A	**–**	14,665
2010 Series B	5.000%	2020	**2,155**	3,115
2010 Series D[4]	4.250-5.582%	2020-2027	**39,345**	42,050
2012 Series A	3.375-5.000%	2020-2033	**52,480**	55,515
2012 Series B	5.000%	2029-2034	**1,060**	50,030
2013 Series A	5.000%	2020-2029	**12,660**	37,330
2013 Series B	5.000%	2020-2022	**13,225**	17,165
2013 Series C	5.000%	2021-2037	**36,975**	74,750
2013 Series D	5.000-5.250%	2020-2027	**18,275**	50,115
2014 Series A	5.000%	2020-2039	**63,865**	94,265
2017 Series A	N/A	N/A	**–**	1,290
2017 Series B	3.375-5.000%	2020-2034	**143,175**	171,700
2020 Series A	4.000-5.000%	2028-2038	**92,415**	–
Total Electric System Subordinated Revenue Bonds			**668,655**	806,565
Bulk Power Supply System Revenue Bonds:				
Series 2010A[4]	4.900-5.920%	2020-2030	**$ 32,215**	$ 34,355
Series 2014A	2.000-4.125%	2020-2038	**56,645**	60,655
Total Bulk Power System Revenue Bonds			**88,860**	95,010
SJRPP System Revenue Bonds:				
Issue Three, Series One	4.500%	2037	**100**	100
Issue Three, Series Two	5.000%	2034-2037	**29,370**	29,370
Issue Three, Series Four[4]	4.700-5.450%	2020-2028	**18,915**	20,690
Issue Three, Series Six	2.375-5.000%	2020-2037	**85,650**	91,330
Issue Three, Series Seven	2.000-3.625%	2020-2033	**75,380**	79,500
Issue Three, Series Eight	2.000-4.000%	2020-2039	**55,690**	57,895
Total SJRPP System Revenue Bonds			**265,105**	278,885

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2020	September 30 2019
Water and Sewer System Senior Revenue Bonds:				
2006 Series B[5]	Variable	2020-2022	**$ 19,110**	$ 24,850
2008 Series A-2[2]	Variable	2028-2042	**51,820**	51,820
2008 Series B[2]	Variable	2023-2041	**85,290**	85,290
2009 Series B	N/A	N/A	**–**	8,915
2010 Series A[4]	6.210-6.310%	2026-2044	**83,115**	83,115
2010 Series B	5.300-5.700%	2020-2025	**10,380**	12,110
2010 Series D	N/A	N/A	**–**	24,125
2010 Series E	N/A	N/A	**–**	8,570
2010 Series F[4]	4.000-5.887%	2020-2040	**39,700**	42,095
2012 Series A	3.000-5.000%	2023-2041	**152,105**	153,175
2012 Series B	3.000-5.000%	2024-2034	**13,170**	73,270
2013 Series A	4.500-5.000%	2023-2027	**4,995**	17,575
2014 Series A	2.000-5.000%	2020-2040	**154,000**	212,960
2017 Series A	3.125-5.000%	2023-2041	**346,770**	360,775
2020 Series A	3.000-5.000%	2023-2040	**104,000**	–
Total Water and Sewer System Senior Revenue Bonds			**1,064,455**	1,158,645
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2020-2038	**46,650**	48,850
Subordinated 2008 Series A-2[2]	Variable	2030-2038	**25,600**	25,600
Subordinated 2008 Series B-1[2]	Variable	2030-2036	**30,885**	30,885
Subordinated 2010 Series A	N/A	N/A	**–**	2,790
Subordinated 2010 Series B	N/A	N/A	**–**	2,060
Subordinated 2012 Series B	3.250-5.000%	2030-2034	**4,480**	29,685
Subordinated 2013 Series A	0.05	2028-2029	**2,760**	25,210
Subordinated 2017 Series A	2.750-5.000%	2023-2034	**55,015**	58,940
Subordinated 2020 Series A	4.000-5.000%	2024-2040	**26,590**	–
Total Water and Sewer System Subordinated Revenue Bonds			**191,980**	224,020

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[(1)]	Payment Dates	September 30 2020	September 30 2019
Water and Sewer System Other Subordinated Debt:				
Revolving Credit Agreement[(6)]	Variable	2021	**$ 5,000**	$ 5,000
Total Water and Sewer System Other Subordinated Debt			**5,000**	5,000
District Energy System:				
2013 Series A	2.415-4.538%	2020-2034	**33,135**	34,825
Total District Energy System			**33,135**	34,825
Total Debt Principal Outstanding			**3,257,290**	3,620,635
Less: Debt Due Within One Year			**(102,700)**	(192,555)
Total Long-Term Debt			**$ 3,154,590**	$ 3,428,080

(1) Interest rates apply only to bonds outstanding at September 30, 2020. 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 weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2020 and 2019.

(2) Variable rate demand obligations – interest rates ranged from 0.10% to 0.28% at September 30, 2020.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.62% at September 30, 2020.

(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 ranged from 3.47% to 3.49% at September 30, 2020.

(6) Revolving Credit Agreement – interest rate was 1.30% at September 30, 2020.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excluding the revolving credit agreement) for the year ended September 30, 2020 was as follows:

System	Debt Payable September 30, 2019	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2020	Current Portion of Debt Payable September 30, 2020
Electric:						
Revenue	$ 1,609,345	$ 221,670	$ (320,935)	$ (112,635)	$ 1,397,445	$ 54,285
Direct purchase	214,905	–	–	(3,595)	211,310	6,505
Total electric	1,824,250	221,670	(320,935)	(116,230)	1,608,755	60,790
Bulk Power Supply	95,010	–	–	(6,150)	88,860	6,975
SJRPP	278,885	–	–	(13,780)	265,105	13,340
Water and Sewer	1,382,665	130,590	(202,115)	(54,705)	1,256,435	19,870
DES	34,825	–	–	(1,690)	33,135	1,725
Total	$ 3,615,635	$ 352,260	$ (523,050)	$ (192,555)	$ 3,252,290	$ 102,700

Long-term debt activity (excluding the revolving credit agreement) for the year ended September 30, 2019 was as follows:

System	Debt Payable September 30, 2018	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2019	Current Portion of Debt Payable September 30, 2019
Electric:						
Revenue	$ 1,830,990	$ –	$ (100,090)	$ (121,555)	$ 1,609,345	$ 112,635
Direct purchase	218,330	–	–	(3,425)	214,905	3,595
Total electric	2,049,320	–	(100,090)	(124,980)	1,824,250	116,230
Bulk Power Supply	100,720	–	–	(5,710)	95,010	6,150
SJRPP	280,605	–	–	(1,720)	278,885	13,780
Water and Sewer	1,529,340	–	(94,955)	(51,720)	1,382,665	54,705
DES	36,485	–	–	(1,660)	34,825	1,690
Total	$ 3,996,470	$ –	$ (195,045)	$ (185,790)	$ 3,615,635	$ 192,555

(Dollars in Thousands)

8. Long-Term Debt (continued)

The debt service payments to maturity on the outstanding debt (excluding the revolving credit agreement) as of September 30, 2020 are summarized below.

Fiscal Year	Electric System Revenue Principal	Electric System Revenue Interest[(1)(2)]	Electric System Direct Purchase Principal	Electric System Direct Purchase Interest[(2)]	Bulk Power Supply System Principal	Bulk Power Supply System Interest[(1)]
2021	$ 54,285	$ 45,570	$ 6,505	$ 1,230	$ 6,975	$ 3,607
2022	50,545	46,065	8,595	1,182	7,080	3,386
2023	35,785	44,058	8,925	1,128	7,270	3,138
2024	8,830	43,114	7,950	1,080	7,485	2,868
2025	19,745	42,760	10,190	1,020	4,760	2,631
2026–2030	362,765	187,062	69,820	3,956	24,005	9,850
2031–2035	454,535	115,271	63,235	1,750	17,010	4,401
2036–2040	372,970	37,145	35,370	353	14,275	1,267
2041–2045	37,985	3,851	720	–	–	–
Total	$ 1,397,445	$ 564,896	$ 211,310	$ 11,699	$ 88,860	$ 31,148

Fiscal Year	SJRPP Principal	SJRPP Interest[(1)]	Water and Sewer System Principal	Water and Sewer System Interest[(1)(2)]	District Energy System Principal	District Energy System Interest	Total Debt Service
2021	$ 13,340	$ 10,169	$ 19,870	$ 45,409	$ 1,725	$ 1,275	$ 209,960
2022	14,175	9,602	9,370	46,699	1,770	1,230	199,699
2023	15,285	9,002	9,850	46,410	1,815	1,179	183,845
2024	15,865	8,377	53,490	45,076	1,870	1,121	197,126
2025	16,445	7,710	56,815	42,638	1,930	1,058	207,702
2026–2030	87,035	29,203	289,090	174,171	10,770	4,124	1,251,851
2031–2035	62,475	14,670	302,970	113,103	13,255	1,553	1,164,228
2036–2040	40,485	3,573	363,790	54,659	–	–	923,887
2041–2045	–	–	151,190	7,686	–	–	201,432
Total	$ 265,105	$ 92,306	$ 1,256,435	$ 575,851	$ 33,135	$ 11,540	$ 4,539,730

(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, 2020.

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

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2021	2021	2021	2021	2023
Redemption price	100%	100%	100%	100%	100%

(Dollars in Thousands)

8. Long-Term Debt (continued)

JEA debt issued during fiscal year 2020 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 2020A	Refunding(1)	Senior	Jul 2020	$ 129,255	$ 159,705	$ (2,378)
Electric	2020 Series A	Refunding(2)	Subordinated	Jul 2020	92,415	113,160	(315)
Water and Sewer	2020 Series A	Refunding(3)	Senior	Jul 2020	104,000	125,055	(1,108)
Water and Sewer	2020 Series A	Refunding(4)	Subordinated	Jul 2020	26,590	31,635	(417)
					$ 352,260	$ 429,555	$ (4,218)

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $216,057 compared to prior debt service of $251,962 and $25,527 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $146,777 compared to prior debt service of $172,616 and $20,780 of net present value economic savings.

(3) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $167,050 compared to prior debt service of $199,140 and $25,225 of net present value economic savings.

(4) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $43,368 compared to prior debt service of $50,638 and $6,219 of net present value economic savings.

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	$ 499,745	$ 170,585	December 31, 2020
Bulk Power Supply System	60,000	N/A	December 31, 2020
SJRPP Issue Three	250,000	N/A	December 31, 2020
Water and Sewer	209,000	124,410	December 31, 2020

8. Long-Term Debt (continued)

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, 2020, 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 0.42% to 0.675% with stated termination dates ranging from March 19, 2021 to September 18, 2023, 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, 2020, 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, 2020 and 2019, JEA did not default on any terms of the continuing covenant agreements. The current expiration date of the continuing covenant agreements is December 10, 2021, unless otherwise extended. The interest rate is variable and set weekly based upon SIFMA plus 50 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, 2020 and 2019, JEA did not default on any terms of the revolving credit agreement. During fiscal year 2019, the revolving credit agreement was drawn upon by the Water and Sewer System for $2,000, increasing the outstanding balance to $5,000, which remains outstanding as of September 30, 2020, with $495,000 available to be drawn. The revolving credit agreement is scheduled to expire on May 24, 2021.

