JEA
FINANCE & AUDIT COMMITTEE AGENDA

DATE: August 10, 2015
TIME: 8:00 – 10:00 AM
PLACE: 21 W. Church Street
8th Floor Conference Room

Committee Members will meet in the 8th Floor Board Conference Room
Other Board Members may join via conference call by dialing 904-665-7100 - No password is needed.

				Responsible Person	Action (A) Info (I)	Total Time
I.	**OPENING CONSIDERATIONS**			Peter Bower		
	A.	Call to Order				
	B.	Adoption of Agenda			A	
	C.	Approval of Minutes – May 11, 2015			A	
II.	**NEW BUSINESS**					
	A.	Audit/ERM Annual Approvals & Quarterly Update		Doris Champ		15 mins.
		1.	Audit Services Quality Assessment Review		I	
		2.	Annual Statement of Auditor Independence		I	
		3.	Adoption of Changes to the Finance & Audit Committee Policy		A	
		4.	Approval of Annual Internal Audit Plan		A	
		5.	Annual Approval of Audit Services Charter		A	
		6.	ERM and Audit Quarterly Update		I	
		7.	Finance & Audit Committee Self-Assessment		I	
	B.	Director of Audit Services Succession Plan		Ted Hobson	I	5 mins.
	C.	Ethics Officer Quarterly Report		Walette Stanford	I	5 mins.
	D.	External Auditors		Mike Pattillo		20 mins.
		1.	Schedule of Expenditures of Federal Awards		I	
		2.	FY2015 E&Y Financial Statements Audit Plan		I	
	E.	Regulatory Actions Approval and Policy Revisions		Melissa Dykes	A	15 mins.
	F.	Rate Structure Project Plan		Melissa Dykes	I	10 mins.
	G.	Downtown Campus Comprehensive Plan		Melissa Dykes	A	10 mins.
	H.	Chief Information Officer Report		Paul Cosgrave	I	5 mins.
	I.	Treasury				10 mins

		1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	
		2.	Recap of Recent JEA Electric System Fixed Rate Debt Refunding Delegated Transactions	Joe Orfano	I	
		3.	Resolutions Amendment for Electrical System 2008B and 2008D Direct Purchase Variable Rate Index Bonds	Joe Orfano	A	
	J.	JEA Energy Market Risk Management Policy Report		Mike Brost	I	5 mins.
	K.	Office of General Counsel Legal Brief		Jody Brooks	I	5 mins.
	L.	Announcements				
		1.	Next Meeting, December 15, 2015, 10:00 AM – 12:00 PM			
	M.	Committee Discussion Sessions				
		1.	Director, Audit Services	Doris Champ	I	5 mins.
		2.	Ernst & Young	Mike Pattillo	I	5 mins.
		3.	Council Auditor's Office	Robert Campbell	I	5 mins.
	N.	Adjournment				

JEA FINANCE & AUDIT COMMITTEE MINUTES
May 11, 2015

The Finance & Audit Committee of JEA met on Monday, May 11, 2015, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

A. Call to Order – Chair Peter Bower called the meeting to order at 8:00 AM with Members John Hirabayashi, Wyman Winbush, Robert Heekin, and Husein Cumber in attendance. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Brian Roche, Ted Hobson, Paul Cosgrave, Bud Para, Angie Hiers, Janice Nelson, Doris Champ, Walette Stanford, Joe Orfano, Ryan Wannemacher, Hamid Zahir, David Jolley, Gerri Boyce, Judi Spann, and Jane Upton. Gayle Petrie, Office of General Counsel, Justin Threet, Ernst & Young, and Robert Campbell, Council Auditors Office, were also in attendance.

B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Mr. Winbush.

C. Approval of Minutes – The March 9, 2015 Minutes were unanimously approved on **motion** by Mr. Cumber and second by Mr. Hirabayashi.

Agenda Item II – New Business

A. FY2016 Budget Presentation – Melissa Dykes, Chief Financial Officer, presented and reviewed the FY2016 draft budget and process, requesting committee feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2016 operating and capital budgets, including revenue, O&M expense levels, interest rates and debt structure, financial metrics, and regulatory accounting items. The presentation also included a review of capital requirements for JEA facilities. Details were provided of significant issues at the downtown facilities that need to be addressed over the next several years in order to upgrade and update those buildings and building systems to meet current standards and codes and address business continuity and catastrophic failure risks. Information was also provided about capital improvements at JEA's outer facilities over the past several years, as well as upcoming capital needs at non-downtown JEA facilities. Committee Members requested additional information be provided, including the current and historical number of employees within the campus, and a timeline for making a recommendation. The proposed FY2016 Budget presentation, including an executive summary, will be included in the May 19, 2015 Board Meeting package for information and discussion by the full Board during the Finance and Audit Committee Report. The FY2016 Budget will be presented to the Board for final approval at the June 16, 2015 meeting. This item was received for information.

B. Chief Risk and Compliance Officer Report – Ted Hobson, Chief Compliance Officer, provided an overview of his organization which is comprised of Security and Public Records, Audit Services, CIP Compliance (Critical Infrastructure Protection), Electric Compliance, and Risk Management Services. Mr. Hobson also reviewed the structure and responsibilities of the Enterprise Compliance and Risk Committee. Mr. Hobson provided an action plan for the recruitment, selection and placement of Doris Champ's successor by August 1, 2015, prior to her retirement in September. The selection committee will make a recommendation to the CEO and Finance and Audit Committee Chair. This item was received for information.

C. Audit Services – Quarterly ERM/Audit Update – The Quarterly ERM/Audit Update, reviewed by Doris Champ, Director Audit Services, was received for information. Ms. Champ provided information on the Enterprise Risk Management (ERM) Trending Report, ERM Board Report, Audit Project Report, Summary of Audits Quality Indicators, Ethics Hotline Reports, and the Action Plan Status.

At 9:30 AM, when Mr. Cumber departed the meeting, the Committee took a brief break and reconvened at 9:37 AM.

D. Ethics Officer Quarterly Report – The Ethics Officer Quarterly Report, reviewed by Walette Stanford, Ethics Officer and Director Workforce Strategies, was received for information. Ms. Stanford stated that JEA rolled out its new Business Ethics Computer Based Training module to employees in March with the goal of 100% completion prior to fiscal year-end 2015. The new format received favorable feedback, and the year-to-date results show 99% completion with the remaining 10 employees who have not completed training currently out of the office due to either Disability, Family Medical Leave, Military Duty, or Leave of Absence.

E. Update on Rates Restructuring Initiative – An update on the Rates Restructuring Initiative, presented by Melissa Dykes, Chief Financial Officer, was received for information. The presentation included updates on:

- Fuel Credit – The $50 million fuel credit was approved by the Board in April. If forecasts remain low, an additional decrease will be proposed in the summer to be effective October 1, 2015.
- Streetlight Rates – New streetlight rates will be proposed based on results of a recent cost of service study and a field survey to better reflect the current cost to serve and align with improved energy standards. These rates will include five new LED streetlight rates.
- General Service Large Demand (GSLD) – Aligning street light rates affords the opportunity for JEA to reduce its GSLD energy rates.
- Residential and Small Commercial Rates – staff is evaluating pilot programs on selected rate structures such as Demand Rates. JEA is identifying and analyzing requirements, potential results, and possible support from the Department of Energy.
- Next Steps – Staff will propose the Board call a Rate Hearing this summer to implement a fuel rate decrease, streetlight realignment and LED rate offering, and large commercial rate decrease. Staff will continue to structure a residential pilot program for new rate options to empower customers, improve system efficiency, provide revenue stability, leverage technology, continue to leverage corporate commitment to environmental responsibility, and pave the way toward the future for JEA.

F. Treasury

1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System, and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
2. Recap of Recent St. Johns River Power Park Fixed Rate Debt Refunding Delegated Transaction – Joe Orfano, Treasurer, provided a Recap of Recent JEA Electric System Fixed Rate Debt Refunding Delegated Transactions, which was received for information.

G. JEA Energy Market Risk Management Policy Report – Mike Brost, VP/GM Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.

H. Announcements

1. The next Finance and Audit Committee meeting will be held on August 10, 2015, at 8:00 AM.

I. Committee Discussion Sessions

1. Director, Audit Services – At 10:40 AM, Mr. Bower dismissed staff and the Committee held a general conversation with Doris Champ, Director Audit Services.
2. Ernst & Young – At 10:43 AM, the Committee held a general conversation with Justin Threet.
3. Council Auditor's Office – Mr. Campbell had no concerns requiring discussion with the Committee.

Closing Considerations

Mr. Winbush announced that with the addition of Mr. Heekin, this would be his final meeting on the Finance and Audit Committee. He thanked Mr. Bower for his leadership, especially with the time he takes to explain items throughout the meeting to new Members.

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:45 AM.

APPROVED BY:

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Peter Bower, Committee Chair
Date: ________________

Submitted by:

____
Jeanne Ryan
Executive Assistant

Building Community

AGENDA ITEM SUMMARY

July 24, 2015

SUBJECT:	**AUDIT SERVICES QUALITY ASSESSMENT REVIEW**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: The Institute of Internal Auditors (IIA) requires that every internal audit department be evaluated by an external Quality Assurance Review team every five years. JEA's Audit Services has had reviews in 2005 (the first year of the requirement) and 2010, and has just completed the review for 2015. Audit Services is also required by the IIA to provide the results of the review to the Finance & Audit Committee of the Board. These results are shown in the attached report prepared by Honkamp Krueger, the consulting firm selected to perform the review and approved by the Finance & Audit Committee at the March, 2015 meeting.

Significance: High

Effect: The report states that Audit Services is in General Conformance with all IIA Standards.

Cost or Benefit: The benefit is that an independent firm certified by the IIA to perform Quality Assessment Reviews, has now confirmed that JEA Audit Services is in General Conformance with IIA Standards. Three ratings are available from these reviews, Generally Conforms, Partially Conforms, and Does Not Conform. Audit Services received the highest rating, Generally Conforms, in all categories.

Recommended Board action: None.

For additional information, contact: Doris Champ CIA, CISA, Director, Audit Services

Submitted by: PEM/TEH/DAC

Commitments to Action

1. Earn Customer Loyalty
2. Deliver Business Excellence
3. Develop an Unbeatable Team

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JEA

External Quality Assessment Report

July 20, 2015

Prepared by

HONKAMP KRUEGER & CO, P.C.

CPAs & Business Consultants

REPORT **CONTENTS**

EXECUTIVE **SUMMARY**

Introduction

Internal auditing is one of the cornerstones of corporate governance. Because of its unique position within organizations, internal auditing provides audit committee members and senior management with valuable assistance by giving objective assurance on governance, risk management, and control processes. To do this effectively, an internal audit function must be adequately resourced, professionally staffed, and follow the International Professional Practices Framework (IPPF). The IPPF, the conceptual framework developed by the Institute of Internal Auditors (IIA), is a comprehensive set of mandatory guidance which is principles-based and is considered the essential requirement for establishing and performing internal auditing. The three mandatory elements of the IPPF are the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

Honkamp Krueger & Co., P.C. (HK) was engaged to perform an external quality assessment (QA) of JEA's Audit Services (AS). This engagement was conducted in accordance with Standard 1312 – External Assessments, related Practice Advisories, and the *Quality Assessment Manual* published by the Institute of Internal Auditors Research Foundation.

This report is intended solely for the information and use of Audit Services, JEA's Board of Directors, and management of JEA and is not intended to be, and should not be used, by anyone other than these specified parties.

The HK Solution

Standard 1300 requires internal auditors to develop and maintain a Quality Assessment and Improvement Program (QA&IP). In addition to both ongoing and periodic internal assessments, the *Standards* also require a QA of the function's adherence to the IPPF every five years.

Objectives

The engagement was designed to achieve the following objectives:

- Evaluate Audit Services' (AS's) level of conformity with the IIA *Standards*, Definition of Internal Auditing and Code of Ethics;
- Provide AS with observations that would add value to the organization by:
    - Identifying opportunities for improving the efficiency and effectiveness of AS; and
    - Identifying opportunities to help ensure the expectations of the board, shareholders, and executive management are being met.

Scope

The fieldwork was conducted from May 18, 2015 to May 22, 2015 and a formal closing conference was held on the last day of fieldwork. In order to achieve the objectives of the QA, the following items were reviewed or performed:

- The information provided in advance by AS, which included detailed information about the organization and the internal audit function;
- Discussions with the Chief Audit Executive (CAE);
- Confidential surveys of management;
- Confidential surveys of AS staff;
- Interviews of the Finance and Audit Committee (FAC) Chair, Chief Executive Officer, five members of senior management, three AS staff members; and
- Workpapers and reports for a sample of four engagements completed by AS in the past 12 months.

AS's risk assessment and audit planning processes, audit tools and methodologies, and engagement and staff management processes were also reviewed.

Notable Performance Aspects

AS is seen as one of the key cornerstones of JEA's corporate governance, as evidenced by interviews, surveys, document reviews, and observations. We found numerous positive aspects about AS and the work it performs. Some of the more notable positive aspects and practices include the following:

- Management strongly supports the work of AS;
- Client surveys are used after each audit;
- Senior management provides input to the annual risk assessment process;
- The engagement level risk assessment is robust;
- The quality assurance & improvement program (QA&IP) has improved since the prior QA; and
- AS staff annually recognize compliance with the IIA *Standards* and Code of Ethics.

JEA's AS has demonstrated a commitment to quality, successful leadership practices, and maintaining an internal auditor's mindset for professionalism. Our assessment noted JEA's AS has developed and implemented a methodology, a set of policies & procedures, and built a team of experienced auditors based upon achieving the department's mandate. Evaluation of the internal audit processes and related audit work papers evidenced that JEA's AS takes this role seriously and provides value to the organization in accordance with what is being requested of them.

Conformity Rating

The IIA QA framework provides a system for rating conformity to the *Standards*, which consists of three categories: generally conforms, partially conforms, and does not conform. The framework describes these categories as follows:

Generally Conforms (GC) means that an internal audit activity has a charter, policies, and processes that are judged to be in accordance with the Standards in all material respects, but some opportunities for improvement may exist.

Partially Conforms (PC) means that practices were noted that are judged to deviate from the Standards, but they did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

Does Not Conform (DNC) means that deficiencies in practices were judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

The IIA *Standards* are divided into two primary subsets: Attribute and Performance. The QA team rates JEA's AS as follows:

Attribute Standards:	Generally Conforms
Performance Standards:	Generally Conforms
Code of Ethics:	Generally Conforms
Definition of Internal Auditing:	Generally Conforms
OVERALL EVALUATION:	GENERALLY CONFORMS

Opportunities and Practice Improvement Suggestions - Summary

The opportunities and practice improvement suggestions that we believe will enhance conformity with the *Standards* and further improve the effectiveness of AS are summarized as follows.

Opportunities to Improve Conformity with IIA *Standards*

1. Consistently document the objectives of each consulting project and the related engagement level risk assessment.
2. Document rationale for assignment of audit resources to engagement.
3. Consistently document evidence of work program approval prior to its implementation for consulting projects.

Practice Improvement Suggestions for Audit Services Consideration

1. Formalize documentation of affirmation of no limitations on scope and the functional independence of AS in its annual report to Finance and Audit Committee (FAC).
2. Consider use of "Conforms with the International *Standards*…" in all audit reports and/or include the phrase on the department intranet site.
3. Enhance the Audit Services Manual by covering all of the IIA's International Professional Practices Framework, including:
    a. Impairment to independence and objectivity
    b. Disclosure of nonconformance with the IIA's Code of Ethics
    c. Errors and omissions
    d. Engagement disclosure of noncompliance with IIA *Standards*

Practice Improvement Suggestions for Management and FAC Consideration

1. Strengthen the FAC Operating Policy narrative around functional reporting by including discussions regarding compensation and performance of the CAE with the FAC Chair.

REPORT **DETAIL**

Opportunities to Improve Conformity with IIA *Standards*

Observation	Recommendation	Response
1. AS staff and management understand the risks and objectives of consulting engagements and build the work programs around these; however, in the consulting review included in the QA, there was no documentation of the engagement level risks and associated objectives in the work papers, other than in the management memorandum itself.	AS should summarize the results of the risk assessment process for consulting engagements, including management's assessment of risk, any background information and any survey results. The summary should be documented and include: ▪ significant engagement issues and reasons for pursuing them in more depth; ▪ engagement objectives and procedures; and ▪ methodologies to be used, such as technology-based audit and sampling techniques.	A formal engagement and/or planning memo were not utilized on this project, but the broad purpose and objectives were documented in a work paper, and in the management memo. That work paper was filed in the Fieldwork section of the work papers rather than the Planning section. In the future, we will make certain that all applicable planning related documents are completed and filed in the Planning section of the work papers. It should be noted that our Consulting Engagement Procedure does allow for informal projects, and formal risk assessments are not always performed for consulting engagements such as this project.

Opportunities to Improve Conformity with IIA *Standards*

Observation	Recommendation	Response
2. While decisions on how best to utilize resources is inherent to the planning phase of any engagement, AS has an opportunity to formalize the resource allocation process by documenting the rationale for assigning auditors to an engagement. When determining the appropriateness and sufficiency of resources, AS management should consider: ▪ number and experience level of the auditors; ▪ knowledge, skills and other competencies of the auditors; ▪ availability of subject matter experts where additional knowledge and competencies are required; and ▪ training needs of internal auditors as each engagement assignment serves as a basis for meeting AS's developmental needs.	The CAE should establish a written policy in AS Manual requiring that the rationale for assigning auditors to an engagement be documented in the planning section of the work papers. This approach ensures AS management has taken into consideration the complexity, time constraints, and availability of resources when assigning staff to an engagement.	We have already begun using a statement about the audit resources to be used on a project and why. This statement is now being included in the Comments section of the Planning screen in Auto Audit. We will also add this step to our Conduct Audit and Consulting Engagement procedures.
3. Review of AS audit work papers demonstrated solid internal procedural compliance and organization in regards to identifying, analyzing, evaluating, and documenting information during the engagement. Evidence of prior approval and subsequent approval to revisions of the work program by AS management, however, was not evidenced in the work papers for the consulting engagement reviewed.	The CAE should implement a procedure that requires approval by AS management for all finalized work programs and subsequent adjustments prior to the initiation of fieldwork. This approval should be documented and easily verifiable in each engagement work paper file.	AS already has a Consulting Engagements Procedure which requires that for "formal" consulting projects, the engagement memo or Statement of Work should be approved by the Audit Director prior to beginning the project. The project in question was more of an informal, ad hoc type project that evolved as the project progressed, until the overall objectives of the project were achieved. Thus there was no formal work program for this project. We agree that the objectives for this project could have been better documented and formally approved at the start of the project.

Practice Improvement Suggestions for Audit Services Consideration

Observation	Recommendation	Response
1. The results of AS's QA&IP program evidences that the department adheres to the *International Standards for the Professional Practice of internal Auditing*. Departments achieving this distinction have the ability, in accordance with Standard 1321, to promote the internal audit activity by disclosing that their work "Conforms with the *International Standards for the Professional Practice of Internal Auditing*". This distinction is often communicated to audit clients, senior management, and board members through audit reports and other communication vehicles as a means to promote the department. Currently, AS does not include this wording in audit reports, but it is included in the AS Charter, which is reviewed by senior management and the Finance and Audit Committee on at least an annual basis..	The CAE should consider communicating to internal audit stakeholders that AS "Conforms with the *International Standards for the Professional Practice of Internal Auditing*" as a means of promoting the activity within the organization.	We will consider adding this wording to our audit reports.
2. AS does not have written policies that describe the actions required when one or more of the events listed below take place. The likelihood of one of these events occurring is rare in most cases, which is why it is important to develop action plans in advance and communicate the plans to AS management and staff, as well as to senior management and the FAC. ▪ Impairments to Independence or Objectivity (Standard 1130) ▪ Disclosure of Non-conformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* (Standard 1322) ▪ Errors or Omissions (Standard 2421) ▪ Engagement Disclosure of Non-conformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* (Standard 2431)	AS should develop policies that describe in detail the actions that will be taken in the event that any of the activities noted within the observation occur.	AS will develop a procedure to cover these four standards even though they have never occurred and are not likely to occur due to the practices and processes in place to prevent them from occurring.

Practice Improvement Suggestions for Audit Services Consideration

Observation	Recommendation	Response
3. Organizational independence is the foundation of the profession of internal audit and any impairment to it, including scope limitations and restrictions, jeopardizes the function's mission. It is therefore imperative that the FAC is kept apprised of the internal audit function's ability to maintain appropriate independence. The *Standards* require that the CAE annually confirm the function's organizational independence, which is currently being performed verbally to FAC but not formally documented.	While reporting on AS performance, the CAE should confirm AS's organizational independence to the FAC and include either disclosure of scope limitations or affirmation that no such limitations occurred.	Beginning with the August 2015 FAC meeting, AS will include a formal confirmation of independence with no limitations, along with the other audit-related documents routinely presented to the FAC each year at the August meeting.

Practice Improvement Suggestions for Management and FAC Consideration

Observation	Recommendation	Response
1. The clear understanding of a functional reporting relationship between an internal audit activity and its oversight committee is often difficult to communicate to all stakeholders of the department. Functional reporting is best described by the interpretative examples provided in IIA Standard 1110 - Organizational Independence. All of the examples o are included in the FAC Policy with the exception of approving the remuneration of the CAE.	To strengthen and make clear this functional reporting relationship, the FAC should consider revising its Operating Policy narrative to emphasize and clarify the functional reporting relationship of the CAE by including language related to discussions of compensation and performance evaluation of the CAE with the FAC Chair.	Since JEA's CEO and CRCO already informally discuss the performance and compensation of the Director, Audit Services with the FAC Chair, including this language in the FAC policy will be considered.

Appendix A – *Standards* Conformance Evaluation Summary

Attribute Standards

		GC	PC	DNC	N/A
1000	Purpose, Authority, and Responsibility	X			
1100	Independence and Objectivity	X			
1200	Proficiency and Due Professional Care	X			
1300	Quality Assurance and Improvement Program	X			

Performance Standards

		GC	PC	DNC	N/A
2000	Managing the Internal Audit Activity	X			
2100	Nature of Work	X			
2200	Engagement Planning	X			
2300	Performing the Engagement	X			
2400	Communicating Results	X			
2500	Monitoring Progress	X			
2600	Resolution of Senior Management’s Acceptance of Risks	X			

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AGENDA ITEM SUMMARY

July 10, 2015

SUBJECT:	**ANNUAL STATEMENT OF AUDITOR INDEPENDENCE**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: The Institute of Internal Auditors (IIA) requires that the Chief Auditor annually confirms Audit Services' organizational independence to the Finance & Audit Committee. While this has been done verbally on an ongoing basis, it is a best practice recommendation to put that confirmation in writing. The attached document provides that written confirmation.

Significance: Medium

Effect: A written confirmation of organizational independence will be provided to the Finance & Audit Committee annually in accordance with IIA requirements and best practices.

Cost or Benefit: There is no cost. See Effect above for benefit.

Recommended Board action: None.

For additional information, contact: Doris Champ CIA, CISA, Director, Audit Services

Submitted by: PEM/TEH/DAC

Ver.2.0D 9/21/2013 jer

FY 2015 Annual Statement of Independence

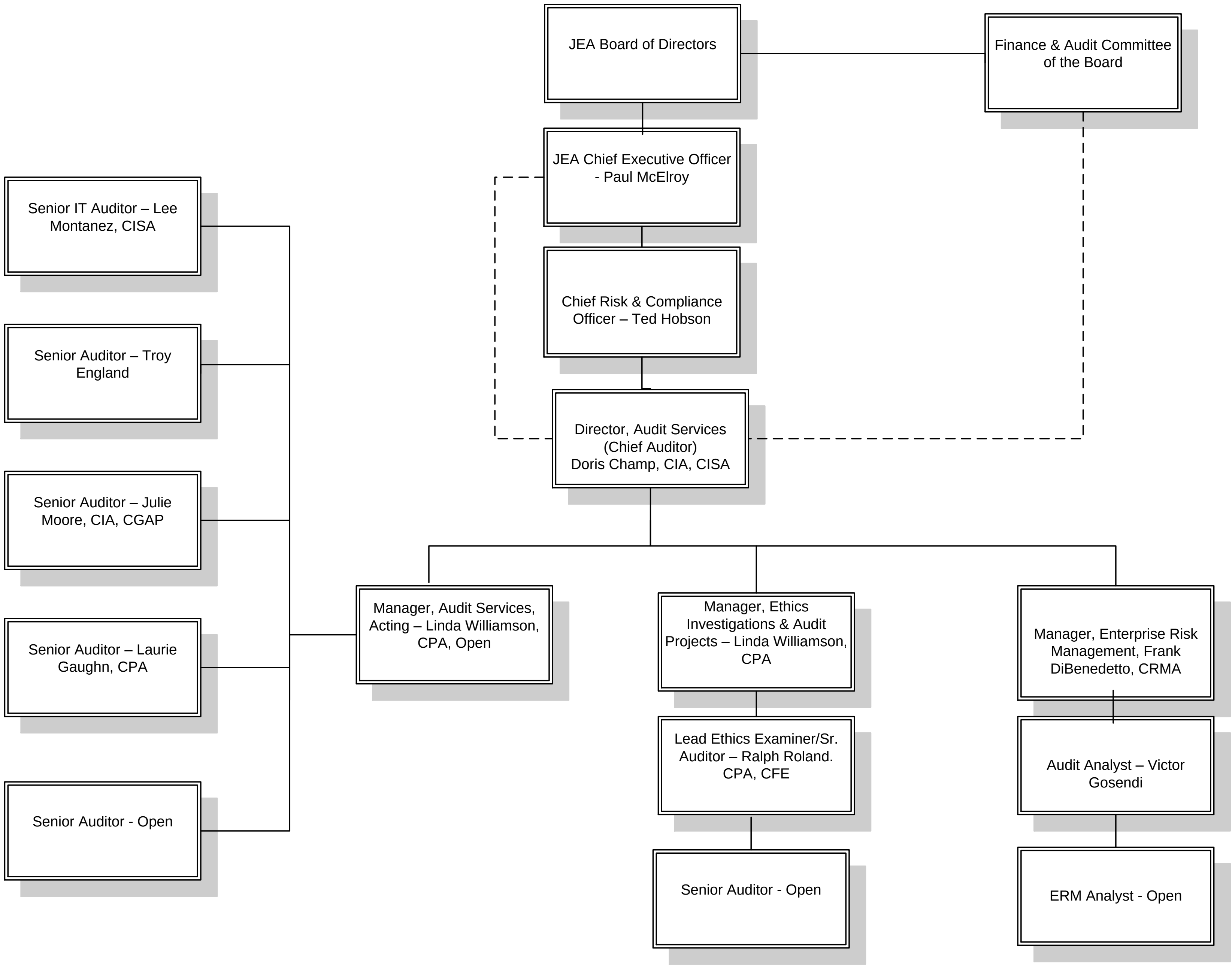
July 10, 2015

As the Director, Audit Services and Chief Auditor for JEA, I affirm that JEA's internal audit function has the independence it needs to function properly as an independent internal audit department. There have been no scope limitations placed on us, nor have there been failures to disclose information, provide documents, or provide access to certain individuals. Our access to the information we need to adequately perform our audit work has not been limited in any way.

Doris A. Champ

Doris A. Champ, CIA, CISA
Director, Audit Services
JEA

Audit Services Organization Chart – July 2015



JEA Audit Services and Enterprise Risk Management, July 2015	
Name / Title	Experience / Education / Certifications
Champ, Doris Director, Audit Services and Enterprise Risk Management, CAE	12.5 years at JEA. 35+ years audit/risk/investigative experience, including Prudential and Kemper Insurance, direct interaction with and responsibility to the audit/compliance committee of a board. BS, Mathematics, CIA - Certified Internal Auditor, CISA – Certified Information Systems Auditor.
DiBenedetto, Frank Manager, Enterprise Risk Management	11.5 years at JEA. 25+ years financial management, audit and risk management, including Prudential Securities, Dean Witter, and Kidder Peabody. BS – Financial Business Management, Certification in Risk Management Assurance (CRMA), Certified Financial Analyst: Series 7, 63 and 5 registered (inactive).
Williamson, Linda Manager, Audit Services & Manager, Ethics Investigations & Audit	3 years with JEA. 25+ years audit/accounting experience, including the Inspector General's Office at the City, Jacksonville Sheriff's Office, Barnett Bank, and Peat, Marwick, & Mitchell (KPMG). Master's Degree and CPA.
England, Troy Senior Auditor	1.5 years at JEA. 12 years audit experience at Blue Cross and Diversified Service Options. Degree in Business Administration. Pursuing the CIA designation.
Laurie Gaughan Senior Auditor	8 months at JEA. 5 years audit experience at EverBank. 22 years as a CPA at various companies, including the Office of the Auditor General. BBA in Accounting and, and BA in Economics, CPA.
Gosendi, Victor, Audit Services Analyst	17 years at JEA. 25+ years of experience in technology including Plaskolite, Inc. Auditing: 8 years internal auditing and continuous auditing/continuous monitoring. Computer Science degree.
Montanez, Lee Senior Information Technology Auditor	4 years at JEA. 17 years experience in audit, finance, and IT at Fidelity, Rayonier, and the government of Puerto Rico. BS – Accounting, MBA – Finance, CISA
Julie Moore Senior Auditor	7 months at JEA. 14 years audit experience at the Federal Reserve Bank of Atlanta and the Jacksonville Sheriff's Office. BBA in Accounting, CIA, CGAP - Certified Government Audit Professional.
Roland, Ralph Senior Auditor, Ethics Hotline Administrator/Investigator	14 years at JEA. 20+ years, internal and external auditing experience including Koger Equities, 5 years U.S. Navy quality assurance auditing. BBA – Accounting, CPA, CFE – Certified Fraud Examiner.

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AGENDA ITEM SUMMARY

July 10, 2015

SUBJECT:	**ADOPTION OF CHANGES TO THE FINANCE & AUDIT COMMITTEE POLICY**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: The Institute of Internal Auditors (IIA) mandates that an Audit Committee perform certain duties, including the annual review and approval of the Committee's governing policy. For JEA, that governing policy is the Finance & Audit Committee Operating Policy.

Significance: High

Effect: To keep JEA's Finance & Audit Committee in compliance with IIA standards, and to better define the current responsibilities of the Finance & Audit Committee. The suggested changes to the FAC Policy are highlighted in yellow on the attached document and include:

- Stating that the FAC Chair and Committee members are appointed by the Board Chair.
- The City of Jacksonville Inspector General's Office is added for the FAC to use as an alternate source for performing investigations.
- The FAC Chair, JEA's CEO and/or JEA's CRCO will have an annual discussion about the compensation and performance of the Director, Audit Services.

Cost or Benefit: There is no cost. See Effect above for Benefit.

Recommended Board action: Staff recommends that the Finance & Audit Committee and the Board approve the attached revision of the JEA Finance & Audit Committee Operating Policy.

For additional information, contact: Doris Champ CIA, CISA, Director, Audit Services

Submitted by: PEM/TEH/DAC

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

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JEA Finance & Audit Committee Operating Policy

Role of the Finance & Audit Committee

The Finance & Audit Committee is appointed by, and is a standing Committee of, the Board of JEA. The Committee's primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing JEA's financial information, systems of internal controls, and audit process, including a high level review of the operating and capital budgets. In conjunction with its primary function, it is the responsibility of the Committee to provide an open avenue of communication between the Board, Management, Audit Services, and the external auditors. The committee will report to the Board on a regular basis to keep the full Board apprised. The Finance & Audit Committee shall review and approve various agenda items as outlined below. These items shall then be recommended to the full JEA Board for approval.

Membership

The Committee shall consist of at least three Board members, appointed annually by the Board Chair. The Board Chair shall also appoint one of the Committee members as Chairperson. The Director of Audit Services and the external auditors shall have direct and independent access to the members of the Finance & Audit Committee.

Meetings:

The Committee will meet at least four times per year. The Committee may invite members of Management, external and internal auditors, and/or others to attend meetings and provide pertinent information, as necessary. A schedule of regular meetings will be established by the Committee annually. Special meetings may be called by any Committee member. To constitute a quorum, a majority of the members must be present at all meetings. Meetings shall be subject to public information laws.

Responsibilities:

The Committee shall:

General

- Report Committee actions and recommendations to the Board.
- Annually review and approve the Committee's Operating Policy, updating as needed.
- Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of Management and relevant information. The Committee may request Audit Services, and/or the City of Jacksonville Council Auditor or Inspector General, to assist it in the conduct of any investigation.

Internal Controls and Risk Assessment

- Review and evaluate the effectiveness of JEA's process for identifying and assessing significant risk exposures and the steps Management has taken to monitor and control such risks.

JEA Finance & Audit Committee Operating Policy

- Review any significant findings and recommendations of the external auditors including Management's responses and timetable for implementation of recommendations to correct any weaknesses in internal controls.
- Review with the external auditors the adequacy of JEA's internal controls including controls over computerized information, and security controls.

Audit Services

- Review the internal audit function including the independence and authority of its reporting process.
- Review and formally approve the proposed annual audit plan, and the adequacy of resources and organizational structure.
- Annually review and formally approve the Audit Services Charter.
- Review and formally approve the appointment, reassignment, or dismissal of the Director, Audit Services (the Chief Auditor).
- The Finance & Audit Committee Chair will annually discuss the Director, Audit Services' performance and compensation with the CEO and/or the Chief Risk & Compliance Officer (CRCO).
- Review the summary results of ethics violations and frauds reported through the Ethics Hotline, and confirm that JEA is maintaining effective controls over conflicts of interest and fraud.
- Receive, prior to each meeting, a progress report on the annual internal audit plan, and a summary of completed internal audits including:
    - Significant findings and Management's responses including the timetable for implementation to correct weaknesses.
    - Any difficulties encountered in the course of the audit such as restrictions on the scope of the work or access to information.

Enterprise Risk Management (ERM), Compliance with Laws, Regulations

The Board's responsibilities, as outlined in the Enterprise Compliance and Risk policy are delegated, in part, to the Finance & Audit Committee as follows:

- Approve significant changes to the Enterprise Compliance and Risk Policy, and to the Electric Compliance Policy.
- Ensure that JEA maintains a comprehensive and effective ERM program
- Monitor JEA's process to identify, assess, and manage those significant risks that could prevent JEA from achieving its business objectives by:
    - Reviewing any summary risk reports provided by the Enterprise Compliance and Risk Committee (ECRC).
    - Reviewing management presentations on the implementation of policies and procedures related to risk assessment and risk management, to confirm that operational and financial risks are being adequately managed and mitigate
- Gain reasonable assurance that JEA is in compliance with pertinent laws and regulations by reviewing summary reports and management presentations confirming that Management is meeting the requirements set forth by legislative and regulatory bodies applicable to JEA.

Ethics Program

JEA Finance & Audit Committee Operating Policy

On behalf of the JEA Board, the Finance & Audit Committee of the Board will oversee JEA's Ethics Program as follows:

- Ensure that JEA maintains a comprehensive and effective Ethics program, and is conducting its affairs in accordance with JEA's Core Values, Code of Conduct, and Code of Ethics.
- Review presentations and summary reports from the JEA's Board-appointed Ethics Officer (EO) relating to the ethics training program and ethics questions posed by employees.

Budget

On behalf of the JEA Board, the Finance & Audit Committee will oversee the annual budget process by:

- Reviewing and approving JEA's preliminary and final budgets.
- Reviewing significant changes to the existing budget.
- Reviewing and approving annual budget resolutions authorizing line item reallocations.

Rates

On behalf of the JEA Board, the Finance & Audit Committee will oversee the rates change process by:

- Reviewing and approving significant changes to JEA's rate structure and Pricing Philosophy.
- Reviewing and approving Management's recommendations for rate changes, and rate hearings.

Treasury

On behalf of the JEA Board, the Finance & Audit Committee will oversee JEA's financing processes by:

- Reviewing and discussing with Management and the external auditors:
    - All critical Investments and Debt policies and practices used by JEA, as well as any significant changes to those policies and practices, including changes resulting from recent professional and/or regulatory pronouncements, or changes in Management's assessment of financial market conditions or liquidity requirements.
- Reviewing all management reports relating to investment and debt position and results.
- Reviewing and approving all new debt issuance and/or debt refinancing, in accordance to the Board's delegated authority, as appropriate considering the

JEA Finance & Audit Committee Operating Policy

necessary timing of the transaction and the meeting schedule of the Finance & Audit Committee.

Financial Reporting

- Review and discuss with Management:
    - All critical accounting policies and practices used by JEA, as well as any significant financial reporting issues such as regulatory actions, complex or unusual transactions, alternative treatments within generally accepted accounting principles, and highly judgmental matters.
    - Significant changes in JEA's policies for financial reporting, including changes resulting from recent professional and/or regulatory pronouncements or Management's evaluation.
- Review all reports between Management and the external auditors, such as the management letter.
- Review with Management and the external auditors the results of the annual financial audit including any difficulties or disputes with Management encountered during the audit and matters required to be discussed in accordance with the Statement of Auditing Standards No. 61, *Communications with Audit Committees*.
- Review with Management JEA's financial performance on a periodic basis.

External Auditor

- Oversee the selection, compensation, terms of engagement and recommendation to the Board for appointment of the external auditors, who in their capacity as independent public accountants shall be responsible to the Board and the Committee. Per Florida Statute 218.391, compensation shall not be the sole or predominant factor used to evaluate and select the external auditors.
- Review and formally approve the qualifications and independence of the external auditors, including quality/ independence controls, such as independent partner reviews, peer reviews (including the most recent report) and/or a partner rotation policy. If the Committee is not satisfied with the auditors' assurances of independence, it shall recommend to the Board appropriate action to ensure the independence of the external auditors, including discharge, if necessary.
- Review and formally accept the scope and approach of the annual financial audit with the external auditors.
- Approve all non-audit services provided by the external auditors in accordance with Governmental Auditing Standards.
- Review and approve the hiring of former external auditors for JEA senior-level positions.

JEA Finance & Audit Committee Operating Policy

Committee Education, Orientation, and Self-Assessment

- With Management, the Committee shall develop and participate in a process for reviewing important topics presenting potential significant financial and reputational risk to JEA.
- Individual Committee members are encouraged to participate in relevant and appropriate self-study to assure understanding of the business and the environment in which JEA operates
- The Committee shall review, discuss, and assess its own performance annually as well as the Committee's role and responsibilities, seeking input from Senior Management, the full Board, Audit Services and the external auditors.

March 27, 2008 (07/02/08 jer)
August 9, 2010 (dac)
August 8, 2011 (dac)
August 13, 2012 (dac)
August 30, 2012 (dac)
September 17, 2012 (cb)
August 11, 2014 (dac)
August 10, 2015 (dac)

Building Community

AGENDA ITEM SUMMARY

July 24, 2015

SUBJECT:	**APPROVAL OF ANNUAL INTERNAL AUDIT PLAN**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: JEA's Audit Services adheres to the Institute of Internal Auditors (IIA) Standard Practices, which require that the Finance & Audit Committee formally approve the Annual Internal Audit Plan, as stated in the Finance & Audit Committee Policy.

Significance: High

Effect: The effect of the formal approval is to demonstrate that the Finance & Audit Committee has reviewed and is in agreement with the Annual Internal Audit Plan, and to allow Audit Services to be in compliance with IIA standards.

Cost or Benefit: No cost. See Effect above for benefit.

Recommended Board action: Staff recommends that the Finance & Audit Committee and the Board approve the attached FY 2016 Annual Internal Audit Plan.

For additional information, contact: Doris Champ, CIA, CISA, Director, Audit Services

Submitted by: PEM/TEH/DAC

Ver.2.0D 9/21/2013 jer

Fiscal Year 2016 Audit Plan Summary

	A	B	C	D	E	F
1	**Auditable Entity - In Total Risk Score Descending Order**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score B+C**	**Planned Auditor Hours for FY2016**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
2	Debt Management - Joe Orfano, Manager is open	4.55	3.5	8.05	500	H
3	SJRPP Fuels Function - Steve McInall, Jim Myers, Robin Hood	4.3	3.55	7.85	450	H JEA is contractually required to audit this function in calendar year 2015. Schedule for first quarter FY 2016. Perform in conjunction with the JEA Fuels Audit.
4	Facilities Management - Christopher Crane, Doug Zander, Ann Freudenthal	4.05	3.6	7.65	550	H
5	30900 Technology Infrastructure - Cindy Edgar	4.5	3	7.5	400	H Limited Scope - ITEL Asset Management
6	A0600 Fuels Management - Steve McInall, Jim Meyers	4.85	2.5	7.35	400	H Audit should include required review of new Energy Market Risk Management Policy implementation. Perform in conjunction with the SJRPP Fuels Audit.
7	20411 Distribution, Development & Joint Projects - John Norse. 20422 Project Mgmt. - Ken Talley 20413 System Prot. & Control Projects (Relays) - Darrell Hamilton 20411 Transmission and Substation Projects - Michael Short	4.2	3.1	7.3	400	H Limited Scope
8	31000 Security - Patrick Maginnis	4.25	3	7.25	350	H 2016 audit of AMAG badge system and process to include both operational and technology aspects. Hours here are for Operations only. See Technology Services for technology hours.
9	Corporate Applications - Bea Fore, Sandy Christiansen (ERP Systems, Oracle, JEA.com, etc.) , Jocelyn Granger (GIS and Engineering Systems & Interfaces), Troy Tremble (CC&B and other CR systems)	3.45	3.7	7.15	400	H Review the technology side of the AMAG application.
10	30703 System Protection & Controls - Todd Skinner	3.5	3.55	7.05	500	H
11	SJRPP Electric Production, Operations, and Bulk Material Handling - Paul Yarger, James Peacock	3.95	3.05	7	300	H Limited scope audit.
12	Accounts Payable, Travel Reimbursements - Acting Manager Heather Burnett	4.05	2.95	7	0	H Monitored by ACL Continuous Monitoring function.
13	B0010 Information Security - Bill Kearson	3.95	3.05	7	400	H Limited scope- monitoring mechanisms, staff utilization, data classification.
14	SJRPP Electric Production Maintenance - Robert Stanley	3.95	2.85	6.8	350	M+ Limited Scope Audit
15	Disaster Recovery - Cindy Edgar	3.85	2.9	6.75	375	M+ Limited Scope - Disaster Recovery Follow-up Audit
16	A0506 Corporate Records Retention - Director Patrick Maginnis, Jasen Hutchinson	3.8	2.85	6.65	0	M+ Audited in various operational audits, for those cost centers.
17	B0012 CIP (Critical Infrastructure Protection) Compliance - Dan Mishra, Charles Bayless	3.65	2.9	6.55	400	M+ Audit requested by Management.
18	Purchasing Cards - Jenny McCollum	3.5	2.95	6.45	0	M+ P-Card transactions are reviewed monthly as part of the ACL Continuous Monitoring program. They are also included in operational audits as applicable.

Fiscal Year 2016 Audit Plan Summary

	A	B	C	D	E	F
1	**Auditable Entity - In Total Risk Score Descending Order**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score B+C**	**Planned Auditor Hours for FY2016**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
19	A0203 Safety & Health - Leah Greene, Paul Thomas	3.5	2.95	6.45	0	M+ Safety is included in every audit of a safety sensitive area. Also Performance Pay Audits for JEA and SJRPP test safety numbers reported.
20	Customer Revenue- Billing Support Services - Sheila Pressley, Ella Jones	4.15	2.25	6.4	125	M+ Carryover from 2015
21	Procurement & Contracts - Jenny McCollum Contract Administration - Heather Burnett	3.9	2.15	6.05	0	M+ Procurement contracts are reviewed in various audits, projects and cases.
22	Emerging Workforce Strategies, Labor Relations - Director Walette Stanford, Maryanne Evans, Pat Sams	3.25	2.4	5.65	350	M CHRO and Director request audits of Nepotism (2015) practices, the Drug Testing process, disciplinary actions recording, and safety sensitive classifications in Oracle.
23	PMO Eleni Cruise	2.95	2.55	5.5	550	M Key system - Oracle eAM implementation, PMO and operations processes.
24	Business Analysts Services - Melissa Fulmore, Oracle, SharePoint, 20100 GIS & Maximo Business Analysts - Kevin Tyler, Keith Joiner	2.4	3	5.4	0	M Oracle access security is tested in most audits performed.
25	A0200 Employee Services - Patricia Maillis A0201 Payroll - Naline Thompson Compensation - Annette Popielarz, Sonja Lee	3.55	1.65	5.2	200	M JEA & SJRPP Performance Pay Audits Also, payroll transactions are covered in the ACL Continuous Monitoring program.
26	Customer Assistance Program - Sheila Pressley, Elizabeth Paulson	2.35	2.2	4.55	75	M- New entity. The Neighbor to Neighbor Audit will be performed annually as part of an agreement with Council Auditors to fulfill the terms of the applicable Ordinance.