Debt Management Strategy

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

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

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

(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, 2020, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	**$ 174,000**	**$ 84,800**	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	**116,425**	**84,775**	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	**38,730**	**19,110**	4.0-4.1%	Oct 2006	Oct 2020-2022	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	**$ 510,385**				

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, 2019, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	**$ 174,000**	**$ 84,800**	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	**116,425**	**85,200**	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	**38,730**	**24,850**	4.0-4.1%	Oct 2006	Oct 2019-2022	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	**$ 516,550**				

(Dollars in Thousands)

8. Long-Term Debt (continued)

The following table includes fiscal year 2020 and 2019 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, 2020		
System	**Classification**	**Amount**	**Classification**	**Amount[1]**	**Notional**
Electric	Deferred outflows	$ 20,986	Fair value of debt management strategy instruments	$ (139,607)	$ 405,985
Water and Sewer	Deferred outflows	6,415	Fair value of debt management strategy instruments	(37,681)	104,400
Total		$ 27,401		$ (177,288)	$ 510,385

	Changes in Fair Value		Fair Value at September 30, 2019		
System	**Classification**	**Amount**	**Classification**	**Amount[1]**	**Notional**
Electric	Deferred outflows	$ 48,518	Fair value of debt management strategy instruments	$ (118,621)	$ 406,410
Water and Sewer	Deferred outflows	15,013	Fair value of debt management strategy instruments	(31,266)	110,140
Total		$ 63,531		$ (149,887)	$ 516,550

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

For fiscal years ended September 30, 2020 and 2019, 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:

	2020	2019
68% of LIBOR Index:		
Notional amount outstanding	$ 208,750	$ 209,175
Variable rate received (weighted average)	0.71%	1.62%
Fixed rate paid (weighted average)	3.69%	3.69%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	$ 282,525	$ 282,525
Variable rate received (weighted average)	0.83%	1.56%
Fixed rate paid (weighted average)	4.02%	4.02%
CPI Index:		
Notional amount outstanding	$ 19,100	$ 24,850
Variable rate received (weighted average)	3.14%	3.23%
Fixed rate paid (weighted average)	4.05%	4.04%
Net debt management swap loss	$ (15,348)	$ (11,445)

(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, 2020:

Electric System

Fiscal Year	Principal	Interest[(1)]	Net Swap Interest	Total
2021	$ 3,200	$ 1,211	$ 15,227	$ 19,638
2022	3,275	1,199	15,111	19,585
2023	3,375	1,190	14,991	19,556
2024	5,400	1,174	14,798	21,372
2025	13,840	1,134	14,319	29,293
2026–2030	143,610	4,548	57,403	205,561
2031–2035	138,700	2,112	26,721	167,533
2036–2040	94,585	481	6,395	101,461
Total	$ 405,985	$ 13,049	$ 164,965	$ 583,999

Water and Sewer System

Fiscal Year	Principal	Interest[(1)]	Net Swap Interest	Total
2021	$ 9,195	$ 590	$ 3,322	$ 13,107
2022	4,860	345	3,282	8,487
2023	5,055	173	3,253	8,481
2024	4,035	81	3,097	7,213
2025	4,420	77	2,930	7,427
2026–2030	9,140	344	13,050	22,534
2031–2035	9,660	314	11,906	21,880
2036–2040	36,315	199	7,559	44,073
2041-2045	21,720	13	490	22,223
Total	$ 104,400	$ 2,136	$ 48,889	$ 155,425

(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, 2020. 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, 2020.

(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, 2020, 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, 2020.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2020, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A3/A	$ 164,665
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa2/AA	123,950
Merrill Lynch Derivative Products AG	A-/A2/A+	85,290
Total		$ 510,385

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, 2020, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.28%, the SIFMA swap index rate is 0.12%, and 68% of LIBOR is 0.11%.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Termination Risk – JEA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument 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:

	2020	2019
Revenues	**$ 26,420**	$ 27,494
Expenses	**$ 6,154**	$ 5,393

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 2021. On February 28, 2019, the agreement was amended to extend its expiration date to September 30, 2023 and to make an additional contribution to the City of $15,155.

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:

		2020		2019
Electric	**$**	**93,871**	$	92,952
Water and Sewer	**$**	**24,953**	$	39,850

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 2021, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

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:

		2020		2019
Electric	**$**	**28,191**	$	29,110
Water and Sewer	**$**	**10,963**	$	10,802

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 $1,200. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis, depending on the claims experience of JEA and other participants in the City's self-insurance program. The liabilities are based on the estimated ultimate cost of settling the claim including the effects of inflation and other societal and economic factors. The JEA workers' compensation expense is the premium charged by the City's self-insurance plan. JEA is also a participant in the City's general liability insurance program. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs. These amounts are included in operating expenses and were as follows:

	2020	**2019**
General liability	**$ 2,066**	$ 2,042
Workers' compensation	**$ 1,729**	$ 1,212

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, 2020 and 2019. The amounts are recorded by the City at present value using a 4% discount rate for the fiscal years ended September 30, 2020 and September 30, 2019.

	Workers' Compensation		**General Liability**	
	City of Jacksonville	**JEA Portion**	**City of Jacksonville**	**JEA Portion**
Beginning balance	$ 102,758	$ 2,864	$ 16,545	$ 2,661
Change in provision	28,880	542	7,650	(229)
Payments	(22,407)	(699)	(6,434)	(936)
Ending balance	$ 109,231	$ 2,707	$ 17,761	$ 1,496

Vulcan Construction Materials LP

JEA purchases limestone from Vulcan Construction Materials LP (Vulcan) for use in generation of electricity at its Northside power plant. The largest private shareholder of Vulcan is the Baker family, of which John D. Baker II, JEA Board Chairman, is a member. JEA executed its current contract with Vulcan prior to Mr. Baker's appointment to the Board. The contract will expire on December 31, 2021. In fiscal year 2020 and 2019, JEA purchased limestone from Vulcan of $7,636 and $6,289, respectively.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments

JEA has made long-term commitments to purchase approximately 734,000 tons of coal for Scherer Unit 4 between October 2020 and December 2021. Additionally, in September 2020, JEA has committed to purchase approximately 105,000 tons each of coal and pet 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 contracts. The majority of JEA's coal and petroleum coke supply is purchased with transportation included.

In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends the rail contract through calendar year 2028. Georgia Power has also entered into an agreement with the Norfolk Southern Railway Company (NS) that extends through December 31, 2020.

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with Shell Energy North America L.P. (Shell Energy) that expire in 2021. In October 2019, the JEA Board approved a 10-year extension of the agreement with Shell Energy. Contract terms for the natural gas supply specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition to the gas delivered by Shell Energy, JEA has long-term contracts with Peoples Gas system, Florida Gas Transmission, Southern Natural Gas and SeaCoast Gas Transmission for firm gas transportation to allow the delivery of natural gas through those pipeline systems. There is no purchase commitment of natural gas associated with those transportation contracts.

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by remarketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate appears in the table below:

Fiscal Year	Coal and Pet Coke		Natural Gas		
Ending	Fuel	Transportation	Transportation	Transmission	Total
2021	$ 2,177	$ 2,094	$ 7,024	$ 6,495	$ 17,790
2022	358	–	6,606	6,563	13,527
2023	–	–	6,606	6,944	13,550
2024	–	–	6,624	7,293	13,917
2025	–	–	6,606	7,921	14,527
2026-2045	–	–	37,447	174,887	212,334
Total	$ 2,535	$ 2,094	$ 70,913	$ 210,103	$ 285,645

10. Fuel Purchase and Purchased Power Commitments (continued)

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 13% of JEA's total energy requirements in the year 2023.

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.

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 $6,343,600, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. 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 $6,820,200. 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 $2,892,995.

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 approximately $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 2029. The exact amount of such reduction is determined on or about the beginning of the federal government's fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 5.7% became effective on October 1, 2020. 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 Series 2019A Bonds.

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, 2020. 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
Remaining financing requirement	59,490
Total long-term bonds	2,064,030
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	141,686
Total capital requirements(2)	$ 2,892,995

(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, 2020, including the October 2, 2020 DOE advances, is summarized as follows:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
2021	$ 26,297	$ 127,636	$ 153,933	$ (27,100)	$ (100,536)	$ 26,297
2022	27,330	126,809	154,139	(26,790)	(51,168)	76,181
2023	30,202	126,259	156,461	(26,466)	(6,919)	123,076
2024	31,574	124,907	156,481	(26,129)	–	130,352
2025	32,762	123,364	156,126	(25,776)	–	130,350
2026	33,975	121,796	155,771	(25,409)	–	130,362
2027	35,207	120,230	155,437	(25,026)	–	130,411
2028	36,568	118,429	154,997	(24,626)	–	130,371
2029	37,936	116,689	154,625	(24,209)	–	130,416
2030	39,362	114,843	154,205	(23,774)	–	130,431
2031	40,847	112,919	153,766	(23,320)	–	130,446
2032	42,345	111,003	153,348	(22,847)	–	130,501
2033	44,014	108,802	152,816	(22,353)	–	130,463
2034	45,709	106,629	152,338	(21,838)	–	130,500
2035	47,445	104,389	151,834	(21,301)	–	130,533
2036	41,971	102,053	144,024	(20,740)	–	123,284
2037	30,478	99,568	130,046	(20,155)	–	109,891
2038	25,725	97,050	122,775	(19,545)	–	103,230
2039	23,565	94,311	117,876	(18,909)	–	98,967
2040	13,677	91,517	105,194	(18,246)	–	86,948
2041	9,912	88,578	98,490	(17,553)	–	80,937
2042	5,515	44,719	50,234	(9,217)	–	41,017
2043	770	5,950	6,720	(1,249)	–	5,471
Total	$ 703,186	$ 2,388,450	$ 3,091,636	$ (492,578)	$ (158,623)	$ 2,440,435

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 $2,892,995. 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 November 2021 and November 2022, 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, 2020, 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.

Regulatory Proceedings – On September 17, 2018, JEA filed a petition with the Federal Energy Regulatory Commission (FERC) seeking a determination that FERC has exclusive jurisdiction pursuant to the Federal Power Act over the Additional Vogtle Units PPA (FERC Petition). Numerous entities, including MEAG, public utilities, municipalities, and trade groups, filed comments with FERC challenging the theories of law and arguments raised in the FERC Petition. On February 21, 2019, FERC issued an order denying the FERC Petition and disclaimed jurisdiction over the Additional Vogtle Units PPA. JEA did not seek FERC's reconsideration of the order.

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 purchased power agreement with Jacksonville Solar, LLC for the produced energy, as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and generated approximately 17,818 MWh of electricity in 2020 and 18,018 MWh of electricity in 2019. JEA pays only for the energy produced. Purchases of energy were $3,676 for fiscal year 2020 and $3,619 in 2019.

As part of JEA's continued commitment to the environment, and to increase JEA's level of carbon-free renewable energy generation, in December 2014, the Board established a solar policy to add up to 38 MWac of solar photovoltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Seven PPAs, representing 27 MWac, have been finalized. 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 purchased power agreements for the energy and the associate environmental attributes from each solar farm. The solar facilities generated approximately 50,966 MWh in 2020 and 41,932 MWh in 2019. JEA pays only for the energy produced. Purchases of energy were $3,864 for fiscal year 2020 and $3,133 in 2019.

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, are structured as PPAs. EDF-DS was selected as the vendor for the sites and contract were executed in January 2019. Preliminary site work is underway. It is expected the facilities will be phased into service with all sites completed by 2022.

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 89,646 MWh for $6,503 in fiscal year 2020 and 87,864 MWh for $5,813 in 2019.

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 February 2019 through December 2023, covering approximately 40% in calendar years 2019 through 2023 of its expected annual natural gas requirements.

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, 2020, deferred charges of $1,998 were included in accumulated decrease in fair value of hedging derivatives and deferred credits of $11,944 were included in accumulated increase in fair value of hedging derivatives on the statement of net position. At September 30, 2019, deferred charges of $11,598 were included in accumulated decrease 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 losses in fuel expense of $15,524 in fiscal year 2020 and realized gains offsetting fuel expense of $789 in 2019.

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 2019 Comprehensive Annual Financial Report of the City. This report may be obtained at: https://www.coj.net/departments/finance/docs/budget/2019-jacksonville-cafr-sec.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.

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%.

12. Pension Plans (continued)

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 9.7% of their annual covered salary. JEA's pension contribution for the DB plan was $37,592 (27.20%) in fiscal year 2020 and $33,856 (24.49%) in 2019.

JEA plan members of the DC plan were required to contribute 7.7% of their annual covered salary. JEA's pension contribution for the DC plan was $3,452 (11.72%) in fiscal year 2020 and $2,783 (10.83%) in 2019. Employees vest in the employer contributions to the DC plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Any contribution forfeitures were used to offset plan expenses.

All JEA plan members were required to contribute 0.3% of their annual covered salary to the disability program fund. JEA's disability contribution was $503 (0.30%) in fiscal year 2020 and $489 (0.30%) in 2019.

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, 2020 and September 30, 2019 was measured based on an actuarial valuation as of September 30, 2019 and September 30, 2018, respectively. JEA's allocated share of the net pension liability is $633,292 (48.84%) as of September 30, 2020, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2019. JEA's allocated share of the net pension liability is $562,371 (50.59%) as of September 30, 2019, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2018.

For the year ended September 30, 2020 and 2019, JEA's recognized pension expense is $86,363 and $80,303, 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)

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

	September 30 2020	September 30 2019
Deferred outflows of resources		
Changes in assumptions	**$ 41,198**	$ 64,906
Contributions subsequent to the measurement date	**38,095**	34,345
Differences between expected and actual experience	**21,334**	17,176
Net difference between projected and actual earnings on pension investments	**18,928**	–
Changes in proportion	**6,725**	11,588
Total	**$ 126,280**	$ 128,015
Deferred inflows of resources		
Net difference between projected and actual earnings on pension investments	**$ –**	$ (31,964)
Changes in proportion	**(18,541)**	(7,680)
Differences between expected and actual experience	**(1,777)**	(3,244)
Changes in assumptions	**–**	(1,826)
Total	**$ (20,318)**	$ (44,714)

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)
2021	$ 65,239
2022	15,931
2023	12,357
2024	12,435
Total	$ 105,962

(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% (2020) and 2.75% (2019)
Salary increases assumption	3.00%-7.50%, of which 2.50% is the Plan's long-term payroll inflation
Investment rate of return	6.90% (2020) and 7.00% (2019), 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 from 2010 with Scale MP2018.
Disabled mortality rates	FRS disabled mortality tables for personnel other than special risk, with not 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)

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.

	2020		2019	
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%	6.41%
Fixed income	**20.0%**	**1.15%**	20.0%	1.96%
International equity	**20.0%**	**7.05%**	20.0%	6.96%
Real estate	**15.0%**	**4.50%**	15.0%	4.76%
Alternatives	**7.5%**	**3.32%**	7.5%	3.83%
Private equity	**7.5%**	**10.40%**	7.5%	10.41%
Total	**100%**		100%	

Discount Rate – The discount rate used to measure the total pension liability is 6.90%. 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 6.90% for 2020 and 7.00% for 2019, 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	
	2020	**2019**
1% decrease	**$ 822,615**	$ 756,293
Current discount	**633,292**	562,371
1% increase	**475,183**	400,894

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the 2019 Comprehensive Annual Financial Report of the City.

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, 2019. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

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

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

(Dollars in Thousands)

12. Pension Plans (continued)

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.

Employees Covered by Benefit Terms – At September 30, 2020 and September 30, 2019, the following employees were covered by the benefit terms:

	2020	**2019**
Inactive plan members or beneficiaries currently receiving benefits	**382**	379
Inactive plan members entitled to but not yet receiving benefits	**80**	85
Active plan members	**5**	5
Total plan members	**467**	469

(Dollars in Thousands)

12. Pension Plans (continued)

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 2020 and 2019, SJRPP plan members were required to contribute 4% of their annual covered salary. In fiscal year 2020, SJRPP employer's contribution to the SJRPP Plan was $13,307 (2,845.69%). SJRPP did not make any employer contributions in fiscal year 2019.

Net Pension Liability – SJRPP's net pension liability at September 30, 2020 and September 30, 2019 was measured based on an actuarial valuation as of September 30, 2019 and September 30, 2018, respectively.

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	2.50%
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. Rates of termination and retirement for 9/30/2017 measurement date were modified to reflect retirements and separation upon the SJRPP plant closure.
Mortality rates	Mortality tables used by the Florida Retirement System for classes other than Special Risk, described as follows: *Females* : PUB-2010 Headcount Weighted General Below Median Healthy Retiree Female Table, generationally projected from year 2010 using Scale MP-2018. *Males* : PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table, set back 1 year, generationally projected from year 2010 using Scale MP-2018.

(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.

	2020		2019	
Asset Class	**Target Allocation**	**Long-term Expected Nominal Rate of Return**	**Target Allocation**	**Long-term Expected Nominal Rate of Return**
Domestic equity	**47%**	**6.02%**	47%	7.35%
Fixed income	**45%**	**1.80%**	45%	2.50%
International equity	**8%**	**5.20%**	8%	6.00%
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 Liability to Changes in the Discount Rate – The following presents the net pension liability of SJRPP, calculated using a discount rate of 6.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	2020	2019
1% decrease	**$ 25,237**	$ 22,759
Current discount rate	**7,794**	4,001
1% increase	**(6,970)**	(11,781)

(Dollars in Thousands)

12. Pension Plans (continued)

Changes in the net pension liability are detailed below.

	2020	2019
Total pension liability		
Beginning balance	**$ 174,666**	$ 169,321
Service cost	**35**	112
Interest on the total pension liability	**10,086**	11,163
Difference between expected and actual experience	**1,193**	(1,784)
Changes in assumptions	**(2,975)**	15,782
Benefit payments	**(13,198)**	(19,928)
Ending balance	**169,807**	174,666
Plan fiduciary net postion		
Beginning balance	**170,665**	152,798
Employer contributions	**–**	26,409
Employee contributions	**90**	232
Pension plan net investment income	**4,610**	11,499
Benefit payments	**(13,198)**	(19,928)
Administrative expense	**(154)**	(345)
Ending balance	**162,013**	170,665
Net pension liability	**$ 7,794**	$ 4,001

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, 2020 and September 30, 2019, the SJRPP Plan's cash and cash equivalents consisted of the following:

	2020	2019
Cash on hand	$ 2	$ 7
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account	2,368	10,785
Total cash and cash equivalents	$ 2,370	$ 10,792

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, 2020, the investment had a basis of $14,868, a fair market value of $45,997, and represented 28% of the fiduciary net position available for benefits. At September 30, 2019, the investment had a basis of $16,670, a fair market value of $49,516, 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 4.5 years as of September 30, 2020 and 2019.

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, 2020 and 2019 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, 2020			September 30, 2019		
		Percent			Percent	
	Fair Value	Actual	Target	Fair Value	Actual	Target
U.S. Government Securities and Agencies	**$ 35,008**	**22%**	**N/A**	$ 30,002	18%	N/A
Corporate bonds - non-convertible	**29,399**	**18%**	**N/A**	29,498	17%	N/A
Money Market / Cash	**2,370**	**1%**	**N/A**	10,792	6%	N/A
Total fixed income	**66,777**	**41%**	**45%**	70,292	41%	45%
S&P 500 Index Fund	**45,997**	**28%**	**28%**	49,516	29%	28%
S&P 400 Mid-Cap Index Fund	**20,394**	**13%**	**11%**	20,967	13%	11%
Small and Mid-Cap Value Fund	**14,487**	**9%**	**8%**	15,256	9%	8%
International equities	**13,805**	**9%**	**8%**	14,273	8%	8%
Total equities	**94,683**	**59%**	**55%**	100,012	59%	55%
Total	**$ 161,460**			$ 170,304		

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 2.81% for the year ended September 30, 2020 and 7.37% for the year ended September 30, 2019. 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 9% of total investments as of September 30, 2020 and 8% as of September 30, 2019.

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, 2020			September 30, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Government Securities and Agencies	$ 21,960	$ 13,048	$ 35,008	$ 18,173	$ 11,829	$ 30,002
Corporate bonds - non-convertible	–	29,399	29,399	–	29,498	29,498
Money Market / Cash	2,370	–	2,370	10,792	–	10,792
Total fixed income	24,330	42,447	66,777	28,965	41,327	70,292
S&P 500 Index Fund	–	45,997	45,997	–	49,516	49,516
S&P 400 Mid-Cap Index Fund	19,885	509	20,394	20,103	864	20,967
Small and Mid-Cap Value Fund	12,586	1,901	14,487	13,281	1,975	15,256
International equities	135	13,670	13,805	–	14,273	14,273
Total equities	32,606	62,077	94,683	33,384	66,628	100,012
Total	$ 56,936	$ 104,524	$ 161,460	$ 62,349	$ 107,955	$ 170,304

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

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

Net Pension Liability – SJRPP's net pension liability at September 30, 2020 and September 30, 2019 was measured based on an actuarial valuation as of September 30, 2019 and September 30, 2018, respectively. SJRPP's net pension liability is $7,794 as of September 30, 2020 and $4,001 as of September 30, 2019.