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
3													
4	**30000 VP - Mike Brost. VP & General Manager, Electric Systems (27 entities)**												
5	30001 Electric Systems Asset Management - Director Steve Cooper	2014/2015 EAM Review	489	1.25	2.35	2	1.75	2.45	4.2			1	M-
6	**30001 Joint-Owned Assets, Scherer, Vogtle/MEAG PPA, SJRPP - Director Larry Pinkstaff**												
7	Plant Scherer - Larry Pinkstaff	Audited by FPL.		3.55	2.05	3	3.4	1.8	5.2			1	M
8	**SJRPP Plant Manager Grant Gilchrist**												
9	SJRPP Business Services (Includes Inventory, Safety, Financial, Administration, Records Management, etc.) - Wayne Gariepy	2006-07 SJRPP Inventory Audit 2012/2013 Access Security Audit - very limited scope	331	3.7	3.6	5	3.8	2.85	6.65			1	M+
10	SJRPP Electric Production, Operations, and Bulk Material Handling - Paul Yarger, James Peacock	Bulk Material Handling Review 2013	estimate 350	3	3.3	5	3.95	3.05	7	1	300	1	H Limited scope audit.
11	SJRPP Electric Production Maintenance - Robert Stanley	n/a	n/a	4.35	3.05	5	3.95	2.85	6.8	1	350	1	M+ Limited Scope Audit
12	Engineering, Environmental & Predictive Maintenance - Sean Connor, Bruce Kofler	n/a	n/a	3.15	3.05	5	3.4	2.85	6.25			1	M+
13	SJRPP Fuels Function - Jim Myers, Robin Hood	2004 SJRPP Fuels Audit by JEA. 2010 SJRPP Fuels Audit by JEA. 2012 SJRPP Fuels Audit by FPL.	581 514 N/A	4	2.2	3	4.3	3.55	7.85	1	450	1	H JEA is contractually required to audit this function in calendar year 2015. Schedule for first quarter FY 2016. Perform in conjunction with the JEA Fuels Audit.
14	**30200 Electric Production - Director, Randy Stroupe**												
15	30200, 30202, NGS Operations - Sr. Mgr. - James Stancin, Steve Lankford Process Chemistry - Mohammad (Farid) Zahir, Scott Wallace	2008 Assistance with FERC/NERC Audit by FRCC. 2009 Ops. Technology Review. 2010 Full Scope NGS Operations and Process Chemistry Audit FY 2014 Over Speed Review	350 67 903	3.5	2.5	4	3.55	2.65	6.2			1	M+

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level** **H = 7.0 - 10** **M+ = 6.0 - 6.9** **M = 4.6 - 5.9** **M- = 3.6 - 4.5** **L = 1 - 3.5**
16	30205 NGS Bulk Material Handling - Michael Davis, Dale Morrison, Narciso Sanchez, Robert Lewis Jr., and Jeremy Crabtree	2007 and 2008 Special Payroll Review. 2008/2009 Bulk Material Handling Audit 2011 P-Card Review 2013/2014 BMH Case Review	119 745 431 400 est.	3.75	3.2	4	3.45	2.3	5.75			1	M
17	30200, 30300 NGS Maintenance - Sr Mgr. Cristalyn Pruitt, Thomas Westbrook, David Curtright, Joshua Howard, Mark Carney, Ramon Vinas Process Controls - Donna Genslinger 30300 Maintenance Planning - David Bledsoe	2008 NGS Maintenance Audit 2008 Disaster Recovery F/U Audit 2009 Non-TS Supported Action Plan F/U 2011 User Developed Applications Review FY2014 Over Speed Review	537 459 109 128	3.7	3.05	3	3.35	2.95	6.3			1	M+
18	Production Engineering & Outage Services - Sr. Mgr. Joe Pineda, Margaret Limbaugh, David Biruk	2010 Full Scope NGS Operations Partially covered in 2014 CT Audit	903 907	3.95	2.65	2	3.7	2.45	6.15			1	M+
19	**Electric Production, Director, CTs - Mike D'Avico**												
20	30402 CT Operations & Maintenance - Mike Parrish Roy Knight, Christine Anderson	2003 Brandy Branch Audit 2008/2009 GEC Risk Assessment FY 2012 GEC Audit 2013/2014 CT Audit	334 121 536 907	3.6	2	1	3.35	2.15	5.5			1	M
21	**Electric Production Resource Planning - Director, Steve McInall**												
22	Plant Vogtle/MEAG Construction - Steve McInall is responsible during construction. Larry Pinkstaff has the PPA.	2012 MEAG Audit	503	4.1	2.4	3	4.6	2.55	7.15			1	H The timing of future audits will depend on when an allocation methodology is established by MEAG.

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Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
23	10220 Electric Generation Planning & Nuclear Planning - Manager Open	2012 MEAG Audit did not include the Planning function. Generation Planning is included in an ERM Top Corporate Risk.	503	3.8	2.9	5	3.9	2.6	6.5			1	M+
24	A0600 Fuels Management - Jim Meyers	2004 JEA Fuels Audit. 2008/2009 GEC Risk Assessment 2009 JEA Fuels Audit. ERM Top Corporate Risk	538 121 730	4.55	2.6	5	4.85	2.5	7.35	1	400	1	H Audit should include required review of new Energy Market Risk Management Policy implementation. Perform in conjunction with the SJRPP Fuels Audit.
25	A0610 Byproduct Services - NGS Material Handling Operations - Amaris Gresham	2006/2007 Risk Assessment. 2009 Bulk Material Handling Audit included some aspects of Byproduct Services. 2011 Byproducts P-Card Review. 2015 Audit scheduled.	138/139 745 431	4.45	2.7	3	3.75	2.35	6.1			1	M+
26	**10200 Electric T&D Planning - Director John Coarsey.**												
27	10210 Electric T&D Planning - Russell Durham	2008, 2011, 2014 FERC/NERC Audits	350	3.2	2.25	3	3.2	2.55	5.75			1	M
28	20202 Electric Systems Support Services & Standards - Thomas Ventrasca Systems Analysis - Matt Lundeen	Some review performed in conjunction with review of 2008 Futureworks Bid Protest. FPSC inspectors perform quarterly random reviews of JEA projects.	97	3.25	2.5	4	3.25	2	5.25			1	M
29	**20400 Electric T&D Projects - Director Vijay Burbure**												

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level** **H = 7.0 - 10** **M+ = 6.0 - 6.9** **M = 4.6 - 5.9** **M- = 3.6 - 4.5** **L = 1 - 3.5**
30	20411 Distribution, Development & Joint Projects - John Norse. 20422 Project Mgmt. - Ken Talley 20413 System Prot. & Control Projects (Relays) - Darrell Hamilton 20411 Transmission and Substation Projects - Michael Short	2005 Septic Tank Phase-out Audit, and 2006 E & Y Septic Tank Pre-Audit 2012 Allen Case Review 2012/2013 Development Process Risk/Control Analysis 2008, 2011, and 2014 FERC/NERC Audits NATF Peer Review 2014	645, 108 452 420	3.8	3.2	4	4.2	3.1	7.3	1	400	1	H Limited Scope
31	**30700 Electric Systems Operations - Director Garry Baker**												
32	Bulk Power Operations & Systems: Neil White, Andy Mayer	2008, 2011, 2014 FERC/NERC Audit. 2014 NATF Peer Review	350	2.7	2.65	3	3.55	3.15	6.7			1	M+ Reviewed by regulators.
33	40307 Electric Customer Service Response - Matt Seeley	2004 Electric Delivery Audit. 2008, 2011, 2014 FERC/NERC Audits. 2014 NATF Peer Review	230 350	3.05	2.15	5	3.05	2.55	5.6			1	M
34	**30707 Transmission and Substation Maintenance - Director Ricky Erixton**												
35	30706 T&D Preventive Maint. - Kim Wheeler,	2004 Electric Delivery Audit, relays, and tree trimming. 2008, 2011, 2014 FERC/NERC Audits. 2011 T&D Audit. 2014 NATF Peer Review 2014 Vegetation Mgmt. Audit	230 350 1099 591	3.2	2.75	1	3	2.15	5.15			1	M
36	30703 System Protection & Controls - Todd Skinner	2008, 2011, 2014 FERC/NERC Audits. 2014 NATF Peer Review.	350	3.4	3.25	5	3.5	3.55	7.05	1	500	1	H
37	30702 Substation Maint. - Andy Motsinger	2011 Substation Audit.	716	4.1	3.05	3	3.9	2.9	6.8			1	M+
38	**Electric Distribution and Construction Maintenance - Director Jeremy Matthews**												

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
39	30704 Distribution Maintenance & Construction - WSC, SSC - JR Dodd, AJ Smith, Andy Yager, Walt Hiscox	2004 Electric Delivery Audit, relays, and tree trimming. 2008, 2011, 2014 FERC/NERC Audits. 2011 T&D Audit. 2010/2012 Scrap Metal Review 2014/2015 Metals Controls Review	230 350 1099 399 570	3.95	3.05	2	3.2	2.55	5.75			1	M
40	40230 Electric Services (includes field engineers and inspectors) - Gabor Acs	n/a		2.75	1.7	5	2.45	2.05	4.5			1	M-
41	30705 UG Network & Commercial Maintenance - John Pitre	2011 T&D Audit. 2010/2012 Scrap Metal Review 2008, 2011, 2014 FERC/NERC Regulatory Audits. 2014 Metals Controls Review	1099 399 570	3.05	2.85	2	3.3	2.85	6.15			1	M+
42													
43	**30002 Brian Roche- VP and General Manager Water/Wastewater Systems (7 entities)**												
44	30600 Water/WW, Reuse Delivery and Collection - Director open, Josh Parker, Jackie Scheel, Ken Chascin	2007 Water/WW Audit 2012/2013 W/WW Reuse, Deliv., & Collection Audit	669 883	4.45	3.25	3	4.2	2.9	7.1			1	H Fairly recently audited. Area is subject to inspections by regulators. No significant issues found.
45	10230 Water/Wastewater Planning, and Treatment Project Engineering: Director Scott Anaheim, Todd Mackey, Rob Zammataro	2007 WS Order Fulfillment Audit 2009 Water/Sewer Planning Audit	598 664	3.45	2	5	3.05	2.35	5.4			1	M

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level** **H = 7.0 - 10** **M+ = 6.0 - 6.9** **M = 4.6 - 5.9** **M- = 3.6 - 4.5** **L = 1 - 3.5**
46	20500 Water/Wastewater Engineering & Construction, Development & Joint Grid Projects - Director Raynetta Marshall, Beth Sharp DiMeo, Bryan Spell, David Ashley, Brad Collier, Hai Xuan Vu	2005 Joint Projects Audit Follow-up Audit 2006 W/S Order Fulfillment Audit. FY 2012/2013 Development Risk/Control Assessment. 2013 DOT Reimbursement Review	108 598 426 487	3.85	2.7	3	4.15	2.35	6.5			1	M+
47	30137 Water/Wastewater Assets & System Controls - Director Darren Hollifield. Assets - Carole Smith 30136 System Controls - Shawn Arnold, Rodney Williams GIS/CAD, As-Builts - Curtis Perrin	2008 Disaster Recovery F/U Audit 2009 Non-TS Supported Systems F/U 2010 W/WW Reuse & Treatment Audit 2011 User Developed Applications Review 2014/2015 EAM Review Some review of GIS performed during the 2009 W/S System Planning Audit	459 109 639 128 489	3.65	2.15	1	3.3	2.4	5.7			1	M
48	Water/Wastewater & Reuse Treatment - Director Deryle Calhoun												
49	30100 Water/WW Reuse & Treatment, North, South, East, West, and Core City Grids - Charles Crosby, Michael Jones, Casey Nettles, Robert Parks, and John Sgambettera, Michael Dvorznak, Greg Peugh.	2010 W/WW Reuse & Treatment Audit FDEP performs annual inspections.	639	4.65	2.6	5	4.35	2.25	6.6			1	M+
50	30803 District Energy Operations - John Wright	2005 Chilled Water Plant Audit	664	3.8	2.9	5	4	2.45	6.45			1	M+
51	Pump Construction, Odor Control, Chemical Purchases - Charles Crosby	Odor Control covered in 2011/ 2012 W/WW Support Services Audit & EHL Investigation	1222	3.15	2.15	3	2.8	2.45	5.25			1	M
52													

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53	**40000 Customer Relationships - Monica Whiting, Chief Customer Officer (13 entities)**												
54	Customer Solutions & Market Development - Director Richard Vento, Payson Tilden, Peter King, Brian Pippin	2012/2013 Corp. Data Integration Audit	620	2.75	1.9	3	2.9	2.3	5.2			1	M
55	Brand Management & Communications - Director Jane Upton, Internal Communications -Joy Gutos, Sherry English, Gerri Boyce. JEA.com - Madelene Glomsten	2008 Dalton Bid Protest 2008 - 2009 Charitable Initiatives Reviews 2011 Council Auditor's Accounts Payable Audit	238 367	3.1	2.25	5	3.3	2.3	5.6			1	M
56	Customer & Utility Analytics - Director Tim Hunt, Kent Mathis	n/a		1.95	2.05	2	2.15	1.8	3.95			1	M-
57	Business Development & Community Project Management - Director Deb Beaver, Maritza Rivera-Clapp, Greg Corcoran, Chris Jackson	2013 Chilled Water Billing Review	155	2.75	1.95	3	2.65	1.8	4.45			1	M-
58	Electric Meter Services - Sr. Mgr. David Edwards, Mark Breedlove	2005 NMR/Meter Services Audit 2013 DOE Smart Grid Project Audit	1639	3.9	2.4	4	3.6	2.8	6.4			1	M+
59	Water Meter Services - Sr. Mgr. David Nechvatal, Glenn Ellison	2005 NMR/Meter Services Audit	1639	3.9	2.4	5	3.2	2.6	5.8			1	M
60	Customer Experience Strategy & Support - Director Robert Growcock, Jeanne Thompson, Shannon Young, Jamie Brown	n/a	243 654	2.05	2.6	1	2.35	2.5	4.85			1	M New entity last year.

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61	Customer Experience Centers - Director James Bryant, Greg Owens, Jeramie Jefferson, Gerald Butler, Catrina Jordan, David Gardner Branch Office - Vondolyn Wright Morgan, Tobi Correa, Mercy Castillo, Zasha Rivera	2004 - Payment Processing Audit. 2007 Third Party Payment Risk Assessment. 2009 Branch Cash Audit. 2012 Investigation. 2012/2013 Access Controls Audit. 2014 Call Center/ Branch Audit	147 157 1113 923	4	3.15	1	4	2.5	6.5			1	M+
62	Customer Experience Applications - Project Director Jesus Garcia, Anne Clark	2008 CC&B Review 2012/2013 Access Controls Review including CC&B 2014 CC&B Implementation Review 2014 Rapid 7 Review Vulnerability Assessment of JEA.com.	544 1113 269 397			2	2.6	2.35	4.95			1	M New entity this year, but systems handled by this area have been audited several times.
63	Customer Revenue - Director Sheila Pressley												
64	Customer Revenue- Receivables & Collection Services - Daniel Boatwright.	2007 RCS Audit 2007 CC&B Review 2008 CC&B Review 2012/2013 Access Controls Audit. 2013/2014 Receivables & Collection Services Audit.	946 544 239 1113 1316	4.35	2.75	1	4.15	2.3	6.45			1	M+
65	Customer Revenue- Billing Support Services - Ella Jones	2004 Payment Processing Audit. 2007 RCS Audit. 2007-08 CC&B Reviews. 2009 Billing Audit 2012/2013 Access Security Audit. 2013 DOT Reimbursement Review 2015 Audit Scheduled	313 946 544, 239 352 1113 487	4.35	2.05	3	4.15	2.25	6.4	1	125	1	M+ Carryover from 2015

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66	Revenue Assurance Services - Tonya Lewis	2012 Steven Smith Fraud Investigation	157	2.95	2.45	4	2.9	2.3	5.2			1	M
67	Customer Assistance Program - Elizabeth Paulson	2015 Neighbor to Neighbor program audit in progress.	75			1	2.35	2.2	4.55	1	75	1	M- New entity. The Neighbor to Neighbor Audit will be performed annually as part of an agreement with Council Auditors to fulfill the terms of the applicable Ordinance.
68													
69	**C0000 Chief Financial Officer - Melissa Dykes (19 entities)**												
70	**A0500 Supply Chain Management - Director John McCarthy**												
71	Central Distribution Warehouse, Procurement Inventory - Ernie Bernich Warehouse Power Production, NGS - Becky Miller	2006, 2007 Inventory Follow-up Audit Work. 2010/2012 T&D Investigation included Inventory. 2013/14 Inventory FU Audit.	334, 67 399 448	3.7	2.55	2	3.8	2.7	6.5			1	M+
72	Investment Recovery Operations - Ernie Bernich, Carl Ramsubhag	2010/2012 T&D Investigation touched on Investment Recovery. 2012/2013 EHL Case. 2015 Investment Recovery Audit in progress.	399	4.05	3.85	3	4.05	2.95	7			1	H Auditied in 2015.
73	Small Business Enterprise - Nadine Carswell	2004 SBDE Contractor Project. 2013 -2015 Vendor Cases	36	2.25	1.9	2	2.25	2.75	5			1	M
74	Purchasing Cards - Jenny McCollum	2004 P Card Audit. 2007 Facilities Audit. 2010 By-Products P-Card Review. 2011 P-Card & Travel Audit. 2013/14 P-Card Follow-up Audit.	212 273 431 614 132	3.5	2.3	2	3.5	2.95	6.45	1	0	1	M+ PCard transactions are reviewed monthly as part of the ACL Continuous Monitoring program. They are also included in operational audits as applicable.

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75	Procurement & Contracts - Jenny McCollum Contract Administration - Heather Burnett	2003 Procurement/ Accnts Payable Audit. 2004 End to End Proc. Process Review. 2005-06 Procurement Follow-up Audit. FY2010/11 Procurement Audit. 2013-2014 Procurement F/U Audit . 2015 Third Party Vendor Review	508 455 147 381 143 572	4.2	2.65	1	3.9	2.15	6.05	1	0	1	M+ Procurement contracts are reviewed in various audits, projects and cases.
76	Accounts Payable, Travel Reimbursements - Naline Thompson	2003 Procurement/ Accounts Payable Audit. 2005 Accounts Payable Follow-up Audit. 2011 Council Auditor's audit and subsequent follow-up. 2013/2014 P-Card/ Travel FU Audit	508 139 187 132	3.95	1.9	2	4.05	2.95	7	1	0	1	H Monitored by ACL Continuous Monitoring function.
77	Fleet Services - Manager Alan McElroy	2006 Risk/Control Assessment. 2011 audit. 2013 Investigation 2014 Investigation 2015 Audit in progress	66 350	4.6	3.8	3	4.3	3.35	7.65			1	H Audited in 2015
78	Emergency Preparedness - Director Ed Dendor, John Sposato	n/a	n/a	4.45	2.7	5	4.2	2.05	6.25			1	M+ This area is monitored by the ERM program due to their Top Corporate Risk. Also, Disaster Recovery and Business Continuity plans may be reviewed as part of operational audits.
79	**30003 Shared Services - Director Hamid Zahir**												
80	Facilities Management - Christopher Crane, Doug Zander, Ann Freudenthal	2007 Facilities Audit 2015 Third Party Vendor/HVAC Review - limited scope of this area.	273 572	3.75	2.75	3	4.05	3.6	7.65	1	550	1	H

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81	Utility Locate Services, 3rd Party Claims, Brenda Forbes	FY 2013/2014 audit of 3rd Party Claims process review completed in conjunction with Risk Management Audit.		3.85	1.95	2	3.65	2	5.65			1	M
82	Real Estate Services and Revenue Contracts Administration (e. g. Cell Tower, Interlocal, Fiberoptic and Pole Attachments, Leasing Agreements) - Donald Burch, Gary Vondrasek	2003 - Special Project. 2006 Audit. 2008 GEC Risk Assessment.	42.5 137 121	3.4	1.95	5	3.1	2.05	5.15			1	M
83	**Strategy Development and Execution - Director Vickie Cavey**												Not an auditable entity.
84	**C0100 Treasury Services - Treasurer Joe Orfano**												
85	Debt Management - Manager is open	2003 Bond Admin. Audit by Darryl Jackson. 2007 Bond Audit by IRS. 2009-2010 Bond Audit. Bond transactions are reviewed by Bond Counsel and E&Y.	298 502	4.75	3.4	5	4.55	3.5	8.05	1	500	1	H
86	Treasury Cash & Investments - Barry Greenleaf	Annual E&Y Audits 2014/2015 Audit	 1300	4.6	3.45	3	4.4	2.7	7.1			1	H Audited in 2015
87	**C0700 Financial Planning, Budgets & Rates - Director Ryan Wannemacher**												
88	Financial Planning & Rates - Juli Crawford	2006 Rates Audit. 2011/2013 Interlocal Agreements Analysis Project.	71 424	4.05	2.6	3	4.05	2.5	6.55			1	M+
89	Capital Budget Planning - Jordan Pope	ERM is involved with the Capital Budget Core Teams for Electric and W/S. Budget is reviewed annually by Council Auditors.	n/a	3.85	2.45	3	3.7	2.7	6.4			1	M+ Capital expenses may be reviewed in applicable operations audits.

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90	Operating Budgets - David Jolley	2004 Capitalized Admin. Overhead (CAO) & Water Billing Credit Reviews. Budget is reviewed annually by Council Auditors.	73, 210	3.65	2.6	3	3.75	2.25	6			1	M+
91	**C0200 Accounting Services Controller - Janice Nelson**												
92	Financial Accounting & Reporting - Laurette Kessler	2004 Capitalized Admin. Overhead (CAO) & Water Billing Credit Reviews. 2010/2011 User Developed Application Spreadsheets review. Annual E&Y full scope financial audit.	73, 210 128	3.35	2.4	1	3.7	2.75	6.45			1	M+
93	Project Accounting - Martina Whittaker	2003 audit by outside CPA. 2012 W/WW Support Services Audit Annual E&Y audit	399 664	3.35	3.05	2	3.55	3.05	6.6			1	M+
94	Tax Administration -Alan Goldman	2004 Accounts Payable. Follow-up audit of Joint Projects included some Tax involvement. 2006 FL State Tax Audit. 2010 FL Sales & Use Tax Audit. 2010, 2011, & 2012 City Franchise Fee & Public Service Tax Audits FL Public Service Commission Audits. E&Y Limited Annual Review	75 100	4	2.4	3	4	2.25	6.25			1	M+
95													
96	**30004 Chief Risk & Compliance Officer - Ted Hobson - (6 entities)**												

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97	30014 Electric Compliance - Director John Babik	2008 FERC/NERC Audit. 2009 - participation in CIP pre-audit review. 2010 - Review of CIP Self- Report and Self-Certification. Review of Vegetation Mgmt. in 2010 T& D Audit. 2011 FERC/NERC Audit. 2014 FERC/NERC Audit by FRCC. 2015 ERM assistance in identifying risks/controls for new regulatory approach	350	3.15	2.15	1	3.5	2.6	6.1			1	M+ FERC/NERC compliance may also be addressed in applicable electric operations audits.
98	31000 Security - Director Patrick Maginnis	2004 Building Security Billing Project. 2006 Physical Security Audit. 2010 Security Compliance Audit 2008, 2011, 2014 FERC/NERC/CIP Audits by FRCC 2014 NATF Peer Review DHS Reviews. 2014/2015 Metals Controls Review	94, 294 333 570	4.25	3	1	4.25	3	7.25	1	350	1	H 2016 audit of AMAG badge system and process to include both operational and technology aspects. Hours here are for Operations only. See Technology Services for technology hours.
99	A0506 Corporate Records Retention - Director Patrick Maginnis, Jasen Hutchinson	Included in 2010 W,WW Treatment Audit, 2010 T&D Maintenance Audit and subsequent operations audits.	n/a	3.85	3.6	4	3.8	2.85	6.65	1	0	1	M+ May be audited in various operational audits, for those cost centers.
100	B0012 CIP (Critical Infrastructure Protection) Compliance - Dan Mishra, Charles Bayless	2011 CIP Audit by FRCC/NERC 2014 CIP Audit by FRCC	n/a	3.45	2.9	1	3.65	2.9	6.55	1	400	1	M+ Audit requested by Management.

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101	C0500 Audit Services - Enterprise Risk Management - Director Doris Champ, Frank DiBenedetto	2010 ERM Self-Audit. 2015 ECRC Self Assessment	27	2.1	1.95	3	2.4	1.55	3.95			1	M-
102	C0600 Risk Management - Director Jim Chapman	Storm records are subject to audit by FEMA. 2013/2014 Audit completed.	654	3.05	1.35	1	3.25	1.7	4.95			1	M
103													
104	**A0000 Chief Human Resources Officer - Angie Hiers (10 entities)**												
105	A0103 Employee & Leadership Development, Tuition Refunds - Director Blake Osner Professional Employees' Development - Manager Kris Rosenhauer	2013 Leave Adjustment/Tuition Refund Review 2014 Tuition Refund F/U Audit	350 134	2.35	1.75	1	2.15	1.5	3.65			1	M- A review of required training is considered in all operations audits.
106	Emerging Workforce Strategies, Labor Relations - Director Walette Stanford, Maryanne Evans, Pat Sams	Audit Services EHL function works closely with Labor Relations on investigations.	n/a	2.95	2.25	5	3.25	2.4	5.65	1	350	1	M CHRO and Director request audits of Nepotism (2015) practices, the Drug Testing process, disciplinary actions recording, and safety sensitive classifications in Oracle,
107	Business Analysts Services - Director Melissa Fulmore, Oracle, SharePoint, 20100 GIS & Maximo Business Analysts - Kevin Tyler, Keith Joiner	2011/2012 Oracle Access Audit. 2014/2015 EAM Review	1845 489	2.6	3.35	2	2.4	3	5.4	1	0	1	M Oracle access security is tested in most audits performed.
108	**Organizational Performance Improvement - Director Bruce Dugan**												
109	Black Belts - Brian Hancher	2013 Black Belt Review	655	1.8	1.9	3	1.8	1.55	3.35			1	L

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110	Organizational Effectiveness. Rob Mack	2014 Recruitment Services Audit - POP Process 2015 Council Auditors Payroll Audit	402	1.6	2.4	1	2.1	2.5	4.6			1	M
111	A0203 Safety & Health - Leah Greene, Paul Thomas	2007 AAA Audit 2008 AAA Audit All audits of Safety Sensitive areas include a review of Safety. 2014 CT Audit Veg. Mgmt. Audit. Various 2012 - 2015 EHL Cases 2015 HIPAA Audit	133 102 967 591	3.55	3.25	4	3.5	2.95	6.45	1	0	1	M+ Safety is considered for testing in audits of safety sensitive areas. Also Performance Pay Audits for JEA and SJRPP test safety numbers reported.
112	A0104 Technical Utility Training Services - Wesley Grant	2011 Substation Audit 2014 Veg. Mgmt Audit - limited	716 591	2.45	2.45	3	2.65	2.7	5.35			1	M Required training is addressed in applicable operations audits.
113	**Employee Services - Director Pat Maillis**												
114	Recruitment Services - Dennis Burns	2004 Payroll Audit 2011 Black Belt Process Improvement Review 2014 Recruitment Services Audit	580 402	3.6	2.7	1	2.8	2.75	5.55			1	M
115	A0200 Employee Services - Patricia Maillis A0201 Payroll - Rachael Wells Compensation - Annette Popielarz, Sonja Lee	2004 Payroll Audit. 2007 Payroll Follow-up Audit. 2011 Payroll Audit 2015 Council Auditors' Payroll Audit Annual Performance Pay Audits. For JEA and SJRPP for 2014	580 147 828 165	3.35	1.65	1	3.55	1.65	5.2	1	200	1	M JEA & SJRPP Performance Pay Audits Also, payroll transactions are covered in the ACL Continuous Monitoring program.

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116	A0102 Employee Services, Benefits - Patricia Maillis, Marla Murnahan	2003 Benefits Audit 2009 Self Insurance Review Ongoing advisory participation on Self-Insurance Committee. 2012/2013 Benefits Audit Leave Adjustment/ Tuition Refund Review. 2015 HIPAA Audit in progress.	560 476 350	3.6	2.55	3	4.15	2.55	6.7			1	M+
117													
118													
119													
120	**Technology Services - Chief Information Officer, Paul Cosgrave (7 entities)**												
121	**Corporate Applications - Director Bea Fore**												
122	Corporate Applications - Sandy Christiansen (ERP Systems, Oracle, JEA.com, etc.) , Jocelyn Granger (GIS and Engineering Systems & Interfaces), Troy Tremble (CC&B and other CR systems)	2004 Oracle 11i Security Follow-up. 2004-2005 Technology Issues Consolidation Project. Annual E&Y Audits. 2007- 2008 CC&B Audit. 2008-2010 MAXIMO Review. 2008-2010 Oracle Review. 2012/2013 Change Control Audit 2014 Review of CC&B Conversion project. Limited for this entity	 389 752 1845 474 269	3.45	3.7	3	3.45	3.7	7.15	1	400	1	H Review the technology side of the AMAG application. The 12 to 6 initiative will continue to be monitored via ERM and our Senior IT Auditor.

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123	30900 Technology Infrastructure - Director Cindy Edgar 30901 Technical Services, Data Center - Stephen Datz 30904 Network & Telecommunications - Kim Traylor 30902 Operations & Help Desk - Diane Quarterman	2007 Data Center Audit, 2010 E&Y Audit 2011 CIP Audit. 2013 Change Control Audit 2013 Technology Infrastructure Audit rolled into 2014 Consultant Vulnerability Assessment. 2014 CIP Audit by FRCC. 2014/2015 Worked with this area on the ACL Project.	298 474 366	4.15	2.7	1	4.5	3	7.5	1	400	1	H Limited scope- ITEL Asset Management
124	Disaster Recovery - Cindy Edgar	Annual E&Y Audit, 2008/2009 Disaster Recovery Follow-up, 2011 & 2014 CIP Audits 2012/2013 DR Follow-up Audit	158 594	4.4	2.4	3	3.85	2.9	6.75	1	375	1	M+ Limited scope - Disaster Recovery Follow-up. Management request.
125	Disaster Recovery - Director Cindy Edgar	Annual E&Y Audit, Security Consultant Review 2007, 2011, 2014 CIP Audits 2012/2013 Access Security Audit. 2013 Smart Grid DOE Review 2013 DOE Audit 2014 Vulnerability Assessment - Rapid 7	1113 136 366	4.05	3.05	3	3.95	3.05	7	1	400	1	H Limited scope- monitoring mechanisms, staff utilization, data classification, administration rights.
126	B0700 Enterprise Business Intelligence - Director Sharon Van Den Heuvel	n/a	n/a	2.1	2.85	5	1.8	3.05	4.85			1	M
127	B0900 Enterprise Architecture - Director Michael Eaton	Worked with this area during the ACL Implementation.	n/a	2	2.15	4	1.7	2.15	3.85			1	M-
128	**IT Project Management Services Director Steve Selders**												

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129	PMO Eleni Cruise	2006 PMO Audit. 2007/2008 PMO F/U Audit. 2008-2010 MAXIMO Review. 2008-2010 Oracle Review. 2012/2013 PMO Audit 2014-2015 Limited Review of CC&B Conversion project	1719 319 752 1845 642 269	2.55	2.55	2	2.95	2.55	5.5	1	550	1	M Key system - Oracle eAM implementation, PMO and operations processes.
130													
131	**E0000 Chief Public Affairs Officer - Senior Executive Jay Worley (4 entities)**												
132	D0200, D03000 Laboratory Services & Water Compliance - Director Kevin Holbrooks, Paul Legge, Alan Tablada	2003 Environmental Audit Annual FDEP Audits and NELAC Audits 2013 Water/Wastewater Compliance Review.	189	3.8	1.7	3	3.8	2.55	6.35			1	M+
133	D0100 Permitting & Regulatory Conformance, Pollution Prevention, Industrial Pre-Treatment, WW Compliance, Solid Hazardous Waste - Director Paul Steinbrecher, Dave McKee	2003 Environmental Audit, Annual reviews of permitting by FDEP and EPA. 2013 Water/Wastewater Compliance Review in progress.	189	3.15	1.8	1	3.15	2	5.15			1	M
134	D0202Environmental Programs, Air Compliance, Plant On-site Compliance - Senior Executive Jay Worley	Annual reviews of permitting by FDEP and EPA. 2007 SO2 Allowances Review 2010 NGS Operations Audit included a review of CEMS.	 51	3.5	2.25	3	3.5	2.25	5.75			1	M+ Environmental compliance may be included in applicable plant audits.

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
135	E0000 Legislative Affairs, Federal & State - Director Nancy Kilgo Local - Director Wayne Young	2004- Dues & Fees	136	4.05	3.15	5	3.5	2.8	6.3			1	M+ Relationships with Congress, Florida legislature, City Council, Mayor's office and regulators are not suitable for audit testing. This function is monitored by ERM. Company travel expenses were tested in the 2011 Procurement Audit.
136	**Total Number of Entities covered by 2016 audit work. Total Planned Audit Hours. Total Number of Entities.**									**25**	**7,075**	**93**	
137													
138	**2017 Annual Risk Assessment**									1	**500**		
139													
140	**2016 Special Audit Projects**												
141	Auto Audit Functionality Assessment									1	100		
142	TEA Audit									1	75		
143	Miscellaneous Small Projects										150		
144	Audit Action Plan Follow-up										800		
145	**Special Projects Total Hours**										**1,125**		
146													
147	**Total Auditor Hours Needed**										**8,700**		

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
148	**Total Auditor Hours Available: *2080x.75=1560 x 4 = 6240 (existing staff) 1 new Sr. Auditor at 70% = 1456 Staff projected to work 529 extra hours. EHL Staff to contribute 475 hours. 6240+1456+529 +475=8700**	One current auditor opening in the recruitment queue.									**8,700**		
149	**Audit Manager (new) - project and staff management, workpaper reviews, etc. 65%**	New Audit Manager opening in the recruitment queue.									**1,352**		
150													
151	**Ethics Hotline Administration and Investigations Hrs. Needed per 2015 Projected Actual**										**4,100**		
152	Ethics Hotline Casework Available Hrs. 1 Lead Investigator at 75%, and 1 new Investigator at 70% = 3016 hrs.	One new investigator/auditor in the recruitment queue.									3,016		
153	Investigations Manager - performance and review of casework and possibly other projects 75%										1,560		
154	**Total EHL Investigations Hrs. available.**										**4,576**		

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
155	Excess EHL Hrs. Available for Special Projects										476		
156													
157	**Enterprise Risk Management**												
158	ERM Activities - Top Corporate Risks/Mitigation Plans/Reporting ECRC activity, Subordinate Committees, &Top Corp. Risk Working Groups. Director level risk assessments. Risk Benchmarking Repts., Project Management, ERM Industry Research, ERM Project Management										3,016		
159	Continuous Monitoring/ Continuous Auditing New System Production and Maintenance. Exception Follow-up. New Report Development, Auto Audit Administrations, Maintenance & Reports										1,560		
160	**ERM Total**										**4,576**		
161	**ERM Staff Available Hrs:** Mgr. 1560, Audit Analyst 1560, ERM Analyst (new) 1456 = 4576	ERM Analyst position in the recruitment queue.									**4,576**		
162													

Fiscal Year 2016 Detailed Audit Plan

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	**Auditable Entity**	**Prior Audits and Reviews**	**Actual Hours**	**2015 Inherent Risk Score**	**2015 Control Risk Score**	**2016 Audit Risk Score**	**2016 Inherent Risk Score**	**2016 Control Risk Score**	**Total 2016 Risk Score J+K**	**Audit in 2016? (1 = Yes)**	**Planned Auditor Hours for FY2016**	**No. of Audit Entities**	**Comments/Risk Level H = 7.0 - 10 M+ = 6.0 - 6.9 M = 4.6 - 5.9 M- = 3.6 - 4.5 L = 1 - 3.5**
163	**Administrative Time - (Leave & Holidays, Training, Performance Evals. & Feedback, Meetings, Hardware & Software Issues) = ~27% of total regular hours 24,960 = 6760 (excluding Director)**										**6,760**		
164													
165	**Total Allocated 2016 Hours**										**25,488**		**Includes 529 Extra Hours.**
166	**Tota Available 2016 Hours**										**25,488**		**"**
167													
168													
169	**Summary - 2016 Audit Plan includes:**												
170	**25 Entities covered, 27 % of the 93 total Auditable Entities.**												
171		17 High Risk Entities - 18% of entities											
172		37 Medium+ Risk Entities - 40% of entities											
173		30 Medium Risk Entities - 32% of entities											
174		9 Medium - /Low Entities - 10 % of the entities											
175													
176		12 of 17 High Risk Entities covered by audit work or continuous monitoring reports.						71 %.					
177		Of the remaining 5 High Risk Entities, 4 were recently audited. The fifth is Plant Vogtle.											
178													
179		8 Medium Plus entities covered by audit work: 2 mgmt. requests, 4 addressed by other audits/ACL, 1 borderline High risk, 1 carryover from 2015.											22%
180		4 Medium entities covered by audit work: 1- Oracle eAM implementation, 1- Perf. Pay audits, 1 by other audits, 1 mgmt. request. 13 % of M entities.											
181		1 Medium Minus entity required per agreement with Council Auditors - Neighbor to Neighbor Program.								11 %			
182													
183		M+ and M entities not receiving audit coverage were, in general, recently audited by Audit Services or by a regulator.											

Building Community

AGENDA ITEM SUMMARY

July 24, 2015

SUBJECT:	**ANNUAL APPROVAL OF AUDIT SERVICES CHARTER**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: The Institute of Internal Auditors (IIA) requires that the Finance & Audit Committee annually review and formally approve the JEA Audit Services Charter.

Significance: Medium

Effect: The Audit Services Charter was in compliance with the IIA Standards per our recent Quality Assessment Review. However, since that review, the IIA has released a new mission statement for Internal Audit. This new mission statement has now been incorporated into the Mission in our existing Charter so it will be in compliance going forward.

Cost or Benefit: There is no cost. See Effect above for benefit.

Recommended Board action: Staff recommends that the Finance & Audit Committee and the Board approve the attached version of the Audit Services Charter.

For additional information, contact: Doris Champ CIA, CISA, Director, Audit Services

Submitted by: PEM/TEH/DAC

Ver.2.0D 9/21/2013 jer

Audit Services Charter

Purpose

To assist management in fulfilling its oversight responsibilities by determining if internal controls over JEA's processes, systems, operations, and financial reports are in place and operating effectively to achieve management's business objectives, and are in compliance with legal/regulatory requirements (including city ordinances and resolutions and Board directives), internal Management Directives, and operating procedures.

Authority

The Director, Audit Services is the Chief Audit Executive (CAE) and reports administratively to the Chief Risk and Compliance Officer, as established by the Chief Executive Officer. On audits involving Compliance Department functions, the Director, Audit Services reports directly to the CEO. The Director, Audit Services also meets quarterly with the CEO, and reports to and meets quarterly with the Finance & Audit Committee of the Board of Directors.

The Director, Audit Services and Internal Audit Staff are authorized:

- To carry out a program of Internal Audit projects as necessary to fulfill the purpose and mission of the department, including an annual risk assessment and development of an annual audit plan.
- To have access to all JEA records, assets, properties, plants, computers, personnel, etc., with strict and absolute accountability for safekeeping and confidentiality while carrying out the Internal Audit mission.

In the interest of reducing duplication of efforts, Audit Services will not audit JEA's financial statements, which are already audited by JEA's external auditors.

Mission

The Institute of Internal Auditors' (IIA) definition of internal auditing is: "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." The IIA's Mission of Internal Audit is "To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight."

The specific mission of JEA's Audit Services is to perform comprehensive, objective audits (assurance services) and consulting reviews (consulting services) that fulfill the purpose outlined above while conforming to the IIA's Standard Practices, Code of Ethics, Definition of Internal Auditing, and Mission of Internal Audit.

Audit Services Charter

Scope and Responsibilities

Audit Services' responsibilities include both assurance services and consulting services, which are defined by the IIA as follows:

Assurance Services: "An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements."

Consulting Services: "Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training."

Activities performed by JEA Audit Services in executing its assurance and consulting services responsibilities include but are not limited to the following:

Assurance/Audit Activities

- Evaluate the effectiveness of controls over the reliability and integrity of management information. Ascertain the level of compliance with policies, procedures, laws and regulations.
- Review operations to evaluate whether established objectives and goals are being achieved.
- Assist management in identifying operational, financial, regulatory and reputational risks, and assess JEA's ability to adequately mitigate these risks.
- Conduct objective reviews of company business activities, operations, internal controls and performance management systems, and report results to JEA management.
- Proactively consult with internal customers on recommendations and the implementation of action plans, and monitor results.
- Perform engagement level audit planning and risk control assessment.
- Perform action plan follow-up.
- A detailed description of audit practices is contained in Procedures for Conducting Internal Audits ASC0500 113.

Consulting Activities

- Provide consulting services per Audit Services' Consulting Engagement Procedure ASC0500 CE, where the level of risk warrants our involvement. However, Audit Services does not act in an operating capacity, and cannot be part of the approval process.

Audit Services Charter

Annual Risk Assessment and Audit Plan Activities

- Perform annual risk assessment activities and develop an annual audit plan. The CAE will present the annual audit plan to the Finance & Audit Committee for review and approval. Annual risk assessment/audit plan development will be performed according to Audit Services Procedures ASC0500 1101 Risk Assessment/Develop Audit Plan.

This charter will be reviewed at least annually and revised as needed. The CAE will present the charter at least annually to the Finance & Audit Committee for review and approval.

Audit scope will be based on Audit Services' assessment of risk. Audit coverage will focus on high risk areas as defined in the annual risk assessment process.

Auditors will not be assigned to audits or projects in areas where they previously worked within the past 24 months, or where their degree of independence could be questioned in any other way.

Quality Assurance

Adequate supervision and quality assurance will be performed and documented for each auditor and each audit assignment as defined in Audit Services' Quality Assurance Improvement Program (QAIP) Procedure ASC0500QA, which includes external peer reviews as required by the IIA, at least every five years beginning in 2005.

Reporting

Detailed written reports will be prepared and issued to management following the completion of each audit. The contents will be discussed with auditee management before the reports are finalized, except in cases of fraud. Reports will generally be distributed to the Chief/Vice President/General Manager and Director/Manager of the area being audited, along with the Chief Executive Officer and the Chief Risk and Compliance Officer. Final audit reports are also submitted to the Council Auditor's office for the City of Jacksonville. Quarterly summaries of audit results are presented to the Finance & Audit Committee of the Board of Directors.

JEA Management Responsibilities

Although the role of Internal Audit is to assess internal controls, systems, procedures, risks, etc., JEA management retains full responsibility for ensuring that JEA maintains an appropriate framework of controls to reduce business risks to an acceptable level.

Audit Services Charter

Management also has the responsibility and accountability for addressing weaknesses and inefficiencies which have been identified in both External and Internal Audit Reports and for taking the necessary corrective action. If JEA management decides to accept a level of risk that Audit Services believes is imprudent and improper, and this difference of opinion cannot be resolved, the CAE has the option to refer the matter to the Enterprise Compliance & Risk Committee (ECRC) for discussion and resolution, as stated in the ECRC Charter.

Management should immediately inform the CAE of any significant internal control problems, thefts, frauds, or unauthorized transactions.

Presented to the Executive Management Team October 5, 2004
Presented to JEA Board of Directors November 16, 2004
Revised January 7, 2009 to include the Finance & Audit Committee (F&AC)
Revised August 8, 2011 and presented to F&AC
Presented to the F&AC for review and approval Aug. 13, 2012, with no revisions
Presented to the F&AC for review and approval Aug. 12, 2013, with revisions
Presented to the F&AC for review and approval Aug. 11, 2014, with no revisions
Presented to the F&AC for review and approval Dec. 10, 2014, with revisions
Presented to the F&AC for review and approval Aug. 10, 2015, with no revisions

Enterprise Risk Management – Top Corporate Risks Trends – Tier 1 Risks

Risk	FY2011	FY2012				FY2013				FY2014				FY2015			Change
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Electric Risks																	
E1 - Carbon Emission Mitigation	20	20	20	20	20	20	20	20	20	20	20	25	25	25	25	25	
E2 - Effluent Limit Guidelines for Steam Units	8	8	8	8	8	8	12	12	16	16	16	16	16	16	16	16	
E4 - Adverse Electric Commodity Supply and Pricing	16	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
E3 - Coal Combustion Residual Rule (CCR)	10	10	10	10	10	10	15	15	15	15	15	15	15	15	15	10	X
E5 - Cooling Water Intake Structures 316(b)	16	16	16	16	12	12	12	10	10	10	10	10	10	10	10	10	
E6- Long -term Planning/Load Forecast - Electric	6	6	6	6	6	6	6	6	6	6	6	10	10	10	10	10	
E7 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
Water/Wastewater Risks																	
W1 - Water Supply Management/Long Term Planning	9	9	9	9	9	8	12	12	12	12	12	12	15	15	15	15	
Corporate Wide Risks																	
H1 - Pensions	12	12	12	12	20	16	16	20	20	20	20	20	20	20	20	20	
F1 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	
C1 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
C2 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	9	9	9	9	9	9	9	9	9	12	12	12	12	12	12	
C3 - New Technology												12	12	12	12	12	
C4– External Influence on Policy	9	9	9	9	9	9	9	9	9	9	10	10	10	10	10	10	

Increasing risk scores generally result from external factors such as the economy and/or increasing regulatory requirements.

E1	Carbon regulations (Clean Power Plant –CPP) could require very expensive mitigations such as building new gas plants, more purchase power, decommissioning existing solid fuel plants, etc. Rule expected to be finalized August, 2015, with state specific plans expected by 2016. Although implementation is expected in 5-10 years. The expansion of solar power generation and the new Distributed Generation Policy and the revised Net Metering Policy allow JEA to effectively address and mitigate customer side generation issues.
E2	The final regulation is expected in September 2015, with the expected compliance date of 2017-2022. JEA is developing a strategy for compliance with the rule. Risk impact is based on cost estimates for potential biological treatment of power plant effluent.
E4	In progress mitigations focus on continuing to maximize dispatch of natural gas and solid fuels as economically as possible, to minimize the impact of future regulations, and improve the deliverability of gas to JEA's units.
E3	The risk description was modified to reflect the changes to the risk profile when the rule was finalized in December, 2014. The published rule treats CCR as a non-hazardous material but increases the operational processes, monitoring, recordkeeping, notification , and internet posting requirements. Since SJRPP costs (approx. $25 M) are known and will be funded as part of the annual budget process, this cost is no longer included in the risk score. Therefore, the score was changed from a 3/5 to a 2/5 to reflect the estimated (approx. $11 M) but still unknown cost of compliance at Plant Scherer. $11 million represent s only JEA's portion.
E5	The rule was finalized on 5/19/14. Although additional studies are required, it is expected that JEA can comply utilizing fish screens, which are less expensive than building cooling towers.
E6	Pending environmental mandates and difficulty in forecasting the various scenarios impacting demand, raise the inherent risk impact. Other top corporate risks both increase and help mitigate this risk. The inability to effectively managing this risk remains unlikely.
E7	JEA is in the process of implementing mitigations to comply with CIP V5 Cyber Security regulations. The CIP V5 standards have been expanded to include certain power plants and substations. The first FERC audit of CIP V5 is expected in 2017.
W1	Compliance with the Consumptive Use Permit (CUP) provisions may be costly depending on weather conditions and the need to address minimum flow levels (MFL's), alternate water sources, and expansion of reuse. The Water Management Districts may also require participation in regional MFL and other projects, which may be costly. Mitigation efforts focus on developing a Water Management plan to meet long term water needs and expand reclaimed and alternative water sources.
H1	The cost of funding the current pension program may result in a significant increase in employee contributions, and/or a reduction in benefits, which could negatively affect employee morale and retention. JEA's contribution continues to increase to cover the unfunded liability in the COJ pension plan. Further reductions to the pension fund rate of return assumptions may significantly increase costs. JEA will continue to pursue the proposed Inter-Local agreement and changes to pension administration approved by the Board and submitted to the City Council for consideration earlier in 2015. The proposal included JEA providing financial assistance to the City in exchange for changes to JEA's contribution criteria and the City's approval to separate from the General Employees Pension Program and create a separate retirement program for JEA employees.
F1	Insufficient revenues and inadequately controlled expenses may result in a reduced credit rating, increased cost of debt, deterioration of the financial and structural health of the organization, inability to adequately serve our customers, and loss of reputation.
C1	Customers may have a negative opinion of JEA caused by past, present and future pricing actions, customer service policies and practices and negative press. The risk covers relationships with the ratepayers. Managing relationships with other external stakeholders is covered in risk R3. The final results for the J.D. Power 2015 Business Customer Satisfaction Study were released in January. JEA continued its strong performance, finishing in the first quartile nationally and ranked 14th out of the 87 utilities participating. Among Florida utilities, JEA ranked 2nd overall. The second quarterly 2015 Residential Customer Satisfaction Study indicated a score that put us higher in the first quartile.
C2	Additional security measures are needed to comply with ever-increasing regulatory requirements, including aspects of CIP V5 and 14 and better safeguard company assets and employees. The risk also reflects the inherent risk associated with ensuring effective security protocols, and the reliance for employees to follow established safety practices.
C3	Emerging new technologies are providing customers with an increasing number of options in terms of distributed generation, increasingly efficient appliances (e.g., air conditioners), as well as alternate energy providers such as natural gas and propane. The Net Metering policy was modified in late 2014 to credit avoided cost to customers who put energy on the grid instead of the full retail rate. This helps protect against subsidization of net metering customers by non-net metering customers, and help protect against raising rates
C4	External parties (e.g., COJ, water management districts) continue to increase demands on JEA's resources, which may significantly impact JEA's finances.

E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function

1

Enterprise Risk Management – Top Corporate Risks Trends – Tier 2 Risks

Risk	FY2011	FY2012				FY2013				FY2014				FY2015			Change
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Electric Risks																	
E8 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
E9- FERC/NERC (Section 693) O&P Reliability & Compliance	12	9	9	9	9	9	9	9	9	9	9	9	8	8	8	8	
E10 - Nuclear Power Portfolio	6	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
C15 - Natural Gas Sales –Commercial Customers																6	X
E11 - Infrastructure Maintenance - Electric Systems Assets	9	9	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
E20 - Operations Technology Management - Electric	4	4	4	4	4	4	4	4	4	4	4	4	4	4	6	6	
E12 - By Product Management	9	9	9	9	6	6	6	6	6	6	6	6	6	6	6	6	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
Water/Wastewater Risks																	
W2- Operations Technology Management - Water/Sewer Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
W3 - Sanitary Sewer Overflow (SSO) Management	6	6	6	6	6	6	6	6	6	6	6	6	6	6	8	8	
W4 - Infrastructure Maintenance - Water/Waste Water Systems	9	9	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
Corporate Wide Risks																	
C5 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
C6 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
T2 - Cyber Security Information Protection									9	9	9	9	9	9	9	9	
H2 - Staffing	16	16	16	16	16	16	16	16	12	12	9	9	9	9	9	9	
H3- Public and Employee Safety	6	6	6	6	6	6	6	6	6	6	6	9	9	9	9	9	
T3 - Cyber Security Business Disruption															8	8	
T4 - Technology Services Disaster Recovery/ Business Continuity															8	8	
C7 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
C8 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	X
F3 - Credit Availability/Cost	12	12	9	9	9	9	6	6	6	6	6	6	6	6	6	6	
C9 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
F4 - Counterparty Risk	6	6	6	6	6	10	10	5	5	5	5	5	5	5	5	5	

E8	Eventual changes to JEA's power sharing agreement may require more integration of operational and financial processes.
E9	While an effective compliance program is in place, the score is based on the need to continue to strengthen our compliance efforts as regulations continue to tighten, and meet regulatory requirements to implement an internal control infrastructure instead of just a "check the box" approach. The inherent risk remains that a serious reliability event could occur despite documented compliance with FERC/NERC regulatory requirements. Although the likelihood of such an event occurring is low.
E10	This risk is associated with JEA's current 20-year PPA with MEAG for 206 MW from Vogtle units 3 and 4, primarily relating to potential cost overruns, loss of power due to schedule delays, as well as potential misallocation of costs.
C15	JEA's entry into the Natural Gas sales market potentially poses some operational, financial and reputational risks that could result in negative media coverage and/or reduced commercial customer satisfaction.
E11- W4	Physical inspections have noted no major structural issues. Enterprise Asset Management systems are in the process of being implemented. Additional mitigations are noted as part of the Tier 1 Physical Security Risk which address the risk of internal/external tampering or terrorist activities.
E20	The likelihood of a disruption to our electric systems from cyber security breaches has increased. As such, the risk score was raised from a 2/2 to a 2/3; which increased this from a Tier 3 risk to a Tier 2 risk.
W2	Although water/wastewater mechanical processes can function manually for some time if the computer systems (primarily the SCADA system) go down, the impact of a cyber and/or physical intrusion could result in the inability to properly monitor the infrastructure, causing significant operational and reputational risk. Additional mitigations are noted as part of the Tier 1 Physical Security Risk.
W3	Although ongoing infrastructure maintenance makes it unlikely a non weather related significant SSO event will occur, a major SSO event could have a major impact.
C5	The risk focuses on effective records retention policies and managing public records requests.
T2	Unauthorized intrusion into JEA's critical systems could cause a loss of sensitive data and may occur without effective, fully-functioning cyber security protections in place. This risk focuses on protecting information. The risk of preventing business disruptions (e.g., DOS attack) is covered under risk T3 below.
H2	Critical employees may be eligible for retirement or could be recruited away mid-career, impacting business objectives and service levels. Retirement impact is reduced as the average age of employees decreases, but flight risk may increase. In addition, current practices may not maximize the staffing flexibility, and/or utilize the full skillsets of the workforce. A process is in place to identify at risk positions and recruit/train in time to mitigate retirements and loss of critical staff.
H3	Additional safety related initiatives are being implemented to further reduce both the number and severity/impact of the incidents.
C8	Although deemed extremely unlikely, high impact events that are out of JEA's control may pose significant risks to JEA, and require mitigation strategies. Examples of Black Swan events include: 1. Pandemic/Reduced workforce; 2. Hurricanes greater that Cat 1; 3. River crossing transmission line failure; 4. the Loss of the Downtown Substation; and 5. Electromagnetic Pulse (EMP) and Geomagnetic Disturbances (GMD).
T3	Cyber intrusion can be in the form of a Denial of Service (DOS) attack or Grid disruption, causing disruption of services and the inability to meet operational and customer needs.
T4	The inability to recover our technology services timely, in an event of a loss of an application(s) or the Data Center, impacts our ability to meet operational and customer needs.
F3	JEA continues to convert increasing amounts of variable debt to fixed. Historical trending from the Interest Rate risk is used in the trending above as it better reflects market volatility.
F4	Current efforts focus on increasing committed funding positions, increased diversification of JEA's counterparties, and monitoring available lines of credit.

E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function

Enterprise Risk Management – Top Corporate Risks Trends – Tier 3 Risks

Risk	FY2011	FY2012				FY2013				FY2014				FY2015			Change
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Electric Risks																	
E15 - TEA Activities Risk Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
E16 - Air Emissions Reduction Regulatory Initiatives	12	12	12	12	12	12	20	20	20	20	20	4	4	4	4	4	
E17 - Mercury and Air Toxics Standards (MATS)								15	15	15	15	15	4	4	4	4	
E18 - Renewable Energy Standards	20	20	20	20	20	20	20	20	20	3	3	3	3	3	3	3	
E19 - Plant Scherer Environmental Lawsuit									6	6	6	4	1	1	1	1	
Water/Wastewater Risks																	
W5 - Numeric Nutrient Criteria Mandates	12	12	12	12	12	12	12	10	4	4	4	4	4	4	4	4	
Corporate Wide Risks																	
T1 - Technology Infrastructure Reliability	12	12	12	12	12	12	12	12	12	12	12	12	12	12	4	4	
C10 - Project Risk Assessment and Capital Allocation	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
C11 - Project Management (design, engineering, procurement, construction, start-up)	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
C12- Capacity Plan Land Acquisition	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
C13 - Key Customer Accounts Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
F2 - Financial Regulatory Compliances (e.g., Dodd-Frank Bill)	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	4	x
F5 - IRS Bond Audit Records Requirements	9	9	9	9	9	9	3	3	3	3	3	3	4	4	4	4	
H4 - Benefits	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	4	x
C14 - Environmental Compliance Management	1	1	1	1	1	1	1	1	1	1	1	1	4	4	4	4	

Note: These risks are deemed to be effectively mitigated and are no longer being monitored by the Enterprise Compliance and Risk Committee (ECRC). However, they will continue to be monitored by ERM staff and the risk owners.

E16	The Carbon and Mercury and Air Toxic Standards (MATS) risks have been separated from the Air Emissions risk , as they made up the bulk of the financial impact driving the overall score. The remaining Air Emissions impact is <$1M.
E17	Rule has been finalized and will become effective in April, 2015. JEA is in compliance with the regulatory requirement through the burning of lower sulfur coal. The risk of increasing cost and possible unavailability of the lower sulfur coal is reflected in the Adverse Electric Commodity Supply & Pricing (Fuels) risk
E18	Although potential Renewable Energy Requirements can be somewhat costly, the likelihood of either the Federal or State governments passing any significant legislation is deemed rare within the foreseeable future.
E19	As of March 2014, the Plaintiffs' counsel withdrew all of the Plant Scherer cases without prejudice. Although the plaintiffs have an option to refile the lawsuit, the likelihood of this occurring, and/or the plaintiffs being successful is considered rare.
W5	EPA has acknowledged JEA's TMDL program meets NNC criteria, which JEA can easily meet with no additional mitigations.
T1	Service reliability may be compromised if critical technology applications become unavailable and may result in the inability to meet service needs, increased costs, non-compliance with regulatory requirements, and negative reputational impact.
C11	As part of the FY2013 reorganization, this function is now performed within each of the Electric and Water/Wastewater operations.
F2	JEA may be negatively impacted by financial reform legislation (e.g.. Dodd-Frank Bill), and/or increased disclosure requirements from the SEC and/or the Municipal Securities Review Board (MSRB). This could impose additional requirements on financing our operations, increasing costs and regulatory exposure. However, processes to identify, monitor, and verify compliance with current and proposed legislative regulations appear to be in place and functioning effectively. JEA has successfully met all provisions of the Dodd-Frank bill and the new MSRB disclosure requirements. As such, the risk score was lowered from a 3/3 to a 2/2, and moved from a Tier 2 to a Tier 3 risk.
H4	JEA's benefits are deemed competitive and with the exception of pension benefits, have no significant negative impact on recruiting and/or retaining employees. Pension benefits are covered under a separate risk and are not included as part of this risk. As such, the risk score was lowered from a 2/3 to a 2/2, reducing the risk from a Tier 2 to a Tier 3. Risks associated with increased GASB Statement 45, financial reporting requirements, on liabilities associated with other (than pension) postemployment benefits (OPEB) are included as part of the Credit Availability Risk.

The following risks were eliminated and will no longer be reported as individual stand alone risks:

- The National Emissions Standards for Hazardous Air Pollution (NESHAP) and Other Air Emissions Requirements risks were consolidated into the Air Emissions Reduction Regulatory Initiatives risk.
- The Transmission and Distribution Restoration Reserves risk has been deemed to be mitigated.
- The Waste Water Regulations risk was consolidated into the Numeric Nutrient Criteria risk.
- The Interest Rates risk was consolidated with the Credit Availability Cost due to the similarity of the risks and overlap of the mitigations.
- The Conservation Efforts risk has been consolidated with the Customer Relationship Management risk, as the focus of the program is to expand customer benefits and not solely focus on conservation.
- The Water Long Term Planning risk was combined with the Water Supply Management Risk.
- The Pandemic Reduced Workforce Risk was included as a scenario in the Black Swan risk, and no longer be tracked as a separate risk.
- The Loss of the Downtown Substation risk is now included as a black swan event, based on its similarity in nature to other black swan events.

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Tier One Top Corporate Risks Report - As of July, 2015

		Worst Credible Risk							
Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
E1- Carbon Emission Mitigation – Clean Power Plant (CPP) Mike Brost Public Affairs	JEA's current power generation fleet, fuel mix, and dispatching strategies may not meet expected new regulatory requirements such as mandated CO2/carbon caps, and carbon taxes; possibly resulting in increased costs for new CO2 mitigation technology (if available), purchased power, more expensive generation, and/or the purchase of allowances. New regulations could impact NGS, SJRPP and Plant Scherer, and the CTs.	**1-2 Yrs**	5	1	5	Increasing *	The EPA and presidential executive orders continue to impose tighter CO2 emissions standards. Current regulations apply to new solid fuel plants. Proposed regulations for existing plants were published June 16, 2014. Current mitigations are focused on assessing and minimizing the impact of proposed and active regulatory mandates. Compliance strategies will be implemented as the rules are finalized. Worst credible financial impact is NGS >$100M, SJRPP >$100M; Plant Scherer >$100M. CTs costs are not known at this time. Rule expected to be finalized late summer, 2015, with state specific plans expected by 2017.		
		3-5 Yrs	5	4	20				
		5+ Yrs	5	5	25				

Completed Mitigations

1. On October 28 2014, the EPA issued a Notice of Data Availability on the Proposed Clean Power Plan asking for additional comments in five areas where the EPA has received major feedback. These areas include the stringency of the interim goal, re-dispatch of coal to natural gas, methodology for renewable energy, and using 2012 as the baseline for reduction goals. JEA continues to proactively work with other utility groups to monitor the issues and comment of the regulations . Recent examples include but are not limited to:
   - Environmental Services and Legislative Affairs continue to monitor the issue in alignment with other utility groups such as the American Public Power Association (APPA); the Large Public Power Council (LPPC); and the Florida Electric Power Coordinating Group Environmental Committee (FCG).
   - JEA management (Paul McElroy, Bud Para and Nancy Kilgo) met with Lisa Edgar, Commissioner of the Florida Public Service Commission in Tallahassee to express JEA's concerns.
   - JEA has responded to a request for additional information from the Florida Public Service Commission.
   - JEA staff had a conference call with EPA staff in Atlanta and Washington, D.C. about the treatment of interstate energy including ownership and power purchase agreements.
   - JEA submitted comments on the Clean Power Plan on 11/30/14.
2. In September, 2014, JEA hosted a community meeting to educate its customers and regional policymakers about the Environmental Protection Agency's (EPA) proposed Clean Power Plan (CPP), what the rule expects to accomplish, its legal basis, and its likely impact on the U.S., Florida and JEA customers.
3. In 2014, JEA announced the introduction of electric vehicle rebates to support emission reduction from automobiles.
4. JEA purchases 10MW of wind energy from Nebraska Public Power District (NPPD).
5. In 2014 JEA announced it will place its Northside Unit 3 in reserve storage by March 2016, three ahead of its scheduled retirement date .

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Completed Mitigations (Continued)

6. Discussions are held with legal and air consultants regarding implications of new/proposed rules and to provide input on the rule's impact on JEA.
7. Integrated Resource Plan (IRP) – long term planning study used a scenario approach to address key issues of uncertainty faced by JEA including carbon emissions, Renewal Energy Standards (RES), economy, load growth, fuel costs, and other potential environmental regulations. The IRP provided multiple generation resource alternatives over a 30 year planning horizon depending on the six scenarios evaluated. The IRP was completed in early 2013.
8. All environmental rules (existing, pending, proposed) are factored in the generation resource planning and Integrated Resource Plan (IRP).
9. Ongoing budgeting and financial analysis ensures that JEA's rate structure addresses the impact of and allows cost recovery for environmental regulations, through mechanisms such as the Environmental Charge and the Fuel Charge. Beginning in FY08, an Environmental Charge of $0.62/1000 kWh was implemented to fund environmental liabilities with the ability to include the future cost of CO_2 regulations, if needed.
10. Built additional gas generation with 2 combustion turbines, in lieu of previously planned coal generation for future needs.
11. Beginning in FY08, a residential conservation charge was implemented at $.01/kWh for all consumption greater than 2750 kWh/month.
12. Completed a Purchase Power Agreement (PPA) amendment for additional renewable energy from the Trail Ridge Landfill Gas Project. As of January, 2015, JEA receives an additional 6MW.
13. Refined load forecast methodology incorporating economic crisis effects on customer demand, which effectively revised our forecasted generation supply needs for our fleet.
14. DSM program has provided power usage information to facilitate assessing power efficiency programs at JEA facilities.
15. Executed a JEA Board approved resolution on 3/11/08 authorizing a target of 10% nuclear energy no later than 2018. Executed a JEA Board approved resolution on 8/17/10 authorizing a target of up to 30% nuclear energy by 2030.
16. Signed PPA in April 2008 for nuclear energy (zero carbon emissions) with MEAG, for 206MW from Vogtle 3 and 4 with scheduled commercial operation dates of 2016 and 2017 respectively.
17. On 01/18/11 executed a JEA Board approved option agreement for ownership of additional nuclear capacity from Duke energy, in the 2021/2022 timeframe.
18. Completed a 200-400 MW Nuclear Base Capacity Analysis on a Present Worth Revenue Requirement (PWRR) basis through 2040 in comparison with other scenarios and sensitivities.
19. JEA conducted an analysis to evaluate the appropriate timing for GEC combined cycle expansion, considering all factors including carbon reduction impact. The current plan is for 2021. A process is in place for ongoing evaluation based on load forecasts and carbon mandates.
20. A process is in place for JEA to actively respond to the EPA's rulemakings. When draft rules are issued, JEA will formulate compliance strategy scenarios and conduct potential financial impact analysis.
21. JEA's solar Power Policy was approved in December, 2014 and authorizes up to an additional 38MW from solar PPAs. Requests For Proposals (RFPs) went out to bid in January, 2015.
22. The new Distributed Generation Policy and the revised Net Metering Policy allow JEA to effectively address and mitigate customer side generation issues, specifically relating to the rates JEA pays for power generated by customers that goes back to the grid.
23. JEA submitted its final comments to the EPA on the Proposed Clean Power Plan. The comments were presented to the F&AC in Match, 2015.

Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
E2 - Effluent Limit Guidelines for Steam Electric Units Mike Brost Public Affairs	The EPA is developing new rules to reduce discharge of pollutants from industries to waterways. The proposed rule would require increased treatment of wastewater discharge from power plants at a significant cost to JEA. Proposed regulations impact NGS, SJRPP and Plant Scherer.	1-2 yrs	4	1	4	Increasing*	Current mitigations are focused on assessing and minimizing the impact of proposed regulatory mandates. The EPA issued the proposed rule on April 19, 2013. JEA has evaluated the 500 page rule and its impact. Comments to EPA on the proposed ELG rule were provided. We also participated in writing and supported the comments by APPA, LPPC and FCG. Final rule expected 2015. Compliance date estimated to be 2017-2022. Worst credible financial impact is NGS $10M; SJRPP $48M; and Plant Scherer $6M. JEA's Portion only). Risk impact is based on cost estimates for potential biological treatment of power plant effluent.		
		3-5 yrs	4	4	16				
		5+ yrs	4	4	16				

Completed Mitigations

1. Completed EPA information request on electric power plant effluent discharge.
2. Working through the Florida Coordinating Group (FCG) and American Public Power Association (APPA) activities to address this issue.
3. Public Affairs coordinates efforts with other JEA business units impacted by the ruling (e.g. Planning, Operations).
4. The effluent flows at NGS, SJRPP and Plant Scherer have been evaluated to assess potential impact and determine possible required mitigation efforts.

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Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
E4 - Adverse Electric Commodity Supply & Pricing Jim Myers Steve McInall Mike Brost	JEA could experience an adverse commodity price impact due to changing market conditions or an interruption in fuel supplies from natural or man-made disasters, lack of transportation options, lack of adequate fuel storage capabilities, increasing scarcity of fuel worldwide, and/or a contract breach by a supplier; resulting in higher fuel costs and/or inability to meet energy demands.	1-2 yrs	4	1	4	Stable	Mitigations focus on continuing to dispatch natural gas and solid fuels in the most economical manner, on improving the deliverability of gas to JEA's units, and identifying infrastructure improvements to determine and meet long term gas delivery requirements. Current mitigations and processes are deemed adequate to manage the risk. The score is based on the inherent risk of fuel price volatility.	x	x
		3-5 yrs	4	2	8				
		5+ yrs	4	3	12				

Completed Mitigations

1. Process in place for continual assessment of the fuel and purchased power needs. Risk management model analysis and reporting enhances the decision making process.
2. Established generation/purchased power resource optimization meeting as needed in advance of Fuel & Purchased Power meeting to ensure effective deployment of generation and purchased power renewables.
3. Utilizing multiple domestic and international suppliers for all plants. JEA has the capability to burn an additional 10-15% gas in CFBs at NGS, when economical to do so.
4. Diversified gas portfolio through acquisition of gas transport on Southern Natural Gas (SNG) pipeline. BG contract includes delivery on SNG and/or Florida Gas Transmission (FGT) pipeline.
5. Fuel fund reserve is used to help mitigate impact of fuel cost volatility of un-hedged fuel and is being used to avoid electric fuel rate increases. Fuel refunds to customer are considered when fund exceeds policy guidelines, and fuel costs are below projections.
6. Continue to evaluate natural gas capability to accommodate increased natural gas burn, as economically appropriate.
9. Added process to evaluate Purchased Power opportunities from one month to two years out. Execute wholesale power purchases where deemed appropriate.
11. Gas contract commits supplier to deliver from alternate pipeline if primary route is constrained.
12. Established lower minimum load requirements for both SJRPP and NGS CFBs. These actions increase JEA's ability to optimize generation and the use of additional gas and purchased power when economical.
13. Continue to assess and enhance fuels risk management analysis and reporting tools (metrics include fuel expense, SO2 emissions, natural gas consumption).
14. Fuel dispatch strategies help in reducing the impact of compliance with environmental emissions regulations.
15. The Energy Market Risk Management policy has been completed and was approved by the Board.
16. PGS completed second SeaCoast/FGT interconnection.
17. Fuels Management Services completed training/turnover of Daily Gas management process to Bulk Power Operations.
18. Completed assessment and addressed power needs for the period beginning December 2015 , while waiting for the completion of the Southern Natural Gas (SNG), Elba Express pipeline expansion, expected in March 2016.

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Tier One Top Corporate Risks Report - As of July, 2015

		Worst Credible Risk							
Risk Title / Risk Owner	Risk Description	Risk Time frame	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
E3 - Coal Combustion Residual Rule (CCR) Public Affairs Mike Brost	The cost for complying with the EPA's CCR mandate may be greater than expected which may increase CCR processing costs. In addition, the increased operational processes, monitoring, recordkeeping, notification , and internet posting requirements may negatively impact JEA's reputation with the public, environmental groups and regulators in the event of any non-compliance issues.		2	5	10	Stable	The rule was finalized in December, 2014, and did not designate coal combustion as hazardous. A compliance due date expected after 2017. NGS is exempt from the rule, based on the percentage of Pet Coke it uses. JEA's gas units will also not be impacted . The SJRPP costs are for lining additional holding areas, over an 8 year period. The cost of Plant Scherer is being finalized, but JEA's portion is expected to be approximately $11 Million. Worst credible financial impact is NGS $0; SJRPP Approximately $25M; and Plant Scherer $11M. (JEA's portion only). Since SJRPP costs are known and will be funded as part of the annual budget process, this cost is no longer included in the risk score. Therefore, the score was changed from a 3/5 to a 2/5 to reflect the estimated but still unknown cost of compliance at Plant Scherer.		

Completed Mitigations

1. Public Affairs is monitoring EPA/DEP rule making. JEA's position is aligned with other member utility groups that are addressing the issue on a state and national level (Florida Conservation Group, Utilities Solid Waste Activities Group). In addition JEA, along with other utility industry groups, submitted written comments to EPA regarding the proposed rule. JEA is pursuing special designation of CFB by-products as different from coal combustion by- products.
2. A workshop was held to discuss the proposed EPA rule and the potential implications on JEA operations and associated costs.
3. JEA conducted high level discussions with a vendor in pursuing remediation options.
4. JEA has held discussions with Plant Scherer/Southern Company to determine the implications and costs of the proposed rule.
5. JEA reviewed the final rule and has determined the regulatory requirements for SJRPP. Georgia Power is in the process of identifying the cost of the regulatory requirements to be implemented at Scherer. At this time, NGS is exempt due to % of pet coke co-fired.

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Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
E5 - Cooling Water Intake Structure – 316(b) Public Affairs Mike Brost	The EPA is developing new rules for existing cooling water systems at power plants. The rule is intended to reduce the environmental impact of pulling large numbers of small aquatic life into a power plant's cooling system. The new rule may require a modified water intake structure at significant cost to JEA. Proposed regulations impact NGS and Plant Scherer.	1-2 yrs	2	1	2	Stable	Current mitigations are focused on assessing and minimizing the impact of regulatory mandates. The rule was finalized on 5/19/14. Although additional studies are required, it is expected that JEA can comply utilizing fish screens rather than the construction of the more costly cooling tower. Compliance will be required in 5 years.		
		3-5 yrs	2	3	6				
		5+ yrs	2	5	10				

Completed and Ongoing Mitigation

1. JEA's position is aligned with other member utility groups that are addressing this on a national level (e.g. APPA).
2. High level cost estimates for the potential worst case of being required to install cooling towers at NGS have been developed by JEA engineers.
3. Consultant has performed biological intake studies to estimate potential for compliance with this rule.
4. Consulting contract in place to move forward with the required additional biological studies. This information will be used to support the proposed use of fish screens.
5. Monitoring DEP/EPA actions to assess potential impact to JEA.

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Tier One Top Corporate Risks Report - As of June, 2015

			Worst Credible Risk						
Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
E6 - Long Term Planning & Load Forecasting - Electric Mike Brost Steve McInall	Accurate long term planning, and load forecasting is becoming increasingly unpredictable due to the inherent difficulty in predicting the impact of the many ever-changing variables (e.g., new technologies, regulatory compliance, demand/growth, capital requirements, revenues), as well as sustaining current electric infrastructure and generation capacity to address long term needs. This may result in the inability to meet current and future demands, regulatory non-compliance, and a significant increase in financial costs, including unnecessary costs.		5	2	10	Increasing * ↑	Risk is deemed mitigated to the extent possible and allows for multiple scenario trigger events for more effective long term planning/load forecasting. However, pending environmental mandates and difficulty in forecasting the various scenarios impacting load demand, raises the inherent risk impact. A number of other top corporate risks help mitigate this risk. The inability to effectively manage this risk still remains unlikely.		

Completed Mitigations

1. Planning functions have been fully staffed with competent, experienced employees with many years of service remaining.
2. Completed the effort to deploy an electric distribution level modeling tool. Initiative is complete.
3. Established interface requirements with Electric DSM and Renewable Planning areas.
4. Electric system Integrated Resource Plan (IRP) examines multiple growth scenarios in order to develop most robust generation plan. Thirty-year look ahead.
5. Added a forecast methodology for the Electric Planning that emphasizes short term trends while maintaining the long term expectations for growth.
6. Established routine meetings to coordinate all business aspects (goals & objectives, revenues, O&M, capacity, and regulatory considerations).
7. Developed Planning Procedures and Guidelines .
8. Increased communication with upper management on the planning criteria, goals, objectives, and outcomes.
9. Participate in SLT's annual strategic planning meetings to ensure alignment with long term corporate strategy and that we're abreast of changing political, regulatory, and economic factors.
10. Incorporating greater awareness and review of emerging regulatory requirements for inclusion in scenario assessments and sensitivity analysis. This includes monitoring of distributive energy generation options, DSM and hybrid vehicles that may impact planning.
11. Process in place to coordinate efforts with Environmental, Legislative Affairs and DSM groups to assess impact of pending regulatory requirements (e.g., emissions restriction) on JEA's electric planning and forecast assessments.

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Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

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E7 - Critical Infrastructure Protection (CIP) Compliance Daniel Mishra Ted Hobson Mike Brost Paul Cosgrave	Failure to comply with Critical Infrastructure Protection (CIP) requirements may result in an unauthorized intrusion into critical systems, which may cause a reliability event. The event, or the failure to comply with CIP requirements may also result in regulatory fines, significant costs to correct the problem, and/or have a negative reputational impact. Issues may stem from varying interpretations of rules/requirements, insufficient response/operational training, unmonitored processes and/or inadequate resources.		2	5	10	Increasing*	JEA has assessed the impact of CIP version 5 requirements, the Executive Order on cyber security, and the recently proposed Senate bill on cyber security. Efforts are underway to meet the new requirements. Specifically, the new CIP 5 version standards will increase the size of the program due to the inclusion of power plants and substations.	X	X

Completed Mitigations

1. A formal program for internal compliance has been established. Key components include:
   a) Standardizing policies and procedures.
   b) Ongoing reviews to verify continued adherence to CIP standards.
   c) Identifying gaps in the compliance program, root cause analysis and provision of guidance on mitigation.
   d) Updating process owners on new enforceable CIP standards and support.
   e) Supporting all regulatory communications and industry interfacing engagements such as standards drafting and request for information for regulatory agencies.
2. A validated, risk-based compliance structure is in place to ensure compliance with standards.
3. Company has implemented annual required training for all employees to instill an understanding of relevant rules and the importance of compliance. Processes are in place to assure completion by JEA.
4. Process in place to educate standard owners on CIP requirements. Management Overview training was conducted for over 30 JEA stake holders.
5. Process in place to monitor/review compliance evidence to assess effectiveness of the current process.
6. Implemented new model for continuous monitoring and verification of technical compliance controls
7. Process in place to monitor regulatory impact – strategy is being reevaluated and will be revised to meet approved CIP 5 standards. CIP V5.effective date for compliance is April 1, 2016.
8. Activities relating to the President's Executive order on Cyber Security requirements/standards has not moved forward lately as quickly as originally expected. A process in place to monitor and assess the impact of any new/proposed regulatory and legislative requirements.
9. Electric Compliance Policy has been established, defining the compliance program, as well as roles and responsibilities of the standards owners. Policy has been approved by the Enterprise Compliance and Risk Committee and JEA's Board of Directors. JEA's CIP Compliance department continually assesses effectiveness of the policy and identifies any gaps that will adversely impact JEA or the JEA CIP compliance program.
10. Company policies regarding compensation, performance (e.g. scorecard), promotion, and disciplinary actions also include the standard owner 's compliance with regulations and reporting of violations.

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Completed Mitigations (continued)
14. Process in place to actively monitor development work on FERC directed revisions to the regulations and provide feedback through the industry CIP committees, of which JEA is a member. JEA participates on other CIP regulatory committees with LPPC, FRCC, and NERC. 15. CIP Compliance Department was established with dedicated staffing resources to manage the compliance program. 16. Job factors relating to successful management of the FERC/NERC Compliance Program have been developed for both the Compliance Department and the CIP standards owners. 17. CIP team has created a new model for continuous monitoring and the team is utilizing the NERC RSAW (Reliability Standards Assessment Worksheets) to assess the JEA's CIP compliance. 18. A process is in place to monitor/review compliance evidence to assess the effectiveness of the established process. CIP compliance team assessed options for sustained and methodical compliance data management using JEA SharePoint, and Secure Network storage etc. At this stage, CIP Compliance has determined that none of the systems provide a comprehensive solution for CIP Data management. CIP Compliance Department will continue to use the current repository. 19. Process is in place to continually enhance documentation requirements to meet current standards. 20. An ongoing education program is in place to educate process owners who have responsibility to design and implement CIP compliance. 21. The CIP Compliance group conducted an internal assessment (same scope as a mock audit/spot check) during the 1st quarter of 2014. This effort resulted in saving the cost of an external contractor and enhanced internal skill sets. Noted gaps have been addressed and mitigated. 22. JEA has aligned with APPA and other critical infrastructure stakeholders to influence NIST to utilize the ES-C2M (Electric Sector – Cyber security Capability Maturity Model) . The model was pioneered by the DOE and does not use the enforcement methods of NERC/CIP. As part of the process, TS has implemented a spreadsheet to evaluate SLAs, risks and level of compliance. The CIP Compliance area has identified it's monitoring responsibilities.

Tier One Top Corporate Risks Report - As of July, 2015

		Worst Credible Risk							
Risk Title / Risk Owner	Risk Description	Risk Time frame	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
W1 - Water Supply Management/Long Term Planning Brian Roche Public Affairs	Accurate long term planning is becoming increasingly complex due to the inherent difficulty in predicting the impact of changing variables (e.g., regulatory compliance, demand/growth, capital requirements, revenues), sustaining current water/reclaimed infrastructure, and meeting certain provisions of the Consumptive Use Permit (CUP). Specifically, the CUP provisions may require a significant increase in reclaimed water usage and/or place new, more stringent limits on JEA's aquifer withdrawals. In addition, the water management districts in northeast Florida (SJRWMD and SRWMD) are setting new or revised minimum flow level (MFL) rules, and are proposing to designate Northeast Florida as a Water Resource Caution Area (WRCA). This may require utilities to mitigate the impact of their groundwater withdrawals on the MFLs. CUP restrictions, most notably the South Grid allocation restrictions which came in effect beginning Sept 2014, may result in the inability to meet current and future water needs, possibly causing decreased services to customers, significantly increased costs for alternate water sources, reclaimed, and/or regulatory non-compliance.	1-2 yrs	5	1	5	Increasing*	Mitigation efforts focus on developing a Water Management plan to identify long term water needs and assess reclaimed and alternative water sources. Also, processes have been established to verify compliance with the Consumptive Use Permit, (e.g., commitments to expand reclaimed water usage). Revised aquifer Minimum Flow Levels (MFLs) and/or potential reductions in our aquifer withdrawal limits from the water management districts, have the potential to accelerate JEA's investment in alternative water techniques, reuse, and/or to require participation in regional MFL projects.		
		3-5 yrs	5	2	10				
		5+ yrs	5	3	15				

Completed Mitigations

1. On May 10, 2011 JEA was granted a CUP, which identifies the maximum allowable withdrawals from the Floridan Aquifer that can be used to supply water to our customers for the next 20 years.
2. The Suwannee River Water Management District (SRWMD) and St. Johns River Water Management District (SJWMD) continue working to complete a joint water supply plan across both districts in North Florida. JEA is participating actively in these planning processes as part of the North Florida Utility Coordinating Group, to promote the use of sound science in ensuring long term aquifer sustainability, and to ensure equitable allocations among user groups.

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Completed Mitigations (Continued)

3. JEA routinely meets with the SJWMD to assess CUP requirements coordinate efforts to address any issues that impacts the Floridan Aquifer. The November 2014 meeting noted the following developments:
    - District Water Supply Plan - The District is making modifications to their draft water supply plan, clarifying that the Floridan aquifer will meet projected water demands for the next 20 years with existing commitments to continued conservation and reclaimed water system expansion.
    - Reclaimed System Expansion – The District reaffirmed its commitment to assist JEA in ensuring golf courses and new developments connect to the reclaimed system. The District will also continue its joint funding program for reclaimed and other water resource projects. Continue to expand reclaimed water program as is economically, technically, and environmentally feasible and meets CUP requirements.
    - Feasibility Study - The District is seeking partners to evaluate long term aquifer sustainability studies and eventual projects such as targeted reclaimed system expansions and aquifer recharge, wherein the District or State would provide nearly full funding for Water Resource projects. The District and JEA have agreed to perform a high level desktop feasibility evaluation using effluent from JEA's Southwest wastewater treatment plant.
4. The 2007 Total Water Management Plan (TWMP) identified long term water needs and assessed alternate water sources. Key recommendations included increasing water conservation, an increase in the amount of reclaimed water used, and construction of a north to south pipeline for the transfer of potable water to Southside. This pipeline was completed in the first quarter, FY2014.
5. Continue to assess implications of reduced demand, conservation efforts, and Demand Side Management (DSM) on revenues and capacity needs. Developing short and long-term strategies.
6. An Integrated Water Supply Plan (IWSP), incorporating the TWMP, was originally completed in 2012 to address future strategies for water and wastewater planning consistent with CUP requirements. The plan is re-evaluated annually.
7. Continue to participate on the Clay/Putnam Area's MLFs prevention/recovery strategy teams.
8. Completed developing and improving water, sewer and reclaimed computer models. Added a forecast methodology for the Water Planning areas that includes both short and long term trends.
9. Continue to successfully produce Annual Resource Master Plans that incorporate greater assessment details and future scenarios.
10. Process in place to coordinate efforts with Environmental, Legislative Affairs to assess impact of pending regulatory requirements (e.g., water restrictions, waters of the U.S. designation, MFL - Minimum Flow Levels) on JEA's water planning and forecast assessments.
11. Consultant report on unaccounted-for water losses was completed in May, 2014. Implementation of recommendations is ongoing with the primary opportunity centered in improving the accuracy of metering including lowering the variance between raw water (well) demand and finish water production where technically and economically feasible.
12. Beginning Sept 2014 (with the TWMP pipe crossings complete and Greenland WTP fully operational, CUP Condition #43 places allocation restrictions on 52 South Grid "wells of concern". JEA actively manages the usage of the wells throughout the year to meet the average annual usage restrictions, and is employing significant resources to define hydraulic operating models and to modify wells for long-term sustainability.
13. Process is in place to continue assessments of alternate water sources and perform cost benefit analyses to address any gaps between the defined maximum allowable groundwater allocations and JEA's service area demands. These assessments were first conducted in 2008 and reassessments take place on an annual basis.
14. The proposed Interlocal Agreement with the City, approved by the JEA Board, includes a provision to support JEA's management of the water systems.
15. Strategy has been implemented to increase the number of reclaimed water customers in service areas where JEA has or will be investing in reclaimed capacity and transmission. This strategy Includes publishing updates to:
    - Rules and regulations for Water, Sewer and Reclaimed Water Services
    - Water, Sewer and Reclaimed Water Design Guidelines
    - Annual Water Resource Master Plan, with intra-year updates on JEA.com
    - Establishing requirements and criteria, in associated JEA documents, for connecting to the reclaimed water system in designated areas, as a condition for new water connections.

Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Time frame	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
H1 - Pensions Angie Hiers Melissa Dykes	Pension costs may increase significantly due to under-performing investments, a higher rate of early retirement, and/or actuarial reductions to the investment rate of return. This may require additional funding by JEA, reduction in benefits, and/or a significant increase in employee contributions. In addition, increased employee contributions and/or reduced benefits, may impact employee morale, increase flight risk and negatively impact JEA's ability to retain/attract qualified staff. The risk for SJRPP employees is lower since SJRPP grandfathered in retirement-eligible employees and long-tenured employees, reducing the flight risk and harm to long term employees.	1-2 yrs	4	4	16	Increasing*	Reductions in the rate of return for the pension fund has increased JEA's annual cost, potentially requiring additional funding and/or potential future increases in employee contributions. JEA is assessing pension funding options and a total compensation package. JEA will continue to pursue the proposed Inter-Local agreement and changes to pension administration previously approved by the Board and submitted to City Council for consideration earlier in 2015. The proposal stated that JEA will provide financial assistance to the City in exchange for the City's approval on the realignment of JEA's contribution formula to conform with JEA's actual electric and water and sewer system sales, and modification of JEA's Charter; including allowing JEA to split from the General Employee Pension Plan and create a separate program for JEA employees and retirees.	x	
		3-5 yrs	4	4	16				
		5+ yrs	4	5	20				

Completed Mitigations

1. The Pension Advisory Committee for the General Employees Pension Plan for the COJ includes JEA employees. The Board of Pension Trustees is an independent board appointed through City Council action. The Board makes recommendations to the City Council who is responsible for establishing or amending the pension plan. The Board of Trustees does not contain any JEA employees.
2. An investment policy limiting the type and percentage of funds that can be invested in certain types of securities, is in place at SJRPP. A financial advisor assists the SJRPP Pension Committee in determining investment strategies. JEA's Treasury area verifies compliance with the SJRPP investment policy.
3. A process is in place to continue to assess pension benefits for SJRPP, as well as available options for JEA's participation in the COJ pension plan as appropriate.
4. A new Defined Benefit plan ("Cash Balance Plan") with a supplemental 457 Plan match has been implemented at SJRPP.
5. An actuarial evaluation (completed annually in October) determines the level of funding required to meet SJRPP plan benefit levels. The unfunded liability gains and losses are amortized over a 30-year period.
6. The SJRPP Pension Committee determines pension program options. JEA employees sit on the committee. JEA management determines plan provisions in conjunctions with union bargaining agreements, subject to Board approval.
7. SJRPP's annual and COJ's periodic actuarial evaluations provide guidance on the level of funding required. This is included in the budget forecasts and planning cycle, with a one year lag.

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Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
F1 - Revenue and Expense Management Melissa Dykes Senior Leadership Team	External economic factors and/or weather conditions may significantly reduce revenues, or JEA may not properly manage/control expenses. This could require increased reliance on debt to fund capital projects. Insufficient revenues and inadequately controlled expenses may result in a reduced credit rating, increased cost of debt, deterioration of the financial and structural health of the organization, inability to adequately serve our customers, and loss of reputation.		4	4	16	Increasing*	Mitigation activities are in place and deemed effective for ongoing monitoring and risk mitigation. Although JEA's financial health has significantly improved in recent years, factors outside of JEA's control, such as the economy, weather, and/or political factors, still pose a challenge. Revenues continue to be lower than expected, mainly due to weather, conservation, energy efficiency, and the economic downturn.	X	X

Completed Mitigations

1. Capital allocation process has resulted in lower capital expenses and better allocation of limited resources towards highest priorities. Core committees established for capital review process.
2. Ten year program for debt reduction is continuing to improve JEA's debt to asset ratio.
3. Rate stabilization fund (reserves) for debt management has been established to mitigate increasing interest rates.
4. Four-year water rate structure modification was implemented to better align fixed and variable expenses with revenues. Rate structures are being evaluated on an ongoing basis to determine if additional adjustments are necessary.
5. Monthly forecast meeting includes reviewing revenue and expense projections, their impact on JEA's finances/budget, and developing solutions to address issues.
6. Continue to convert variable debt to fixed as the opportunity arises.
7. As part of the budget planning process, continue to assess the need for capital expense reductions.
8. Committee established to continue to work to identify additional revenue sources, such as the Natural Gas project.
9. Continue efforts to maintain a higher level of liquidity.
10. No new debt was plannee for FY2015.
11. The FY 2013 reorganization aligns accountability to better control expenses and allocate revenues to the major businesses.
12. Process is in place for continual evaluation of factors impacting expenses and revenues, and includes the possible use of reserves to reduce the revenue gap and/or O&M expense reductions. A five year pro forma to project financial assumptions over the longer term is presented to the Board periodically.