For the year ended September 30, 2020 and 2019, SJRPP recognized pension expense is $858 and $17,020, 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	
	2020	**2019**
Deferred outflows of resources		
Contributions subsequent to the measurement date	**$ 13,307**	$ –
Net difference between projected and actual earnings on pension plan investments	**4,186**	2,045
Differences between expected and actual experience	**108**	1,192
Changes in assumptions	**–**	302
Total	**$ 17,601**	$ 3,539
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ (3,986)**	$ (6,166)
Total	**$ (3,986)**	$ (6,166)

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)**
2021	$ 12,282
2022	(332)
2023	618
2024	1,047
Total	$ 13,615

(Dollars in Thousands)

13. Other Postemployment Benefits

Plan Description

Plan administration – JEA maintains a medical benefits plan (OPEB Plan) that it makes available to its retirees. The medical plan is a single-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries.

JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue separate financial statements.

Plan membership – As of September 30, 2020 and September 30, 2019, the OPEB Plan membership consisted of the following:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	**453**	490
Active plan members	**1,898**	1,891
Total plan members	**2,351**	2,381

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% for 2020 and 2.5% for 2019
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 tables used for Regular Class members in the actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.50% (2020) and 6.75% (2019) and gradually decreasing to an ultimate trend rate of 3.99% (2020) and 4.57% (2019) (including the impact of the excise tax).
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.

(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.

	2020		2019	
Asset Class	**Target Allocation**	**Long-term Expected Nominal Rate of Return**	**Target Allocation**	**Long-term Expected Nominal Rate of Return**
Large cap domestic equity	**34%**	**7.4%**	34%	8.1%
Global fixed income	**15%**	**4.8%**	15%	4.5%
International equity	**15%**	**9.5%**	15%	8.5%
Domestic fixed income	**15%**	**4.4%**	15%	4.3%
Small cap domestic equity	**11%**	**8.2%**	11%	8.5%
Real estate	**10%**	**7.7%**	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:

	2020	2019
1% decrease	**$ 14,707**	$ 23,663
Current discount rate	**10,091**	18,256
1% increase	**6,200**	13,708

Healthcare Cost Trend Rate – JEA followed the Getzen model with trend rates for costs and premiums declining from 6.50% assumed for the year 2020 to the ultimate level of 3.99% and 6.75% assumed for the year 2019 to the ultimate level of 4.57%.

(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 6.50% down to 3.99% for 2020 and 6.75% down to 4.57% for 2019, 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:

	2020	2019
1% decrease	**$ 6,007**	$ 13,443
Current healthcare cost trend rate	**10,091**	18,256
1% increase	**14,927**	23,977

Changes in the net OPEB liability are detailed below.

	2020	2019
Total OPEB liability		
Beginning balance	**$ 46,705**	$ 44,547
Service cost	**539**	499
Interest on the total OPEB liability	**2,740**	3,044
Difference between expected and actual experience	**362**	(4,057)
Change of assumptions	**(6,387)**	5,794
Benefit payments	**(3,165)**	(3,122)
Ending balance	**40,794**	46,705
Plan fiduciary net postion		
Beginning balance	**28,449**	25,712
Employer contributions	**3,903**	4,078
Net investment income	**1,617**	1,989
Reimbursements to employer	**(3,244)**	(3,308)
OPEB plan administrative expense	**(22)**	(22)
Ending balance	**30,703**	28,449
Net OPEB liability	**$ 10,091**	$ 18,256
Plan fiduciary net position as a percentage of the total OPEB liability	**75.26%**	60.91%
Covered payroll	**$157,415**	$156,042
Net OPEB liability as a percentage of covered payroll	**6.41%**	11.70%

(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, 2020 and September 30, 2019, the OPEB Plan's cash and money market balance within the OPEB Fund A was $184 and $171, 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, 2020		September 30, 2019	
Fixed Income Fund	**Modified Duration**	**Weighted Average Maturity**	**Modified Duration**	**Weighted Average Maturity**
FMIT Broad Market High Quality Bond Fund	**5.31**	**6.43**	5.00	6.40
FMIT Core Plus Fixed Income Fund	**1.40**	**5.16**	2.13	7.00

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, 2020 and September 30, 2019. 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, 2020 and September 30, 2019 were 5.55% and 7.54%, 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. JEA's investment is in shares of the FMIT OPEB Fund A. The disclosure below is based on the asset allocation provided by the FMIT of those investments held by OPEB Fund A.

	September 30, 2020			September 30, 2019		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
FMIT Core Plus Fixed Income Fund	**$ –**	**$ 4,421**	**$ 4,421**	$ –	$ 4,780	$ 4,780
FMIT Broad Market High Quality Bond Fund	**4,452**	**–**	**4,452**	4,523	–	4,523
Total fixed income	**4,452**	**4,421**	**8,873**	4,523	4,780	9,303
FMIT Large Cap Diversified Value Portfolio	**10,593**	**–**	**10,593**	8,962	–	8,962
FMIT International Equity Portfolio	**4,452**	**–**	**4,452**	4,125	–	4,125
FMIT Diversified Small to Mid Cap Equity Portfolio	**3,776**	**–**	**3,776**	3,243	–	3,243
FMIT Core Real Estate Portfolio	**–**	**2,825**	**2,825**	–	2,646	2,646
Total equities	**18,821**	**2,825**	**21,646**	16,330	2,646	18,976
Total	**$ 23,273**	**$ 7,246**	**$ 30,519**	$ 20,853	$ 7,426	$ 28,279

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, 2020 and September 30, 2019 was measured based on an actuarial valuation as of and with the measurement dates of September 30, 2019 and September 30, 2018, respectively. JEA's net OPEB liability is $10,091 as of September 30, 2020 and $18,256 as of September 30, 2019.

For the year ended September 30, 2020 and 2019, JEA recognized OPEB expense is $(110) and $652, 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	
	2020	**2019**
Deferred outflows of resources		
Change of assumptions	**$ 4,599**	$ 5,197
Contributions subsequent to the measurement date	**4,394**	3,903
Differences between expected and actual experience	**325**	–
Net difference between projected and actual earnings on pension plan investments	**88**	–
Total	**$ 9,406**	$ 9,100
Deferred inflows of resources		
Differences between expected and actual experience	**$ (8,745)**	$ (9,952)
Change of assumptions	**(5,729)**	–
Net difference between projected and actual earnings on pension plan investments	**(820)**	(1,297)
Total	**$ (15,294)**	$ (11,249)

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 Outflows (Inflows)**
2021	$ 2,708
2022	(1,521)
2023	(1,242)
2024	(1,209)
2025	(1,231)
Thereafter	(3,393)
Total	$ (5,888)

(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.

	2020	
	Total	**Level 2**
Investments by fair value level		
State and local government securities	$ 140,950	$ 140,950
U.S. Treasury and government agency securities	108,377	108,377
Total investments by fair value level	249,327	249,327
Investments measured at NAV		
Money market mutual funds	248,983	
Local government investment pools	181,891	
Total investments measured at NAV	430,874	
Investments measured at cost		
Commercial paper	63,765	
U.S. Treasury and government agency securities	2,498	
Total investments measured at cost	66,263	
Total investments per statement of net position	$ 746,464	

(Dollars in Thousands)

14. Fair Value Measurements (continued)

	2019		
	Total	Level 1	Level 2
Investments by fair value level			
U.S. Treasury and government agency securities	$ 184,525	$ 2,006	$ 182,519
State and local government securities	183,116	–	183,116
Total investments by fair value level	367,641	2,006	365,635
Investments measured at NAV			
Local government investment pools	188,130		
Money market mutual funds	126,452		
Total investments measured at NAV	314,582		
Investments measured at cost			
Commercial paper	44,266		
Total investments measured at cost	44,266		
Total investments per statement of net position	$ 726,489		

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2020 and 2019 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.

	2020	2019
Electric	$ (139,607)	$ (118,621)
Water and Sewer	(37,681)	(31,266)
Total	$ (177,288)	$ (149,887)

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consisted of swap agreements for either a 3-month or 12-month period, covering calendar years 2019 through December 2023. 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, 2020, deferred charges of $1,998 were included in deferred outflows of resources and deferred credits of $11,944 were included in deferred inflows of resources on the statement of net position. At September 30, 2019, deferred charges of $11,598 were included in deferred outflows of resources 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.

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.

15. Commitments and Contingent Liabilities (continued)

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 will be completed in November 2020. Cost of compliance cannot be determined 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 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.

15. Commitments and Contingent Liabilities (continued)

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. The state has started the process to incorporate the rule and regulations, which ultimately may constitute a permitting or tailored program.

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 currently operating cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule even after the plant was decommissioned in 2018. SJRPP’s two closed byproduct storage areas (Areas I and II) are not affected by this rule. SJRPP has no regulated surface impoundments. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities 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.

15. Commitments and Contingent Liabilities (continued)

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 initiated in 2018. 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.

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.

15. Commitments and Contingent Liabilities (continued)

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 is considering statutory changes to eliminate the disposal of effluent from wastewater treatment facilities (WWTF) via surface water discharge. 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. The initial legislation considered in 2020 would have compelled utilities to reduce most surface water discharges by January 1, 2026. The legislation did not pass, but is expected to be reintroduced during the 2021 Florida Legislative Session.

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 $29,084 at September 30, 2020. The accrual is related to the following environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; SJRPP Area B Landfill; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; WSSC PCB Issue, Northside Generating Station RCRA Corrective Action program; and remediation at a number of miscellaneous petroleum sites. Of the $29,084 that JEA has accrued as environmental liabilities, approximately $15,795 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 $16,568. The remaining liability is recognized as part of revenues to be used for future costs.

15. Commitments and Contingent Liabilities (continued)

Northside Generating Station Byproduct

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

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

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff 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 $75,000; 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. The trial court is expected to rule on whether it has any jurisdiction over JEA in early 2021.

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. A virtual groundbreaking took place in October 2020 and work is expected to continue through June 2022, barring any delays due to inclement weather or other unforeseen factors. 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 $5,542 and will increase by 2.50% each year thereafter for years 2 through 15 and escalate 1.25% annually in years 16 through 20.

15. Commitments and Contingent Liabilities (continued)

In additional 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 operating expenses. The initial year's estimate of additional rental is $1,190.

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, $41,689 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with the 12.5%, or $4,000, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2017. Through September 30, 2020, JEA has received $33,079, which reduced the deferred costs to be recovered from future revenues. Of the $33,079 received, $18,500 was from insurance and $14,579 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

In response to the COVID-19 pandemic, JEA took the following actions:

- suspended disconnections from March 12, 2020 to July 9, 2020;
- waived late and reconnection fees from March 31, 2020 to September 30, 2020; and
- waived credit card convenience fees for MasterCard, Visa, and Discover card payments up to $10,000 from April 6, 2020 to September 30, 2020.