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Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
C1– Customer Relationships Management Monica Whiting	Customers may have a negative opinion of JEA caused by past, present and future pricing actions, customer service policies and practices, negative press and regulatory/financial requirements. These negative perceptions may result in decreased customer satisfaction or an inability to achieve JEA's goal of being top quartile nationally in both residential and business customer satisfaction. They could also dampen working relationships with key stakeholders and in turn interfere with critical business activities and objectives.		3	4	12	Stable	In FY2014, JEA implemented a new Strategic Initiative of Earning Customer Loyalty which includes Focus Areas of : Being Easy to Do Business With, Empowering Customers to Make Informed Decisions , and Demonstrating Community Responsibility. These Focus Areas include nearly a dozen corporate Commitments to Action (CTAs) to specifically improve Customer Satisfaction and Stakeholder Relationships. This work has been updated and continues in 2015.		x

Completed Mitigations

1. 2014 **Residential Customer** Satisfaction improved significantly, moving JEA into the 1st quartile. Final 2014 Residential scores show a seven point improvement over 2013 scores. Also, implementation of the Earn Customer Loyalty Strategic Plan is underway. Significant progress on several CTAs has occurred including Outage Communications, Policy and Process Enhancements, and Development of the Customer Experience Council.
2. 2015 – **Business Customer** - The final results for the J.D. Power 2015 Electric Utility Business Customer Satisfaction Study were released in January. JEA continued its strong performance, finishing in the first quartile nationally and ranked 14th out of the 87 utilities participating. Among Florida utilities, JEA ranked 2nd overall . While the industry moved up from a score of 662 in 2014 to 677 (+15 points), JEA improved from 682 in 2014 to 705 (+23 points).
3. 2015 –**Residential Customer** – JD Power released the final 2015 Residential Customer Satisfaction Study. Results were outstanding, keeping JEA in the first quartile. Our 2015 Customer Satisfaction Index score remains significantly higher than our standing at mid-year 2014 (657 vs. 691), and continues JEA's trend of improvement year over year. At the end of the 2015 JEA finished in a tie at #30 out of 140 utilities, placing us in the first quartile nationally and exceeding our FY 15 goal for customer satisfaction. Over the past five years, JEA was the most improved utility in the country with an overall score increase of 89 points. For JEA, this record-setting improvement happened over the last three years of the five.
4. CTA initiative was implemented and focuses on improving policies and processes to balance customer and business needs. A number of improvements have been implemented in 2014, including changes to deposit policies, water leak adjustments, access to Supervisors and Managers for escalations, service levels and more. Focus was also placed on improving First Contact Resolution which includes improving Accuracy, Quality, Consistency and Timeliness of service. Active involvement with City and County government, Chambers of Commerce, and Economic Development Organizations , and increased work in community engagement such as the Speaker's Bureau program, is also underway.
5. 2015 – JEA's strategic plan and CTAs will continue with the 2014 initiatives and will focus on drivers that impact customer satisfaction.

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Tier One Top Corporate Risks Report - As of July, 2015									
		Worst Credible Risk							
Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
C2 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance) Ted Hobson Pat Maginnis	Current physical security may be insufficient to safeguard company assets and/or comply with new Critical Infrastructure Protection (CIP 5) requirements, possibly due to limited resources, ineffective security procedures, increasing threat of attack and/or ever increasing regulatory requirements. This may result in loss/damage to JEA property, injury/death to employees/civilians, and lawsuits and regulatory fines. In addition, physical security is inherently risky, due to the unpredictability of attacks, the reliance on personnel to adhere to security protocols and procedures, and the inability to completely monitor/ protect all assets in a cost-effective manner.		4	3	12	Increasing*	The risk is deemed mitigated for current regulatory compliance requirements and the current level of security is considered acceptable at this time. However, new security legislation is expected in the future and CIP version 5 will impose additional security requirements. **The risk also reflects the inherent risk associated with ensuring effective security protocols, and the reliance for employees to follow established safety practices.**		

Completed Mitigations

1. A consultant performed a limited evaluation of JEA's physical security protocols and made recommendations to address gaps. Changes to procedures have been implemented to address the most critical gaps. A process is in place to address additional gaps, as noted.
2. JEA has established and maintains strong relationships with JSO, DHS, FDLE, FBI, USCG, JaxPort Security and other agencies. JEA actively participates in drills with the SWAT Team and Bomb Squad, as well as other units. The strong relationships provides JEA better information to identify potential security threats , facilities security investigations and enhances JEA's overall security protocols.
3. Ongoing coordination meetings are held with business unit management and Security management to prioritize infrastructure security concerns.
4. Security Escorts are provided to field personnel if needed, and are regularly used by field employees. Escorts show direct correlation in reducing both the number of threats and assaults against employees in the field.
5. Shared Services Safety Council meets periodically to identify ways to remediate the risk to employees from assault. The Council provides recommendations to the SLT and implements mitigations to address the noted gaps.
6. JSO officer is assigned to work directly with JEA and assists in providing additional security at some of JEA's more critical facilities, as well as conducting investigations and coordinating efforts with local law enforcement agencies.
7. A process in place to pursue federal grant dollars for security related projects if/when funds are available.
8. Process is in place to implement recommendations from internal audits, which includes enhancing card access controls to limit the number of accessible gates, doors, and sites at key facilities, and to improve the process for deactivating terminated employees.

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Completed Mitigations (Continued)

9. Maritime Security requirements relating to tracking transportation workers have been implemented and working effectively. Annual independent audits have noted no issues.
10. Monthly meetings are held with FERC/NERC/CIP compliance areas to coordinate efforts to address current and anticipated new CIP physical security standards.
11. Substations are being built or upgraded to meet CIP physical security standards. Specifically, all 230KV substations have been completed, and the 138KV substations have been upgraded.. However, CIP 5 contains additional requirements for substations, as well as generating station control rooms.
12. The I-Track incident management software has been implemented and allows the tracking of security incidents, such as threats to employees, thefts, unauthorized entries. The metrics are analyzed to identify security threats and better allocation of resources to the riskiest areas.
13. The Department of Homeland Security (DHS) has recently completed a review of security protocols for certain chemical storage facilities at SJRPP. Minor issues were noted and have been corrected.
14. An ongoing preventive maintenance program for JEA's fire systems has been developed to address any noted deficiencies.
15. JEA's Director of Security holds a Department of Homeland Security (DHS) certification, which recognizes his knowledge, skills and abilities to identify, assesse and mitigate security issues and potential terrorist threats. The Certification helps limits JEA's legal, financial and punitive exposure in the event that a terrorist action causes a disruption of services .
16. A security awareness training program has been implemented and is being provided to all JEA employees.

Tier One Top Corporate Risks Report - As of July, 2015

		Worst Credible Risk							
Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
C3 - New Technology Risk **Senior Leadership Team**	Emerging new technologies are providing some customers with an increasing number of options for reducing energy and water usage, and/or using alternative energy sources (e.g., natural gas). If this leads to decreased revenues from these customers, it could increase costs to the customers who are not participating in these new technologies. In addition, the cost of investing in new technologies and maintaining the existing infrastructure while in a period of declining revenues may have a significant negative impact on JEA's financials, and our ability to meet our debt obligations. New technology includes but is not limited to alternate power generation (e.g. solar, wind, advanced battery power); increasingly efficient appliances (air conditioners, washing machines that use less energy and less water); applications that interact with the customer (e.g. smart metering); industrial /commercial generation with natural gas; fuel cells and increasing use of alternate energy sources, such as natural gas and propane .		4	3	12	Increasing*	Risk score is based on potential reduction of revenue by five percent ($65M) within the next five years.		

Completed Mitigations

1. New Revenue Task Force was established to identify projects that can generate additional revenues and/or reduce revenue losses. Projects being considered include assessing the impact of new technologies.
2. Distributed Generation (DG) Task Force was established to identify the impact of distributive generation options to JEA, and develop a strategy to immunize any negative impact and identify potential revenue opportunities.
3. JEA implemented a stand-by charge for commercial DG customers in June 2014 to more appropriately recover the cost of providing stand-by services.
4. A number of new electrification projects are underway to identify potential/actual new technology that may increase power demand (e.g., electric cars).
5. The Integrated Resource Plan (IRP) includes greater assessment details and future scenarios, as well as multiple growth scenarios, the impact of regulatory/legislative requirements, and assessment of new technologies in order to develop more robust generation plans. Thirty-year look ahead.
6. The Net Metering policy was modified in late 2014 to credit avoided cost to customers who put energy on the grid instead of the full retail rate. This helps protect against subsidization of net metering customers by non-net metering customers, ultimately helping protect against raising rates on all customers to subsidize net metering customers .

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Tier One Top Corporate Risks Report - As of July, 2015

Worst Credible Risk

Risk Title / Risk Owner	Risk Description	Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years	Risk Summary Status	Related Audit Coverage Past 2 years	Related Planned Audit Coverage
C4 – External Influence on Policy **Senior Leadership Team**	Increasing external pressures, such as the City's continuing budget challenges, and increased requirements imposed by the surrounding water management districts, could result in decisions that negatively impact JEA's customers and long term financial health. Certain specific issues (e.g., pensions or new environmental regulations, Customer Relationship Management) are covered under separate Top Corporate Risks.		5	2	10	Increasing*	Risk is deemed mitigated to the extent possible. Score is based on inherent risk that lies outside JEA's span of control.		

Completed Mitigations

1. Dedicated JEA resources monitor day-to day local, state and national legislative and regulatory activities, and develop/maintain relationships.
2. Ongoing, proactive meetings, reports and presentations occur between Senior Leadership Team (SLT), individual City Council members, Council Committees, and/or the Mayor to educate them on the significant regulatory, financial, and environmental issues impacting JEA
3. A database for regulatory advocacy reporting and other pending legislation is maintained to stay current with issues and positions.
4. Public Affairs coordinates with internal/external topic experts to assess impact to JEA and develop JEA responses to new regulatory and/or legislative requirements.
5. Issues developing from new/proposed regulatory legislative requirements are discussed in a group format and with senior management as appropriate.
6. OGC handles legal questions. Outside council is used as appropriate.
7. JEA benchmarks with other utilities to provide background data on various issues.
8. The full SLT actively participates in the strategic planning processes within JEA.
9. A database is maintained by Public Affairs of all JEA related issues presented by constituents to their City Councilpersons.
10. JEA participates in any COJ and JEA Charter Review process.

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JEA Audit Services FY 2015 YTD Project Summary As Of June 26,2015

	A	B	C	D	E	F	G
1	**Audits/Projects**	**2015 Total Risk Score**	**Orig. 2015 Budgeted Hrs.**	**Current Est. FY2015 Hrs.**	**Actual Hrs. as of June 26, 2015**	**Project Status as of July 24, 2015**	**Comments**
2	**Change from the previous report.**		**Higher risk and/or higher priority projects.**				**Projects were added after the annual audit plan was published.**
3	**FY 2014 In-Progress Projects Carried Over to 2015**						
4	Electric, W/WW, and Other Assets - Enterprise Asset Management (EAM) Initiative	n/a	0	232	232	Complete	
5	Treasury Cash & Investments Audit	n/a	350	1300	1214	Complete	Scope increased and delayed start. Originally expected to have substantial audit work in FY 2014.
6	Materials Handling, Storage, Inventory, & Recovery Process Flow - WSC, SSC	n/a	0	509	513	Complete	
7	**FY 2015 Projects**						
8	SJRPP Business Services (Inventory, Safety, Financial, etc.)	7.3	450	0			Postpone due to resources. Risk level for 2016 reevaluated down to M+ from H.
9	SJRPP Electric Production Maintenance	7.4	650	0			Postpone due to resources. Risk level for 2016 reevaluated down to M+ from H.
10	JEA Fuels	7.2	500	0			Postponed to 2016. Perform in conjunction with SJRPP Fuels Audit scheduled for first quarter FY2016
11	Byproduct Services - NGS Material Handling Operations	7.2	450	0			Risk level reduced to 6.1 for 2016. Audit cancelled in lieu of expanding the Billing Support Audit to include Payment Processing.
12	Distribution, Development & Joint Projects	7.0	300	0			Postpone to 2016. Still evaluated as H risk for 2016.
13	System Protection & Control Projects (Relays)	7	600	0			Postpone to 2016. Still evaluated as H risk for 2016.
14	Customer Revenue - Billing Support Services & Payment Processing	6.4	450	325	0	In Progress	Project will carry-over into 2016.
15	Meter Services, Maintenance & Revenue Assurance	6.3	500	0			Entity split into two, Electric and Water/Wastewater. Risk level for 2016 reevaluated down to M+ and M respectively.
16	Investment Recovery Operations	7.9	400	350	0	In Progress	Limited scope.
17	Fleet Services	8.4	400	350	43	In Progress	Limited scope.

JEA Audit Services FY 2015 YTD Project Summary As Of June 26,2015

	A	B	C	D	E	F	G
1	**Audits/Projects**	**2015 Total Risk Score**	**Orig. 2015 Budgeted Hrs.**	**Current Est. FY2015 Hrs.**	**Actual Hrs. as of June 26, 2015**	**Project Status as of July 24, 2015**	**Comments**
2	**Change from the previous report.**		**Higher risk and/or higher priority projects.**				**Projects were added after the annual audit plan was published.**
18	Corporate Records Retention	7.5	400	0			Pospone due to reorganization of this area and new processes and procedures being developed.
19	Treasury Debt Management Audit	8.2	350	0			Postpone to 2016 due to Debt Manager vacancy and conversion to Oracle.
20	Project Management Office - CC&B Upgrade	5.1	400	67	67	Complete	In view of the outstanding success of the CC&B implementation, we waived further audit work.
21	Benefits Services - HIPAA Compliance	6.2	200	200	11	In Progress	Limited scope audit.
22	Fraud Risk Management Survey & Workshop	n/a	450	200			
23	Third Party Cyber Risk Review	n/a	0	600	573	Complete	
24	IIA External Quality Assessment Review	n/a	0	175	168	Complete	
25	**Recurring/Ongoing Projects**						
26	JEA FY2014 Performance Pay Audit	n/a	50	77	77	Complete	Required by JEA.
27	SJRPP FY 2014 Performance Pay Audit	n/a	50	88	88	Complete	Required by JEA.
28	TEA Audit	n/a	75	72	72	Complete	Required per owners agreement. Audit report to be released by Santee Cooper auditors.
29	Neighbor To Neighbor Program Review	n/a	100	100	90	In progress - Reporting	Required per agreement with Council Auditors.
30	Ethics Hotline, Anonymous Letter, Verbal Reports, Fraud Investigations, and other Ethics-related activities	n/a	1800	4000	3123	Ongoing	
31	Action Plan Follow-up & Reporting	n/a	500	800	641	Ongoing	Required by the IIA.
32	2016 Annual Risk Assessment	n/a	550	490	490	Complete	Required by the IIA.
33	Continuous Auditing/Continuous Monitoring Application Production & Maintenance	n/a	1700	1800	1369	Ongoing	Analytics and dashboards are in production. The system is in the process of post-implementation stabilization.
34	Systems Administration	n/a	200	200	134	Ongoing	

JEA Audit Services FY 2015 YTD Project Summary As Of June 26,2015

	A	B	C	D	E	F	G
1	**Audits/Projects**	**2015 Total Risk Score**	**Orig. 2015 Budgeted Hrs.**	**Current Est. FY2015 Hrs.**	**Actual Hrs. as of June 26, 2015**	**Project Status as of July 24, 2015**	**Comments**
2	**Change from the previous report.**		**Higher risk and/or higher priority projects.**				**Projects were added after the annual audit plan was published.**
35	ERM Activities (Top Corp. Risks, Risk Committees, Industry Research, Project Management, etc.)	n/a	3260	1400	993	Ongoing	ERM Analyst position open. Not expected to be filled now until 1st quarter FY 2016.
36	Recruiting	n/a	0	150	68	Ongoing	Recruiting for an ERM Analyst, Audit Director (retirement), and Senior Auditor (retirement), and addition of 2 staff for investigations.
37	Misc. Small Projects/Customer Assistance	n/a	150	75	38	Ongoing	
38	Audit Management Hours (Audit Plan Development, Audits, Special Projects, Industry Research, Project Mgmt., FAC and other Presentations)	n/a	3000	2400	1787	Ongoing	
39	Strategic Cascade/CTAs	n/a	0	235	196	Ongoing	
40	New Auditor Training on Audit Process	n/a	0	550	455	Ongoing	
41							
42	**Total Hours**		**18,285**	**16,745**	**12,442**		
43							
44							
45							
46							

Summary of Action Plans for Audits/Projects Completed Since Previous F&AC Meeting

Third Party Vendors, Control Rooms, and HVAC Systems Review

- Software as a Service (SaaS) related contracts and bid specifications will be updated to include language pertaining to data encryption, disposition, and destruction, Disaster Recovery/Business Continuity Plans, Network Security Policies, Services Level Agreements, and Cloud data locations.
- SSAE 16 reports (an assessment of a vendor's technology controls usually performed by an independent firm specializing in these reviews) will be requested, reviewed and evaluated on an annual basis where specified in the contract. Where appropriate, contracts that do not include this requirement will be modified to include it.
- Contracts will require that vendor couriers who transport JEA financial documents (e. g. ratepayer checks and money orders) be properly bonded.
- Contract Managers will request and review documents specified in the contract to be provided to JEA, such as a list of cyber assets, network diagrams, security policies, and personal risk assessments (background screens).
- Where appropriate, contract language will be modified to provide assurance that vendors have performed proper background screens for personnel who will be working on JEA projects.

Summary of Action Plans for Audits/Projects Completed Since Previous F&AC Meeting

<u>Third Party Vendors, Control Rooms, and HVAC Systems Review cont.</u>

- USB sticks used for patching the Electricity Management System (EMS) are now kept in a secure and controlled location. A USB usage procedure has been created and distributed to the appropriate employees.
- A set of SCADA backups for Northside Generating Station (NGS) will be kept at an offsite location. Change Control Procedures will be updated accordingly.
- The Change Control Procedures will also be updated to ensure that patches are applied, tested and approved in pre-production before being migrated to production.
- A process will be implemented to ensure that NGS SCADA users change their passwords regularly.
- Disaster Recovery Plans and Business Continuity Plans will be updated and/or created for the Buckman and Ridenour SCADA systems.
- Formal Change Management and attestation processes will be developed and documented for the Buckman and Ridenour SCADA systems.
- Facilities will provide Information Security with a list of authorized HVAC controllers devised to enable IP address filtering to prevent unauthorized access.
- A formal bid to select a new Building Automation System software to manage JEA's air conditioning systems is being processed. The selected vendor will no longer have remote access to the software application.

Summary of Action Plans for Audits/Projects Completed Since Previous F&AC Meeting

<u>Treasury Cash Management Audit</u>

- Formal procedures will be updated to ensure a consistent reconciliation process for all accounts, including inactive accounts. Outstanding reconciling items will be promptly researched and cleared.
- Applicable areas will be notified periodically regarding outstanding reconciling items that they need to research.
- Inactive accounts will be analyzed to determine if additional accounts can be closed.
- All jobs in the area will be analyzed to identify duties that need to be segregated for control purposes. Duties will be reassigned and procedures updated accordingly.
- Improved access controls over manual check printing will be implemented.
- Procedures for miscellaneous incoming check processing will be updated to better reflect current processes, roles and responsibilities. Refresher training will be provided to the proper areas.
- Management will regularly review the list of employees who have ACH Payment access to make sure they still need the access to do their jobs, and that the access is properly limited.
- Management will also attest semi-annually that employees who have access to two funds-related applications still need that access, that passwords are being changed regularly, and that only approved transactions are being created.
- Uncashed checks will be properly and promptly reported to the state as required by regulations. Unclaimed funds payable to JEA will also be monitored for potential revenue opportunities.
- Escheat procedures should be developed for all applicable areas, not just Treasury.
- A Disaster Recovery Plan will be developed for several systems applications maintained by Treasury, and a Business Continuity Plan will be developed for Treasury operations in the event of a significant unplanned business interruption.
- Security over the check print and file rooms will be analyzed and updated accordingly, particularly with regard to removing those who have access but don’t have a business need for it.

JEA Audit Services Quality Indicators

Quality Indicators	FY 2015 Annual Goal	FY 2015 Year To Date*	Percent of Goal Met	Desired Direction of Percent of Goal
Customer Survey Results as of July 2015 month end.*	2.25	2.9	129%	
Project Evaluation Average Score as of July month end.*	2.25	2.7	120%	
Percent of Staff Productive Time as of June month end **	75%	78%	104%	
Number of Completed Reports/Memos/Outputs as of July month end ***	21	10	48%	
Number of Current Open Action Items as of June quarter end. (Quarterly Report)	n/a	47	n/a	n/a
Number of Action Items Closed this quarter as of June quarter end. (Quarterly Report)	n/a	23	n/a	n/a
Expenses as of June month end.***	$1,467,877	$937,429	64%	
Total Productive Hours Used (Audit and ERM) as of June Month End. ***	18,285	12,442	68%	
Cost per Productive Hour - Expenses divided by Productive Hours as of March month end.	$ 80.28	$ 75.34	93.9%	
* On a 3 point scale, JEA's score range for "exceeding expectations" is 2.25 - 3.				
**75% is the recommended benchmark by the Institute of Internal Auditors.				
*** June month end = 9 months or 75% of the year elapsed.				

Ethics Hotline Quarterly Report

For 3rd Quarter Ending June 30, 2015

	Prior Year	Current FY - Prior Quarters	Current Quarter	Total Current Fiscal YTD		Total Since Inception in 2006
Total No. of Cases Received (Includes hotline calls, anonymous letters, and direct requests)	40	22	15	37		197
No. of Non-Ethics Cases Referred elsewhere	6	3	0	3		18
No. of Ethics Cases Investigated by Audit Services	34	19	15	34		179
No. of Cases Closed (includes calls referred elsewhere)	40	21	11	32**		179
No. of Cases Open as of this Quarter*	0	6	12	18		N/A

Case Categories ***	Received Prior Year	Received Prior Quarter Current Year	Received Current Quarter	Total - Prior Yr and Current YTD	Percent By Category
Ethics Inquiry	0	1	0	1	1%
Conflict of Interest	3	1	0	4	5%
Fraud/Theft of JEA Assets	7	6	1	14	18%
Misuse of JEA Resources/Business Integrity	9	9	12	30	39%
Alcohol or Substance Abuse	0	0	0	0	0%
Request for Information	2	1	0	3	4%
Electric Regulatory Compliance	0	0	0	0	0%
Environmental	0	0	0	0	0%
Diversity, Equal Opportunity, Discrimination, and Workplace Respect & Harassment	19	4	2	25	32%
Totals	**40**	**22**	**15**	**77**	**100%**

*** Certain cases may remain open for extended periods pending possible legal action, or labor relations activity.**

**** Includes cases that originated in the previous fiscal year but were closed in the current fiscal year.**

***** Classified by content of the allegation , not by the actual results of the investigation.**

Audit Committee Summary Report
Ethics Hotline Cases Closed 3rd Quarter FY15

Case Number	Allegation	Investigation Results
JEA-14-04-0001	An anonymous caller alleged that a JEA employee was not working a full day, volunteered for charitable activities to get out of work, and received favorable treatment from his/her director who was a long-time friend.	Our investigation did not identify evidence to support the allegations.
JEA-14-08-0001	We received information that a JEA employee may have falsified his/her time report and was being paid for time not worked.	We found evidence that the JEA employee had entered and been paid regular pay when on leave. There were also other indications of time and attendance issues. In addition, the employee was using JEA vehicles for non-business purposes, and in an unsafe manner. The employee resigned his/her position with JEA at the conclusion of a fact finding.
JEA-14-10-0004	The caller alleged that a JEA Manager was sexually harassing certain female employees via email and instant message. The caller declined to provide the names or any details surrounding the incidents.	We did not find any evidence that the allegations were true.
JEA-14-10-0006	An anonymous caller alleged that a contractor who had been disqualified from the Contractor Bid List continued to do work for JEA, and that the company was falsifying records with respect to this contractor.	Our investigation did not find any evidence to support the caller's allegations. The contractor in question did not perform any work directly for JEA. The contractor had only worked as a subcontractor for another JEA Vendor.
JEA-14-11-0001	We received information that a JEA employee e-mailed personal medical information about the caller and the caller's son/daughter. Per the caller, the e-mails were sent on JEA time which is unethical. The caller wants the e-mails secured from public scrutiny.	We did not find any evidence that the JEA employee emailed personal medical information about the caller or his/her son/daughter.
JEA-14-12-0005	An anonymous caller alleged that a JEA employee was not qualified for his/her position because the employee did not pass a professional exam to acquire the required license. In addition, the employee's Manager was made aware of the problem, but ignored the issue.	Our investigation did not identify any evidence to support the allegations.
JEA-15-01-0003	A caller said he/she was moved to another job as a result of a conflict with Management, but was later reinstated to the previous position. When the caller subsequently received a "below satisfactory" performance evaluation and complained that it was unfair, his/her Manager allegedly threatened to again remove the caller from his/her position.	This case was turned over to Labor Relations for handling. Based on their investigation, it was determined that there was no evidence to support the allegations, and all administrative action taken was in accordance with all applicable policies.

	In addition, the caller also alleged that another JEA employee sided with the caller's Manager against caller, resulting in the caller being placed on administrative leave.	
JEA-15-02-0001	A caller reported that a JEA Manager was observed by an unknown third party, to be engaging in inappropriate acts in a parked car in a JEA parking lot.	The investigation was not able to determine the identity of the unknown third party, and thus could not confirm any of the allegations.
JEA-15-04-0001	The caller alleged that a JEA employee was discriminated against during a recent recruitment interview.	This case was turned over to Human Resources for handling. The results of the investigation did not support the allegation.
JEA-15-04-0005	The caller said that a JEA Director hired external candidates for every new position opening in the last two years, when there were a number of eligible, qualified internal candidates in that area The internal candidates had been bypassed for promotions for the past five consecutive open positions.	Our investigation did not result in any evidence to support the allegation. The Director followed JEA Procedures during these recruitments.
JEA-15-06-0003	The caller said that two JEA Managers told employees that one of their co-workers may not be returning from a FMLA absence. The caller feels that the two Managers violated the company's employee privacy policy.	Our investigation indicated that company procedures and applicable regulations were adhered to.

Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
Substation Maintenance	Physical Access/Security Compliance Specialist	CRCO	2	0	1					1	3.2 - 6/30/2016	4	3
4/25/2011													
MEAG-Purchase Power Agreement	MEAG,Director of Finance		2	0	2								
4/26/2012		VP/GM - Elec	4	0	3					1	2.2 - 9/30//2015	4	3
		VP/GM - Elec	1	0	0					1	2.3 - 9/30/2015	4	3
Chilled Water Billing	Director, Meter Reading & Billing		1	0	1								
1/31/2013	Manager, Financial Planning & Rates		1	0	1								
	Manager District Energy Operations (WWW)	VP/GM - Water	2	0	1					1	6 - 9/30//2015	3	3

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Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
Combustion Turbine Maintenance	Sr. Mgr., Elec. Prod. Ops.		1	0	1								
2/21/2014	Sr. Mgr., Elec. Prod. Ops.; Dir. (CIP) Phys. Access/Sec. Comp. Spec.	VP/GM - Elec	1	0	0					1	1.b.1 - 9/30/2015	3	3
	Sr. Mgr., Elec. Prod. Ops.; Sr. Mgr. Elec. Prod. Engineering & Outage; Dir Critical Infrastructure e-Protection	VP/GM - Elec	1	0	0					1	1.b.2 - 9/30/2015	3	3
	Sr. Mgr., Elec. Prod. Maint.; Phys. Access/Sec. Compliance Spec.		1	0	1								
	Sr. Mgr Elec Prod. Engineering & Outage; Dir. Elec. Trans. & Dist.; Dir. Elec. Trans. & Dist. Proj., Dir. Trans. & Substation Maint., and Phys. Access/Sec Compliance Spec.	VP/GM - Elec	1	0	0					1	2.a.1 - 9/30/2015	3	2
	Sr. Mgr. Elec. Prod. Engineering & Outage Serv.; Dir. Elec. Trans. & Dist Proj.; Dir. Elec. Trans. & Substation Maint. Phys. Comp Spec.	VP/GM - Elec	1	0	0					1	2.a.2 - 9/30/2015	4	1
	Dir. Elec. Prod.; Sr.Mgr. Elec. Prod. Ops.; Sr. Mgr. Elec. Prod. Maint. Phys. Access/Sec. Comp. Specialist		1	0	1								
	Dir Elec Prod CTs; Dir Organizational Perf Improvement (CHRO)		1	1	0								
	Sr. Mgr. Elec. Prod. Maint.; Mgr. Empl. & Leadership Devel.		1	1	0								
	Sr. Mgr. Elec. Prod. Maint.		1	1	0								

Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
	Sr. Mgr. Elec. Prod. Maint.		2	0	2								
	Safety & Health Process Coord.; Mgr. Analyst Oracle		1	0	1								
	Dir. Elec. Prod.; VP/GM Electric Syst.		1	1	0								
	Dir. Supply Chain Mgt.		1	1	0								
Waste Hauler Review	Director, W/WW & Reuse Treatment		1	1	0								
3/3/2014	Mgr. WW Treatment & Reuse Buckman	VP/GM - Water	1	0	0					1	1.2 - 9/30/2015	2	3
	Mgr. Rec. & Coll. Services		1	0	1								
Rec. and Coll. Services	Mgr., Rec. and Collection Serv.		1	0	1								
3/5/2014			5	0	5								
			1	1	0								
	Director TS Security		1	0	1								
	Mgr. Rec & Coll.; Mgr. Cust. Exp. Training		1	1	0								
	Mgr. Procurement & Contracts		1	0	1								
	Director Cust. Rev.		1	0	1								
	Dir. Cust. Rev; Dir Cust. Exp. Strat. & Support		1	0	1								
	Dir. CIP Compliance; Chief Comp. Officer		2	0	2								
	Chief Fin. Officer	CFO	1	0	0					1	1.2 - 9/30/2015	3	2

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Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
Recruitment Services	Mgr. Labor Rel; Dir CIP Compliance; Dir Security; Dir Info Security; Mgr. Organizational Devel	CHRO	1	0	0					1	1a,c,d - 9/30/2015	2	3
6/2/2014	Dir Info Security; Mgr Bulk Power; Proj. Dir CC&B	CIO	1	0	0					1	1.b - 7/31/2015	2	3
	Mgr Bus Analyst Oracle		1	0	1								
	Mgr Recruitment Serv	CHRO	2	0	1					1	3 - 8/15/2015	2	2
EHL Case - JEA-13-16-0001(B)	Dir Org Perf Improvement; CHRO	CHRO	1	0	0					1	1.1 - 9/1/2015	3	2
6/15/2014	Dir Org Perf Improvement; CHRO	CHRO	1	0	0					1	1.2 - 9/30/2015	2	2
Customer Contact & Branch	Dir Cust Experience & Support		11	2	9								
6/18/2014	Mgr Cust Contacts CBO	CCO	2	0	1					1	1.h - 8/31/2015	2	3
	Dir Cust Exp & Supp and Dir Facilities		1	0	1								
	Mgr WF Planning & Productivity		1	0	1								
	Mgr Quality & Accuracy		2	1	1								
	Business Analyst, Oracle		1	0	1								
EHL Case - JEA-12-05-0004	Mgr Supply Chain Operations	CFO	1	0	0					1	1 - 8/14//2015	2	2
7/15/2014													

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Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
Vegetation Mgmt Audit	Mgr T&D Preventive Maintenance		3	1	2								
9/30/2014	Mgr T&D Preventive Maintenance		1	0	1								
	Mgr T&D Preventive Maintenance and Mgr Safety & Health		2	0	2								
	Mgr T&D Preventive Maintenance and Mgr Safety & Health		1	0	1								
	Mgr T&D Preventive Maint; Mgr Bulk Power Ops; and Mgr Tech Util Training Services		1	1	0								
	Mgr T&D Preventive Maint; Dir Envir Permitting & Regulatory Conformance		1	1	0								
	Mgr T&D Preventive Maint; Mgr Procurement & Cont		1	0	1								
	Mgr Safety & Health Services		1	0	1								
	Mgr T&D Prev Maint; Mgr Tech Util Training		1	1	0								
	Director Security	CRCO	1	0	0					1	2.a - 9/30/2015	3	3
	Dir Elec Compliance; Mgr T&D Prev Maint		1	1	0								
	Mgr T&D Prev Maint; Cust Coordinator, Brand Mgmt		2	0	2								
	GIS, Bus Analyst; Mgr T&D Prev Maint; Dir Tech Infrastructure		1	0	1								
2014 E&Y External Audit	Dir. Information Sec; CIO	CIO	1	0	0					1	1 - 8/31/2015	3	3
12/10/2014													

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Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
2014 EHL Case JEA-13-09-0002	Director Electric Transmission & Substation Maintenance		1	1	0								
1/15/2015	Director Electric Transmission & Substation Maintenance		1	1	0								
	Director, Organizational Performance Improvement		1	1	0								
2015 EAM Assessment	Dir W/WW Sys Control	VP/GM - Water	2	0	0					2	I.A.1 - 12/31/2015 I.C - 12/31/2015	2	2
2/27/2015	Dir IT Proj Mgmt Serv; Dir Tech Infrastructure (CIO)	CIO	2	1	0					1	I.A.2.b - 9/30/2015	3	2
	Sr. Mgr Elec Meter Serv; Sr. Mgr Water Meter Serv; CC&B Proj Dir (VP/GM Elec Sys)	VP/GM - Elec	1	0	0					1	I.A.3 - (TBD - FY 2016)	2	2
	Dir Elec Sys Asset Mgmt	VP/GM - Elec	1	0	0					1	I.B - 3/31/2016	2	2
	EAM Council (VP/GM Elec Sys)	VP/GM - Elec	4	0	0					4	I.D.1 - I.D.4: 9/30/2015	2	2
	(a) Mgr Fleet Serv; Dir Supply Chain Mgmt (b) Dir Shared Serv	CFO	2	0	0					2	II.A - 9/30/2015 II.B - 6/30/2016	2	2
EHL Case JEA-14-10-0006	Dir W/WW Sys Control	VP/GM - Water	1	0	0					1	1.1 - 8/31/2015	2	2
3/23/2015	Dir Shared Serv	CFO	1	0	0					1	2.1(a&b) - 9/30/2015	2	2
EHL Case JEA-15-01-0002	Director Information Security	CIO	1	0	0					1	1.1 - 3/31/2016	2	2
4/24/2015													
SSC Metal Controls	Facilities (Shared Services); Security	CFO - 1.a.1 CRCO - 1.a.3	3	1	0					2	1.a.1 - 9/30/2015 1.a.3 - 9/30/2015	3	3
4/30/2015	Facilities (Shared Services)	CFO	1	0	0					1	1.a.2 - 3/31/2016	3	3

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Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
	Security; Elec Dist, Const, & Maint	CRCO	4	1	0					3	1.a.4 - 9/30/2015 5.a - 9/30/2015 6 - 9/30/2015	3	3
	Elec Dist Const & Maint	VP/GM - Elec	2	0	0					2	2.a.1 - 9/30/2015 2.c - 9/30/2015	3	3
	Supply Chain; Elec Dist Const & Maint	CFO - 2.b VP/GM Elec - 4, 5.b	3	0	0					3	2.b - 9/30/2015 4 - 9/30/2015 5.b - 9/30/2015	3	3
	Security	CRCO	1	1	0								
	Shared Services; Elec Dist Const & Maint	CFO	2	0	0					2	3.b - 8/31/2015 3.c - 9/30/2015	3	3
	Supply Chain; Security	CRCO	1	0	0					1	5.c - 9/30/2015	3	3

Internal Audit Action Plan Status Report-3rd Quarter FY15

Audit Name, Report Date	Responsible Party	VP/Chief	Total # of Action Plans in Report*	# Closed Last Quarter*	# Closed in Previous Quarters*	# Overdue Action Plans*	List of Overdue Action Items	Overdue Action Dates	Closed Pending Future Action**	# Current Open Action Plans*	Current Action Plans, Issue Number & Due Dates	Issue Significance Score	Issue Frequency Score
Totals			**125**	**23**	**55**	**0**	**0**	**0**	**0**	**47**			
* Action plans may overlap between areas, so a specific item may be included more than once.	**Closed pending future actions are action plans that are outside the control of the issue owner, generally a system implementation. These items are not included in the bar charts.												
Risk Significance Definitions													
1. Minor	Affect would have little impact.												
2. Moderate	Affect would cause some hardship.												
3. Significant	Affect would cause moderate hardship												
4. Major	Affect would cause extreme hardship.												
5. Catastrophic	entity to cease to exist.												
Risk Frequency Definitions													
1. Rare	The likelihood of this risk occurring is almost zero.												
2. Unlikely	This risk does not occur in most circumstances.												
3. Moderate	This risk can occur periodically												
4. Likely	This risk occurs or can occur frequently												
5. Almost Certain	This risk occurs all of the time.												

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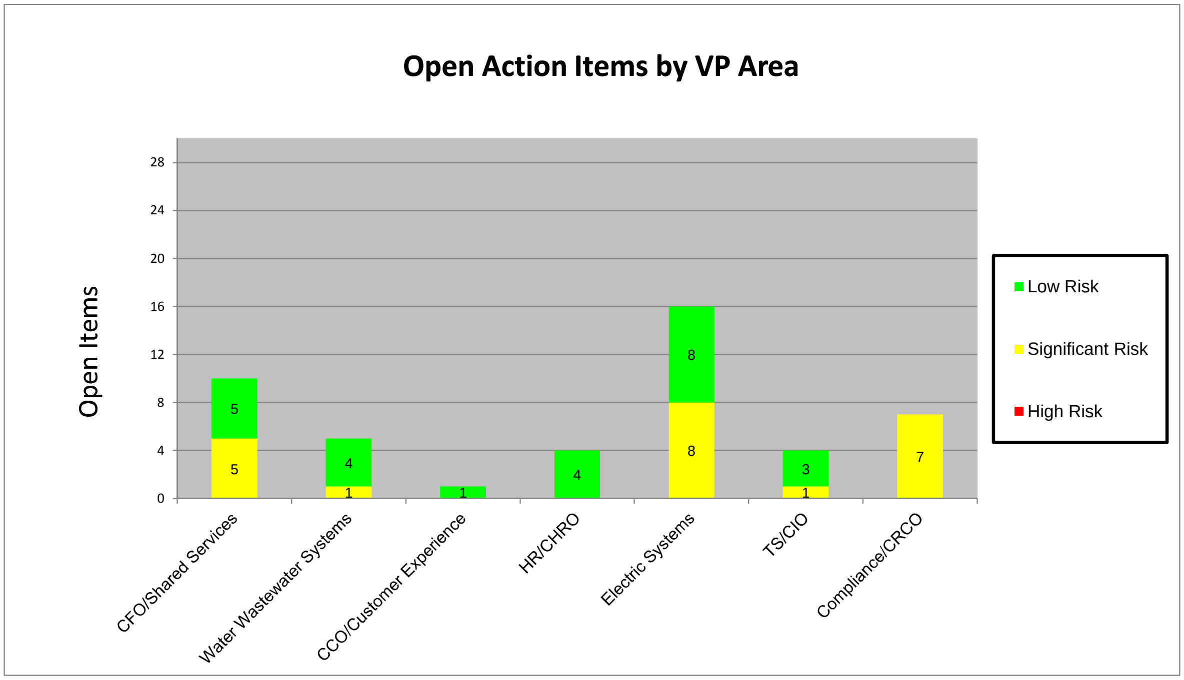
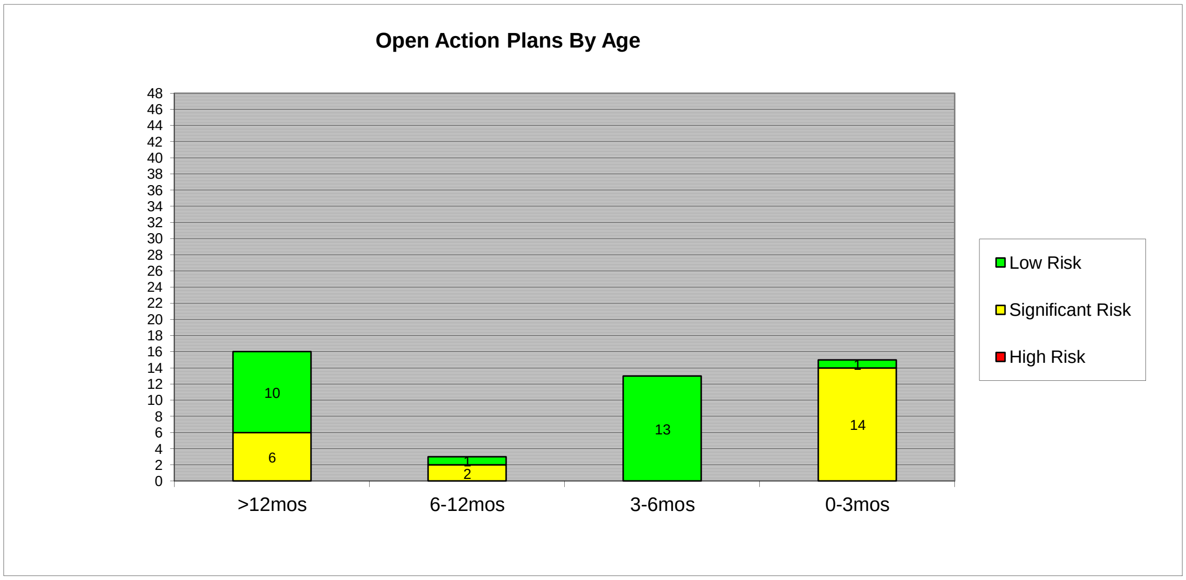




* Duplicate action plans applying to more than one responsible party that appear on the Action Plan Status Report, have been eliminated from these graphs.

The above risk catagories are determined by multiplying the issue significance scores by the issue likelihood scores on the status report, and then applying the following criteria:

>12 = Red - High or Critical Risk
8-12= Yellow - Significant Risk
<8 = Green - Low to Moderate Risk

Finance and Audit Committee Annual Self-Assessment Questionnaire

Attribute	Score	Comments if Score is 1 or 2.
Scoring : 0 = N/A or Insufficient Knowledge, 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree or Disagree,		
4 = Agree, 5 = Strongly Agree		
Committee Composition		
1. Qualified Committee members are identified by sources other than management.		
2. Committee members have appropriate qualifications to meet the objectives of the Committee Policy, including appropriate financial literacy.		
3. Committee members are independent.		
4. The Committee reviews its policy annually to determine whether its responsibilities are described adequately, and recommends changes to the Board for approval.		
5. New Committee members participate in an orientation program to educate them on the company, their responsibilities, and the company's financial reporting, auditing, risk, and accounting practices.		
Understanding the Business and Risks		
6. The committee considers, understands, and approved the process implemented by management to effectively identify, assess, and respond to the organization's key risks.		
Process and Procedures		
7. The Committee reports its proceedings and recommendations to the Board after each Committee meeting.		
8. Committee meetings are conducted effectively, with sufficient time spent on significant or emerging issues.		
9. The agenda and related information are circulated in advance of meetings to allow members sufficient time to study and understand the information.		
10. Meetings are held at least quarterly, and with enough frequency to fulfill the Committee's duties.		
11. Meetings regularly include separate private sessions with the internal and external auditors.		
12. The Committee maintains adequate minutes of each meeting.		
13. The Committee respects the line between oversight and management of the financial reporting process.		
14. Committee members come to the meetings well prepared.		
15. Committee members regularly attend the meetings.		
Oversight of Financial Reporting		
16. The Committee reviews the company's significant accounting policy changes.		

Finance and Audit Committee Annual Self-Assessment Questionnaire

Attribute	Score	Comments if Score is 1 or 2.
Scoring : 0 = N/A or Insufficient Knowledge, 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree or Disagree,		
17. The Committee oversees external financial reporting and internal controls over financial reporting.		
18. The Committee oversees the internal control testing conducted by management, the internal auditors, and the external auditors, and confirms that any material weaknesses identified are adequately addressed.		
Oversight of Audit Functions		
19. The Committee regularly reviews the adequacy of the internal audit function charter, audit plan, budget, and number, continuity, and quality of staff.		
20. Internal audit reporting lines allow for significant issues that might involve management to be brought to the attention of the Committee.		
21. The Committee appropriately considers internal audit reports, and management's responses and steps toward improvement.		
22. The Committee oversees the role of the external auditors from selection to termination, and has an effective process to evaluate the external auditors' qualifications and performance.		
23. The Committee oversees the external audit plan.		
Ethics		
24. The Committee oversees the company's hotline or whistleblower process, reviews the history of incoming calls (especially those that might relate to possible fraudulent activity), and understands that retaliation is prohibited.		
Monitoring Activities		
25. An annual self-evaluation of the Committee is conducted and any significant matters that require follow-up are resolved and presented to the full Board.		
Total Score	0	
General Comments - Record any general comments below.		

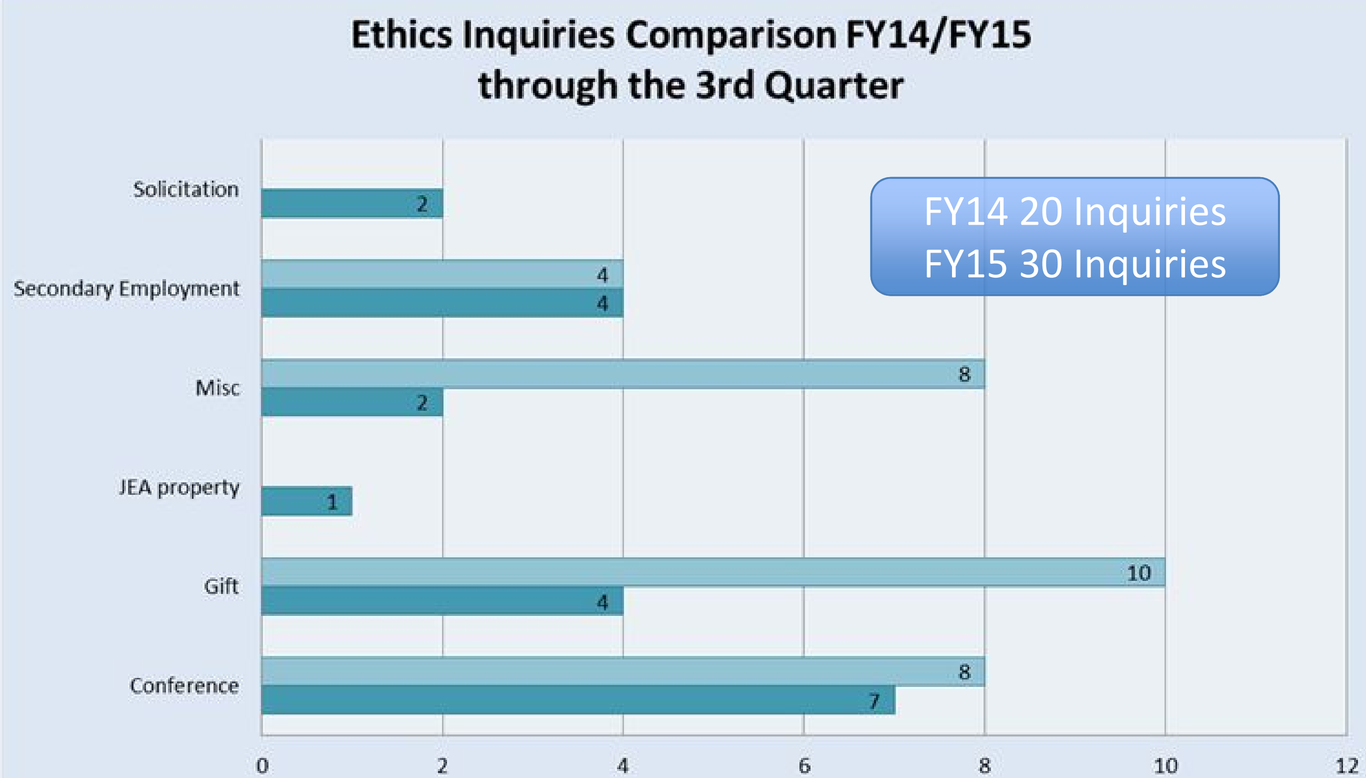
JEA
Finance and Audit Committee Report
August 10, 2015

Creating an Ethical Culture

Business Ethics Update
and
What's Next

- 100 % Compliant with Ethics standards and training requirements in FY15
- Finalize the SharePoint Database to store previous ethics rulings and training materials for future archiving
- Develop the FY16 Ethics Refresher Training CBT
- Work with the new Inspector General at the City - Thomas Cline, Jr.

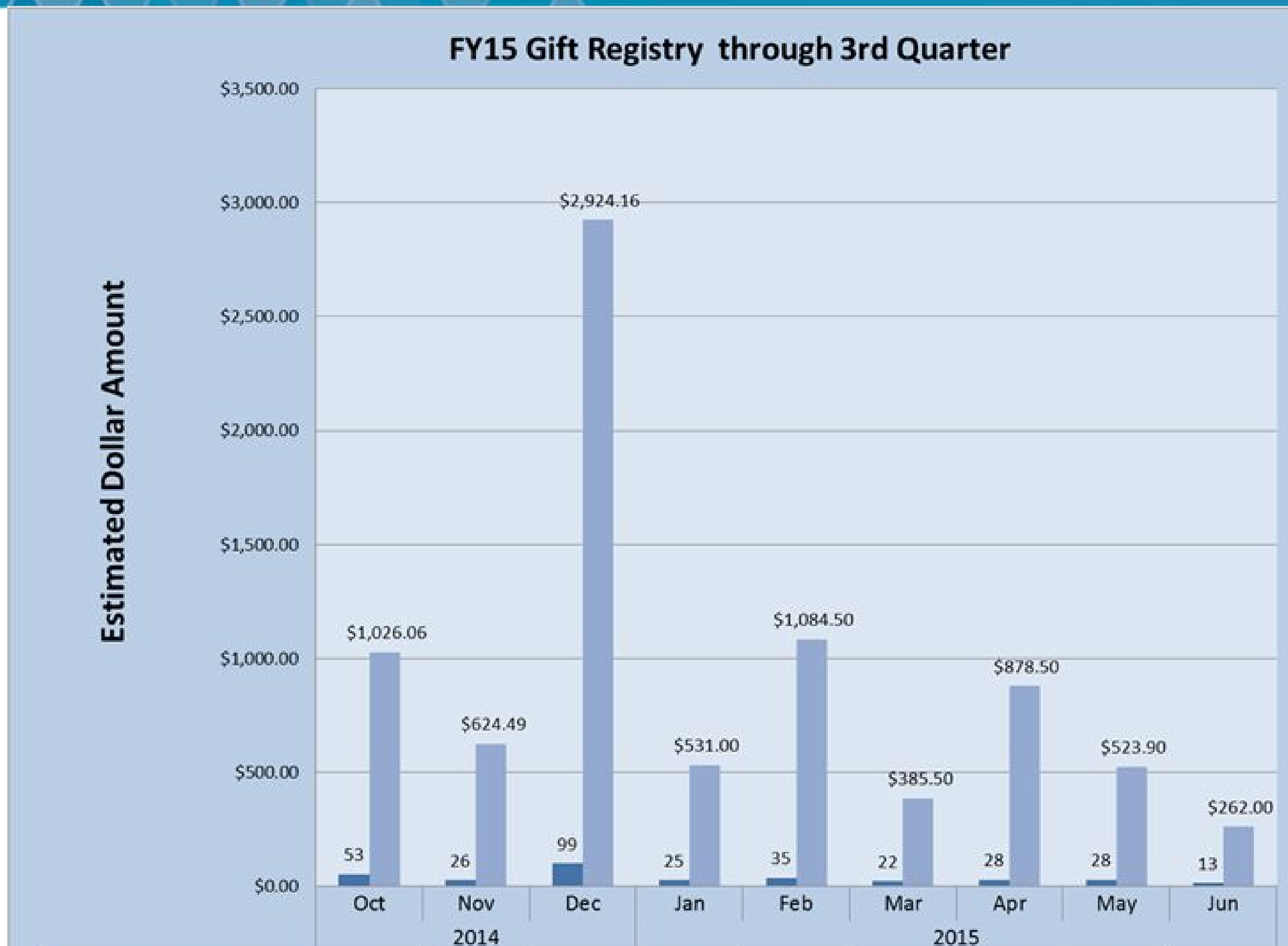
FY14/15 Comparison



	Conference	Gift	JEA property	Misc	Secondary Employment	Solicitation
FY15	8	10		8	4	
FY14	7	4	1	2	4	2

3

FY15 Gift Registry



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Number of Logged Entries	53	26	99	25	35	22	28	28	13
Total Estimated Value	$1,026.06	$624.49	$2,924.16	$531.00	$1,084.50	$385.50	$878.50	$523.90	$262.00

4

Building Community

AGENDA ITEM SUMMARY

July 22, 2015

SUBJECT:	**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Ernst & Young, LLP (E&Y) issued their Independent Auditors' Report on the Schedule of Expenditures of Federal Awards for the fiscal year ended September 30, 2014.

Significance: Entities that expend $500,000 or more yearly in Federal Awards or State Financial Assistance are required to have an audit conducted in accordance with requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, and Executive Office of the Govenor's State Projects Compliance supplement.

Effect: The audit is required to be performed annually within nine months after the end of the fiscal year.

Cost or Benefit: Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in its oversight responsibilities.

Recommended Board action: No action is required. This item is submitted for information.

For additional information, contact: Janice Nelson 665-6442

Submitted by: PEM/MHD/JRN

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
July 22, 2015

SUBJECT: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Peter Bower, Chair
Husein Cumber
Robert Heekin
John Hirabayashi

BACKGROUND:
Ernst & Young, LLP (E&Y), issued their Independent Auditors' Report on the Schedule of Expenditures of Federal Awards for the fiscal year ended September 30, 2014. The purpose of the audit is to express an opinion on JEA's compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

DISCUSSION:
Attached is a copy of the Independent Auditors' Report on the Schedule of Expenditures of Federal Awards. JEA had one federal program during fiscal year 2014 which is identified in the schedule below:

FEDERAL AWARDS **Grantor**/Federal Program Title/*Pass-Through Grantor/*	Expenditures for 9/30/14	Total Expenditures through 9/30/2014	Remaining Grant Funding
U. S. Department of Energy:			
Development and Analysis - ARRA	554,708	12,539,593	491,954

RECOMMENDATION:
No action is required. This item is submitted for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

Ver 2.2 02/01/2014

Schedule of Expenditures of Federal Awards

JEA
Year Ended September 30, 2014
With Report of Independent Certified Public Accountants

Ernst & Young LLP

Building a better working world

JEA

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2014

Contents

1504-1442827

Ernst & Young LLP
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Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Chief Executive Officer, Chief Financial Officer, and the Governing Board of JEA
Jacksonville, Florida

Report on Compliance for Each Major Federal Program

We have audited JEA's compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on JEA's major federal program for the year ended September 30, 2014. JEA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for JEA's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JEA's compliance.

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Opinion on Each Major Federal Program

In our opinion, JEA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of JEA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered JEA's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of JEA's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of JEA as of and for the year ended September 30, 2014 and have issued our report thereon dated November 26, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

June 10, 2015

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

The Chief Executive Officer, Chief Financial Officer, and the Governing Board of 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 basic financial statements of JEA, which comprise the statement of net position as of September 30, 2014, 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 November 26, 2014.

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.

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Compliance and Other Matters

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

Purpose of This Report

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

Ernst & Young LLP

November 26, 2014

JEA

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2014

FEDERAL AWARDS **Grantor**/Federal Program Title/*Pass-Through Grantor/*	**Identification Number**	**CFDA Number**	**Federal Expenditures**
U. S. Department of Energy			
Direct Program			
Electricity Delivery and Energy Reliability, Research, Development and Analysis – ARRA	DE-OE0000269	81.122	$ 554,708
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 554,708

See accompanying notes.

JEA

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2014

1. Presentation and Basis of Accounting

The Schedule of Expenditures of Federal Awards (the Schedule) is prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

2. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of JEA. In the opinion of management, all grant and grant matching expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

JEA

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

Part I – Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unmodified, qualified, adverse or disclaimer):	Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	**yes**	X	**no**
Significant deficiency(ies) identified?	_____	**yes**	X	**none reported**
Noncompliance material to financial statements noted?	_____	**yes**	X	**no**

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?	_____	**yes**	X	**no**
Significant deficiency(ies) identified?	_____	**yes**	X	**none reported**

Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse or disclaimer):	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	_____	**yes**	X	**no**

JEA

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor's Results (continued)

Identification of major programs:

CFDA number(s)	**Name of federal program or cluster**
81.122 – ARRA	Electricity Delivery and Energy Reliability, Research, Development and Analysis

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? X **yes** ____ **no**

JEA

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

No matters were reported

Part III – Federal award findings and questioned costs section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

No matters were reported

EY | Assurance | Tax | Transactions | Advisory

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JEA

2015 audit plan

August 10, 2015

EY
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The Audit and Finance Committee
JEA

August 3, 2015

Dear Members of the Audit and Finance Committee,

We look forward to discussing the current year audit plan for JEA on August 10, 2015. At that meeting, we will outline the scope of our services, identify the EY team that will perform the audit and present the key considerations that will affect the 2015 audit. We are providing the enclosed materials so you can familiarize yourselves with them prior to our meeting.

The audit is designed to express an opinion on the 2015 financial statements. We are currently completing the planning phase of our audit, and have aligned our procedures to consider JEA's current and emerging business risks and evaluate those risks that could materially affect the financial statements.

We appreciate that JEA selected EY to perform its 2015 audit and are committed to executing a quality audit that embraces the responsibility of serving the Audit and Finance Committee.

Very truly yours,

Mike Pattillo
Coordinating Partner

John DiSanto
Executive Director

Table of contents

2015 EY services

Services and deliverables

Audit and audit-related services	‣ Express an opinion on, and report to the Audit and Finance Committee the results of our audit of: – The financial statements of JEA – the audit will meet the requirements of Florida Statutes and Rules of the Auditor General of the State of Florida and will be conducted in accordance with auditing standards related to financial statement audits as set forth in the US Government Accountability Office's Government Auditing Standards. – JEA's Electric System, Water and Sewer System, Bulk Power Supply, and St. John's River Power Park System schedules of debt service coverage ‣ Other reports: – Issue a report on internal control over financial reporting compliance with certain provisions of laws, regulations, contracts, and grants and other matters. – Issue a report on compliance with requirements applicable to each major federal awards program and internal control over compliance in accordance with OMB Circular A-133 – Issue a management letter including recommendations for improvements of internal controls and other opportunities based on observations made during the course of the audit – Report on other matters as required by Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits in Florida
Other services	‣ Prepare a schedule of findings and questioned costs pursuant to OMB Circular A-133 ‣ Issue reports on compliance with debt covenants as required by JEA credit agreements ‣ Issue a summary results report to the Audit Committee ‣ Provide comfort and consent letters for bond offerings

Executive summary

Audit timeline

- We will perform our interim procedures during the months of August and September and our year end procedures during the months of October and November. Refer to the audit timetable on pages 9 and 10.

Audit scope and strategy

- Our audit scope and strategy, including significant risks identified, for the 2015 audit is outlined in the "Areas of audit emphasis" section on pages 11 – 14.

Accounting developments affecting JEA in 2015

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*
- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Significant 2015 considerations

- Revenue recognition
- Allowances for doubtful accounts
- Regulatory accounts
- Asset impairment
- Legal reserves
- Derivative instruments and hedging activities
- Pollution remediation obligations
- GASB 68 pension plan accounting and reporting
- OPEB liabilities
- Pension plans
- Investments
- Capital assets
- Impairment of long-lived assets
- Application of regulatory accounting to the electric and water systems

Accounting and audit developments

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

Summary	Effect on JEA
▸ Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. ▸ Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and RSI. ▸ **Defined benefit pensions plans:** The statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The statement calls for immediate recognition of more pension expense than is currently required. ▸ Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. ▸ **Defined contribution pensions:** The existing standards for governments that provide defined contribution pensions are largely carried forward in the new statement. These governments will recognize pension expenses equal to the amount of contributions or credits to employees' accounts, absent forfeited amounts. A pension liability will be recognized for the difference between amounts recognized as expense and actual contributions made to a defined contribution pension plan.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which is JEA's fiscal year 2015.

Accounting and audit developments

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*

Summary	Effect on JEA
▸ Statement No. 69 provides specific accounting and financial reporting guidance for combinations in the government environment. Statement No. 69 also improves the usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations.	▸ The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, which is JEA's fiscal year 2015. ▸ The implementation of this statement is not expected to have a material effect of JEA's financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68*

Summary	Effect on JEA
▸ Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.	▸ The provisions of this statement should be applied simultaneously with the provisions of Statement 68 and is therefore effective for fiscal 2015.

GASB Statement No. 72, *Fair Value Measurement and Application*

Summary	Effect on JEA
▸ Statement No. 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. ▸ This Statement generally requires investments to be measured at fair value and requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. ▸ This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which is JEA's fiscal year 2016.

Accounting and audit developments

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

Summary	Effect on JEA
▸ The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. ▸ It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

Summary	Effect on JEA
▸ This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* ▸ This statement's objective is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016.

Accounting and audit developments

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Summary	Effect on JEA
▸ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Summary	Effect on JEA
▸ This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which is JEA's fiscal year 2016. ▸ The implementation of this statement is not expected to have a material effect of JEA's financial statements.

Our audit plan
Audit timetable

Our audit plan
Audit timetable

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Implementation of GASB 68													
Perform required procedures related to JEA's implementation of GASB 68													
Conclusion and reporting													
Issue audit opinion on the (consolidated) financial Statements													
Communicate audit results to management and those charged with governance													
Issue reports to management and those charged with governance on any significant deficiencies or material weaknesses													
Issue a management letter including recommendations for improvements in controls and procedures (if applicable)													
OMB Circular A-133 procedures													
Perform planning and fieldwork for major 2015 Programs													
Issue audit opinion on 2015 SEFA													
Issue reports to management and those charged with governance on any significant deficiencies or material weaknesses regarding major programs													

Our audit plan
Areas of audit emphasis

Our audit procedures emphasize testing those accounts, contracts or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud. We consider the effects of current market risk factors on JEA, and also place emphasis on those areas requiring subjective determinations by management. We will reassess our risk assessment and other internal and external factors influencing JEA throughout our audit, and communicate to you any changes to our initial plan, as necessary. Our areas of audit emphasis, including areas with identified significant risks, are as follows. Our proposed audit plan is detailed on the pages following:

- Revenue recognition
- Allowances and reserves
- Regulatory accounts
- Legal reserves
- Derivative Instruments and hedging activities
- Pollution remediation obligations
- Other postretirement benefits liabilities
- Pension plans
- Investments
- Capital assets
- Impairment of long-lived assets

**Shaded/asterisked areas indicate accounts or transactions identified as having significant risks, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations.

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Revenue recognition	
JEA recognizes revenues for estimated services provided on its electric and water and sewer infrastructure. Unbilled revenue relates to services that have not yet been billed to the end customer at fiscal period-end. The calculation is based upon approved rates and historical consumption trends. JEA is a member of The Energy Authority (TEA), a municipal power marketing and risk management joint venture. In addition to providing its members with wholesale power marketing and resource management services, TEA also assists JEA with natural gas procurement and related gas hedging activities. JEA records energy marketing activity in the period when the energy is delivered. Intergovernmental revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources remitted before the eligibility requirements are met should, under most circumstances, be reported as deferred revenue. JEA receives revenue from various federal and state-assisted grant programs. Programs are generally reimbursement-based, and JEA records revenue once expenditures for allowable purposes are made or upon compliance with the terms and conditions of grant agreements and applicable regulations.	‣ Review calculation of unbilled revenue ‣ Test contractual arrangements, including unique terms and conditions, to obtain reasonable assurance of compliance with the applicable accounting standards ‣ Test timing of revenue recognition based on the terms of the arrangement ‣ Confirm terms and conditions with both customers and management as considered necessary ‣ Test account reconciliations to determine timely completion and review ‣ Perform detailed analytical review procedures, by system, including predictive analytics based on verifiable consumption and production data ‣ Perform detailed tests over a sample of revenue transactions to assess the appropriateness and accuracy of recorded amounts
Allowance for doubtful accounts	
An allowance for doubtful accounts is established based on JEA's best estimate of billed amounts that will not be collected from its customers.	‣ Test allowance for doubtful accounts calculation, including the aging of receivables ‣ Validate assumptions based on retrospective review of prior estimates ‣ Evaluate the appropriateness of the financial statement presentation and disclosure
Regulatory accounts	
Regulatory accounts are recorded when either future revenues are expected to recover incurred expenses or when amounts have been collected through rates in advance. JEA's regulatory accounts are associated with the SJRPP and Bulk power systems pursuant to 3rd party agreements, and generally relate to the timing differences between recognition of capital asset costs (depreciation) and amounts collected in rates to cover debt service requirements.	‣ Test approval of any new regulatory assets/liabilities ‣ Verify that amortization and expense recognition are consistent with rate recovery ‣ Vouch significant additions ‣ Test account reconciliations ‣ Perform projection tests to determine that regulatory accounts will be recovered/amortized over the remaining maturities/useful lives of related debt and capital assets

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Legal reserves	
Accruals are recorded for regulatory and legal proceedings that arise in the ordinary course of business when probable and subject to reasonable estimation. Many factors are considered in making an assessment of a contingency, including history and stage of litigation. Estimates are based upon consultation with legal counsel (in-house and/or external). Legal fees are generally expensed as incurred.	▸ Interview management and in-house legal counsel regarding all litigation ▸ Obtain external letters from counsel ▸ Review legal accruals and expenses for appropriateness based on management inquiry and responses from outside counsel
Derivative instruments and hedging activities	
JEA uses derivative contracts to manage its exposure to changes in energy commodity prices and interest rates. Derivative contracts are accounted for in accordance with GASB 53. The gains and losses from the change in fair market value of JEA's derivative instruments are deferred if hedge effectiveness is maintained.	▸ Test assessment of hedge effectiveness documentation, including re-performance where quantitative methods are used ▸ Confirm instruments with counterparties ▸ Test recorded market values using independently developed estimates ▸ Test fuel hedge contract settlements ▸ Evaluate disclosures ▸ Reconsider normal purchase/normal sales assumptions for commodity contracts
Pollution remediation obligations	
JEA records accruals for costs for future and ongoing remediation, litigation and administrative expenses when these amounts are estimable. As required by GASB 49, management applies probability assessments to expected future cash outflows for remediation activities to determine the amounts accrued.	▸ Inquire of management and internal or external engineers regarding remediation plans and efforts ▸ Obtain evidence of the remediation plans and review and test management's probability assumptions for remediation activities ▸ Review estimated recoveries and obtain evidence that amounts recorded are considered probably of occurring

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Other postretirement benefits liabilities	
JEA engages an actuary to calculate the liability related to the other post-employment benefit liability. JEA's benefit obligations recognizable under these standards are significantly affected by certain assumptions, among which are the discount rate, long-term rate of return on plan assets, life expectancies and the assumed health care cost trend rate assumption.	▸ Review key assumptions for reasonableness ▸ Test census data provided to the actuaries ▸ Develop independent estimates for corroboration
Pension plans	
With the implementation of GASB 68 JEA is required to record a liability for it's unfunded pension obligations.	▸ Review actuary reports for reasonableness of assumptions and methodology ▸ For cost sharing plan (City Plan) obtain allocation schedule to determine the City's liabilities, expenses, deferred inflows and outflows ▸ For single employer plan, obtain actuary's reports and procedures performed by plan auditors ▸ Assess reasonableness of require disclosures
Investments	
All investments are stated at fair value based on quoted market prices or other observable market inputs (e.g., matrix pricing for fixed income securities).	▸ Assess estimation uncertainty for significant classes of securities in JEA's portfolio ▸ Confirm investments with custodial institutions and managers ▸ Test valuation for selected securities using alternative pricing sources ▸ Test selected transactions ▸ Evaluate GASB 40 risk disclosures
Capital assets	
Property and equipment is carried at historical cost. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 50 years.	▸ Review expenses to determine expenses should be capitalized versus expensed ▸ Test selection of assets added during fiscal year 2015 ▸ Review depreciation for reasonableness
Impairment of long-lived assets	
JEA assesses recoverability of long-lived assets as indicators of impairment become known, as required by GASB Statement No. 42. If an impairment indicator or change in circumstance affecting the value of the asset has occurred, JEA would evaluate the need for an impairment charge by determining whether the carrying value is recoverable based on expected future cash flows of the asset. The assets are reduced to reflect their fair value if they are determined to be unrecoverable.	▸ Review and evaluate impairment indicators through inquiries and review of other records and meeting minutes ▸ Discuss and understand management's assessment if a change in circumstance potentially effects the value of an asset ▸ If applicable, test impairment computations and disclosures

Our audit plan
Involvement of council auditors and others

- Areas where EY is using the work of council auditors and subcontractor staff for direct assistance:
  - Test of controls/transactions
  - Substantive procedures for certain audit areas (including cash and investments, accounts receivable, capital assets, accounts payable, long-term debt)
- Direct assistance:
- EY works closely with council auditors and subcontractor staff, who provide us direct assistance:
  - On-site direction and supervision
  - Detailed review of working papers

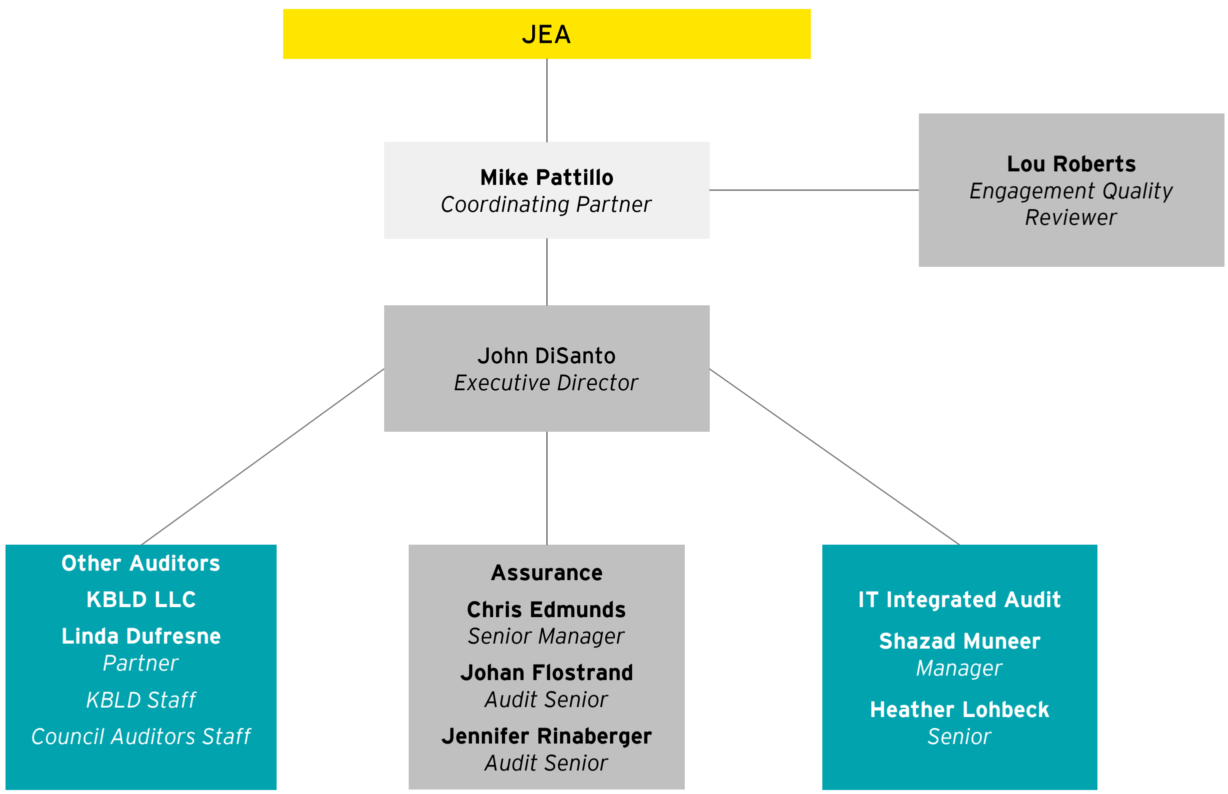
Inquiries relating to matters relevant to the audit

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As a part of our upcoming meeting, we would like to discuss the following topics with you in order to understand any matters of which you believe we should be aware, including, but not limited to:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding JEA's financial reporting (including those received through the audit committee's own "whistleblower" program, if any) and your response to such tips and complaints
- How you exercise oversight over JEA's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- Your understanding of JEA's relationships and transactions with related parties that are significant to JEA
- Whether any member of the audit committee has concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns
- Whether JEA has entered into any significant unusual transactions

When we identify a fraud risk, including a fraud risk that arises through or is associated with the risk of management override of controls, we perform audit procedures to address those risks. In addition to any specific responses related to the fraud risk, we also examine journal entries, review accounting estimates for management bias and evaluate the business rationale of significant unusual transactions as required by our professional standards.

Client service team



Summary of required communications

Provided below is a summary of required communications between the audit team and those charged with governance.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ The appropriateness of accounting policies to the particular circumstances of the Company including, the adoption of, or a change in, and accounting principle	X	
▸ The effect of significant accounting policies in controversial or emerging areas	X	
▸ Significant accounting estimates		X
Financial statement disclosures and related maters		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control		X
Fraud and illegal acts	X	
Independence matters	X	
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	

Summary of required communications

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	
Additional communications required under GAS		X

Appendix A
System review report

Appendix

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

System Review Report

To the Partners of Ernst & Young LLP
and the National Peer Review Committee of the AICPA Peer Review Board:

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the firm) applicable to non-SEC issuers, in effect for the year ended June 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) I and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to non-SEC issuers, in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

KPMG LLP

December 6, 2013

EY | Assurance | Tax | Transactions | Advisory

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

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About EY's Assurance Services
Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audit starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject-matter expertise to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

1508-1592547

JEA
Building Community

AGENDA ITEM SUMMARY

July 22, 2015

SUBJECT:	**REGULATORY ACTIONS APPROVAL AND POLICY REVISIONS**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: At the March 2015 meeting, the Board approved implementation of the Governmental Accounting Standards Board's (GASB) alternative accounting methods called "Regulatory Accounting", and approved changes to the Pricing Policy originally approved in October 2014. As outlined in the Pricing Policy, all regulatory actions by JEA are brought to the Finance and Audit Committee for recommendation. Recommended Finance and Audit Committee regulatory actions are presented to the Board for approval.

Significance: Regulatory action approvals recognize commitments by regulatory bodies responsible for rates (in JEA's case, our Board) to collect revenues to cover specific categories of expenses, and treats those commitments as assets or liabilities on utilities' balance sheets.

Effect: Establishing these regulatory balance sheet items, and their inclusion in rates, can occur only at the direction of the Board.

Cost or Benefit: These regulatory accounting actions better align with our Generally Accepted Accounting Principals (GAAP) reporting with debt service, coverage calculations, reporting and Utility Basis methodology for establishing revenue requirements.

Recommended Board action: Staff recommends that the Finance and Audit Committee recommend to the Board the approval of the regulatory items and the changes to the Pricing Policy.

For additional information, contact: Janice Nelson, 665-6442

Submitted by: PEM/MHD/JRN

Ver.2.0D 9/21/2013 jer

JEA
Building Community

INTER-OFFICE MEMORANDUM
July 22, 2015

SUBJECT:	**REGULATORY ACTIONS APPROVAL AND POLICY REVISIONS**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Finance and Audit Committee Peter Bower, Chair Husein Cumber Robert Heekin John Hirabayashi

BACKGROUND:
At the March 2015 meeting, the Board approved implementation of the Governmental Accounting Standards Board's (GASB) alternative accounting methods called "Regulatory Accounting", as prescribed under paragraphs 476-500 of Governmental Accounting Standards Board 62, Regulated Operations. Accordingly, certain revenues and costs may be deferred to the Balance Sheet (Statement of Net Position) as regulatory assets or liabilities that would otherwise be charged to revenue or expense under Generally Accepted Accounting Principles (GAAP). As outlined in the Pricing Policy, all regulatory actions by JEA are brought to the Finance and Audit Committee for recommendation. Staff recommends the Finance and Audit Committee present the regulatory actions to the Board for approval.

DISCUSSION:
Below are items requiring regulatory action approval:

1) Non-Fuel Purchased Power
In connection with the power purchase agreement with the Municipal Electric Authority of Georgia (MEAG), the Board has authorized a non-fuel purchase power stabilization fund. It was initially established to balance the timing of the payments for the plant's debt service with the anticipated in-service date; however, it may also be used for other purposes with the Board's approval. Annually as part of the budget approval process and periodically throughout the year, the Board will determine the amount in revenue requirements that should be included in the reserve.

Staff recommends depositing $26 million of current year revenues in the Non-Fuel Purchased Power rate stabilization fund. This amount is the additional obligated payments under the power purchase agreement prior to commercial operation of the facility resulting from the recently-announced additional delay in construction. The new anticipated in-service dates are 2019 for Unit 3 and 2020 for Unit 4.

2) Loss on Debt Refunding
JEA periodically redeems or refinances debt. As part of these transactions, a gain or loss will be incurred. These gains and losses are amortized over the remaining life of the redeemed bonds, or the life of the new bonds of those refinanced. The amount deferred from prior bond refunding and refinancing on October 1, 2014, is $90.8M for the Electric System and $51.6M for Water and Sewer System.

Ver 2.2 02/01/2014

Staff recommends that the annual amortization of prior year bond refunding gains and losses be included as a cost in developing the annual revenue requirements. Also, staff recommends that any gains or losses on future debt refunding be included in setting revenue requirements for the establishment of customer rates.

3) Debt Issue Costs

In connection with issuing bonds JEA will incur issuance costs. As part of implementation of Governmental Accounting Standards Board (GASB) 65, assets previously reported as Assets and Liabilities, JEA removed all debt issuance costs and related accumulated amortization which were previously reported in the statement of net position. The cumulative effect on net position of debt issue costs removed and written off was $31.5 million.

Staff recommends the deferral and amortization of debt issuance costs incurred in fiscal year 2015 and any future debt issuance costs. In addition, staff recommends that the amortization of debt issuance costs be included in determining future revenue requirements as they are incurred. This is consistent with common market practice in bond issuance: Costs of issuance are included in the total bond amount and amortized over the life of the financing.

4) Environmental Charge - Water

The Board has approved the use of an Environmental Charge (EC) in the Water and Sewer System. JEA maintains a rate stabilization fund for Environmental Charge revenues which segregates the cash collected from the general fund. The Environmental Charge is set to recover the costs of approved projects as outlined in the Pricing Policy.

The Environmental Charge and associated stabilization fund was established in 2010 with the intent to fully recover both future environmental capital and operating costs and environmental expenses incurred between 2006 and 2010. Environmental Charge revenue requirements were established including both components. Going forward, for capital project costs recovered in the rate after October 1, 2014, the amounts recovered will be used to reduce the carrying cost of the asset in plant in service. For those capital projects funded from other sources, the annual amounts collected in the rate for these costs will be transferred to the fund providing the original monies to fund the project.

To allow for continued recovery of environmental costs not yet recovered from environmental revenues, and for transfer of these revenues to the fund providing original monies for the projects, staff recommends the Board approve recovery of, through the Environmental Charge, the cost of certain projects (in the attached project list) that had costs incurred prior to the current fiscal year net of monies already collected through the Environmental Charge. On October 1, 2014, this amounts to $101.3 million. A portion of this is being recovered through the Environmental Charge during fiscal year 2015, leaving an estimated unrecovered balance of $88 million at the end of the fiscal year. Staff recommends these amounts be approved for recovery over a 10-year period beginning in fiscal year 2016. A regulatory asset for this amount will be established and amortized consistent with future recovery in through the Environmental Charge.

5) Pension

Effective for fiscal year ended September 30, 2015, JEA will be required to record a net pension liability (NPL) on its statement of net position (balance sheet) which represents its proportionate share of the collective NPL of the City of Jacksonville General Employee Pension Plan. The liability is the difference between JEA's share of the total pension liability and the value of the assets that have been set aside to pay benefits to current employees, retirees, and their beneficiaries. Additionally, recognition of pension expense is no longer funding based. The new GASB 68 standard will require recording the changes in the NPL from one measurement date to the next as pension expense. Broadly speaking, the change in the NPL represent the recognition of the expense when benefits are earned rather than funding of those benefits, similar to the private sector recognition of pension expense. The changes required in calculating pension expense by the GASB standard relate only to financial reporting and do not impact the funding (pension contribution).

As outlined in the agenda item dated February 25, 2015, through Regulatory Accounting, a regulatory asset will be recorded rather than a direct subtraction from JEA's net position when the pension liability is recorded on JEA's statement of net position for the year ended September 30, 2015, reflecting the Board's commitment to recover the unfunded pension liability from ratepayers in the future.

Staff also recommends deferral of changes in the related NPL and that the annual pension contributions (funding) be included as a cost in developing the annual revenue requirements for the establishment of customer rates.

Staff has updated the Pricing Policy that supports these regulatory actions and provides more clarity in the Debt Management Strategy Stabilization Fund section and the Water Environmental Charge section. The Environmental Charge pricing language is modified to clarify the Board's role in recovering the costs of capital projects funded from sources other than the environmental charge revenues and the future use of those collected funds. The Debt Management Strategy Stabilization Fund language is modified to broaden the Board's role concerning the Debt Management Policy and the use of the related stabilization funds based on debt management strategy objectives. Other administrative edits have also been made to the Pricing Policy, which are reflected in the attached document.

RECOMMENDATION:

Staff recommends that the Finance and Audit Committee recommend to the Board the approval of the following regulatory items:

1) Depositing $26 million of current year revenues in the Non-Fuel Purchased Power rate stabilization fund.
2) The annual amortization of prior year bond refunding gains and losses to be included as a cost in developing the annual revenue requirements. Also, any gains or losses on future debt refunding to be included in setting revenue requirements for the establishment of customer rates.
3) The deferral and amortization of debt issuance costs incurred in fiscal year 2015 and any future debt issuance costs. In addition, staff recommends that the amortization of debt issuance costs be included in determining future revenue requirements as they are incurred.
4) Recovery through the Environmental Charge, the cost of certain projects (in the attached project list) that had costs incurred prior to the current fiscal year net of monies already collected through the Environmental Charge over a 10-year period beginning in fiscal year 2016.
5) Deferral of changes in the related NPL and that the annual pension contributions (funding) be included as a cost in developing the annual revenue requirements for the establishment of customer rates.

In addition, Staff is recommending approval of the changes to the Pricing Policy.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

Pricing Policy

I. Scope

This Pricing Policy is intended to provide broad guidance and to facilitate the management, control and oversight of JEA's pricing structure. Its primary goal is to establish revenue requirements to fully recover the costs necessary to operate and maintain the utility, consistent with its mission, through fair and equitable pricing. This includes sufficient revenue for required transfers to the City, depreciation expense, and balance sheet liquidity. The total revenue requirement of each system must be sufficient to ensure the financial integrity of the utility, including recovery of debt service, sufficient revenue to meet renewal and replacement fund requirements, and maintenance of key financial metrics. It recognizes the operational challenges of managing dynamic businesses with major cost drivers such as significant regulatory reform, as well as fuel and debt service, which are dependent on global market conditions. The Pricing Policy contains the guiding parameters that JEA utilizes to develop its financial reporting, ratemaking, budget, and financial projections.

The Board is JEA's independent body responsible for setting rates. As part of this responsibility, the Board acknowledges that the rate setting policy and practices utilized will govern JEA's accounting under current generally accepted accounting principles, meaning that rate actions by the Board will impact when certain costs and revenues are recognized for financial statement purposes. This policy formalizes the rate philosophy utilized in prior years and codifies policy changes required for the implementation of regulatory accounting beginning with FY2015, including the change in rate setting methodology from Cash Basis to Utility Basis.

II. Goal and Objectives

JEA's pricing shall be managed with an overall philosophy to provide advantages of a community-owned utility by delivering high quality, reliable and exceptional service at fair and competitive rates. JEA will exhaust all other net revenue improvement opportunities before recommending any price increases. JEA will develop a price structure that is based on cost of service and allocates costs to appropriate customer classes based on the cost to serve each class. Pricing shall be sufficient, predictable, consistent, understandable, fair, equitable, non-discriminatory and relatively easy to administer. A comprehensive cost of service study will be performed at a minimum of every five years to support that the rates charged by class are based on cost.

III. Responsibility for Pricing Policy

The overall Pricing Policy is approved by the JEA Board of Directors and implemented by the Chief Executive Officer, Chief Financial Officer and staff. Annually, during the development of the Five Year Financial Projection that is provided to the credit rating agencies, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Customer Officer (CCO), Vice President/General Manager Water Wastewater Systems, and Vice President/General Manager Electric Systems will meet to develop strategy and review pricing and financial performance. JEA's Financial Planning and Rates department will develop and manage processes to implement and administer this Policy. Based on this review, any changes to pricing such that JEA continues to have rates based on cost of service and sufficient to maintain each System's financial integrity will be recommended to the Board for approval.

IV. Authorization

The JEA Board of Directors is independent from JEA management and has the power to fix, pledge to establish or establish, levy, regulate, impose and collect rates, assessments, fees and charges for the use or benefit of the utilities system and to alter and amend the same from time to time.

Although JEA is a non-jurisdictional entity, Tariffs approved by the Board of Directors are filed with the Public Service Commission for information and review. The Florida Public Service Commission (FPSC) does not regulate the revenue requirement of municipal utilities, yet pursuant to Section 366.04 (2), Florida Statues, the FPSC has jurisdiction to review a rate structure for municipal utilities.

V. Electric System

Revenue requirements and rate design for the Electric System shall be constructed in three major categories: Base Rate, Fuel Charge, and Environmental Charge.

Base Rate

<u>Structure</u>

The Base Rate will be structured with two major components: a fixed monthly charge and consumption charges. The fixed charge is billed as a "Basic Monthly Charge" and the consumption charges are billed as "Energy Charge," "Residential Conservation Charge," "*Demand Charge*," and "*Excess kVar Charge.*" (Italicized charges apply to commercial or industrial customers only, and do not appear on residential bills.) Revenue requirements and rates will be set using depreciation expense as the capital recovery estimate but must also ensure the financial integrity of the Electric System by achieving the following objectives:

- A minimum annual total debt service coverage ratio of 2.2x, (with a long-term goal of consistently achieving a minimum annual total debt service coverage ratio of 2.5x)
- A minimum of 150 to 250 days of liquidity
- Continue to move towards a maximum debt to asset ratio of 60%
- Maintain stabilization funds as detailed in the "Stabilization Funds" section

Staff plans to phase in higher fixed components of base rates over time, utilizing widely accepted principles and practices to better reflect the fixed components of JEA's electric system cost structure.

Pricing

The Base Rate will recover expenditures necessary to operate and maintain the system, depreciation expense, capital required to maintain the system, the necessary contribution to the City, any special charges for programs adopted by JEA and approved by the Board, and additional revenues required to maintain the financial integrity of the System.

Staff will review with the Board of Directors the Base revenue and capital funding plans during both the annual budget cycle and the discussion of the Five Year Projection (as outlined in the "Five Year Projection" section). Recurring capital will be recovered from revenues each year. Non-recurring or unanticipated (i.e., storm damage or major equipment failure) costs will be evaluated by management to determine the best source of capital funding. This can include absorbing the cost in the current year budget or the inclusion of cost in future rates over a period of time with funding of the cost from debt or reserves. Authorization from the Board to recover non-recurring capital over a future period of time may constitute an asset on JEA's balance sheet.

The Base Rate will additionally include a policy-directed allocation of current year base electric revenues to Customer Benefit programs to be collected in addition to the Residential Conservation Charge. Staff will develop specific programs such as electrification, direct load control, demand side management, residential low income efficiency programs, and customer utility optimization education programs, set program objectives and periodically report the status of the programs. Each year, the Customer Benefit budget will include an allocation for customer education initiatives at least equal to revenues generated from the Residential Conservation Charge (initially set at $0.01 per kWh for monthly residential consumption in excess of 2,750 kWh) collected from customers in the prior year. The budgeted carve-out from the Base Rate will be set each year based on funding required to meet the targets determined by staff, at least equal to the Residential Conservation Charge and not to exceed $0.50 per 1,000 kWh. Any amounts collected in excess of current and future anticipated need will be used for future costs or refunded to customers. The Customer Benefit programs do not function as special charge, but are a component of JEA's cost of service in determination of the Base Rate each year.

Fuel Charge

Structure

The Fuel Charge is designed to recover fuel and energy costs and will be structured with three potential components, the Variable Fuel Rate, the Fuel Stabilization Charge and the Fuel Recovery Charge.

The Variable Fuel Rate will be structured for full recovery of actual energy expenditures including direct fuel expenses, fuel procurement, fuel handling, residual disposal expense, less any proceeds from the sale of residuals, byproduct expenses directly utilized in managing the facilities used to prepare the byproduct for its final disposition, fuel hedging activities including gains and losses on settlement of fuel hedges, purchase power energy charges such as fuel, and renewable energy that is not considered generation available for JEA's current capacity plans. This charge can be adjusted up or down based upon energy costs. The Fuel Charge structure shall also include a charge for Fuel Stabilization to fund potential negative variances between projected and actual energy costs, when projections at the time of the rate setting indicate this fund balance will be below the target balance during the rate period. A Fuel Recovery Charge may also be included as part of the Fuel Charge if needed to recover a cumulative fuel fund deficit over a set number of years.