16. Disaster Costs, continued

Waived late and disconnection fees are estimated to have been between $2,000 and $3,000. Waived credit card convenience fees paid on behalf of customers totaled $1,882. In addition, the JEA Board, on April 3, 2020, approved a fuel credit for customers that appeared on their May 2020 bills and totaled $23,390.

During March, April, and May 2020, JEA paid additional compensation related to COVID-19. Employees who were telecommuting on a full or part-time basis received an allowance to cover the cost of electricity, internet, water and other incidentals normally provided at the workplace. In addition, JEA and its bargaining units agreed to a stipend that was payable to employees who were authorized in advance by their manager to perform work at a JEA facility or field location in a particular work week. The COVID-19 allowances and stipends totaled $9,626.

There are also certain expenditures for personal protective equipment as well as cleaning supplies that may be eligible for recovery from FEMA. The total of these expenditures was $1,933. JEA may seek recovery from FEMA for these amounts in the future.

17. Segment Information

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and DES represent separate identifiable activities. These systems have debt outstanding with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA's Electric System and Bulk Power Supply System segment consists of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA's SJRPP System segment consists of a generation facility that is 80% owned by JEA, which is currently in the process of being decommissioned as discussed in note 2, St. Johns River Power Park. 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.

(Dollars in Thousands)

17. Segment Information (continued)

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.

	2020			2019		
	Electric	**W&S**	**DES**	**Electric**	**W&S**	**DES**
Electricity services	**N/A**	**$ 13,069**	**$ 3,126**	N/A	$ 13,368	$ 3,324
Water and sewer services	**135**	**N/A**	**131**	382	N/A	143
Chilled water services	**–**	**351**	**N/A**	–	387	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 $56,878 for fiscal year 2020 and $49,238 for 2019.

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 $558 for fiscal year 2020 and $1,266 for 2019.

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 $2,123 for fiscal year 2020 and $2,089 for 2019.

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, 2020 and 2019 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Condensed statements of net position								
Total current assets	**$ 487,379**	$ 505,398	**$ 60,282**	$ 74,529	**$ 186,038**	$ 180,121	**$ 1,738**	$ 1,727
Total noncurrent assets	**671,671**	666,020	**338,226**	363,966	**441,049**	484,893	**4,274**	6,788
Net capital assets	**2,674,895**	2,674,310	**9,324**	9,734	**2,792,604**	2,748,123	**34,352**	33,277
Deferred outflows of resources	**310,720**	307,914	**23,774**	25,088	**133,465**	128,159	**169**	182
Total assets and deferred outflows of resources	**$ 4,144,665**	$ 4,153,642	**$ 431,606**	$ 473,317	**$ 3,553,156**	$ 3,541,296	**$ 40,533**	$ 41,974
Total current liabilities	**$ 153,014**	$ 143,254	**$ 9,142**	$ 22,301	**$ 36,572**	$ 38,330	**$ 180**	$ 189
Total current liabilities payable from restricted assets	**107,745**	179,078	**61,436**	70,158	**72,374**	122,622	**2,420**	2,517
Total noncurrent liabilities	**453,528**	437,000	**12,294**	10,224	**272,789**	234,883	**69**	29
Total long-term debt	**1,865,134**	1,972,276	**252,548**	266,538	**1,357,015**	1,424,172	**31,386**	33,106
Total liabilities	**2,579,421**	2,731,608	**335,420**	369,221	**1,738,750**	1,820,007	**34,055**	35,841
Deferred inflows of resources	**210,544**	242,932	**9,807**	6,166	**37,973**	51,721	**–**	–
Net investment in (divestment of) capital assets	**952,894**	773,119	**(13,503)**	(12,879)	**1,643,320**	1,490,121	**1,363**	(1,498)
Restricted net position	**211,567**	208,946	**45,869**	42,257	**89,858**	139,648	**3,593**	6,088
Unrestricted net position	**190,239**	197,037	**54,013**	68,552	**43,255**	39,799	**1,522**	1,543
Total net position	**1,354,700**	1,179,102	**86,379**	97,930	**1,776,433**	1,669,568	**6,478**	6,133
Total liabilities, deferred inflows of resources, and net position	**$ 4,144,665**	$ 4,153,642	**$ 431,606**	$ 473,317	**$ 3,553,156**	$ 3,541,296	**$ 40,533**	$ 41,974
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	**$ 1,241,789**	$ 1,298,085	**$ 24,847**	$ 28,618	**$ 483,859**	$ 463,817	**$ 8,586**	$ 8,895
Depreciation	**202,619**	207,427	**410**	410	**159,650**	152,047	**2,467**	2,429
Other operating expenses	**716,018**	816,619	**27,995**	21,628	**193,323**	182,130	**4,611**	4,703
Operating income	**323,152**	274,039	**(3,558)**	6,580	**130,886**	129,640	**1,508**	1,763
Total nonoperating expenses, net	**(53,683)**	(68,802)	**(7,993)**	(6,283)	**(32,056)**	(35,086)	**(1,163)**	(1,163)
Total contributions, net	**(93,871)**	(92,952)	**–**	–	**8,035**	(10,312)	**–**	–
Changes in net position	**175,598**	112,285	**(11,551)**	297	**106,865**	84,242	**345**	600
Net position, beginning of year	**1,179,102**	1,066,817	**97,930**	97,633	**1,669,568**	1,585,326	**6,133**	5,533
Net position, end of year	**$ 1,354,700**	$ 1,179,102	**$ 86,379**	$ 97,930	**$ 1,776,433**	$ 1,669,568	**$ 6,478**	$ 6,133
Condensed statements of cash flow information								
Net cash provided by operating activities	**$ 521,937**	$ 453,417	**$ 2,168**	$ 17,773	**$ 289,275**	$ 293,244	**$ 4,119**	$ 4,896
Net cash used in noncapital and related financing activities	**(93,794)**	(92,829)	**–**	–	**(24,939)**	(39,878)	**–**	–
Net cash used in capital and related financing activities	**(468,571)**	(586,400)	**(24,407)**	(12,946)	**(324,146)**	(386,589)	**(6,578)**	(3,763)
Net cash provided by (used in) investing activities	**39,649**	296,653	**1,779**	16,812	**44,346**	163,894	**72**	156
Net change in cash and cash equivalents	**(779)**	70,841	**(20,460)**	21,639	**(15,464)**	30,671	**(2,387)**	1,289
Cash and cash equivalents at beginning of year	**356,655**	285,814	**161,592**	139,953	**153,732**	123,061	**8,243**	6,954
Cash and cash equivalents at end of year	**$ 355,876**	$ 356,655	**$ 141,132**	$ 161,592	**$ 138,268**	$ 153,732	**$ 5,856**	$ 8,243

18. Subsequent Events

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.

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%

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
2011	$ 17,195	$ 17,195	–	$ 132,269	13.00%
2012	22,301	22,301	–	127,434	17.50%
2013	27,038	27,038	–	129,990	20.80%
2014	34,149	34,149	–	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%

(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, 2017, the effective amortization period is 29 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 seven-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	7.20%, net of pension plan investment expense, including inflation
Inflation rate	2.75%*
Projected salary increases	3.00% – 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	Plan provisions contain a 3.00% COLA.

* The Fund's payroll inflation assumption is 2.75% as of October 1, 2017. 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%.

JEA

Required Supplementary Information – Pension

(Dollars in Thousands)

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

	2019[b]	2018	2017	2016	2015	2014
Total Pension Liability						
Beginning balance	**$ 174,666**	$ 169,321	$ 158,926	$ 155,143	$ 148,508	$ 146,521
Service cost	**35**	112	1,032	1,210	1,275	1,470
Interest	**10,086**	11,163	10,768	10,514	10,271	10,026
Changes in benefit terms	**–**	–	–	(59)	–	–
Difference between actual and expected experience	**1,193**	(1,784)	10,826	714	2,121	–
Changes in assumptions	**(2,975)**	15,782	26	3,730	3,316	–
Benefit payments	**(13,198)**	(19,928)	(12,257)	(12,326)	(10,348)	(9,509)
Total pension liability – ending	**$ 169,807**	$ 174,666	$ 169,321	$ 158,926	$ 155,143	$ 148,508
Plan Fiduciary Net Position						
Beginning balance	**$ 170,665**	$ 152,798	$ 142,286	$ 138,902	$ 145,425	$ 135,019
Contributions – employer	**–**	26,409	8,039	2,142	3,509	5,559
Contributions – employee	**90**	232	625	629	648	655
Net investment income (loss)	**4,610**	11,499	14,571	13,379	(266)	13,763
Benefit payments	**(13,198)**	(19,928)	(12,257)	(12,326)	(10,348)	(9,509)
Administrative expense	**(154)**	(345)	(466)	(440)	(66)	(62)
Plan fiduciary net position – ending	**$ 162,013**	$ 170,665	$ 152,798	$ 142,286	$ 138,902	$ 145,425
Net Pension Liability – Ending	**$ 7,794**	$ 4,001	$ 16,523	$ 16,640	$ 16,241	$ 3,083
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**95.41%**	97.71%	90.24%	89.53%	89.53%	97.92%
Covered Payroll	**$ 452**	$ 3,992	$ 15,621	$ 15,730	$ 16,665	$ 21,304
Net Pension Liability as a Percentage of Covered Payroll	**1723.50%**	100.24%	105.78%	105.79%	97.46%	14.47%

(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]

Year Ended	Return
2010	10.14%
2011	0.41%
2012	17.17%
2013	12.64%
2014	10.32%
2015	-0.19%
2016	9.99%
2017	10.39%
2018	7.37%
2019	2.48%

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
2011	$ 8,919	$ 9,028	$ (109)	$ 19,895	45.38%
2012	7,995	8,005	(10)	19,318	41.44%
2013	11,845	11,885	(40)	17,761	66.92%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	16,665	21.06%
2016	2,050	2,142	(92)	15,730	13.62%
2017	7,967	8,039	(72)	15,621	51.46%
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%

(a) All information is on measurement year basis

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

Notes to Schedule of Contributions

Valuation date:	Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	1 year
Asset valuation method	Market value of assets less Credit Balance Account
Inflation	2.50%
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. Rates of termination and retirement for 10/1/2017 valuation were modified to reflect retirements and separations upon the SJRPP plant closure.
Mortality	Mortality tables used for Regular Class and Special Risk Class members in the July 1, 2018 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

Required Supplementary Information – OPEB
(Dollars in Thousands)