Pricing

The Fuel Charge will be set annually during the budget process to be effective October 1 of the upcoming fiscal year. The Charge is based on the forward twelve-month energy cost projection and will be structured to fully recover all expected fuel-related costs and any amounts for Fuel Stabilization Fund, discussed below, over the coming fiscal year. Provided the actual plus forecasted energy costs remain within 10% of projected energy cost, any variance will be "trued-up" annually and recovered in the subsequent twelve month period. Should actual plus forecasted energy costs exceed the 10% range of projected energy costs during the twelve month period, rates may be adjusted to reflect current market conditions. For example, a Variable Fuel Rate charge of $50.00/1,000 kWh may be adjusted when the twelve month projection for total energy cost is less than $45.00/1,000 kWh or greater than $55.00/1,000 kWh. Absent a rate change, Fuel Charges collected in excess of fuel expenses are deposited in the Fuel Stabilization Fund, and under collected amounts are funded through Fuel Stabilization Fund withdrawals until rates can be adjusted.

The Fuel Charge may include an amount for a Fuel Stabilization Charge to fund potential short-term negative variances between projected and actual energy costs. The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost. Should the Fuel Stabilization Fund balance reach the 15% level at any point during the twelve month variable fuel rate cycle, the CEO, CFO, CCO, and staff will evaluate the Fuel Stabilization Fund balance, projection through year-end, and current market prices and volatility, and will recommend to the Board to either continue funding with no change, credit customers with the overfunded amount, or modify the Fuel Charge. Absent any specific change, the Fuel Charge will continue to be collected until the end of the cycle. An objective of the Fuel Stabilization Charge is to establish the most transparent mechanism to communicate the amount of the Fuel Charge which is being collected to fund the Fuel Stabilization Fund, and thus should be utilized in the communication with stakeholders. Allowable uses of the Fuel Stabilization Fund shall include cash deposits supporting any fuel fund deficits, energy risk management activities, and inter-fund loans.

The Fuel Charge may also include a Fuel Recovery Charge to recover any cumulative fuel fund deficit. Allowable uses shall include debt reduction, repayment of inter-fund loans, new inter-fund loans, and fund activities employed during the time the fuel deficit accumulated that were used to fund the deficit.

Each month management shall report the total fuel revenues, expenses and the resulting surplus or deficit. All authorized fuel related costs shall be recovered through the Fuel Charge, and funds collected in excess of authorized fuel related expenses (including Fuel Stabilization Fund deposits, when required) shall be used to fund future expenses or be refunded to customers.

Environmental Charge

Structure

The Environmental Charge is applied to all kWh consumption and structured to provide funding for major specific environmental and regulatory program needs.

Pricing

The Environmental Charge is designed to recover from customers all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Applicable use of funds is described in the "Stabilization Funds" section.

VI. Water and Sewer System

Revenue requirements and rate design for the Water and Sewer System shall be constructed in two major categories: Base Rate and Environmental Charge.

Base Rate

Structure

Revenue and rate design for the Water and Sewer System shall be constructed in two major categories: monthly charges and initial charges, including capacity and main extension fees. Standard monthly charges will include two primary components: A fixed monthly charge and volume charges based on customer usage. The fixed charge is billed as a "Basic Monthly Charge" and the volume charges are billed as "Water Consumption Charges" and "Sewer Usage Charges".

Revenue requirements and rates will be set using depreciation expense as the capital recovery estimate but must also ensure the financial integrity of the Water and Sewer System by achieving the following objectives:

- A minimum annual total debt service coverage ratio of 1.8x, with a long-term goal of consistently achieving a minimum annual total debt service coverage ratio of 2.0x
- A minimum of 100 days of liquidity
- A long-term objective of a maximum debt to asset ratio of 50%
- Maintain stabilization funds in the "Stabilization Funds" section

Pricing

The Base Rate will recover expenditures necessary to operate and maintain the system, depreciation expense, capital required to maintain the system, the necessary contribution to the City, any special charges for programs adopted by JEA and approved by the Board, and additional revenues required to maintain the financial integrity of the System.

Staff will review with the Board of Directors the Base revenue and capital funding plans during both the annual budget cycle and the discussion of the Five Year Projection (as outlined in the "Five Year Projection" section). Recurring capital not recovered via the Environmental Charge will be recovered from revenues each year. Non-recurring or unanticipated (i.e., storm damage or major equipment failure) costs will be evaluated by management to determine the best source of capital funding. This can include absorbing the cost in the current year budget or the inclusion of cost in future rates over a period of time with funding of the cost from debt or reserves. Authorization from the Board to recover non-recurring capital over a future period of time may constitute an asset on JEA's balance sheet. The annual principal repayment requirements and contributions to the Renewal and Replacement Fund will be added to the non-capacity capital expenditure amount with the amount in excess of the annual depreciation expense included as an additional cost in setting rates. Capacity fee revenue will be used as an additional source of revenue in determining annual revenue requirements.

Capacity fees to recover water, sewer and reclaimed water treatment facilities investment are established to recover 100% of the cost, including materials, of performing these services. These fees will be reviewed and if necessary, adjusted at least every three years. Capacity fees to recover the cost of off-site water and sewer line extensions shall be established to recover:

- 75% master plan main extension attributed to general system growth, assessed on a per connection basis; and
- 100% main extension attributed to specific development, assessed to the developer in accordance with JEA's development policy.

On-site line extensions have been and will remain the financial responsibility of the developer, builder, homeowner or business and shall be contributed to JEA at no charge to own, operate and maintain.

Tap and meter fees will be established to recover 100% of the cost, including materials, of performing tap and meter services. These fees will be reviewed and, if necessary, adjusted at least every three years.

Staff will review with the Board of Directors the revenue and capital funding plans during both the annual budget cycle and the Five Year Projection/Rating Agency cycle.

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Environmental Charge

Structure

The Environmental Charge is applied to all kgal sales and structured to provide funding for major specific environmental and regulatory program needs.

Pricing

The Environmental Charge is designed to recover from customers all costs of environmental remediation and compliance with new and existing environmental regulations. Applicable use of funds is described in the “Stabilization Funds” section.

Annually the Board will review and approve the operating, maintenance and capital costs of projects to be included in determining the Environmental Charge for that year. For capital projects funded from sources other than the environmental charge revenues, the Board will determine an appropriate method including recovery period for including these costs in the determination of the Environmental Charge. The revenues collected will be used to reimburse the fund that provided the original funding. Methods used for recovery can include amortization over a relatively short period of time, depreciation expense and related carrying charge of the related asset or other reasonable methods.

Any revenues collected in excess of costs in any period will be used to fund operating and capital costs of approved projects in the future.

The amounts collected from the Environmental Charge will be accounted for in the Water and Sewer System Environmental Stabilization Fund. Amounts collected for future environmental capital projects are transferred from the Water and Sewer System Environmental Rate Stabilization Fund to the Environmental Capital Fund.

VII. Five Year Projection

Staff will prepare a Five Year Projection annually that will be presented to Board of Directors and Rating Agencies. The Five Year Projection will address the status of the current pricing and forecasted cost-based revenue requirements.

The annual budgeting process will be used to project the cost-based revenue requirements and suggested pricing for the next fiscal year. Thereafter, factors to be considered in the projections include:

- Required revenue and resulting rates
- The forecast of unit sales
- Projected fuel and purchased power costs
- Projected non-fuel purchased power costs
- Projected operating and maintenance costs
- Projected pension contributions
- Contribution to the City General Fund
- Renewal and Replacement Deposit

- Amortization of regulatory assets and liabilities including gains and losses on debt refinancing, debt issue costs and other items approved by the Board
- Desired level of operating capital outlay
- Projected depreciation expense
- Desired debt service coverage, liquidity, and debt to asset levels consistent with a highly rated electric and water and sewer utilities
- Analysis of costs and revenue of any special charges for programs adopted by JEA and approved by the Board

VIII. Stabilization Funds

The Board authorizes the funding and utilization of certain Stabilization Funds within each of the Electric and Water and Sewer Systems. Deposits and withdrawals will be made into each of the funds as specifically described below, and are governed by both this Pricing Policy and JEA's Bond Resolutions. The Stabilization Funds described below have a specific funding source which is approved by the Board, and uses of funds which are also approved by the Board. Any excess amounts remaining after the funding target is met and expenses are paid are refunded back to customers.

Fuel Stabilization Fund

Target Balance

The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost.

Funding and Authorization

The Fuel Charge for each Fiscal Year is established to include the projected fuel-related expenditures for the upcoming fiscal year as well as deposits required into the Fuel Stabilization Fund to maintain the target balance in the Fund. These projections, including any Fuel Stabilization Fund projected deposit amounts, are approved by the Board in connection with the approval of the annual Budget. Deposits to the Fuel Stabilization Fund during the fiscal year are made for amounts representing the excess of the variable rate fuel revenues (not including the fuel stabilization revenues) recorded for the fiscal year over the amount of actual fuel and purchased power expense for the fiscal year.

Allowable Uses

Withdrawals from the Fuel Stabilization Fund for fuel stabilization are limited to the following purposes:

a) to reduce the variable fuel rate charge to the customers for a determined period of time
b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues
c) to pay for the costs associated with any energy risk management activities and/or
d) to be rebated back to the customers as a credit against the electric bill

The balance in the Fuel Stabilization Fund may also be borrowed by the Electric System operating fund through an interfund loan, which requires the approval of the CFO and the CEO with the amounts required to be repaid within a reasonable period of time.

Excess Funds

Funds collected in excess of authorized fuel related expenses (including Fuel Stabilization Fund deposits, when required) shall be used to fund future expenses or be refunded to customers.

Customer Benefit Stabilization Fund

Funding and Authorization

Deposits to the Customer Benefit Stabilization Fund are made for amounts representing the Residential Conservation Charge to the customer ($0.01 per kWh over 2,750 kWh) and the Customer Benefit Revenue Allocation (up to $0.50 per 1,000 kWh) during the course of the fiscal year. The Residential Conservation Charge revenues are direct collections from customers based on sales. The Customer Benefit Revenue Allocation is approved by the Board in connection with the annual Budget process.

Allowable Uses

Withdrawals from the Customer Benefit Stabilization Fund are limited to amounts representing charges to the applicable “Customer Benefit” expense types, which represent Customer Benefit programs approved annually by the Board. Amounts withdrawn from the Customer Benefit Stabilization Fund will first be funded by the Residential Conservation Charge ($0.01 per kWh over 2,750 kWh) and the remaining funded by the Customer Benefit Revenue Allocation (up to $0.50 per 1,000 kWh). Any costs not recovered in the current year will be collected in future years through the Residential Conservation Charge and the Customer Benefit Revenue Allocation.

Excess Funds

Funds collected in excess of the approved Customer Benefit programs shall be used to fund future program expenses or be refunded to customers.

Electric System Environmental Stabilization Fund

Funding and Authorization

Deposits to the Electric System Environmental Stabilization Fund are made for amounts collected from the Environmental Charge to the customer. The Environmental Charge will be set each year to recover the costs of approved projects. Any shortfalls will be included as a cost in determining the Environmental Charge.

Allowable Uses

Withdrawals from the Electric System Environmental Stabilization Fund are limited to potential environmental expenditures approved by the Board, and may include regulatory initiatives such as the cost of acquisition of renewable energy capacity.

Excess Funds

Funds collected in excess shall be used to fund future environmental expenses or be refunded to customers.

Water and Sewer System Environmental Stabilization Fund

Funding and Authorization

Deposits to the Water and Sewer System Environmental Stabilization Fund are made for amounts collected from the Environmental Charge to the customer. The Environmental Charge will be set each year to recover the costs of approved projects. Any shortfalls will be included as a cost in determining the Environmental Charge.

Allowable Uses

Withdrawals from the Water and Sewer System Environmental Stabilization Fund are limited to major environmental and regulatory program needs. Capital costs include those costs associated with specific environmental or regulatory requirements. Costs directly required to operate and maintain the environmentally driven or regulatory required assets can also be funded from this revenue source. The Environmental Charge revenue may also be used for JEA's cost participation with the City of Jacksonville septic tank phase-out program, including a waiver of sewer and main extension fees, or for well mitigation. Additionally, the Environmental Charge revenue may be used for Customer Benefit programs supporting the Consumptive Use Permit objective to reduce JEA's demand on the Florida Aquifer.

Excess Funds

Funds collected in excess shall be used to fund future environmental expenses or be refunded to customers.

Debt Management Strategy Stabilization Fund

Funding and Authorization

The Board will approve a Debt Management Policy and use of related stabilization funds. Deposits to the Debt Management Strategy Stabilization Fund will be for amounts associated with any debt management strategy objectives. The Board as part of the budget review process will determine and approve the amounts included in rates that are to be deposited into the Debt Management Strategy Stabilization Fund for the year. The Board may, periodically throughout the year, determine and approve changes to these amounts. The amounts included in rates and deposited into the stabilization fund are intended to offset future costs.

Allowable Uses

Withdrawals from the Debt Management Strategy Stabilization Fund for debt management strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget. Any amounts withdrawn for these costs will subsequently be presented for approval by the Board.

Excess Funds

Amounts deposited into the Debt Management Strategy Stabilization Fund for debt management strategy in excess of the target amount set forth in the Debt Management Policy in both the Electric and Water and Sewer Systems may be authorized by the Board to be used to (1) maintain the financial integrity of the Systems, (2) fund future debt-related expenses or (3) be refunded to customers.

Non-Fuel Purchased Power (NFPP) Stabilization Fund

Target Balance

Initially, the total projected principal payments incurred by MEAG for the Vogtle Units 3 and 4 Purchased Power Agreement prior to the operating date of each unit.

Funding and Authorization

Deposits to the NFPP Stabilization Fund are for amounts associated with any non-fuel purchased power. The Board will determine as part of the Budget approval process or periodically throughout the year the amount to include in rates that will be deposited into the NFPP Stabilization Fund.

Allowable Uses

Withdrawals from the NFPP Stabilization Fund are to reimburse non-fuel purchased power expenses associated with Plant.

Excess Funds

Funds collected in excess shall be used to fund future non-fuel purchased power expenses or be refunded to customers.

Health Self-Insurance Reserve

Target Balance

The target size of this reserve is based on regulatory requirements, market conditions and risk management experience, along with input from the Department of Insurance, the regulatory body responsible for oversight of all self-insurance health and medical plans.

The objective is to maintain appropriate reserves and to ensure the long-term viability of the organization and the sustainability of the self-insurance health programs. Rule 69O-149.053, Florida Administrative Code requires that JEA maintain a minimum surplus reserve of 60 days over and above the amount needed for the Plan's claim liability to cover costs associated with unexpected claims.

Funding and Authorization

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

Allowable Uses:

The amounts approved for recovery from the employees will be used to reduce the annual cost. Any costs in excess of revenues collected will be included in rates at the direction of the Board in a future period.

Excess Funds

Any amount over the required reserve requirement will be used to reduce future costs included in rates or will be refunded to the employee through premium holidays as approved by the Board.

IX. Policy Exceptions

Any pricing activity determined to be in conflict with this Policy will be brought to the Board of Directors for review and approval prior to adoption, and resulting metrics will be reported on an annual basis within the Five Year Projection.

X. Effective Date

This Pricing Policy became effective October 1, 2005 (originally called "Pricing Philosophy"). This revision will become effective on the date on which it is adopted by the full Board effective October 1, 2014.

Pricing Policy

I. Scope

This Pricing Policy is intended to provide broad guidance and to facilitate the management, control and oversight of JEA's pricing structure. Its primary goal is to establish revenue requirements to fully recover the costs necessary to operate and maintain the utility, consistent with its mission, through fair and equitable pricing. This includes sufficient revenue for required transfers to the City, depreciation expense, and balance sheet liquidity. The total revenue requirement of each system must be sufficient to ensure the financial integrity of the utility, including recovery of debt service, sufficient revenue to meet renewal and replacement fund requirements, and maintenance of key financial metrics. It recognizes the operational challenges of managing dynamic businesses with major cost drivers such as significant regulatory reform, as well as fuel and debt service, which are dependent on global market conditions. The Pricing Policy contains the guiding parameters that JEA utilizes to develop its financial reporting, ratemaking, budget, and financial projections.

The Board is JEA's independent body responsible for setting rates. As part of this responsibility, the Board acknowledges that the rate setting policy and practices utilized will govern JEA's accounting under current generally accepted accounting principles, meaning that rate actions by the Board will impact when certain costs and revenues are recognized for financial statement purposes. This policy formalizes the rate philosophy utilized in prior years and codifies policy changes required for the implementation of regulatory accounting beginning with FY2015, including the change in rate setting methodology from Cash Basis to Utility Basis.

II. Goal and Objectives

JEA's pricing shall be managed with an overall philosophy to provide advantages of a community-owned utility by delivering high quality, reliable and exceptional service at fair and competitive rates. JEA will exhaust all other net revenue improvement opportunities before recommending any price increases. JEA will develop a price structure that is based on cost of service and allocates costs to appropriate customer classes based on the cost to serve each class. Pricing shall be sufficient, predictable, consistent, understandable, fair, equitable, non-discriminatory and relatively easy to administer. A comprehensive cost of service study will be performed at a minimum of every five years to support that the rates charged by class are based on cost.

III. Responsibility for Pricing Policy

The overall Pricing Policy is approved by the JEA Board of Directors and implemented by the Chief Executive Officer, Chief Financial Officer and staff.

Annually, during the development of the Five Year Financial Projection that is provided to the credit rating agencies, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Customer Officer (CCO), Vice President/General Manager Water Wastewater Systems, and Vice President/General Manager Electric Systems will meet to develop strategy and review pricing and financial performance. JEA's Financial Planning and Rates department will develop and manage processes to implement and administer this Policy. Based on this review, any changes to pricing such that JEA continues to have rates based on cost of service and sufficient to maintain each System's financial integrity will be recommended to the Board for approval.

IV. Authorization

The JEA Board of Directors is independent from JEA management and has the power to fix, pledge to establish or establish, levy, regulate, impose and collect rates, assessments, fees and charges for the use or benefit of the utilities system and to alter and amend the same from time to time.

Although JEA is a non-jurisdictional entity, Tariffs approved by the Board of Directors are filed with the Public Service Commission for information and review. The Florida Public Service Commission (FPSC) does not regulate the revenue requirement of municipal utilities, yet pursuant to Section 366.04 (2), Florida Statues, the FPSC has jurisdiction to review a rate structure for municipal utilities.

V. Electric System

Revenue requirements and rate design for the Electric System shall be constructed in three major categories: Base Rate, Fuel Charge, and Environmental Charge.

Base Rate

Structure

The Base Rate will be structured with two major components: a fixed monthly charge and consumption charges. The fixed charge is billed as a "~~Customer~~Basic Monthly Charge" and the consumption charges are billed as "Energy Charge," "Residential Conservation Charge," "*Demand Charge*," and "*Excess kVar Charge.*" (Italicized charges apply to commercial or industrial ~~customer~~customers only, and do not appear on residential bills.) Revenue requirements and rates will be set using depreciation expense as the capital recovery estimate but must also ensure the financial integrity of the Electric System by achieving the following objectives:

- A minimum annual total debt service coverage ratio of 2.2x, (with a long-term goal of consistently achieving a minimum annual total debt service coverage ratio of 2.5x)
- A minimum of 150 to 250 days of liquidity
- Continue to move towards a maximum debt to asset ratio of 60%
- Maintain stabilization funds as detailed in the "Stabilization Funds" section

Staff plans to phase in higher fixed components of base rates over time, utilizing widely accepted principles and practices to better reflect the fixed components of JEA's electric system cost structure. ~~At that time the fixed charge will be re-named based on customer feedback.~~

Pricing

The Base Rate will recover expenditures necessary to operate and maintain the system, depreciation expense, capital required to maintain the system, the necessary contribution to the City, any special charges for programs adopted by JEA and approved by the Board, and additional revenues required to maintain the financial integrity of the System.

Staff will review with the Board of Directors the Base revenue and capital funding plans during both the annual budget cycle and the discussion of the Five Year Projection (as outlined in the "Five Year Projection" section). Recurring capital will be recovered from revenues each year. Non-recurring or unanticipated (i.e., storm damage or major equipment failure) costs will be evaluated by management to determine the best source of capital funding. This can include absorbing the cost in the current year budget or the inclusion of cost in future rates over a period of time with funding of the cost from debt or reserves. Authorization from the Board to recover non-recurring capital over a future period of time may constitute an asset on JEA's balance sheet.

The Base Rate will additionally include a policy-directed allocation of current year base electric revenues to Customer Benefit programs to be collected in addition to the Residential Conservation Charge. Staff will develop specific programs such as electrification, direct load control, demand side management, residential low income efficiency programs, and customer utility optimization education programs, set program objectives and periodically report the status of the programs. Each year, the Customer Benefit budget will include an allocation for customer education initiatives at least equal to revenues generated from the Residential Conservation Charge (initially set at $0.01 per kWh for monthly residential consumption in excess of 2,750 kWh) collected from customers in the prior year. The budgeted carve-out from the Base Rate will be set each year based on funding required to meet the targets determined by staff, at least equal to the Residential Conservation Charge and not to exceed $0.50 per 1,000 kWh. Any amounts collected in excess of current and future anticipated need will be used for future costs or refunded to customers. The Customer Benefit programs do not function as special charge, but are a component of JEA's cost of service in determination of the Base Rate each year.

Fuel Charge

Structure

The Fuel Charge is designed to recover fuel and energy costs and will be structured with three potential components, the Variable Fuel Rate, the Fuel Stabilization Charge and the Fuel Recovery Charge.

The Variable Fuel Rate will be structured for full recovery of actual energy expenditures including direct fuel expenses, fuel procurement, fuel handling, residual disposal expense, less any proceeds from the sale of residuals, byproduct expenses directly utilized in managing the facilities used to prepare the byproduct for its final disposition, fuel hedging activities including gains and losses on settlement of fuel hedges, purchase power energy charges such as fuel, and renewable energy that is not considered generation available for JEA's current capacity plans. This charge can be adjusted up or down based upon energy costs. The Fuel Charge structure shall also include a charge for Fuel Stabilization to fund potential negative variances between projected and actual energy costs, when projections at the time of the rate setting indicate this fund balance will be below the target balance during the rate period. A Fuel Recovery Charge may also be included as part of the Fuel Charge if needed to recover a cumulative fuel fund deficit over a set number of years.

Pricing

The Fuel Charge will be set annually during the budget process to be effective October 1 of the upcoming fiscal year. The Charge is based on the forward twelve-month energy cost projection and will be structured to fully recover all expected fuel-related costs and any amounts for Fuel Stabilization Fund, discussed below, over the coming fiscal year. Provided the actual plus forecasted energy costs remain within 10% of projected energy cost, any variance will be "trued-up" annually and recovered in the subsequent twelve month period. Should actual plus forecasted energy costs exceed the 10% range of projected energy costs during the twelve month period, rates may be adjusted to reflect current market conditions. For example, a Variable Fuel Rate charge of $50.00/1,000 kWh may be adjusted when the twelve month projection for total energy cost is less than $45.00/1,000 kWh or greater than $55.00/1,000 kWh. Absent a rate change, Fuel Charges collected in excess of fuel expenses are deposited in the Fuel Stabilization Fund, and under collected amounts are funded through Fuel Stabilization Fund withdrawals until rates can be adjusted.

The Fuel Charge may include an amount for a Fuel Stabilization Charge to fund potential short-term negative variances between projected and actual energy costs. The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost. Should the Fuel Stabilization Fund balance reach the 15% level at any point during the twelve month variable fuel rate cycle, the CEO, CFO, CCO, and staff will evaluate the Fuel Stabilization Fund balance, projection through year-end, and current market prices and volatility, and will recommend to the Board to either continue funding with no change, credit customers with the overfunded amount, or modify the Fuel Charge. Absent any specific change, the Fuel Charge will continue to be collected until the end of the cycle. An objective of the Fuel Stabilization Charge is to establish the most transparent mechanism to communicate the amount of the Fuel Charge which is being collected to fund the Fuel Stabilization Fund, and thus should be utilized in the communication with stakeholders. Allowable uses of the Fuel Stabilization Fund shall include cash deposits supporting any fuel fund deficits, energy risk management activities, and inter-fund loans.

The Fuel Charge may also include a Fuel Recovery Charge to recover any cumulative fuel fund deficit. Allowable uses shall include debt reduction, repayment of inter-fund loans, new inter-fund loans, and fund activities employed during the time the fuel deficit accumulated that were used to fund the deficit.

Each month management shall report the total fuel revenues, expenses and the resulting surplus or deficit. All authorized fuel related costs shall be recovered through the Fuel Charge, and funds collected in excess of authorized fuel related expenses (including Fuel Stabilization Fund deposits, when required) shall be used to fund future expenses or be refunded to customers.

Environmental Charge

Structure

The Environmental Charge is applied to all kWh consumption and structured to provide funding for major specific environmental and regulatory program needs.

Pricing

The Environmental Charge is designed to recover from customers all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Applicable use of funds is described in the “Stabilization Funds” section.

VI. Water and Sewer System

Revenue requirements and rate design for the Water and Sewer System shall be constructed in two major categories: Base Rate and Environmental Charge.

Base Rate

Structure

Revenue and rate design for the Water and Sewer System shall be constructed in two major categories: monthly charges and initial charges, including capacity and main extension fees. Standard monthly charges will include two primary components: A fixed monthly charge and volume charges based on customer usage. The fixed charge is billed as a “~~Service Availability~~Basic Monthly Charge” and the volume charges are billed as “Water Consumption Charges” and “Sewer Usage Charges”.

Revenue requirements and rates will be set using depreciation expense as the capital recovery estimate but must also ensure the financial integrity of the Water and Sewer System by achieving the following objectives:

- A minimum annual total debt service coverage ratio of 1.8x, with a long-term goal of consistently achieving a minimum annual total debt service coverage ratio of 2.0x

- A minimum of 100 days of liquidity
- A long-term objective of a maximum debt to asset ratio of 50%
- Maintain stabilization funds in the "Stabilization Funds" section

Pricing

The Base Rate will recover expenditures necessary to operate and maintain the system, depreciation expense, capital required to maintain the system, the necessary contribution to the City, any special charges for programs adopted by JEA and approved by the Board, and additional revenues required to maintain the financial integrity of the System.

Staff will review with the Board of Directors the Base revenue and capital funding plans during both the annual budget cycle and the discussion of the Five Year Projection (as outlined in the "Five Year Projection" section). Recurring capital not recovered via the Environmental Charge will be recovered from revenues each year. Non-recurring or unanticipated (i.e., storm damage or major equipment failure) costs will be evaluated by management to determine the best source of capital funding. This can include absorbing the cost in the current year budget or the inclusion of cost in future rates over a period of time with funding of the cost from debt or reserves. Authorization from the Board to recover non-recurring capital over a future period of time may constitute an asset on JEA's balance sheet. The annual principal repayment requirements and contributions to the Renewal and Replacement Fund will be added to the non-capacity capital expenditure amount with the amount in excess of the annual depreciation expense included as an additional cost in setting rates. Capacity fee revenue will be used as an additional source of revenue in determining annual revenue requirements.

Capacity fees to recover water, sewer and reclaimed water treatment facilities investment are established to recover 100% of the cost, including materials, of performing these services. These fees will be reviewed and if necessary, adjusted at least every three years. Capacity fees to recover the cost of off-site water and sewer line extensions shall be established to recover:

- 75% master plan main extension attributed to general system growth, assessed on a per connection basis; and
- 100% main extension attributed to specific development, assessed to the developer in accordance with JEA's development policy.

On-site line extensions have been and will remain the financial responsibility of the developer, builder, homeowner or business and shall be contributed to JEA at no charge to own, operate and maintain.

Tap and meter fees will be established to recover 100% of the cost, including materials, of performing tap and meter services. These fees will be reviewed and, if necessary, adjusted at least every three years.

Staff will review with the Board of Directors the revenue and capital funding plans during both the annual budget cycle and the Five Year Projection/Rating Agency cycle.

Environmental Charge

Structure

The Environmental Charge is applied to all kgal sales and structured to provide funding for major specific environmental and regulatory program needs.

Pricing

The Environmental Charge is designed to recover from customers all costs of environmental remediation and compliance with new and existing environmental regulations. Applicable use of funds is described in the "Stabilization Funds" section.

Annually the Board will review and approve the operating, maintenance and capital costs of projects to be included in determining the Environmental Charge for that year. For capital projects ~~not~~ funded ~~currently~~from sources other than the environmental charge revenues, the Board will ~~include~~ determine an appropriate method including recovery period for including these costs in the determination of the Environmental Charge ~~an amount for these approved projects both in the current year and from prior years equal to the~~. The revenues collected will be used to reimburse the fund that provided the original funding. Methods used for recovery can include amortization over a relatively short period of time, depreciation expense and ~~a current~~related carrying charge ~~on the undepreciated balance. Depreciation of assets funded through current year Environmental Charge revenues will not be included in future rate determination. Amounts collected for depreciation and carrying costs of projects not funded through the charge will be transferred to~~of the ~~Renewal and Replacement fund.~~ related asset or other reasonable methods.

Any revenues collected in excess of costs in any period will be used to fund operating and capital costs of approved projects in the future.

The amounts collected from the Environmental Charge will be accounted for in the Water and Sewer System Environmental Stabilization Fund. Amounts collected for future environmental capital projects are transferred from the Water and Sewer System Environmental Rate Stabilization Fund to the Environmental Capital Fund.

VII. Five Year Projection

Staff will prepare a Five Year Projection annually that will be presented to Board of Directors and Rating Agencies. The Five Year Projection will address the status of the current pricing and forecasted cost-based revenue requirements.

The annual budgeting process will be used to project the cost-based revenue requirements and suggested pricing for the next fiscal year. Thereafter, factors to be considered in the projections include:

- Required revenue and resulting rates
- The forecast of unit sales
- Projected fuel and purchased power costs
- Projected non-fuel purchased power costs
- Projected operating and maintenance costs
- Contribution to the City General Fund
- Renewal and Replacement Deposit
- Amortization of regulatory assets and liabilities including gains and losses on debt refinancing, debt issue costs and other items approved by the Board
- Desired level of operating capital outlay
- Projected depreciation expense
- Desired debt service coverage, liquidity, and debt to asset levels consistent with a highly rated electric and water and sewer utilities
- Analysis of costs and revenue of any special charges for programs adopted by JEA and approved by the Board

VIII. Stabilization Funds

The Board authorizes the funding and utilization of certain Stabilization Funds within each of the Electric and Water and Sewer Systems. Deposits and withdrawals will be made into each of the funds as specifically described below, and are governed by both this Pricing Policy and JEA's Bond Resolutions. The Stabilization Funds described below have a specific funding source which is approved by the Board, and uses of funds which are also approved by the Board. Any excess amounts remaining after the funding target is met and expenses are paid are refunded back to customers.

Fuel Stabilization Fund

Target Balance

The target balance in the Fuel ~~Reserve~~Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost.

Funding and Authorization

The Fuel Charge for each Fiscal Year is established to include the projected fuel-related expenditures for the upcoming fiscal year as well as deposits required into the Fuel Stabilization Fund to maintain the target balance in the Fund. These projections, including any Fuel Stabilization Fund projected deposit amounts, are approved by the Board in connection with the approval of the annual Budget. Deposits to the Fuel Stabilization Fund during the fiscal year are made for amounts representing the excess of the variable rate fuel revenues (not including the fuel stabilization revenues) recorded for the fiscal year over the amount of actual fuel and purchased power expense for the fiscal year.

Allowable Uses

Withdrawals from the Fuel Stabilization Fund for fuel stabilization are limited to the following purposes:

a) to reduce the variable fuel rate charge to the customers for a determined period of time
b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues
c) to pay for the costs associated with any energy risk management activities and/or
d) to be rebated back to the customers as a credit against the electric bill

The balance in the Fuel Stabilization Fund may also be borrowed by the Electric System operating fund through an interfund loan, which requires the approval of the CFO and the CEO with the amounts required to be repaid within a reasonable period of time.

Excess Funds

Funds collected in excess of authorized fuel related expenses (including Fuel Stabilization Fund deposits, when required) shall be used to fund future expenses or be refunded to customers.

Customer Benefit Stabilization Fund

Funding and Authorization

Deposits to the Customer Benefit Stabilization Fund are made for amounts representing the Residential Conservation Charge to the customer ($0.01 per kWh over 2,750 kWh) and the Customer Benefit Revenue Allocation (up to $0.50 per 1,000 kWh) during the course of the fiscal year. The Residential Conservation Charge revenues are direct collections from customers based on sales. The Customer Benefit Revenue Allocation is approved by the Board in connection with the annual Budget process.

Allowable Uses

Withdrawals from the Customer Benefit Stabilization Fund are limited to amounts representing charges to the applicable “Customer Benefit” expense types, which represent Customer Benefit programs approved annually by the Board. Amounts withdrawn from the Customer Benefit Stabilization Fund will first be funded by the Residential Conservation Charge ($0.01 per kWh over 2,750 kWh) and the remaining funded by the Customer Benefit Revenue Allocation (up to $0.50 per 1,000 kWh). Any costs not recovered in the current year will be collected in future years through the Residential Conservation Charge and the Customer Benefit Revenue Allocation.

Excess Funds

Funds collected in excess of the approved Customer Benefit programs shall be used to fund future program expenses or be refunded to customers.

Electric System Environmental Stabilization Fund

Funding and Authorization

Deposits to the Electric System Environmental Stabilization Fund are made for amounts collected from the Environmental Charge to the customer. The Environmental Charge will be set each year to recover the costs of approved projects. Any shortfalls will be included as a cost in determining the Environmental Charge.

Allowable Uses

Withdrawals from the Electric System Environmental Stabilization Fund are limited to potential environmental expenditures~~, which~~ approved by the Board, and may include~~, with the approval of the Board,~~ regulatory initiatives such as the cost of acquisition of renewable energy capacity.

Excess Funds

Funds collected in excess shall be used to fund future environmental expenses or be refunded to customers.

Water and Sewer System Environmental Stabilization Fund

Funding and Authorization

Deposits to the Water and Sewer System Environmental Stabilization Fund are made for amounts collected from the Environmental Charge to the customer. The Environmental Charge will be set each year to recover the costs of approved projects. Any shortfalls will be included as a cost in determining the Environmental Charge.

Allowable Uses

Withdrawals from the Water and Sewer System Environmental Stabilization Fund are limited to major environmental and regulatory program needs. Capital costs include those costs associated with specific environmental or regulatory requirements. Costs directly required to operate and maintain the environmentally driven or regulatory required assets can also be funded from this revenue source. The Environmental Charge revenue may also be used for JEA's cost participation with the City of Jacksonville septic tank phase-out program, including a waiver of sewer and main extension fees~~.~~, or for well mitigation. Additionally, the Environmental Charge revenue may be used for Customer Benefit programs supporting the Consumptive Use Permit objective to reduce JEA's demand on the Florida Aquifer.

Excess Funds

Funds collected in excess shall be used to fund future environmental expenses or be refunded to customers.

Debt Management Strategy Stabilization Fund

~~Target Balance~~

~~Five percent of the par amount of the total outstanding variable rate debt.~~

Funding and Authorization

The Board will approve a Debt Management Policy and use of related stabilization funds. Deposits to the Debt Management Strategy Stabilization Fund will be for ~~Debt Management Strategy shall be made from~~amounts associated with any debt management strategy objectives. The Board as part of the ~~difference in~~budget review process will determine and approve the ~~actual~~ amounts included in rates ~~for interest expense incurred for unhedged variable rate debt, if any outstanding, and budgeted variable rate for interest expense on~~that are to be deposited into the ~~unhedged variable rate debt. Additionally, deposits can be made from excess debt service budgeted over~~ Debt Management Strategy Stabilization Fund for the ~~actual debt service expense for any fiscal~~ year. ~~The Debt and Investment Committee will~~ The Board may, periodically ~~review the actual and budgeted debt service during~~throughout the year, determine and approve changes to these amounts. The amounts included in rates and ~~recommend to the Board the appropriate amount to be included in the reserve. The amount deposited for excess debt service will be reviewed and approved by the Board. However, the total amounts~~ deposited ~~(in addition~~into the stabilization fund are intended to ~~actual debt service~~offset future costs ~~for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year~~.

Allowable Uses

Withdrawals from the Debt Management Strategy Stabilization Fund for ~~Debt Management Strategy~~debt management strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget. ~~The amounts deposited into the reserve are included in rates currently as a cost. The amounts withdrawn are intended to offset a cost in the future period or be refunded to customers as reduced rates.~~Any amounts withdrawn for these costs will subsequently be presented for approval by the Board.

Excess Funds

~~Funds collected~~Amounts deposited into the Debt Management Strategy Stabilization Fund for debt management strategy in excess ~~shall~~of the target amount set forth in the Debt Management Policy in both the Electric and Water and Sewer Systems may be authorized by the Board to be used to (1) maintain the financial integrity of the Systems, (2) fund future ~~environmental~~debt-related expenses or (3) be refunded to customers.

Non-Fuel Purchased Power (NFPP) Stabilization Fund

Target Balance

Initially, the total projected principal payments incurred by MEAG for the Vogtle Units 3 and 4 Purchased Power Agreement prior to the operating date of each unit.

Funding and Authorization

Deposits to the ~~Rate~~NFPP Stabilization Fund are for amounts associated with any non-fuel purchased power. The Board will determine as part of the Budget approval process or periodically throughout the year the amount to include in rates that will be deposited into the NFPP Stabilization Fund.

Allowable Uses

Withdrawals from the NFPP Stabilization Fund are to reimburse non-fuel purchased power expenses associated with Plant.

Excess Funds

Funds collected in excess shall be used to fund future non-fuel purchased power expenses or be refunded to customers.

Health Self-Insurance Reserve

Target Balance

The target size of this reserve is based on regulatory requirements, market conditions and risk management experience, along with input from the Department of Insurance, the regulatory body responsible for oversight of all self-insurance health and medical plans.

The objective is to maintain appropriate reserves and to ensure the long-term viability of the organization and the sustainability of the self-insurance health programs. Rule 69O-149.053, Florida Administrative Code requires that JEA maintain a minimum surplus reserve of 60 days over and above the amount needed for the Plan's claim liability to cover costs associated with unexpected claims.

Funding and Authorization

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

Allowable Uses:

The amounts approved for recovery from the employees will be used to reduce the annual cost. Any costs in excess of revenues collected will be included in rates at the direction of the Board in a future period.

Excess Funds

Any amount over the required reserve requirement will be used to reduce future costs included in rates or will be refunded to the employee through premium holidays as approved by the Board.

IX. Policy Exceptions

Any pricing activity determined to be in conflict with this Policy will be brought to the Board of Directors for review and approval prior to adoption, and resulting metrics will be reported on an annual basis within the Five Year Projection.

X. Effective Date

This Pricing Policy became effective October 1, 2005 (originally called "Pricing Philosophy"). This revision will become effective on the date on which it is adopted by the full Board effective October 1, 2014.

WORK ORDER DESCRIPTION	FY06-FY14	FY15	TOTAL
OM - BIOLOGICAL NITROGEN REMOVAL - PROTOTYPE PROGM CP896	2,780,270.77	-	$ 2,780,270.77
USC - SAN JOSE PHASE-OUTS CP831	172,878.60	-	$ 172,878.60
USC - (AFS) STORAGE AND REPUMP FACILITY - SJC - RECLAIM WATER - CP148	122,712.65	-	$ 122,712.65
USC - DEERWOOD N OFFICE PARK - RECLAIM WATER CP363	41,634.58	-	$ 41,634.58
OM - ARLINGTON E - FILTER EXPN RCW - CP795	505.74	-	$ 505.74
USC - BEACH BV - FCCJ TO HODGES BV - RCW	7,897.86	-	$ 7,897.86
USC - SAN PABLO WWTP PHASE OUT - S	3,546,195.29	-	$ 3,546,195.29
USC - WOODMERE WWTP PHASE OUT - S	2,851,526.34	-	$ 2,851,526.34
COM - NOCATEE RECLAIM TRANSMISSION - ON-SITE - RCW	5,045,253.06	-	$ 5,045,253.06
USC - SOUTH GRID RECLAIM INTERCONNECT - RCW	337,573.60	-	$ 337,573.60
USC - NOCATEE RECLAIM STORAGE & REPUMP FACILITY - ON-SITE - RCW	3,278,083.48	-	$ 3,278,083.48
USC - IAI - JP - RCW	5,766,120.97	-	$ 5,766,120.97
USC - IAI - JTA - JP - RCW	287,825.58	-	$ 287,825.58
COM - AMELIA CONCOURSE RECLAIM WATER MAIN - RCW	65,313.65	-	$ 65,313.65
TREASURY-STORAGE AND REPUM FACILITY - SJC - RCW	68,467.35	-	$ 68,467.35
CR - COM - BARTRAM PK BV RECLAIM WATER MAIN EXT- RCW	185,317.97	-	$ 185,317.97
OM - (AFS) BIOLOGICAL NITROGEN REMOVAL FY06- PROTOTYPE PRG - S	6,705,497.11	-	$ 6,705,497.11
USC - MANDARIN WWTP SYSTEM EXPANSION - S	42,525.29	-	$ 42,525.29
CR - COM (AFS) - DEVELOPER DRIVEN PROJECTS RECLAIM - RCW	5,069.85	-	$ 5,069.85
SP - SJC (AFS) - NOCATEE RECLAIM TRANSMISSION - OFF_SITE - RCW	2,815,930.41	-	$ 2,815,930.41
SP - (AFS) DELIVERY STATIONS - JG&CC - QHGC - GKGCC - RCW	236,943.53	-	$ 236,943.53
CR - COM - ABERDEEN_DURBIN RECLAIMED WATER MAINS	4,650,214.35	-	$ 4,650,214.35
OM - RIVER OAKS RESERVOIR REHABILITATION	996,331.50	-	$ 996,331.50
ECS - SOUTHWEST WWTF BNR CAPACITY UPGRADE	2,660,461.77	-	$ 2,660,461.77
ECS - BUCKMAN WWTF BNR CAPACITY UPGRADE	375,670.62	-	$ 375,670.62
ECS - ARLINGTOM EAST WWTP BNR CAPACITY UPGRADES - S	24,703,765.37	-	$ 24,703,765.37
ECS - SOUTHWEST WWTF BNR CAPACITY UPGRADE PH2 - S	9,486,596.36	-	$ 9,486,596.36
ECS - ROYAL LAKES WWTP PHASE OUT	5,957,796.76	-	$ 5,957,796.76
ECS - FT CAROLINE RD FORCE MAIN	1,977,225.09	-	$ 1,977,225.09
ECS - HOLLY OAKS PUMP STATION - S	470,496.54	-	$ 470,496.54
ECS - SJRPP RECLAIMED ON-SITE IMPROVEMENTS	1,425,728.68	-	$ 1,425,728.68
ECS - CRAIG FIELD-KERNAN BLVD TO MONUMENT RD RECLAIMED TRANSMISSION	3,818,226.56	-	$ 3,818,226.56
ECS - BLACKSFORD RECLAIM STORAGE	1,127,673.74	-	$ 1,127,673.74
ECS - COM - RIVERTOWN - RECLAIMED	3,058,737.97	-	$ 3,058,737.97
ECS - COM - NOCATEE PHASE II - RECLAIMED	2,432,119.48	-	$ 2,432,119.48
ECS - ATLANTIC BV - HENDRICKS AV TO UNIVERSITY AV - W	-	-	$ -
ECS - SAN JOSE PHASE OUT - SANCHEZ - LAVISTA TO SAN CLERC FM - S	449,817.75	-	$ 449,817.75
OM-BAY HARBOUR TO BEACON HILLS - FM - S	168,540.55	-	$ 168,540.55
ECS - ROYAL LAKES PUMP STATION - S	2,007,139.09	-	$ 2,007,139.09
ECS - ED AUSTIN PARK ENHANCED RECLAIMED WATER IRRIGATION SYSTEM - RCW	-	-	$ -

CR - COM - SALARIES AND MISC CAPITAL EXPENDITURES - RCW	-	-	$	-
OM - WWTP IRRIGATION SYSTEM CONV TO REUSE - RCW	1,051,351.67	-	$	1,051,351.67
CR - COM BARTRAM PARK PHASE 3B - RCW	232,950.41	-	$	232,950.41
CR - WSOF - SALARIES AND MISC CAPITAL EXPENDITURES - RCW	-	-	$	-
ECS - MAIN ST WTP - ORANGE ST RESERVOIR REHAB - W	11,966,005.02	-	$	11,966,005.02
ECS - (ENV) ST JOHNS RIVER - SS GEN TO CESERY RD - TWMP SEGMENT 2- W	23,717,823.41	-	$	23,717,823.41
ECS - BRADLEY RD - SOUTHSIDE BV TO ST JOHNS BLUFF RD - TWMP SEGMENT 6- W	5,487,844.32	12.58	$	5,487,856.90
ECS - (ENV) HENDRICKS WTP TO ST JOHNS RIVER - TWMP SEGMENT 1- W	4,358,728.32	-	$	4,358,728.32
ECS - (ENV) ARLINGTON EXPRESS ACCESS RD - CESERY RD TO SSIDE BV - TWMP SEGMENT 5 - W	8,179,731.90	-	$	8,179,731.90
ECS - (ENV) BUCKMAN WWTP BNR - S	11,918,368.13	207,146.53	$	12,125,514.66
ECS -BEACON HILL WWTP DEMOLITION - S	45,161.80	-	$	45,161.80
ECS - IAI - JP - ROYAL LAKES SOUTHSIDE BV - JTB EAST RAMP - S - S	1,533,859.65	-	$	1,533,859.65
OM - (WMD) ARLINGTON EAST WWTP 2.0 MGD REUSE CAPACITY ADDIT - RCW	-	-	$	-
ECS - NOCATEE RIVERWOOD - RECLAIM - RCW	199,066.16	-	$	199,066.16
OM - (WMD) ARLINGTON EAST WRF - RECLAIM WATERIRRIGATION SYSTEM - RCW	177,125.91	-	$	177,125.91
ECS - NOCATEE GREENLEAF DR - RCW	212,114.49	-	$	212,114.49
(R) OM - DEERWOOD PARK NORTH HOA - RCW	71,603.56	-	$	71,603.56
ECS - (ENV) FAIRFAX WTP RESERVOIR REHABWTP RESERVOIR - W	1,469,577.48	729,060.56	$	2,198,638.04
ECS - SERVICE AREA MONITORING WELLS - W	884,122.44	-	$	884,122.44
ECS - (ENV) - ARLINGTON WTP TO ARLINGTON EXPRESSWAY TWMP SEG4- W	5,151,690.60	-	$	5,151,690.60
ECS - (ENV) -E BANK St JOHNS RIVER HDD TO ARLINGTON WTP TWMP SEG3- W	4,881,047.29	-	$	4,881,047.29
OM - ARLINGTON EAST RECLAIM STORAGE CONVERSION - S	680,754.71	-	$	680,754.71
ECS - ARLINGTON EAST WWTP 2.0 MGD REUSE CAPACITY ADDITION - S	646,372.11	-	$	646,372.11
ECS - (ENV) SAN JOSE PHASEOUT - TIE TO ROYAL LAKES OUTFALL (16INCH) - S	1,434,242.71	-	$	1,434,242.71
ECS - (ENV) ROYAL LAKES OUTFALL LINE - SAN JOSE (WWTF) TO ARLINGTON EAST (WRF) - S	452,508.17	-	$	452,508.17
ECS - (ENV) SAN JOSE PHASEOUT MASTER PUMP STATION - S	646,734.37	-	$	646,734.37
OM - (ENV) SAN JOSE PHASEOUT - CONVERT SAN CLREC PS TO BOOSTER STATION - S	440,516.00	-	$	440,516.00
ECS - DEVELOPMENT - MINOR PROJECTS - R	-	-	$	-
OM - UPGRADE PUMPS AT MANDARIN - R	412,990.51	-	$	412,990.51
ECS - NOCATEE - VALLEY RIDGE BV EXTENSION (SC) - R	274,261.43	-	$	274,261.43
ECS - (ENV) SERVICE AREA MONITORING WELLS - W	629,525.28	-	$	629,525.28
ECS - (ENV) SERVICE AREA MONITORING WELLS - FY14 - W	1,289,093.22	39,838.32	$	1,328,931.54
ECS - (ENV) FILL LINE AT ARLINGTON WTP AND BOOSTER STATION - TWMP - W	2,458,019.85	-	$	2,458,019.85
ECS - (ENV) JAX HEIGHTS PHASE OUT WWTF - WHEAT RD - FIRESTONE RD FM - S	273,127.25	-	$	273,127.25
ECS - DD - RIVERTOWN - RECLAIMED	59,854.43	-	$	59,854.43
ECS - (ENV) PRODUCTION WELL ABANDONMENT - W	1,094,064.51	517,817.41	$	1,611,881.92
ECS - (ENV) SERVICE AREA MONITORING WELLS - FY15 - W	196,293.43	354,217.98	$	550,511.41
ECS - MAIN ST WELLFIELD - WELL NO 14 - TWMP - W	205,092.15	135,383.75	$	340,475.90
ECS - GREENLAND WTP - MONITORING WELLS	484,616.55	17,702.82	$	502,319.37
SP - (ENV) INTERMEDIATE AQUIFER SYSTEM - IMPLEMENTATION - W	132,312.55	2,469.63	$	134,782.18
ECS - (ENV) ROYAL LAKES FACILITIES DEMOLITION - S	258,783.16	-	$	258,783.16
ECS - SAN JOSE PHASE OUT - WWTP DEMOLITION	400,422.27	-	$	400,422.27

DISTRICT II - BROWARD RIVER CROSSING REPLACEMENT	1,039,560.47	252,950.79	$ 1,292,511.26
JAX HEIGHTS PHASE OUT WWTF DEMOLITION	141,753.45	-	$ 141,753.45
ECS - RIVERTOWN - THE LANDINGS - R	65,273.21	-	$ 65,273.21
ARLINGTON EAST 2 MGD RECLAIMED WATER FILTER	63,747.33	294,630.88	$ 358,378.21
REUSE STORAGE TANK AT MANDARIN WRF	28,693.80	120,923.07	$ 149,616.87
MAIN ST WTP - WELL 13 - TWMP - W	57,780.26	8,334.52	$ 66,114.78
MAIN ST WELL NO 6A - TWMP - W	109,940.68	60,548.65	$ 170,489.33
SOUTH GRID WELL RELIABILITY - TWMP - W	104,784.80	50,463.89	$ 155,248.69
DISTRICT II MANATEE BARRIER	77,228.70	234,324.34	$ 311,553.04
NOCATEE - TWENTY MILE VILLAGE -R	125,821.29	79,186.48	$ 205,007.77
NOCATEE - CYPRESS TRAILS - R	87,459.91	(1,842.72)	$ 85,617.19
JP - FDOT - WONDERWOOD DRAINAGE IMPROVEMENT - R	134,841.79	2,641.77	$ 137,483.56
(R) QUEENS HARBOR RECLAIMED TIE-IN	521,547.13	(16,160.37)	$ 505,386.76
(R) SR 9B TO GEC - R (R-50)	-	(8,336.65)	$ (8,336.65)
SOUTH GRID WATER QUALITY - WELL IMPROVEMENT	-	46,554.70	$ 46,554.70
ARLINGTON EAST ONSITE REUSE PUMP UP	-	23,072.53	$ 23,072.53
NOCATEE - RIVERWOOD POD 14 - R	-	130,307.69	$ 130,307.69
JP - FDOT - SR 9B - DUVAL - ST JOHN	-	445,027.00	$ 445,027.00
PSI - SE REGIONAL RW MANAGEMENT STR	-	60,458.28	$ 60,458.28
CUP CONDITION NO 43	-	-	$ -
RG SKINNER - 9B TO T-LINE - R	-	-	$ -
RG SKINNER - 9B TO PARCELS 10A - 11 - R	-	-	$ -
DD - NOCATEE - RECLAIMED	-	-	$ -
MONUMENT RD - CANCUN DR TO HIDDEN HILLS LN - TRANS - NEW - R	-	-	$ -
GRID - COST PARTICIPATION - NEW - RW	-	-	$ -
RIVERTOWN - R	-	-	$ -
JP - RACE TRACK ROAD - BISHOP ESTATES ROAD TO THE EASTERLY LIMIT OF JULINGTON CREEK PLANTATION - SJC - RECLAIM	-	-	$ -
JP - ARLINGTON EAST WWTP - MONUMENT RD - WWTP TO MCCORMICK RD - JTA RECLAIM WATER	-	-	$ -
MEMBRANE BIO REACTOR (MBR NUTRIENT REMOVAL SYSTEM)	-	-	$ -
BUCKMAN BNR & DENITRIFICATION FILTERS	-	-	$ -
USC - SOUTHWEST DENTRIFICATION FILTERS	-	-	$ -
SPORTS COMPLEX ARENA - BALL FIELD - RECLAIM WATER CP181	-	-	$ -
USC - IA - ST AUGUSTINE RD - I95 INTERCHANGE - RECLAIM WATER CP182	-	-	$ -
CR - BARTRAM PK BV - ST AUGUSTINE RD TO RACETRACK RD RECLAIM MAIN - PH I - DUVAL CP167	-	-	$ -
USC - BJP - SPORTS COMPLEX - RC CP182	-	-	$ -
USC - FDOT - OLD ST AUGUSTINE RD I95 INTERCH S CP182	-	-	$ -
USC - IAI - RECLAIM PROJECTS - CP182	-	-	$ -
USC - IAI 9A - BEACH BV TO JTB BV - RCW	-	-	$ -
USC - NOCATEE RECLAIM TRANSMISSION - OFF-SITE - RCW	-	-	$ -
USC - IAI - DOT - JP - RCW	-	-	$ -
USC - IAI - SJC - JP - RCW	-	-	$ -
CR - COM - GRID CAPACITY DEVELOPMENT COST PARTICIPATION - RECLAIMED	-	-	$ -

ECS - JOINT PARTICIPATION PROJECTS - RCW		-		-	$	-
ECS - JP - RECLAIM PROJECTS - RCW		-		-	$	-
OM - WATER CAPACITY IMPROVEMENTS - W		-		-	$	-
ECS - (ENV) SOUTH GRID WELL RELIABILITY - TWMP - W		-		-	$	-
ECS - (ENV) MAIN ST WELLFIELD ADDITIONAL WELLS - TWMP - W		-		-	$	-
ECS - DD - NOCATEE - RECLAIMED - R		-		-	$	-
ECS - DD - RIVERTOWN - RECLAIMED - R		-		-	$	-
ECS - DD - NOCATEE - RECLAIMED - R		-		-	$	-
ECS - DD - RIVERTOWN - RECLAIMED - R		-		-	$	-
CR210 - SOUTH HAMPTON TO ASHFORD MILLS - TRANS - R		-		-	$	-
SUBTOTAL	**$**	**196,696,275.90**	**$**	**3,786,734.43**	**$**	**200,483,010.33**
LESS: SJRWMD REIMBURSEMENTS	***$***	***(10,100,000.00)***			***$***	***(10,100,000.00)***
LESS: ENVIRONMENTAL REVENUES	***$***	***(85,319,610.00)***	***$***	***(16,457,490.00)***	***$***	***(101,777,100.00)***
TOTAL	**$**	**101,276,665.90**	**$**	**(12,670,755.57)**	**$**	**88,605,910.33**

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JEA
Building Community

AGENDA ITEM SUMMARY

July 28, 2015

SUBJECT:	**RATE STRUCTURE PROJECT PLAN**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: JEA has embarked on an initiative to continually update and realign its rate structure and options, providing customers new and enhanced rate options, providing JEA and in turn its customers long-term rate stability, and to help drive system efficiencies.

Significance: High. The Clean Power Plan is likely to require dramatic system changes.

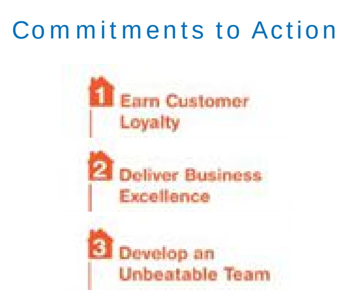
Effect: The Finance and Audit Committee will be provided details concerning the rate structure project plan.

Cost or Benefit: Transparency of JEA's Rate Restructuring Initiative status.

Recommended Board action: Staff recommends that the Finance and Audit Committee brief the full Board at the August 18, 2015 meeting.

For additional information, contact: Melissa Dykes

Submitted by: PEM/ MHD



Ver.2.0D 9/21/2013 jer

INTER-OFFICE MEMORANDUM
July 28, 2015

SUBJECT: **RATE STRUCTURE PROJECT PLAN**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Peter Bower, Chair
Husein Cumber
Robert Heekin
John Hirabayashi

BACKGROUND:

JEA has embarked on an initiative to continually update and realign its rate structure and options, providing customers new and enhanced rate options, providing JEA and in turn its customers long-term rate stability, and to help drive system efficiencies. To date, examples of changes and realignment that have been implemented include an updated Pricing Policy, various economic development rates, updated cost of service studies, and new distributed generation policies. As part of this initiative, JEA analyzes various options using industry best practices, regulatory requirements and guidelines, financial analysis, customer research and technological feasibility.

DISCUSSION:

JEA's rate strategy team has continued this Rate Restructuring Initiative and has committed to develop, implement, and evaluate a demand rate pilot program to recognize each customer's unique load and cost characteristics. Staff has engaged Black and Veatch to assist in planning, developing and executing this pilot, and is confident that with their help we will be able to conduct a successful program and gain results that will provide guidance for future scalable rate offerings.

Rate or pricing pilot programs are used to reach statistically meaningful conclusions that can be generalized across the customer base related to the impacts of alternative rate structures and pricing concepts on customer energy usage patterns and the underlying behaviors. These programs represent a first step in assessing the potential for broad application and acceptance of a new rate form for customers.

Attached is an illustration of the potential process, deliverables, and timeline. It is important to note that this Rate Structure Pilot Plan is designed to be revenue neutral and does not include a rate increase.

RECOMMENDATION:

Staff recommends that the Finance and Audit Committee brief the full Board at the August 18, 2015 meeting.

Paul E. McElroy, Managing Director/CEO

PEM/MHD

Ver 3.0 02/19/2015

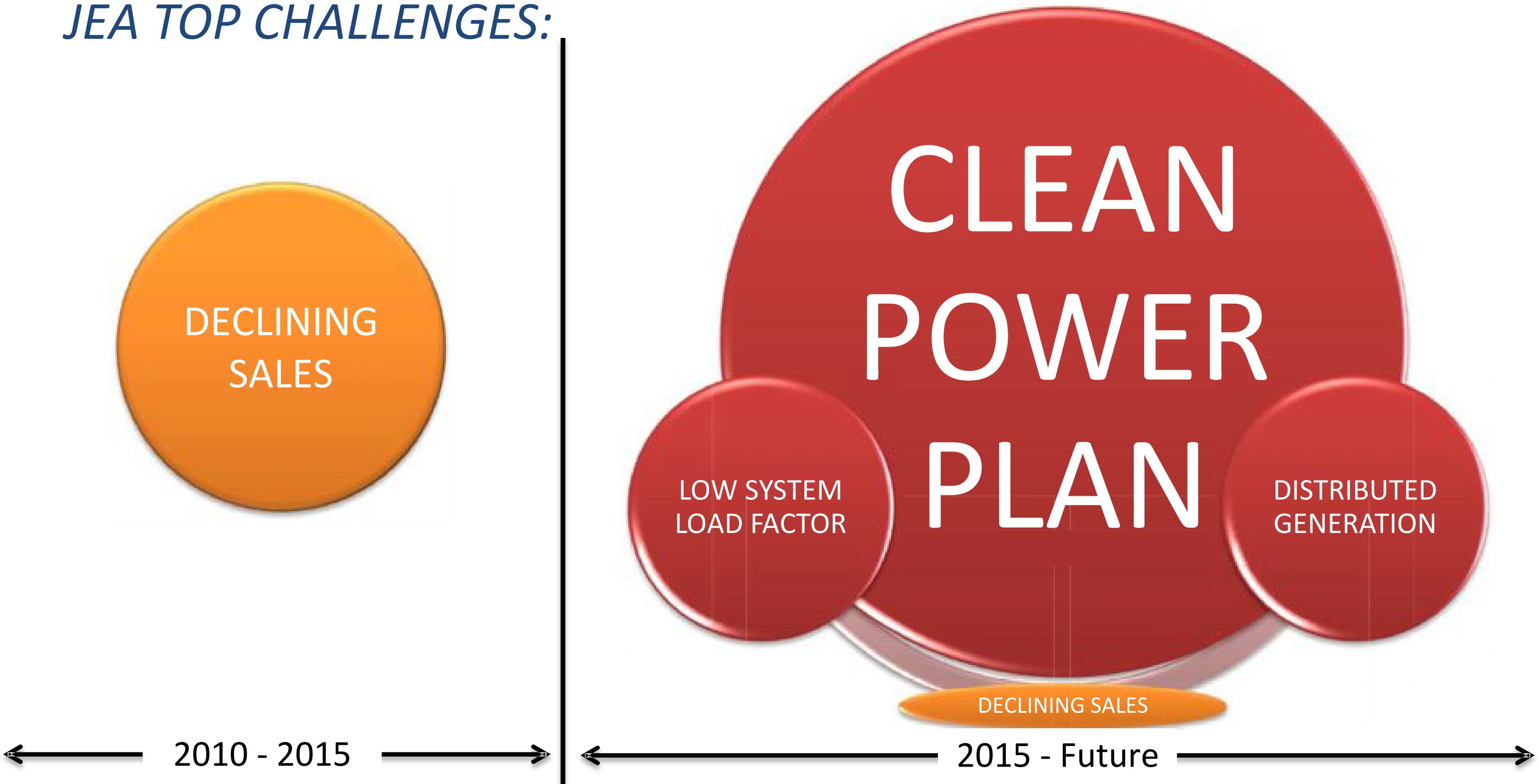
RATE STRUCTURE PROJECT PLAN

JEA Finance and Audit Committee Meeting

August 10, 2015

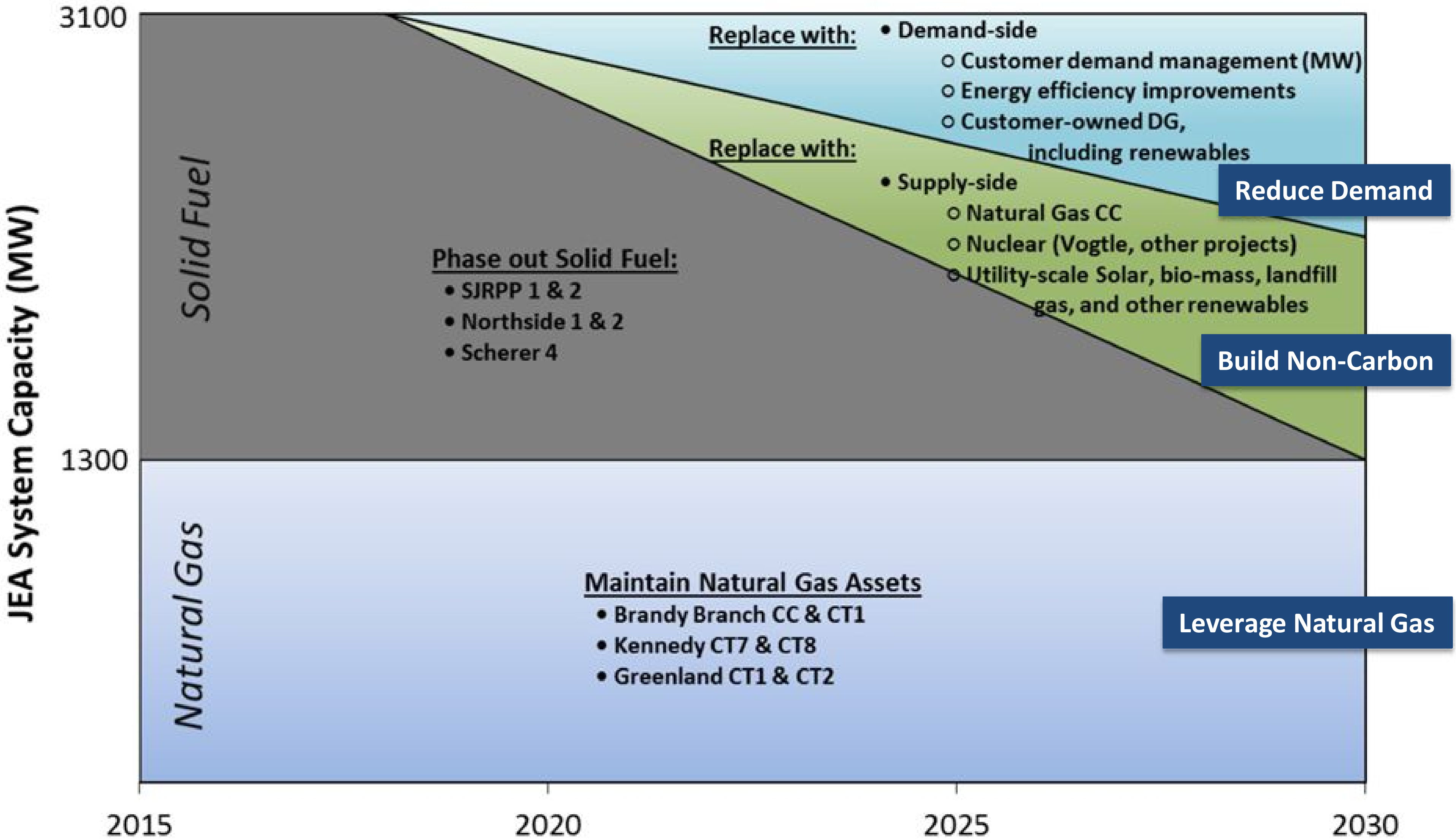
THE CLEAN POWER PLAN IS A BUSINESS ALTERING EVENT FOR THE ELECTRIC UTILITY INDUSTRY

JEA TOP CHALLENGES:



Clean Power Plan: **Introduces new and significant challenges that will require a community and regional solution to mitigate significant impacts on rates and reliability. Our focus must become on a long-term and transformational solution. We must create a new and sustainable utility model for the future.**

CLEAN POWER PLAN ASSET STRATEGY



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This diagram is illustrative in nature

JEA'S FUTURE BUSINESS MODEL UNDER THE CLEAN POWER PLAN

The future JEA business model will include a partnership with customers to optimize solutions for the whole community

Reducing the community's overall electrical demand will be paramount to mitigate some of the financial and reliability impacts from the Clean Power Plan.

This may be accomplished through several community initiatives:

- Higher system utilization – Customers understanding and using electricity differently to reduce system peaks
- Energy efficiency – Customers eliminating waste
- Distributed generation – Customers owning their own generation

This requires updating the cost of service study and a new rate structure.

RATES RESTRUCTURING INITIATIVE

- A cross functional rates strategy team has diligently analyzed many different options to address this challenge, including:
  - Basic variable to fixed charge shift to align more with cost structure
  - Basic variable to fixed charge shift with low consumption consideration
  - Variable to fixed charge shift with a two tiered variable structure
  - Variable to fixed charge shift with a three tiered variable structure
  - Time of use rates for all residential customers*
  - Flat monthly structure
  - Residential demand rates*
  - "Cell phone" plans
  - Decoupling residential rates
  - Graduated Residential Customer Charge

***Potentially tested as part of Pilot**

- Staff also conducted customer research to determine how customers perceive value when it comes to utility services and to gain customer input on preferences for the electric rate re-structuring

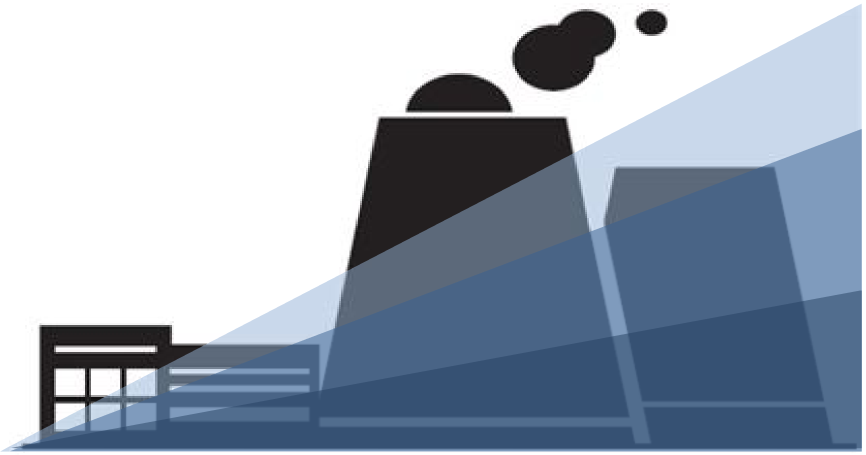
POTENTIAL DEMAND RATE STRUCTURE

The demand rate structure strives to allocate costs according to the portion of the system that each customer utilizes.

Costs will be broken into three categories:

- Basic Monthly Charge – the minimum amount all customers pay for a portion of system fixed costs
- Demand Charge – the incremental or next piece of system fixed and scalable costs that a customer utilizes each month
- Fuel Charge – variable charge for the cost of fuel used to generate each customer's electricity consumption

Demand charges reflect system usage



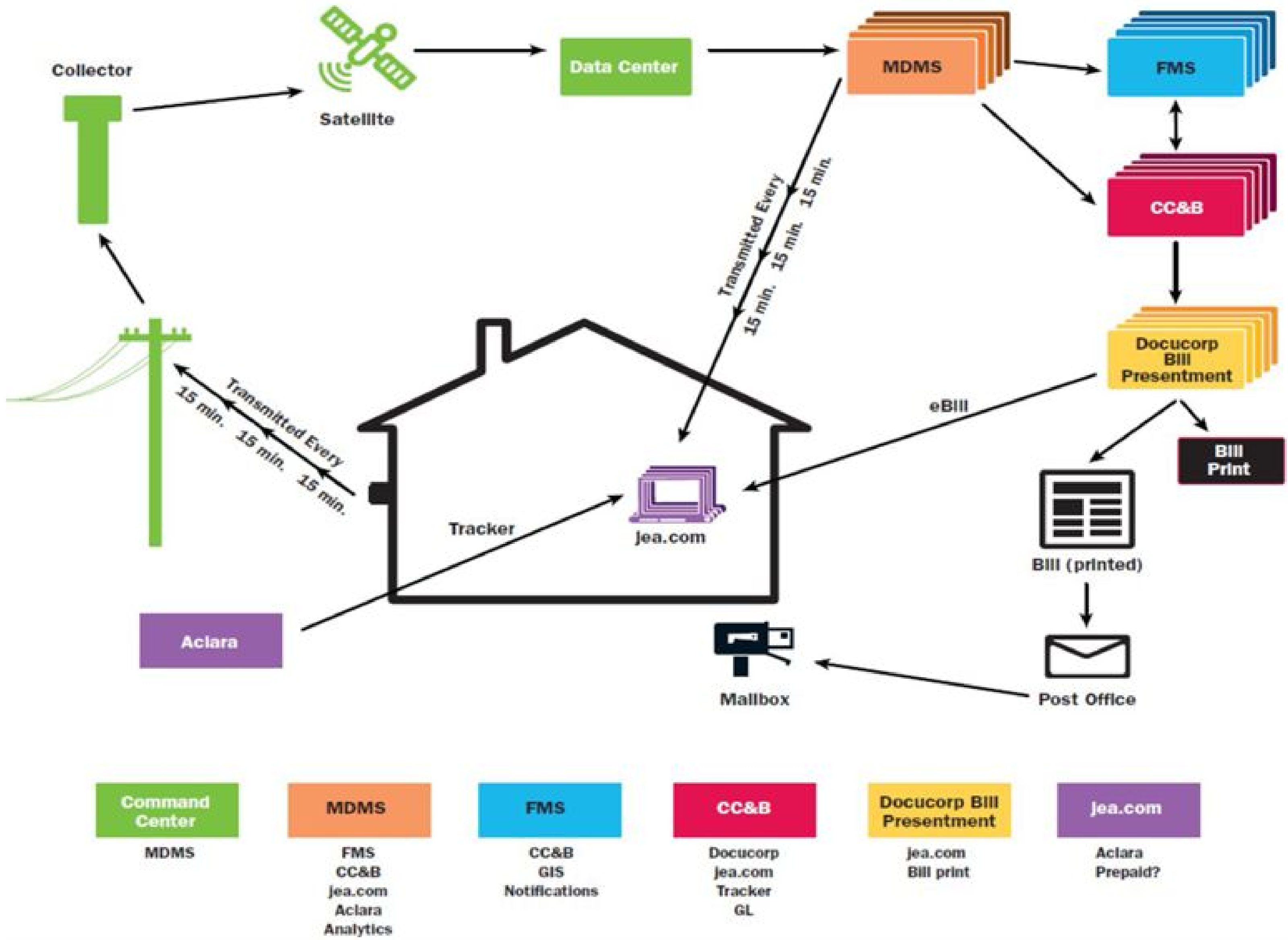
Today's Rate Structure

- Significantly dependent on sales
- No incentive to use system efficiently – how much to use and when to use it
- Seasonal weather patterns can dramatically impact customer bills
- Too focused on overall consumption instead of when and how electricity is used

Future Rate Structure Potential

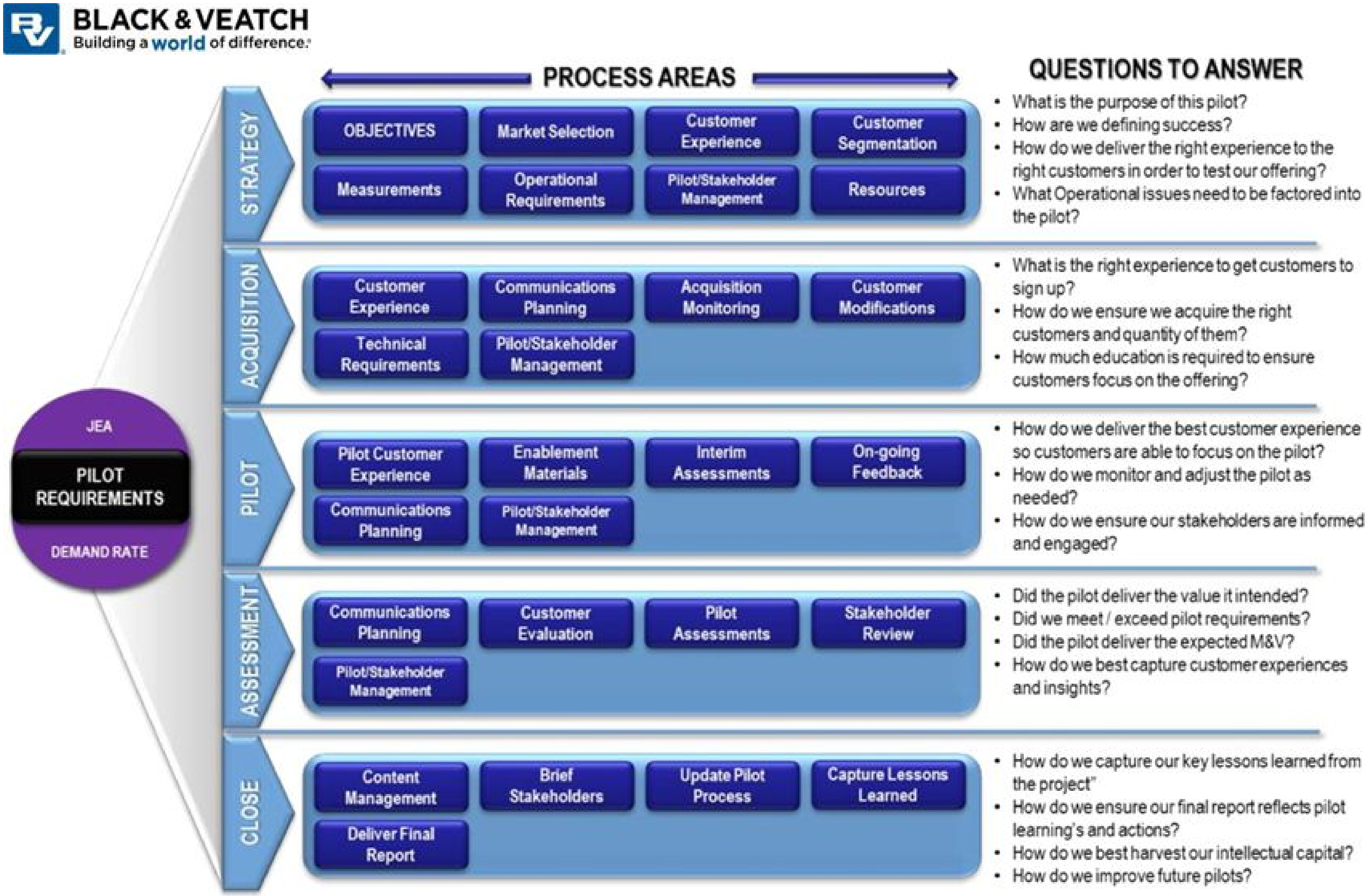
- Improved system utilization - lower peak to offset future generation needs
- Greater customer control of bills based on when and how electricity is used
- Community partnership on environmental and operational challenge
- Leverages new technology

DEMAND RATE - METER TO BILL FUTURE PROCESS



**This diagram is illustrative in nature and the final technology configuration and number of systems and integrations may vary.*

JEA PILOT REQUIREMENTS



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BLACK & VEATCH QUALIFICATIONS

Black & Veatch brings a highly experienced and capable lead consultant, backed up by a team of professionals who have the hands-on experience and industry insights to guide JEA's staff through the design, implementation, and evaluation of its proposed residential demand rate pilot program.

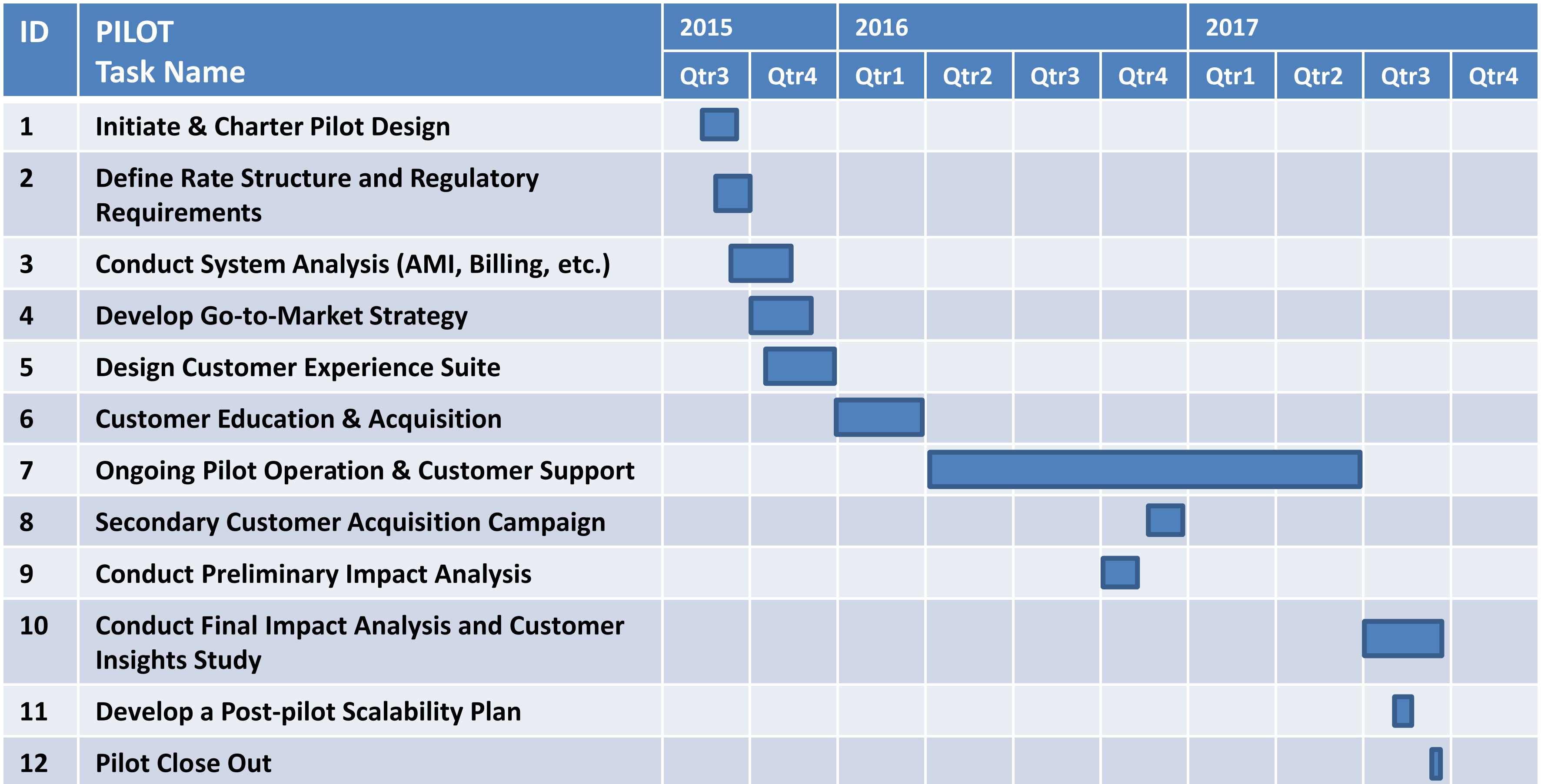
Black and Veatch Rate Pilot Program Resources

- **JEREMY KLINGEL —** MANAGING DIRECTOR AND LEAD CONSULTANT
- **ED OVERCAST, PH.D. —** DIRECTOR
- **BOB BRADY —** DIRECTOR
- **JEFF BUXTON —** EXECUTIVE CONSULTANT AND LEAD CONSULTANT FOR THE JEA METER STRATEGY
- **CHRIS FLOWERS —** PROJECT MANAGER

Lead Consultant

Jeremy Klingel will serve as the lead consultant for this work effort. Maximizing Jeremy's overall effectiveness in supporting JEA, certain aspects of conducting this rate pilot program are likely to require specialized expertise to supplement Jeremy and JEA's already broad capabilities. As a result, other professional staff members are provided who are well-versed in the economic, ratemaking, technology, customer response and behavioral assessment components of designing, and implementing and managing utility rate pilot programs. These additional resources will be available to Jeremy to support specific Subject Matter Expertise, or will be working in parallel with him on the current activities supporting the Meter Strategy engagement.

JEA PRELIMINARY TIMELINE



INITIAL FULL DEPLOYMENT CONSIDERATIONS

- Meter Deployment
- System Integration
- Customer Acceptance

IN SUMMARY

- There has been significant rate work and customer research completed to date
- The Clean Power Plan significantly changes future strategies within the utility industry
- JEA is focusing on a long-term sustainable model to mitigate reliability and rate impacts
- This requires innovative community partnership
- Analysis completed to date points to a residential Demand Rate as a potential model

RESIDENTIAL DEMAND RATE PILOT PROGRAM

STATEMENT OF WORK

JEA

20 JULY 2015

BLACK & VEATCH
Building a world of difference.

BLACK & VEATCH CORPORATION
201 SOUTH ORANGE AVENUE, SUITE 500, ORLANDO, FL 32801
+1 703-627-4398 | BRNILOVICHR@BV.COM

20 July 2015

Richard Vento and Ryan Wannemacher
JEA
Jacksonville, Florida

Subject: Black & Veatch Statement of Work Regarding the JEA Residential Demand Rate Pilot

Black & Veatch Corporation (Black & Veatch) is pleased to present the following approach for planning, developing, and executing the JEA Residential Demand Rate Pilot. We appreciate the opportunity to be considered as a trusted advisor for this strategic and market-leading work. We are confident that our proposed Methodology will provide the required structure and insight to facilitate a successful program and provide guidance for future scalable rate offerings.

Should you have any questions, please do not hesitate to contact Jeremy Klingel at 704-724-7341 or *klingelje@bv.com*.

Very truly yours,
BLACK & VEATCH CORPORATION

Robert Brnilovich
Vice President

Table of Contents

I. Pilot Rate Design Methodology and Program Development Framework

Black & Veatch understands that JEA has committed to develop, implement, and evaluate a pilot program to evaluate charging its residential customers for electric service under a three-part rate structure, including a separate demand rate to recognize each customer's unique load and cost characteristics. Rate or pricing pilot programs are used by utilities to reach statistically meaningful conclusions that can be generalized across the utility's customer base related to the impacts of alternative rate structures and pricing concepts on customer energy usage patterns and the underlying consumer behaviors. These programs represent a first step in assessing the potential for broad application and acceptance of a new rate form for a utility's customers when a utility has not yet committed to implementing rate design changes. Careful planning and execution are essential to avoid the potential threats to the validity of the program and generally seek to answer to following high-level questions:

- Are customers willing to sign-up for and remain on the new rate?
- Are the new rates beneficial to both JEA and the customer?
- Are internal JEA processes and systems mature enough to support rate scalability?
- What will it take for customers to sign up for the demand rates?
  - What factors encourage customers to adopt the rate?
- What types or segments of customers are enrolling?
  - What characteristics do participants share?
  - Can this information be used to target customers for a commercial offer?
- What is the acquisition cycle?
  - How many touches are required for a decision?
- What is the attrition rate for the program?
  - What contributes to this attrition and is there a seasonal/cyclical aspect to customers leaving?
- What usage patterns or load profiles reflect customers on the demand rate?
  - How has usage changed from the prior year as a result of being on a demand rate?
  - How has the amount of the customer's bill changed from the prior year as a result of participating?
- Does the customer's satisfaction with JEA change as a result of being on the rate?

- Will you have a dedicated customer service hotline to contact specially trained CSRs to handle billing issues and questions?
- How does weather impact the customer's willingness to modify behavior to shift usage?
- What is the mix of winners, losers, and/or free-riders on the demand rate?
- What shift or reduction in load is realized by demand rate participants?
- Does the JEA have the necessary systems in place to support this rate offering?
- What is the price elasticity?
- What are the impacts to JEA, regarding:
  - Level of customer support required
  - Metering and Data support requirements
  - Billing system modifications
  - Revenue impacts
  - Customer Satisfaction impacts
  - Other Rates or Program opportunities
- Are the new rates scalable, beneficial and sustainable for customers and the JEA?
- If the demand rate creates a load shift away from peak, does it impact existing demand response programs?
- Does the demand rate create a shift in load without an overall loss in energy consumption, or simply a loss of load and consumption?

Generally speaking, there are two basic types of pilot programs: *demonstration pilots* and *controlled experiments*. *Demonstration pilots* are used when the primary objective is to prove that a given rate structure, pricing form, or ratemaking mechanism can feasibly be implemented in a real-world setting. *Controlled experiments* are pilots based on a more rigorous analysis of a select number of participants to estimate the impacts of a future full-scale program on a broad population of customers.

Important considerations in the design of a *controlled experiment* include:

- The selected timeframe, (typically longer than a year to capture seasonal and consistency effects)—**We recommend an 18 month pilot duration (post enrollment period) for JEA's residential demand rate**
- The selected type and number of participants—**For statistical significance and to account for program attrition, participant enrollment of at least 500 customers is recommended**

- Recognition of treatment groups among the population (i.e., pilot participants and a control group)—**If multiple treatments are selected, such as enabling technology, each segment should consist of no fewer than 100 participants and include corresponding control groups if possible**
- Strict requirements for the recruitment of participants—**For instance, it is important to recruit a sample representative of the usage and demographic clusters expected to enroll in the program at scale or to mirror the population when the rate is considered for mandatory participation**
- Strict requirements for the type of information and incentives provided to participants—**It is recommended that incentives are limited to sweepstakes or compensation for providing insights regarding pilot participation and not as a reimbursement for enrollment**

The design of a well-conceived and meaningful rate pilot program requires the utility to undertake a series of steps and related decisions as outlined below:

Step 1—Establish Objectives for the Rate Pilot Program

Create a statement of objectives for the rate pilot program that states explicitly the information and insights to be obtained from the pilot. Since the objectives of a residential demand rate are of interest to many different stakeholders, it is important to recognize that the objectives should be jointly developed between JEA's project team and its internal policy makers. These include both key sponsors of this program, Customer Solutions and Rates & Financial Planning.

By developing the pilot objectives over a broad stakeholder constituency, JEA will be better able to make reasoned decisions related to:

1. The choice of rate treatments;
2. The experimental customer population; and
3. The allocation of participants to the treatment and control groups.

These three decisions are discussed in more detail in the subsequent steps of the developmental process.

Step 2—Develop a Design Template That is Supportive of the Pilot's Objectives

Develop a template of the required design elements to help ensure that the objectives of the pilot program, such as: better rate cost allocation, demand reduction at the system or distribution level, or increased customer interaction and satisfaction with JEA. For example, this can include the decisions related to the measurement of demand (the use of kW, kVa, demand intervals, the time differentiation of demand (peak periods, hourly), the functional types of demand charges (distribution costs, G&T costs), and the types of demand ratchets, if any.

This design template must also include consideration for any technical restrictions resulting from current state technology and opportunities available from future state Smart Metering and bill processing technologies.

Finally, the design of the pilot program and the related evaluation process should match the required results to enable the extrapolation of the results to the utility's entire residential customer base.

Step 3—Identify All Relevant Data in Support of the Pilot Program

Identify all relevant variables for the pilot program to help ensure high quality data analysis throughout the duration of the pilot. This step would include not only the electric usage data for each pilot participant, but potentially the household end-use data (e.g., central air conditioning, space heating, water heating), the household demographic data, and different treatment data, if applicable (e.g., participating customers with and without smart thermostats).

Step 4—Specify the Pilot Participants

The pilot design should specify each proposed treatment and how customers will be chosen at each stage of the enrollment process. Since there are multiple steps in the enrollment process and it will differ for the experimental and the control groups, the process must be laid out sequentially. For example, there may be a stage where potential participants complete a questionnaire that is used as part of the selection process. Also, it would not be a good sample if most of the participants were in the same age cohort, or if no one was home all day during the week because the adult residents all worked outside the home. It is critical that the participant groups for each treatment reflect the population that rates will be applied to if the pilot is to be successful.