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

	2019[b]	2018	2017	2016
Total OPEB Liability				
Beginning balance	**$ 46,705**	$ 44,547	$ 60,949	$ 62,554
Service cost	**539**	499	811	781
Interest on the total OPEB liability	**2,740**	3,044	4,253	4,203
Changes in benefit terms	**–**	–	(11,556)	–
Difference between actual and expected experience	**362**	(4,057)	(7,891)	–
Change of assumptions	**(6,387)**	5,794	–	–
Benefit payments	**(3,165)**	(3,122)	(2,019)	(6,589)
Total OPEB liability – ending	**$ 40,794**	$ 46,705	$ 44,547	$ 60,949
Plan Fiduciary Net Position				
Beginning balance	**$ 28,449**	$ 25,712	$ 21,441	$ 18,156
Employer contributions	**3,903**	4,078	5,240	5,061
Net investment income	**1,617**	1,989	2,942	2,135
Reimbursements to employer	**(3,244)**	(3,308)	(3,911)	(3,911)
OPEB plan administrative expense	**(22)**	(22)	–	–
Plan fiduciary net position – ending	**$ 30,703**	$ 28,449	$ 25,712	$ 21,441
Net OPEB Liability – Ending	**$ 10,091**	$ 18,256	$ 18,835	$ 39,508
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	**75.26%**	60.91%	57.72%	35.18%
Covered Payroll	**$ 157,415**	$ 156,042	$ 155,326	$ 150,073
Net OPEB Liability as a Percentage of Covered Payroll	**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) 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-2020 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]

Year Ended	Return
2010	6.74%
2011	-1.41%
2012	15.84%
2013	11.93%
2014	8.22%
2015	-0.46%
2016	7.90%
2017	13.35%
2018	7.54%
2019	5.55%

OPEB Plan – Schedule of Contributions[a][b]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	$ 5,126	$ 5,236	$ (110)	138,093	3.79%
2011	5,344	6,601	(1,257)	N/A	N/A
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%

(a) All information is on measurement year basis

(b) 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.

Required Supplementary Information – OPEB
(Dollars in Thousands)

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	6 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	2.5% – 12.5% per year, including inflation; varies by years of service
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality tables used for Regular Class members in the July 1, 2017 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.57% (including the impact of the excise tax).
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, 2020

	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	$ 266,683	$ 51,814	$ –	$ 318,497	$ 67,036	$ 1,615	$ 387,148
Investments	–	3,107	–	3,107	–	–	3,107
Customer accounts receivable, net of allowance ($3,864)	165,515	–	–	165,515	54,176	123	219,814
Inventories:							
Materials and supplies	2,378	–	–	2,378	59,285	–	61,663
Fuel	37,822	–	–	37,822	–	–	37,822
Other current assets	14,981	5,361	(9,519)	10,823	5,541	–	16,364
Total current assets	487,379	60,282	(9,519)	538,142	186,038	1,738	725,918
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	89,193	89,318	–	178,511	71,232	4,241	253,984
Investments	202,036	10,227	–	212,263	98,867	–	311,130
Accounts and interest receivable	1,053	11	–	1,064	7	–	1,071
Total restricted assets	292,282	99,556	–	391,838	170,106	4,241	566,185
Costs to be recovered from future revenues	348,740	234,170	–	582,910	269,374	30	852,314
Other assets	30,649	4,500	(4,500)	30,649	1,569	3	32,221
Total noncurrent assets	671,671	338,226	(4,500)	1,005,397	441,049	4,274	1,450,720
Net capital assets	2,674,895	9,324	–	2,684,219	2,792,604	34,352	5,511,175
Total assets	3,833,945	407,832	(14,019)	4,227,758	3,419,691	40,364	7,687,813
Deferred outflows of resources							
Accumulated decrease in fair value of hedging derivatives	141,605	–	–	141,605	37,681	–	179,286
Unrealized pension contributions and losses	74,505	17,601	–	92,106	51,775	–	143,881
Unamortized deferred losses on refundings	56,693	3,300	–	59,993	40,152	169	100,314
Unrealized asset retirement obligations	32,368	2,873	–	35,241	–	–	35,241
Unrealized OPEB contributions and losses	5,549	–	–	5,549	3,857	–	9,406
Total deferred outflows of resources	310,720	23,774	–	334,494	133,465	169	468,128
Total assets and deferred outflows of resources	$ 4,144,665	$ 431,606	$ (14,019)	$ 4,562,252	$ 3,553,156	$ 40,533	$ 8,155,941

JEA

Combining Statement of Net Position (continued)

(In Thousands)

September 30, 2020

	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:							
Customer deposits and prepayments	$ 53,779	$ –	$ –	$ 53,779	$ 17,525	$ –	$ 71,304
Accounts and accrued expenses payable	57,387	6,269	(5,376)	58,280	8,855	144	67,279
Billings on behalf of state and local governments	22,125	–	–	22,125	3,834	–	25,959
Compensation and benefits payable	10,301	–	–	10,301	4,262	36	14,599
City of Jacksonville payable	8,159	–	–	8,159	2,096	–	10,255
Asset retirement obligations	1,263	2,873	–	4,136	–	–	4,136
Total current liabilities	153,014	9,142	(5,376)	156,780	36,572	180	193,532
Current liabilities payable from restricted assets:							
Debt due within one year	67,765	13,340	–	81,105	19,870	1,725	102,700
Interest payable	24,871	5,222	–	30,093	22,115	648	52,856
Construction contracts and accounts payable	15,109	4,964	(4,143)	15,930	30,389	47	46,366
Renewal and replacement reserve	–	37,910	–	37,910	–	–	37,910
Total current liabilities payable from restricted assets	107,745	61,436	(4,143)	165,038	72,374	2,420	239,832
Noncurrent liabilities:							
Net pension liability	373,642	7,794	–	381,436	259,650	–	641,086
Asset retirement obligations	31,105	–	–	31,105	–	–	31,105
Compensation and benefits payable	22,271	–		22,271	9,002	69	31,342
Net OPEB liability	5,954	–	–	5,954	4,137	–	10,091
Other liabilities	20,556	4,500	(4,500)	20,556	–	–	20,556
Total noncurrent liabilities	453,528	12,294	(4,500)	461,322	272,789	69	734,180
Long-term debt:							
Debt payable, less current portion	1,629,850	251,765	–	1,881,615	1,241,565	31,410	3,154,590
Unamortized premium (discount), net	95,677	783	–	96,460	77,769	(24)	174,205
Fair value of debt management strategy instruments	139,607	–	–	139,607	37,681	–	177,288
Total long-term debt	1,865,134	252,548	–	2,117,682	1,357,015	31,386	3,506,083
Total liabilities	2,579,421	335,420	(14,019)	2,900,822	1,738,750	34,055	4,673,627
Deferred inflows of resources							
Revenues to be used for future costs	177,589	5,821	–	183,410	23,372	–	206,782
Unrealized pension gains	11,988	3,986	–	15,974	8,330	–	24,304
Unrealized OPEB gains	9,023	–	–	9,023	6,271	–	15,294
Accumulated increase in fair value of hedging derivatives	11,944	–	–	11,944	–	–	11,944
Total deferred inflows of resources	210,544	9,807	–	220,351	37,973	–	258,324
Net position							
Net investment in (divestment of) capital assets	952,894	(13,503)	–	939,391	1,643,320	1,363	2,584,074
Restricted							
Capital projects	139,308	–	–	139,308	63,679	1,868	204,855
Debt service	66,487	13,706	–	80,193	19,640	1,725	101,558
Other purposes	5,772	32,163	4,143	42,078	6,539	–	48,617
Unrestricted	190,239	54,013	(4,143)	240,109	43,255	1,522	284,886
Total net position	1,354,700	86,379	–	1,441,079	1,776,433	6,478	3,223,990
Total liabilities, deferred inflows of resources, and net position	$ 4,144,665	$ 431,606	$ (14,019)	$ 4,562,252	$ 3,553,156	$ 40,533	$ 8,155,941

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2019

	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	$ 282,069	$ 66,734	$ –	$ 348,803	$ 64,146	$ 1,489	$ 414,438
Investments	–	2,399	–	2,399	–	–	2,399
Customer accounts receivable, net of allowance ($1,341)	172,163	–	–	172,163	54,930	238	227,331
Inventories:							
Materials and supplies	2,219	106	–	2,325	56,637	–	58,962
Fuel	30,898	–	–	30,898	–	–	30,898
Other current assets	18,049	5,290	(8,638)	14,701	4,408	–	19,109
Total current assets	505,398	74,529	(8,638)	571,289	180,121	1,727	753,137
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	74,586	94,858	–	169,444	89,586	6,754	265,784
Investments	230,849	10,891	–	241,740	138,510	–	380,250
Accounts and interest receivable	1,053	11	–	1,064	7	–	1,071
Total restricted assets	306,488	105,760	–	412,248	228,103	6,754	647,105
Costs to be recovered from future revenues	343,247	253,706	–	596,953	254,059	34	851,046
Other assets	16,285	4,500	(4,500)	16,285	2,731	–	19,016
Total noncurrent assets	666,020	363,966	(4,500)	1,025,486	484,893	6,788	1,517,167
Net capital assets	2,674,310	9,734	–	2,684,044	2,748,123	33,277	5,465,444
Total assets	3,845,728	448,229	(13,138)	4,280,819	3,413,137	41,792	7,735,748
Deferred outflows of resources							
Accumulated decrease in fair value of hedging derivatives	130,219	–	–	130,219	31,266	–	161,485
Unrealized pension contributions and losses	78,089	3,539	–	81,628	49,926	–	131,554
Unamortized deferred losses on refundings	61,773	3,502	–	65,275	43,418	182	108,875
Unrealized asset retirement obligations	32,282	18,047	–	50,329	–	–	50,329
Unrealized OPEB contributions and losses	5,551	–	–	5,551	3,549	–	9,100
Total deferred outflows of resources	307,914	25,088	–	333,002	128,159	182	461,343
Total assets and deferred outflows of resources	$ 4,153,642	$ 473,317	$ (13,138)	$ 4,613,821	$ 3,541,296	$ 41,974	$ 8,197,091

JEA

Combining Statement of Net Position (continued)

(In Thousands)

September 30, 2019

	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:							
Customer deposits and prepayments	$ 56,714	$ –	$ –	$ 56,714	$ 17,260	$ –	$ 73,974
Accounts and accrued expenses payable	42,875	4,255	(3,600)	43,530	10,156	127	53,813
Billings on behalf of state and local governments	22,406	(1)	–	22,405	3,887	–	26,292
Compensation and benefits payable	12,236	–	–	12,236	4,944	62	17,242
City of Jacksonville payable	8,186	–	–	8,186	2,083	–	10,269
Asset retirement obligations	837	18,047	–	18,884	–	–	18,884
Total current liabilities	143,254	22,301	(3,600)	161,955	38,330	189	200,474
Current liabilities payable from restricted assets:							
Debt due within one year	122,380	13,780	–	136,160	54,705	1,690	192,555
Interest payable	32,109	5,564	–	37,673	26,436	666	64,775
Construction contracts and accounts payable	24,589	3,859	(3,315)	25,133	41,481	161	66,775
Renewal and replacement reserve	–	46,955	–	46,955	–	–	46,955
Total current liabilities payable from restricted assets	179,078	70,158	(3,315)	245,921	122,622	2,517	371,060
Noncurrent liabilities:							
Net pension liability	343,046	4,001	–	347,047	219,325	–	566,372
Asset retirement obligations	31,445	–	–	31,445	–	–	31,445
Compensation and benefits payable	21,003	–	–	21,003	8,402	29	29,434
Net OPEB liability	11,136	–	–	11,136	7,120	–	18,256
Other liabilities	30,370	6,223	(6,223)	30,370	36	–	30,406
Total noncurrent liabilities	437,000	10,224	(6,223)	441,001	234,883	29	675,913
Long-term debt:							
Debt payable, less current portion	1,796,880	265,105	–	2,061,985	1,332,960	33,135	3,428,080
Unamortized premium (discount), net	56,775	1,433	–	58,208	59,946	(29)	118,125
Fair value of debt management strategy instruments	118,621	–	–	118,621	31,266	–	149,887
Total long-term debt	1,972,276	266,538	–	2,238,814	1,424,172	33,106	3,696,092
Total liabilities	2,731,608	369,221	(13,138)	3,087,691	1,820,007	35,841	4,943,539
Deferred inflows of resources							
Revenues to be used for future costs	208,794	–	–	208,794	29,896	–	238,690
Unrealized pension gains	27,276	6,166	–	33,442	17,438	–	50,880
Unrealized OPEB gains	6,862	–	–	6,862	4,387	–	11,249
Total deferred inflows of resources	242,932	6,166	–	249,098	51,721	–	300,819
Net position							
Net investment in (divestment of) capital assets	773,119	(12,879)	–	760,240	1,490,121	(1,498)	2,248,863
Restricted							
Capital projects	83,017	–	–	83,017	77,771	4,398	165,186
Debt service	121,541	14,071	–	135,612	55,761	1,690	193,063
Other purposes	4,388	28,186	3,315	35,889	6,116	–	42,005
Unrestricted	197,037	68,552	(3,315)	262,274	39,799	1,543	303,616
Total net position	1,179,102	97,930	–	1,277,032	1,669,568	6,133	2,952,733
Total liabilities, deferred inflows of resources, and net position	$ 4,153,642	$ 473,317	$ (13,138)	$ 4,613,821	$ 3,541,296	$ 41,974	$ 8,197,091

JEA

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

Year Ended September 30, 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,219,884	$ 25,129	$ (25,130)	$ 1,219,883	$ –	$ –	$ (16,195)	$ 1,203,688
Water and sewer	–	–	–	–	470,180	–	(266)	469,914
District energy system	–	–	–	–	–	8,586	(351)	8,235
Other	21,905	(282)	–	21,623	13,679	–	(2,681)	32,621
Total operating revenues	1,241,789	24,847	(25,130)	1,241,506	483,859	8,586	(19,493)	1,714,458
Operating expenses								
Operations and maintenance:								
Maintenance and other operating expenses	246,870	15,226	–	262,096	175,711	4,611	(19,493)	422,925
Fuel	290,965	–	–	290,965	–	–	–	290,965
Purchased power	110,176	–	(25,130)	85,046	–	–	–	85,046
Depreciation	202,619	410	–	203,029	159,650	2,467	–	365,146
State utility and franchise taxes	58,806	–	–	58,806	10,963	–	–	69,769
Recognition of deferred costs and revenues, net	9,201	12,769	–	21,970	6,649	–	–	28,619
Total operating expenses	918,637	28,405	(25,130)	921,912	352,973	7,078	(19,493)	1,262,470
Operating income	323,152	(3,558)	–	319,594	130,886	1,508	–	451,988
Nonoperating revenues (expenses)								
Interest on debt	(78,047)	(10,133)	–	(88,180)	(51,721)	(1,312)	–	(141,213)
Investment income	9,282	1,823	–	11,105	4,544	72	–	15,721
Allowance for funds used during construction	7,744	–	–	7,744	11,892	77	–	19,713
Other nonoperating income, net	4,182	317	–	4,499	2,871	–	–	7,370
Earnings from The Energy Authority	2,848	–	–	2,848	–	–	–	2,848
Other interest, net	308	–	–	308	358	–	–	666
Total nonoperating expenses, net	(53,683)	(7,993)	–	(61,676)	(32,056)	(1,163)	–	(94,895)
Income before contributions	269,469	(11,551)	–	257,918	98,830	345	–	357,093
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(93,871)	–	–	(93,871)	(24,953)	–	–	(118,824)
Developers and other	1,992	–	–	1,992	107,554	–	–	109,546
Reduction of plant cost through contributions	(1,992)	–	–	(1,992)	(74,566)	–	–	(76,558)
Total contributions, net	(93,871)	–	–	(93,871)	8,035	–	–	(85,836)
Change in net position	175,598	(11,551)	–	164,047	106,865	345	–	271,257
Net position, beginning of year	1,179,102	97,930	–	1,277,032	1,669,568	6,133	–	2,952,733
Net position, end of year	1,354,700	86,379	–	1,441,079	1,776,433	6,478	–	3,223,990

JEA

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

Year Ended September 30, 2019

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,274,843	$ 28,159	$ (26,495)	$ 1,276,507	$ –	$ –	$ (16,692)	$ 1,259,815
Water and sewer	–	–	–	–	450,641	–	(525)	450,116
District energy system	–	–	–	–	–	8,891	(387)	8,504
Other	23,242	459	–	23,701	13,176	4	(3,355)	33,526
Total operating revenues	1,298,085	28,618	(26,495)	1,300,208	463,817	8,895	(20,959)	1,751,961
Operating expenses								
Operations and maintenance:								
Maintenance and other operating expenses	248,379	2,898	–	251,277	160,671	4,703	(20,959)	395,692
Fuel	325,659	4,669	–	330,328	–	–	–	330,328
Purchased power	161,740	–	(26,495)	135,245	–	–	–	135,245
Depreciation	207,427	410	–	207,837	152,047	2,429	–	362,313
State utility and franchise taxes	60,767	–	–	60,767	10,802	–	–	71,569
Recognition of deferred costs and revenues, net	20,074	14,061	–	34,135	10,657	–	–	44,792
Total operating expenses	1,024,046	22,038	(26,495)	1,019,589	334,177	7,132	(20,959)	1,339,939
Operating income	274,039	6,580	–	280,619	129,640	1,763	–	412,022
Nonoperating revenues (expenses)								
Interest on debt	(99,654)	(11,311)	–	(110,965)	(62,733)	(1,348)	–	(175,046)
Investment income	21,623	4,684	–	26,307	13,282	156	–	39,745
Allowance for funds used during construction	3,973	–	–	3,973	10,097	29	–	14,099
Other nonoperating income, net	4,392	344	–	4,736	4,346	–	–	9,082
Earnings from The Energy Authority	2,412	–	–	2,412	–	–	–	2,412
Other interest, net	(1,548)	–	–	(1,548)	(78)	–	–	(1,626)
Total nonoperating expenses, net	(68,802)	(6,283)	–	(75,085)	(35,086)	(1,163)	–	(111,334)
Income before contributions	205,237	297	–	205,534	94,554	600	–	300,688
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(92,952)	–	–	(92,952)	(39,850)	–	–	(132,802)
Developers and other	5,431	–	–	5,431	92,295	–	–	97,726
Reduction of plant cost through contributions	(5,431)	–	–	(5,431)	(62,757)	–	–	(68,188)
Total contributions, net	(92,952)	–	–	(92,952)	(10,312)	–	–	(103,264)
Change in net position	112,285	297	–	112,582	84,242	600	–	197,424
Net position, beginning of year	1,066,817	97,633	–	1,164,450	1,585,326	5,533	–	2,755,309
Net position, end of year	1,179,102	97,930	–	1,277,032	1,669,568	6,133	–	2,952,733

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2020

	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	$ 1,202,260	$ 25,169	$ (26,117)	$ 1,201,312	$ 464,561	$ 8,702	$ (16,812)	$ 1,657,763
Payments to suppliers	(526,734)	(9,412)	26,117	(510,029)	(117,692)	(3,870)	19,493	(612,098)
Payments to employees	(176,882)	(13,307)	–	(190,189)	(71,327)	(713)	–	(262,229)
Other operating activities	23,293	(282)	–	23,011	13,733	–	(2,681)	34,063
Net cash provided by operating activities	521,937	2,168	–	524,105	289,275	4,119	–	817,499
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(93,794)	–	–	(93,794)	(24,939)	–	–	(118,733)
Net cash used in noncapital and related financing activities	(93,794)	–	–	(93,794)	(24,939)	–	–	(118,733)
Capital and related financing activities								
Defeasance of debt	(320,935)	–	–	(320,935)	(202,115)	–	–	(523,050)
Acquisition and construction of capital assets	(208,175)	–	–	(208,175)	(197,389)	(3,575)	–	(409,139)
Proceeds from issuance of debt	221,670	–	–	221,670	130,590	–	–	352,260
Repayment of debt principal	(122,380)	(13,780)	–	(136,160)	(54,705)	(1,690)	–	(192,555)
Interest paid on debt	(83,617)	(10,786)	–	(94,403)	(58,380)	(1,313)	–	(154,096)
Capital contributions	–	–	–	–	32,988	–	–	32,988
Other capital financing activities	44,866	159	–	45,025	24,865	–	–	69,890
Net cash used in capital and related financing activities	(468,571)	(24,407)	–	(492,978)	(324,146)	(6,578)	–	(823,702)
Investing activities								
Purchase of investments	(217,069)	(23,819)	–	(240,888)	(27,478)	–	–	(268,366)
Proceeds from sale and maturity of investments	247,265	23,768	–	271,033	68,785	–	–	339,818
Investment income	8,225	1,830	–	10,055	3,039	72	–	13,166
Distributions from The Energy Authority	1,228	–	–	1,228	–	–	–	1,228
Net cash provided by investing activities	39,649	1,779	–	41,428	44,346	72	–	85,846
Net change in cash and cash equivalents	(779)	(20,460)	–	(21,239)	(15,464)	(2,387)	–	(39,090)
Cash and cash equivalents at beginning of year	356,655	161,592	–	518,247	153,732	8,243	–	680,222
Cash and cash equivalents at end of year	$ 355,876	$ 141,132	$ –	$ 497,008	$ 138,268	$ 5,856	$ –	$ 641,132
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 323,152	$ (3,558)	$ –	$ 319,594	$ 130,886	$ 1,508	$ –	$ 451,988
Adjustments:								
Depreciation and amortization	202,619	410	–	203,029	160,815	2,467	–	366,311
Recognition of deferred costs and revenues, net	9,201	12,769	–	21,970	6,649	–	–	28,619
Other nonoperating income, net	111	–	–	111	262	–	–	373
Changes in noncash assets and noncash liabilities:								
Accounts receivable	6,356	88	–	6,444	503	115	–	7,062
Inventories	(7,083)	106	–	(6,977)	(2,649)	–	–	(9,626)
Other assets	(8,462)	–	–	(8,462)	183	(2)	–	(8,281)
Accounts and accrued expenses payable	10,781	2,015	–	12,796	(1,415)	(10)	–	11,371
Current liabilities payable from restricted assets	–	(7,939)	–	(7,939)	–	–	–	(7,939)
Other noncurrent liabilities and deferred inflows	(14,738)	(1,723)	–	(16,461)	(5,959)	41	–	(22,379)
Net cash provided by operating activities	$ 521,937	$ 2,168	$ –	$ 524,105	$ 289,275	$ 4,119	$ –	$ 817,499
Non-cash activity								
Contribution of capital assets from developers	$ 1,992	$ –		$ 1,992	$ 74,566	$ –	$ –	$ 76,558
Unrealized gains on fair value of investments	$ 1,383	$ (7)	$ –	$ 1,376	$ 1,665	$ –	$ –	$ 3,041

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2019

	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	$ 1,244,236	$ 28,898	$ (28,693)	$ 1,244,441	$ 449,924	$ 9,514	$ (17,604)	$ 1,686,275
Payments to suppliers	(646,113)	(11,625)	28,693	(629,045)	(104,542)	(4,028)	20,959	(716,656)
Payments to employees	(167,477)	41	–	(167,436)	(65,347)	(594)	–	(233,377)
Other operating activities	22,771	459	–	23,230	13,209	4	(3,355)	33,088
Net cash provided by operating activities	453,417	17,773	–	471,190	293,244	4,896	–	769,330
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(92,829)	–	–	(92,829)	(39,878)	–	–	(132,707)
Net cash used in noncapital and related financing activities	(92,829)	–	–	(92,829)	(39,878)	–	–	(132,707)
Capital and related financing activities								
Defeasance of debt	(100,090)	–	–	(100,090)	(94,955)	–	–	(195,045)
Acquisition and construction of capital assets	(260,413)	–	–	(260,413)	(205,559)	(758)	–	(466,730)
Proceeds from issuance of debt	–	–	–	–	2,000	–	–	2,000
Repayment of debt principal	(130,690)	(1,720)	–	(132,410)	(51,720)	(1,660)	–	(185,790)
Interest paid on debt	(92,619)	(11,167)	–	(103,786)	(64,705)	(1,345)	–	(169,836)
Capital contributions	–	–	–	–	29,538	–	–	29,538
Other capital financing activities	(2,588)	(59)	–	(2,647)	(1,188)	–	–	(3,835)
Net cash used in capital and related financing activities	(586,400)	(12,946)	–	(599,346)	(386,589)	(3,763)	–	(989,698)
Investing activities								
Purchase of investments	(235,745)	(97,635)	–	(333,380)	(82,023)	–	–	(415,403)
Proceeds from sale and maturity of investments	515,390	109,768	–	625,158	237,846	–	–	863,004
Investment income	14,565	4,679	–	19,244	8,071	156	–	27,471
Distributions from The Energy Authority	2,443	–	–	2,443	–	–	–	2,443
Net cash provided by investing activities	296,653	16,812	–	313,465	163,894	156	–	477,515
Net change in cash and cash equivalents	70,841	21,639	–	92,480	30,671	1,289	–	124,440
Cash and cash equivalents at beginning of year	285,814	139,953	–	425,767	123,061	6,954	–	555,782
Cash and cash equivalents at end of year	$ 356,655	$ 161,592	$ –	$ 518,247	$ 153,732	$ 8,243	$ –	$ 680,222
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 274,039	$ 6,580	$ –	$ 280,619	$ 129,640	$ 1,763	$ –	$ 412,022
Adjustments:								
Depreciation and amortization	207,427	410	–	207,837	153,268	2,429	–	363,534
Recognition of deferred costs and revenues, net	20,074	14,061	–	34,135	10,657	–	–	44,792
Other nonoperating income, net	171	–	–	171	1,864	–	–	2,035
Changes in noncash assets and noncash liabilities:								
Accounts receivable	8,004	(9,009)	–	(1,005)	(5,505)	622	–	(5,888)
Accounts receivable, restricted	7	–	–	7	1	–	–	8
Inventories	4,928	1,574	–	6,502	(287)	–	–	6,215
Other assets	2,837	–	–	2,837	66	–	–	2,903
Accounts and accrued expenses payable	(23,717)	3,233	–	(20,484)	1,179	87	–	(19,218)
Current liabilities payable from restricted assets	–	(5,299)	–	(5,299)	–	–	–	(5,299)
Other noncurrent liabilities and deferred inflows	(40,353)	6,223	–	(34,130)	2,361	(5)	–	(31,774)
Net cash provided by operating activities	$ 453,417	$ 17,773	$ –	$ 471,190	$ 293,244	$ 4,896	$ –	$ 769,330
Non-cash activity								
Contribution of capital assets from developers	$ 5,431	$ –	$ –	$ 5,431	$ 62,757	$ –	$ –	$ 68,188
Unrealized gains on fair value of investments	$ 7,690	$ 52	$ –	$ 7,742	$ 5,572	$ –	$ –	$ 13,314

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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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of JEA, which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

December 11, 2020

Bond Compliance Information

JEA Electric System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2020	**2019**
Revenues		
Electric	**$ 1,192,898**	$ 1,235,358
Investment income [1]	**6,057**	11,818
Earnings from The Energy Authority	**2,848**	2,412
Other, net [2]	**22,016**	23,400
Plus: amounts paid from the rate stabilization fund into the revenue fund	**91,118**	83,302
Less: amounts paid from the revenue fund into the rate stabilization fund	**(64,132)**	(43,817)
Total revenues	**1,250,805**	1,312,473
Operating expenses [3]		
Fuel	**271,164**	287,956
Purchased power [4]	**164,362**	234,793
Maintenance and other operating expenses	**222,585**	222,515
State utility and franchise taxes	**58,806**	60,767
Total operating expenses	**716,917**	806,031
Net revenues	**$ 533,888**	$ 506,442
Debt service	**$ 53,384**	$ 81,494
Less: investment income on sinking fund	**(1,842)**	(2,114)
Less: Build America Bonds subsidy	**(1,532)**	(1,527)
Debt service requirement	**$ 50,010**	$ 77,853
Senior debt service coverage [5], (min 1.20x)	**10.68 x**	6.51 x
Net revenues (from above)	**$ 533,888**	$ 506,442
Debt service requirement (from above)	**$ 50,010**	$ 77,853
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**63,443**	104,640
Less: Build America Bonds subsidy	**(1,947)**	(2,002)
Total debt service requirement and aggregate subordinated debt service	**$ 111,506**	$ 180,491
Senior and subordinated debt service coverage [6], (min 1.15x)	**4.79 x**	2.81 x

[1] Excludes investment income on sinking funds.

[2] Excludes the Build America Bonds subsidy.

[3] Excludes depreciation and recognition of deferred costs and revenues, net.

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

[5] Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

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

JEA Bulk Power Supply System

Schedule of Debt Service Coverage

(In Thousands)

	Year ended September 30 2020	2019
Revenues		
Operating	**$ 54,185**	$ 73,053
Investment income	**485**	190
Total revenues	**54,670**	73,243
Operating expenses (1)		
Fuel	**19,801**	37,703
Maintenance and other operating expenses	**15,031**	14,812
Total operating expenses	**34,832**	52,515
Net revenues	**$ 19,838**	$ 20,728
Aggregate debt service	**$ 10,691**	$ 10,109
Less: Build America Bonds subsidy	**(592)**	(624)
Aggregate debt service	**$ 10,099**	$ 9,485
Debt service coverage (2)	**1.96 x**	2.19 x

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

(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 2020	2019
Revenues		
Operating	**$ 25,175**	$ 29,322
Investment income	**1,830**	4,633
Total revenues	**27,005**	33,955
Operating expenses (1)	**–**	4,669
Net revenues	**$ 27,005**	$ 29,286
Aggregate debt service	**$ 23,784**	$ 24,908
Less: Build America Bonds subsidy	**(317)**	(344)
Aggregate debt service	**$ 23,467**	$ 24,564
Debt service coverage (2)	**1.15 x**	1.19 x

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

(2) 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 2020		Year Ended September 30 2019	
Revenues				
Water	$	**181,808**	$	178,908
Water capacity fees		**11,651**		10,477
Sewer		**281,848**		274,505
Sewer capacity fees		**21,207**		18,911
Investment income		**2,879**		7,710
Other [(1)]		**13,941**		15,040
Plus: amounts paid from the rate stabilization fund into the revenue fund		**32,201**		22,327
Less: amounts paid from the revenue fund into the rate stabilization fund		**(25,677)**		(25,099)
Total revenues		**519,858**		502,779
Operating expenses [(2)]				
Maintenance and other operating expenses		**175,711**		160,671
State utility and franchise taxes		**10,963**		10,802
Total operating expenses		**186,674**		171,473
Net revenues	**$**	**333,184**	$	331,306
Aggregate debt service	**$**	**62,160**	$	94,693
Less: Build America Bonds subsidy		**(2,455)**		(2,478)
Aggregate debt service	**$**	**59,705**	$	92,215
Senior debt service coverage [(3)]**, (min 1.25x)**		**5.58 x**		3.59 x
Net revenues (from above)	**$**	**333,184**	$	331,306
Aggregate debt service (from above)	**$**	**59,705**	$	92,215
Plus: aggregate subordinated debt service on outstanding subordinated debt		**7,418**		17,585
Total aggregate debt service and aggregate subordinated debt service	**$**	**67,123**	$	109,800
Senior and subordinated debt service coverage excluding capacity fees [(4)]		**4.47 x**		2.75 x
Senior and subordinated debt service coverage including capacity fees [(4)]		**4.96 x**		3.02 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. Minimum annual coverage is 1.25x.

[(4)] Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges).

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2020	**2019**
Revenues		
Service revenues	**$ 8,587**	$ 8,891
Investment income	**72**	156
Plus: amounts paid from the rate stabilization fund into the revenue fund	**-**	2,737
Total revenues	**8,659**	11,784
Operating expenses [1]		
Maintenance and other operating expenses	**4,611**	4,703
Total operating expenses	**4,611**	4,703
Net revenues	**$ 4,048**	$ 7,081
Aggregate debt service [2]	**$ 3,021**	$ 3,020
Debt service coverage [3]**, (min 1.15x)**	**1.34 x**	2.34 x

[1] Excludes depreciation.

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

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

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