Finally, the participant selection process must be designed to help ensure accurate extrapolation of results to the broader JEA rate base.

Step 5—Develop a Plan to Manage Pilot Participant Attrition

The design of the utility's pilot program should address the issue of participant attrition. For making the results statistically reliable, the initial design for rate treatment should reasonably assure that the customer sample remains adequate throughout the duration of the pilot so that the final evaluation has an adequate sample to properly reflect the diversity of customers within the particular customer class.

From this series of steps the design framework of the pilot is developed. From this framework, there are three critical decisions that need to be made before the pilot can be implemented:

1. **The choice of treatments (*see Step 3*)**—the basic treatment being evaluated by JEA is a residential demand rate structure. As noted earlier, there are issues related to the determination of demand for these customers. Other considerations include the potential application of future-state technology options for a sub-set of customers. Examples might include the

potential use of smart thermostats that utilize telemetry or are enabled by the deployment of AMI, to receive signals from the utility and adjust customers' demand, or near-real-time alerts via a mobile application, SMS or e-mail that could be sent to a segment of participants based on their measured usage during high demand periods. Finally, it is also important to define the potential feedback for customers enrolled in the pilot program that may be provided to them either directly or through their utility bills and how the impact of this feedback might be measured to assess the customer impact of communications strategies.

2. **Selection of the pilot population (*see Step 4*)**—for JEA, the manner in which the treatment is specified (i.e., a residential demand rate structure) defines the basic population from which the pilot's participants will be selected. However, the important question to consider is whether it will be necessary to test the pilot within the residential class based on energy use, or segments of the class such as low income, all electric customers, single family homes, or renters. In addition, separate experimental and control subgroups should be considered for customers with PV facilities recognizing that this type of customer is one of the reasons such a rate form is being considered by a growing number of electric utilities.

3. **The allocation of treatment and control groups (*see Steps 4-5*)**—the determination of the type of pilot participants for the treatments that are selected include opt-in selection, opt-out selection, and payments for continued participation. In addition, the control group should not be aware that they are part of the pilot program. For JEA, the current availability of one-way AMR, and the limited availability of two-way AMI will influence whether the control and treatment groups can be matched to each population segment and have a greater number of participants than under a pilot program with no two-way AMI capability. In addition, the ability of the MDMS and billing systems to enable the defined demand billing determinants and execute a bill that properly represents the anticipated future state customer communications will produce technology dependencies.

IMPLEMENTATION OF THE JEA DEMAND RATE PILOT PROGRAM

Once the pilot is fully developed, there are a number of go-to-market issues that involve the selection of a qualified group of participants based on the preliminary criteria identified in both the objectives and the specification of the pilot participants. The next step is to determine the smaller subset of solicited customers who will be in the initial marketing and promotion as potential participants. At this point, customers will be selected as potential participants and may or may not be surveyed to become qualified participants. Finally, the sample will be narrowed to enrolled participants. These customers will be assigned to the various treatment groups for the pilot.

While the process is straightforward, implementation relies on customer choice (opt-in or opt-out options). There are questions about the interaction of the utility and participants such as the balance of mitigating participant attrition by providing an incentive. However, this can also provide false expectation for customer adoption at scale when an incentive is not offered. There are also issues about high-bill risk mitigation, participant education, active and passive technology options, management of free-riders, and so forth. The important point is that numerous decisions must be made prior to rolling out the pilot and those decisions may need to be revisited throughout the pilot lifecycle.

Among decisions on the project critical path are those that relate to the technology requirements for the measurement of demand, the collection of data via the JEA one-way and two-way AMI meters, and the processing of the data through back-end systems to formulate sample billing. The pilot program cannot be rolled out until these decisions are made and the back office systems are available to support billing and other operating considerations of the pilot, including potential coordination with smart thermostats, other customer enabling technologies, e-mail alert generation and any other customer feedback mechanisms to be included in the pilot.

IMPACT EVALUATION OF THE RATE PILOT PROGRAM'S RESULTS

The results of the pilot should be thoroughly evaluated and reported in detail. The report should identify uncertainties in the results and the relative precision of the findings. As much as possible, the results must address the issues that the policy makers may raise as they consider implementation of the pilot rate treatment on a broader scale across the utility's customer base.

II. Project Approach and Deliverables

Black & Veatch has broad experience in each of the key areas necessary to successfully design, implement, and evaluate JEA's residential demand rate pilot program. In light of this experience, we propose the following advisory support:

- Drafting of the pilot charter and hypothesis
- Modeling and development of the pilot rate structure, including a minimum of one alternative design
- Creation of a market insight report investigating existing demand rate programs throughout North America
- Establishment of a customer baseline for treatment and control, leveraging historical usage and interval data
- Statistical and demographic sampling to provide pre, intra, and post-pilot analysis
- Meter Strategy dependencies – Functional, Systems, Timeline
- Development of a participant dashboard and pilot reporting suite
- Creation of a comprehensive go-to-market and pilot engagement strategy
  - Define the customer acquisition approach
  - Design a participant segmentation framework
  - Craft a multi-channel customer acquisition campaign including online, email, direct mail, and call center-driven marketing collateral
  - Develop customer education and acquisition micro-sites
  - Provide on-going pilot dialogue and messaging support for participating customers
- Evaluation of customer performance with regards to reduction or shifting of usage via quarterly bill comparisons, demand analysis, and a mid-pilot impact report
- Coordinate structured feedback analysis of customer adoption, performance, and attrition via surveys and focus groups to gauge perception and satisfaction with the pilot
- Creation of a final cost/benefit impact analyses including customer insights for future rate design and engagement models, this will include:
  - kW and kWh Impact
  - Customer Acquisition and Support Cost
  - Recommended customer experience refinements for scaled deployment, (i.e. systems, process, etc.)

- Identification of enhancements to educational material for scaled deployment

Figure 1, (below) is an illustrative example of the framework we will leverage during pilot chartering and go-to-market design:

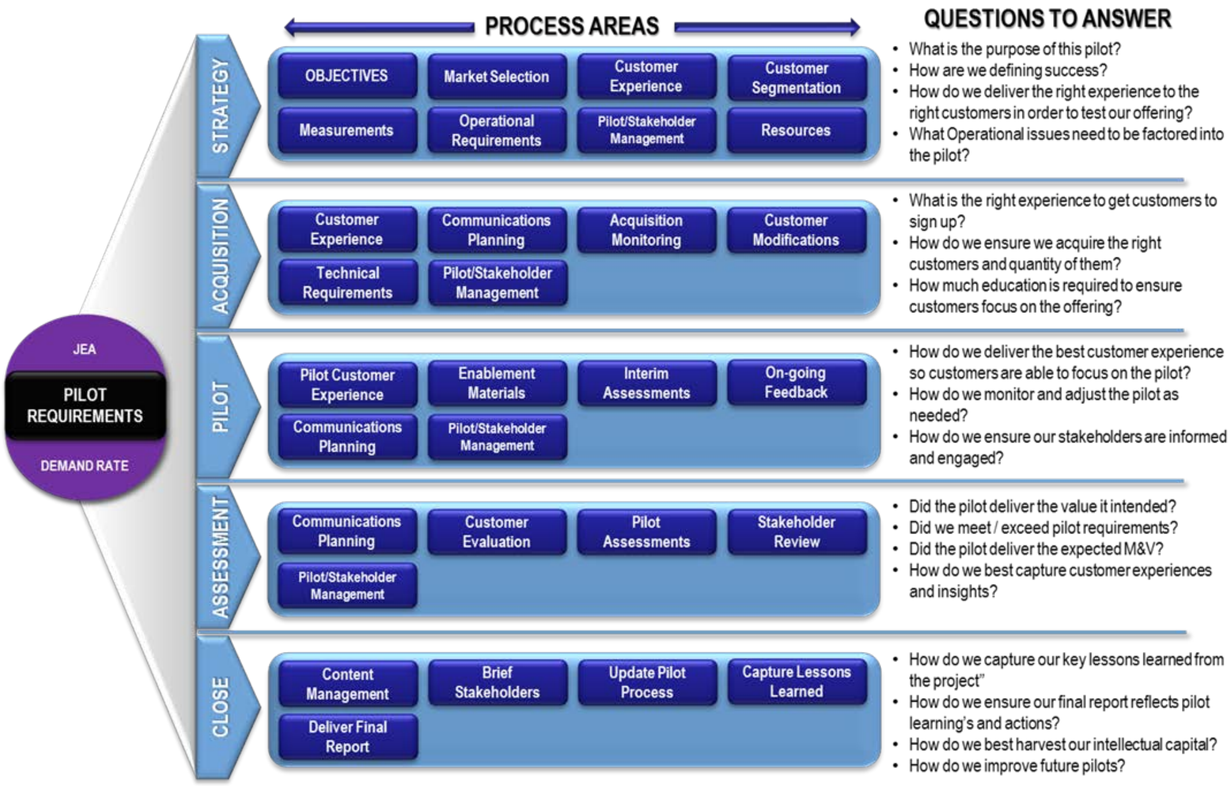


Figure 1

III. Proposed Project Team

Black & Veatch brings to JEA for this project a highly experienced and capable lead consultant, backed up by a team of professionals who have the hands-on experience and industry insights to guide JEA's staff through the design, implementation, and evaluation of its proposed residential demand rate pilot program.

Jeremy Klingel will serve as the lead consultant for this work effort. Maximizing Jeremy's overall effectiveness in supporting JEA, certain aspects of conducting this rate pilot program are likely to require specialized expertise to supplement Jeremy and JEA's already broad capabilities. As a result, we are providing, (below) other professional staff members who are well-versed in the economic, ratemaking, technology, customer response and behavioral assessment components of designing, and implementing and managing utility rate pilot programs. These additional resources will be available to Jeremy to support specific Subject Matter Expertise, or will be working in parallel with him on the current activities supporting the Meter Strategy engagement.

Jeremy Klingel—Managing Director and Lead Consultant

Mr. Klingel is an executive management consultant specializing in the business transformation of utilities. He is currently focused on the design and implementation of customer-facing and critical infrastructure programs that leverage the regulatory constructs and best-practices driving the investment decisions of today's utilities. Skilled in crafting and integrating energy management, energy efficiency, and demand response technology solutions, Mr. Klingel previously founded a practice serving utilities with specific focus on enabling optimized operations in a competitive retail environment via: behind-the-meter product development, time-of-use rate design, and progressive customer engagement models. This includes the direct experience of leading the Rate Design, Marketing, and Customer Experience for a Fortune 200 Utility Corporation in the following capacity:

- Serving five years as the lead portfolio developer and manager for nine dynamic pricing programs across three jurisdictions. These residential and small general service tests trialed 18 rate configurations ranging from simple peak time rebate programs to four-season, multi-tier design with critical peak pricing and the introduction of enabling technology.
- During this time he was also responsible for the redesign of the utility's rate presentment and bill format, as well as management of all residential, billing products and services.
- In addition to rate design and prototype management he also crafted the go-to-market approach, customer acquisition strategy, and customer interaction, (marketing) material for all residential pilot programs involving a rate or smart-grid technology

- In support of the utility's AMI business case he also managed the regulatory and collaborative relationship between the Utility, Public Utilities Commission, Consumer Council, and other intervening agencies
- During his tenure as an imbedded consultant, he also established an analytics team focused on Market and Customer Insights, specifically concerning demographic segmentation, energy signatures, behavior-based programs, technology trends, and overall customer satisfaction.
- Under his direction, this team was then charged with modeling and carrying out all segmentation studies, conjoint analysis, impact analysis, preliminary measurement and verification related to pricing, such as conservation, elasticity, cost-causation and customer persistence.

Ed Overcast, Ph.D.—Director

Dr. Overcast has been responsible for a wide variety of electric and gas pricing and cost analyses. He has had operational and strategic responsibility for both the electric and gas utility tariff design, including comprehensive unbundling cost analyses and innovative tariff administration. He has provided expert testimony and presentations before city, state and federal regulatory agencies on a number of rate and strategic policy issues related to unbundling cost of service (marginal, fully allocated and unbundled cost studies, alternative regulation), strategic and market-sensitive pricing, bypass economics, sales and revenue forecasts, revenue sharing and adjustment mechanisms, competition and fuel switching, transmission pricing and a variety of policy issues including unbundling proposals, line extension policy and rate discounting and recovery. Dr. Overcast has also prepared cost benefit analyses for various rate designs and other utility programs. As a member of the Association of Edison Illuminating Companies (AEIC) Load Research Committee, he has presented various papers related to the application of load research to developing new utility rate designs.

Bob Brady—Director

Mr. Brady has served clients in more than 40 states and 12 foreign countries in his more than 40 years of industry experience. He has served clients in the areas of unbundled costs-of-service, rate design, competitive assessment and organizational studies; financial feasibility; tax-exempt revenue bond financing; utility operation; utility property valuation; cogeneration compliance reviews; and expert witness testimony. Mr. Brady is responsible for management oversight of financial studies for publicly owned utilities, major customers of utilities and the private power industry. Clients served include public power and combination utilities in all regions of the United States, public power agencies, as well as international assignments for electric and water utilities.

Jeff Buxton—Executive Consultant and Lead Consultant for the JEA Meter Strategy

Mr. Buxton leverages 30+ years of experience within the energy, utility, IT, technology, and industrial sectors, including North American and international management expertise delivering business-to-business solutions. His experience encompasses strategic business planning, technology roadmap development, program management, executive and marketing communications, change management and operations planning.

Mr. Buxton's representative domain experience includes:

- Smart Metering and Advanced Metering Infrastructure (AMI)
- Smart Grid and Distribution Automation
- Meter Data Management Systems (MDMS) and Utility Back Office processes
- Deregulated Markets, Retail/Wholesale Markets

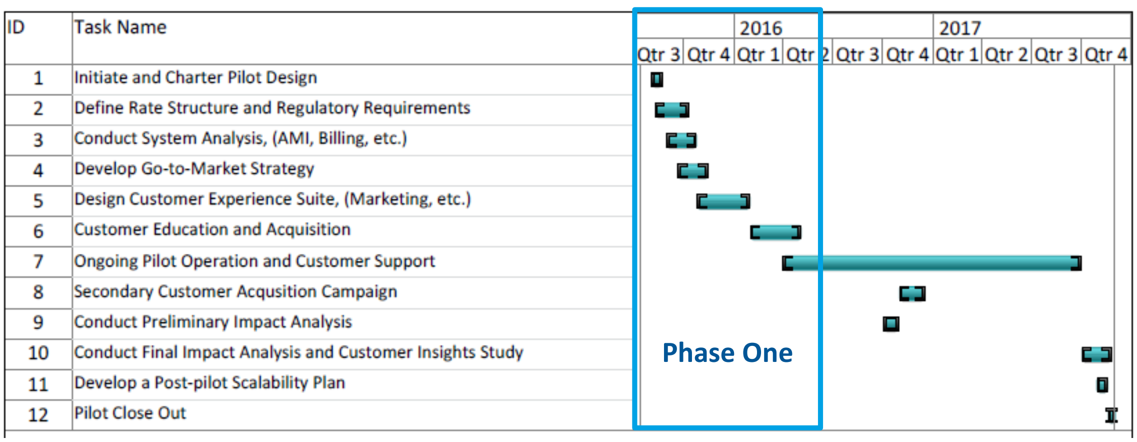
Chris Flowers—Project Manager

Mr. Flowers is a project manager with a cross-disciplinary skill set providing strategic consultancy, project leadership, product management and solutions design to organizations. He focuses on using his successfully demonstrated functional and technical background to develop, sell and implement innovative technologies across industries. He possesses a unique combination of business acumen and relationship building skills.

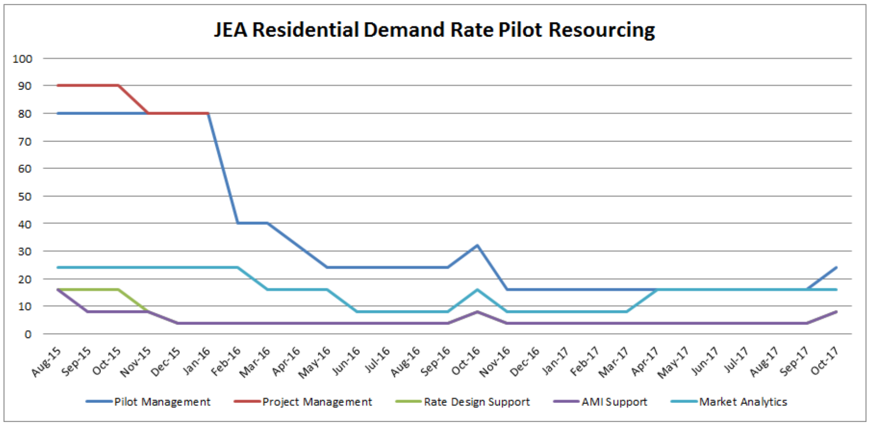
IV. Schedule

The complete Residential Demand Rate Pilot Program as described above is expected to occur between September 1, 2015 and October 31, 2017 and be split into two significant phases. The first phase will include all the planning, strategy, and preparations work to enable the launch of the actual pilot phase (Phase two). Phase One is expected to last six months while Phase Two will complete the remaining 20 months.

The figure (below) highlights an illustrative key event schedule from Pilot Chartering through Execution and Reporting. The scope and duration of the pilot program will evolve as the Charter and Go-to-Market Strategy are developed; therefore this Statement of Work only covers the Phase One Tasks1 through 6, as stated below, and for a duration of 6 months.



The resources and hours required to support these Phases will vary over the entire 26 months of the program. Efforts will ramp up during the Phase One pilot design and acquisition activities before receding to minimal care and maintenance levels during Phase Two pilot operations. An influx of activity is also to be expected during the preliminary impact analysis and pilot close-out phases. The following provides and illustrative graph of the expected resource requirements to complete the Pilot Program work.



As illustrated above, Phase One resource hours are estimated as follows:

- 480 man-hours by the Lead Consultant (Pilot Management)
- 510 man-hours of Project Management
- 160 man-hours of support by Rate Design and Market Analytics Consultants
- 96 man-hours of support by the Lead Consultant for the Meter Strategy (AMI Support)

Building Community

AGENDA ITEM SUMMARY

July 31, 2015

SUBJECT:	**DOWNTOWN CAMPUS COMPREHENSIVE PLAN**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: The downtown campus is in need of major upgrades due to the condition of the existing buildings and building systems.

Significance: Timely decision to either completely rehab existing or build a new building is critical to operational effectiveness and customer service.

Effect: All Stakeholder groups including employees assigned to the downtown campus and customers.

Cost or Benefit: Staff will work to plan design the best option, with a spending authorization of up to $3 million.

Recommended Board action: Staff recommends the Finance and Audit Committee approve and recommend to the Board an authorization to proceed with development of a comprehensive plan for downtown campus.

For additional information, contact: Hamid Zahir, 665-6068

Submitted by: PEM/VP/MHD/HAZ

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
July 31, 2015

SUBJECT: **DOWNTOWN CAMPUS COMPREHENSIVE PLAN**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Peter Bower, Chair
Husein Cumber
Robert Heekin
John Hirabayashi

BACKGROUND:
The downtown campus consists of the Tower, Customer Center, and the Adair Parking Garage. The JEA Tower and Customer Center constructed in 1962 as a joint development; the Universal Marion office building (Tower) and Iveys department store (Customer Center).

DISCUSSION:
The downtown campus has been on the list for major upgrades; however, in the past other priorities have taken a higher rank for capital investments. It is critical to address the downtown campus and make it a higher priority due to the condition of the buildings and building systems.

RECOMMENDATION:
Staff recommends the Finance and Audit Committee approve and recommend to the board, work to plan design the best option, with a spending authorization of up to $3 million.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/HAZ

Ver 2.2 02/01/2014

FINANCE & LOGISTICAL SERVICES

Finance & Audit Committee Meeting

August 10, 2015

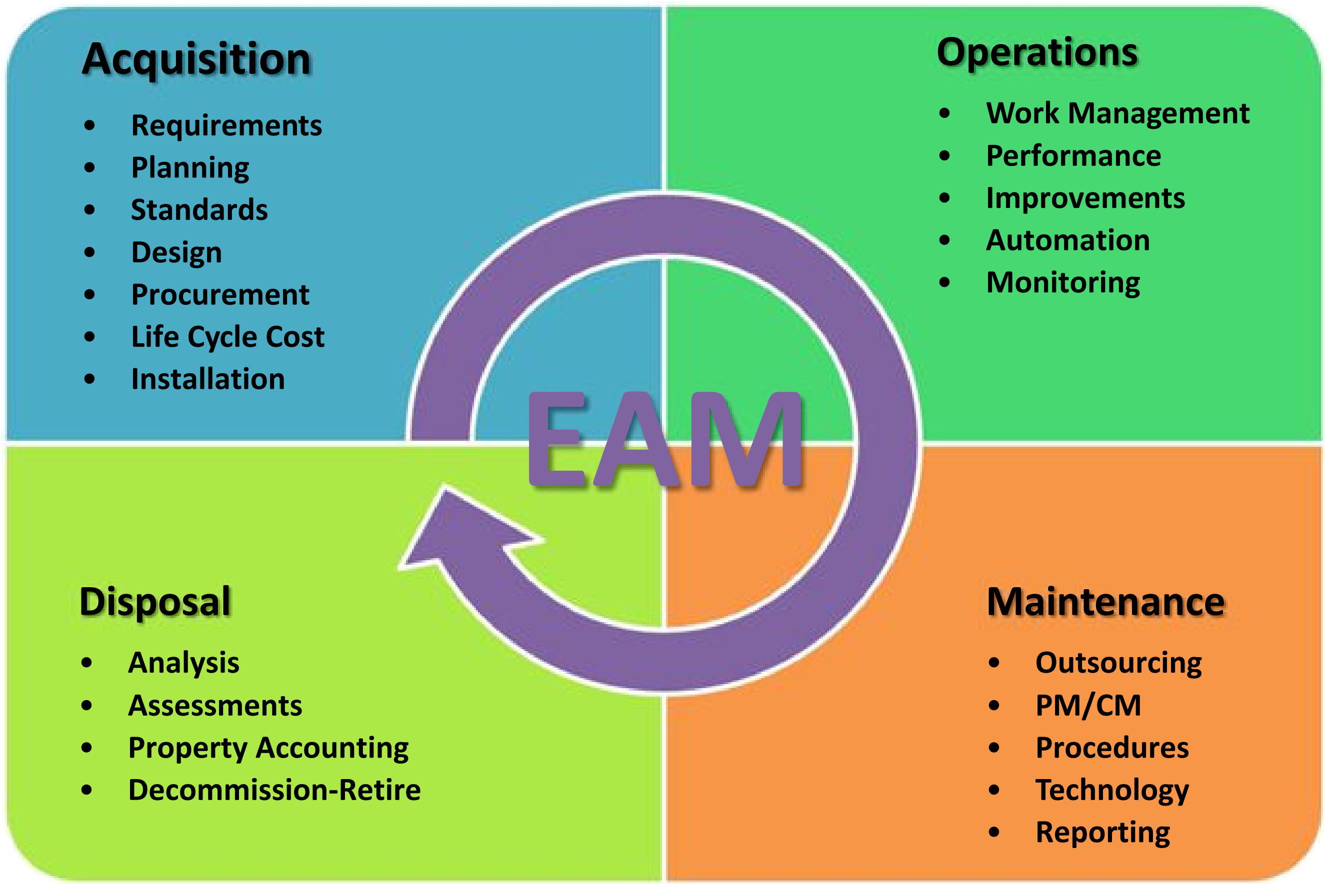
Assets Groups

1. Appliances
2. ATS
3. Backflow
4. BAS
5. Buildings
6. Cell Tower
7. Electrical
8. Elevators
9. Fiber
10. Furniture
11. Generators
12. HVAC
13. Landscaping
14. Lighting
15. Paving
16. Plumbing
17. Roofing
18. Site Work
19. Security
    1. Fire System
    2. Fencing
    3. Gates
    4. Cameras
    5. Card Readers

ENTERPRISE ASSET MANAGEMENT (EAM)

Enterprise Asset Management is…

- A systematic process that maximizes the value of physical assets.
- A logical approach for maintaining, upgrading, and replacing assets based on life-cycle costs.
- The rigorous link of databases to the financial aspects of ownership for long-term and short-term planning.



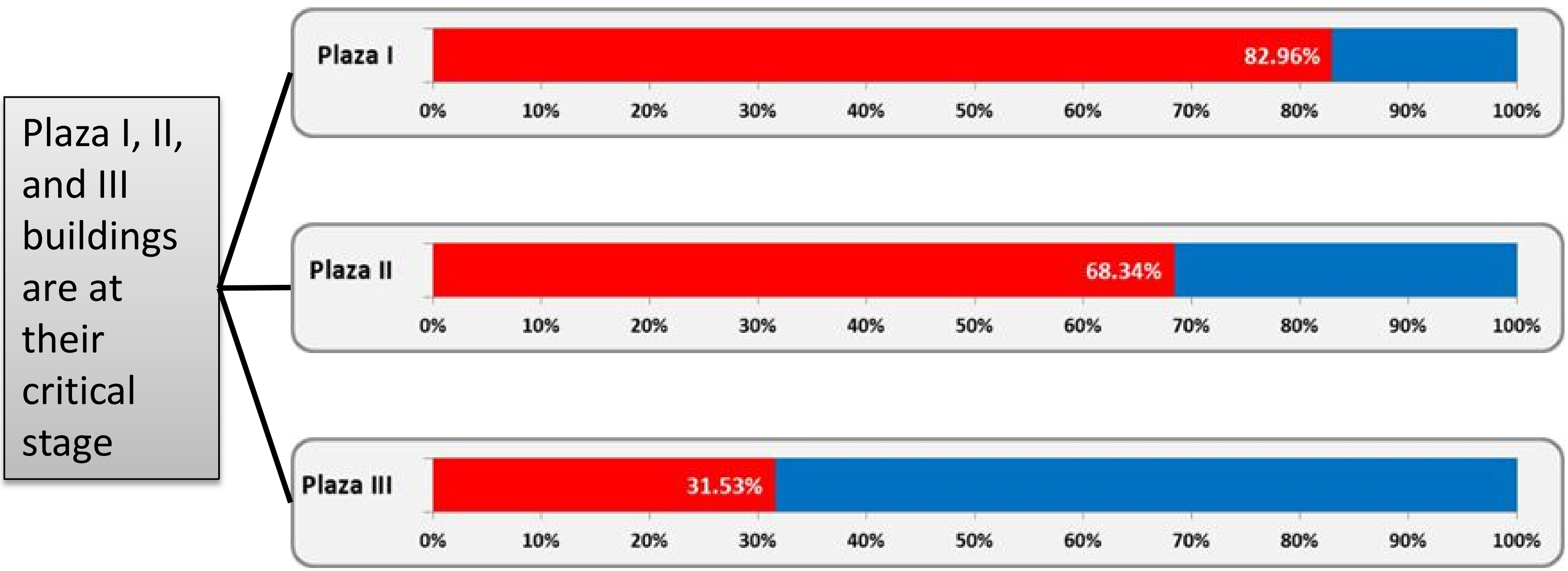
EXISTING DOWNTOWN CAMPUS

Over the past decade, capital requirements have been identified for JEA's downtown campus, but other electric & water system projects have taken a higher rank for capital investments. It is now critical to address the downtown campus due to the condition of the building and building systems.

Industry best practice suggest the following scale for building assessment:

(FCI = Deficiencies/RC)

0% < GOOD < 5%	5% < FAIR < 10%	10% < POOR > 30%	Critical > 30+ %



EXISTING DOWNTOWN CAMPUS

Current state

The JEA Tower and Customer Center were constructed in 1962 as a joint development; the Universal Marion office building (Tower) and Iveys department store (Customer Center). These two buildings are joined by two levels of shared underground spaces consist of mechanical rooms and parking decks. JEA purchased the property in 1989 from the Charter Oil Company.

Description of campus

JEA's Downtown campus, centered around Church Street between Laura and Main Streets, covers nearly 1⅓ city blocks. The campus consists of three buildings: The Customer Center, Tower, and JEA's Adair Garage, all centered around a Plaza with underground parking.

The 1.88 acre site contains the Tower, a high-rise office totaling 193,600 sf and the Customer Center (CC), a six-story office building totaling 144,000 sf directly to the west. The downtown campus buildings support and provide workspaces for approximately 750 JEA employees. Overall, the Plaza buildings contain more floor space than is currently being utilized. In fact, several floors of the Tower are less than 50% occupied. The plaza underground parking and the Adair garage contain approximately 513 parking spaces.

EXISTING DOWNTOWN CAMPUS - ISSUES

Capital Repair Issues

Plumbing: The existing cast iron drain lines are original to the building and have become a source of continual problems. The lines have reached the end of their anticipated life and we normally experience 2 to 3 major leaks each year. The potential for a significant sanitary sewer leak poses an ongoing risk to business continuity within the Tower.

The drain line is totally plugged with debris and the pipe wall is so thin that when we attempt to mechanically unclog the line the pipe will split open.

Electrical: The Tower main electrical distribution and overload protection devices are original to the building. Because they are over 50 years old, replacement parts are becoming difficult to obtain. In addition, much of the electrical system is located in the basement and these systems are at risk of being suddenly shorted offline or damaged during storm/flood conditions. A long-term Tower electrical system failure could have a cascading effect on the CC Data Center, as several telecommunications points reside throughout the tower. In November 2014, the main circuit breaker serving Tower generator loads failed and the generator ran for over 60 hours straight while emergency repairs to the breaker and conductors were completed.

EXISTING DOWNTOWN CAMPUS - ISSUES

Capital Repair Issues, Continued:

Fire Protection: The current fire protection system is outdated and all software updates must be performed by a single vendor if we want to add or delete components. Also, the main fire panel is beginning to exhibit signs and symptoms of a major hardware failure. The fire alarm command center is located on the second floor northwest stairwell landing. While rescue personnel are attempting to pinpoint the source of the fire alarm, the stairwell could be inadvertently blocked by emergency personnel and equipment during an evacuation.

Flooding issues: The intersection at Church and Main form a natural basin and flooding during severe afternoon thunderstorms has been frequently observed. Occasionally, these flood waters spill over into our basement through the Main Street employee entrance. Also, a Category 3 or 4 Hurricane could generate a storm surge up Main Street which combined with heavy rainfall may flood the basement. Such an event would render the Tower uninhabitable for at least 6 months.

EXISTING DOWNTOWN CAMPUS - ISSUES

Capital Repair Issues, Continued:

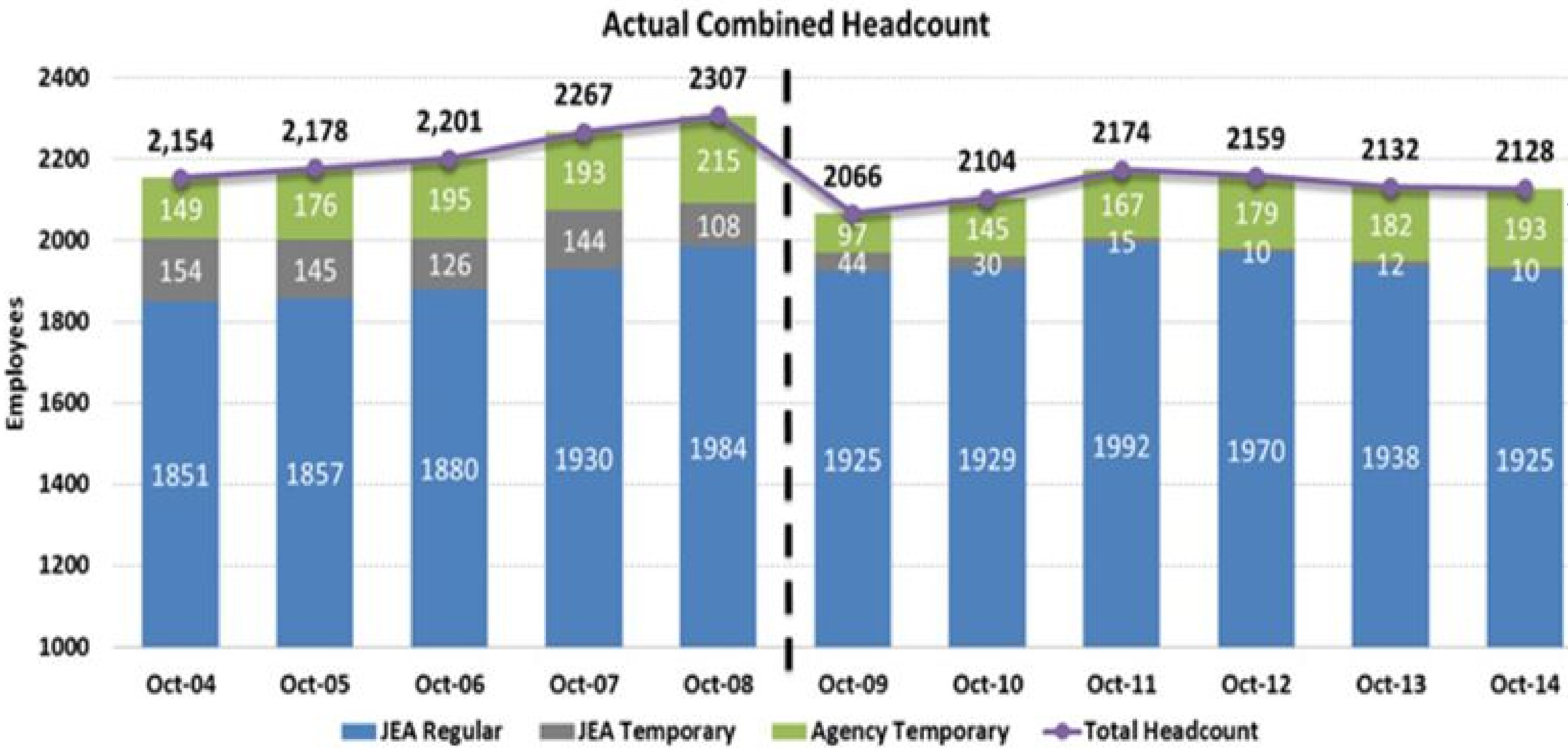
Basement generator: If the Tower electrical system in the basement is knocked out of service during a storm/flood condition, the 41 year old generator will provide back-up power to the Tower. The generator and associated transfer switch is located at a slightly higher elevation than the basement electrical equipment and will most likely survive minor downtown flooding, but the generator and transfer switch are beyond their anticipated life cycle and must be replaced. The installation of a new Tower generator will require a significant electrical upgrade to the existing service.

Parking for employees: The plaza underground parking and the Adair garage contain approximately 513 parking spaces, far fewer than the 758 employees assigned to the Tower and Customer Center.

Security concerns: The two levels of basement parking below the Tower and Customer Center are inconsistent with Security best practices for a headquarters building of a bulk power supply system operator.

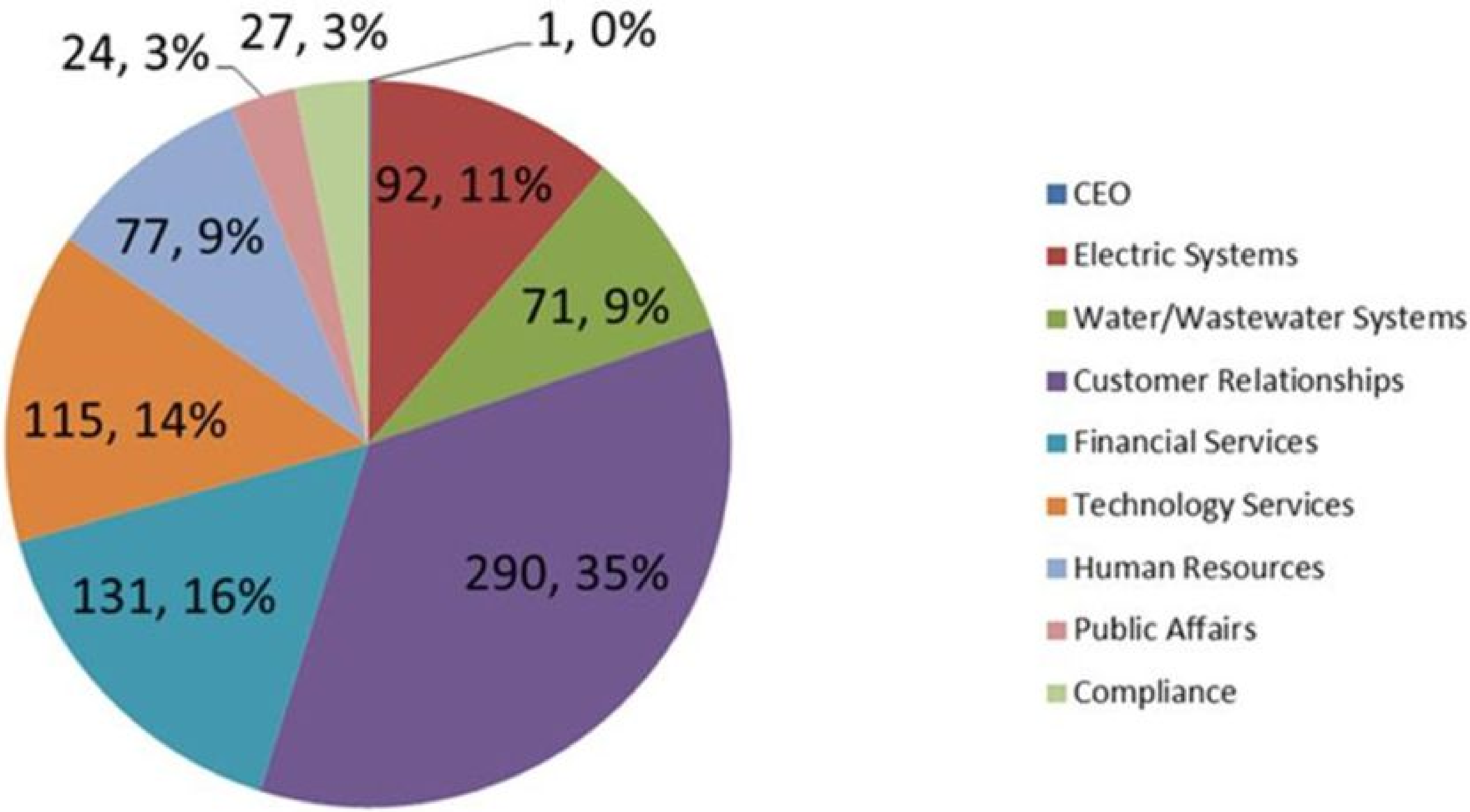
Structural issues: At the age of 53 years, the Towers concrete structure remains in fair/good physical condition. However, with only 12,000 usable square feet per floor, short column spacing, and a central stairwell the Tower is not conducive to a high density furniture layout.

The JEA Workforce – Historic Staffing Levels



Total Workforce remains down and stable since production peaks reached in 2008

JEA DOWNTOWN ASSIGNMENTS BY BUSINESS UNIT



828 Total Downtown Assigned Employees; optimal future location of downtown work groups will be considered as part of the campus analysis

POTENTIAL SCENARIOS TO ADDRESS DOWNTOWN FACILITIES INFRASTRUCTURE NEEDS

Construct New Building

- Under this plan, JEA would maintain the existing Tower and Customer Center until a new building is constructed, minimizing repair and maintenance expenditures at the existing buildings while the new building is under construction

Large-Scale Renovation of Existing Tower and Customer Center

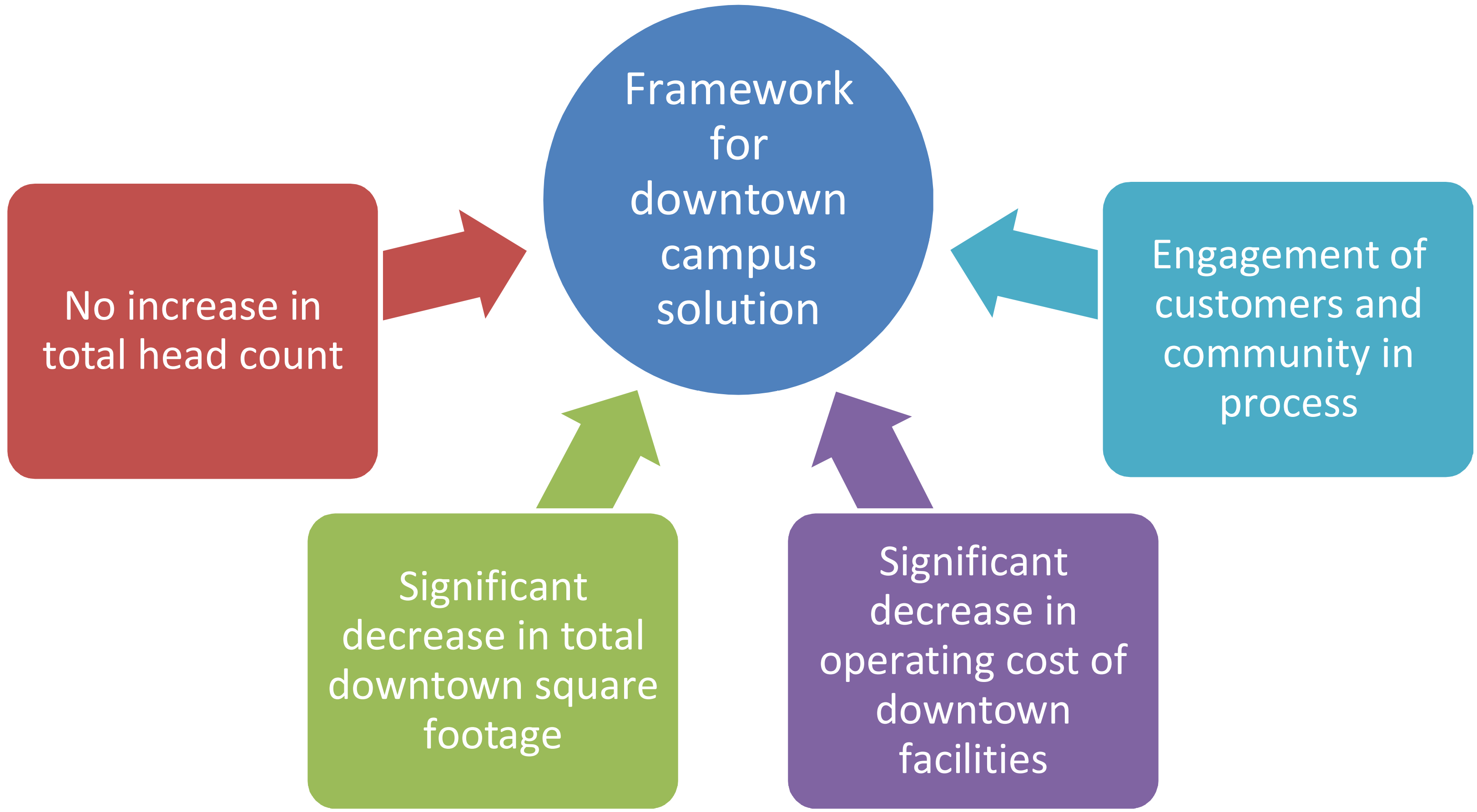
- This option completely renovates the entire Tower and portions of the Customer Center improving all critical infrastructures. All Tower critical infrastructures (electrical distribution, air handlers, chilled and potable water pumps, etc.) will be relocated out of the basement.

Tear Down Existing Tower and Completely Re-Build

- Under this plan the Tower will be demolished and replaced with a new building to suit our needs. This plan has the highest risk due to complete removal.

BUT … A final recommendation on the path forward requires further development and diligence

NEXT STEPS: FRAMEWORK FOR DOWNTOWN CAMPUS SOLUTION



- Staff recommends the Finance and Audit Committee approve and recommend to the Board an authorization to proceed with development of a comprehensive plan for downtown campus within the framework described.
- Phase 1 development budget will not exceed $3 million, and project will be submitted for board approval prior to commencement of construction or rehabilitation activities.

Technology Services

---at a glance

Background
Paul Cosgrave - CIO

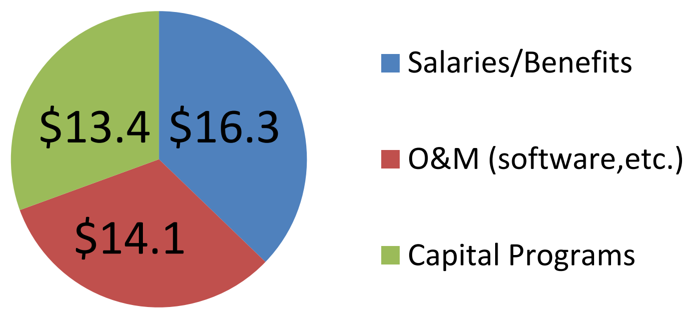
- Joined JEA September, 2014
- 42 years of IT experience:
  - CIO, City of NY
  - CIO, Internal Revenue Service
  - CEO, Claremont Technology (took public in 1996)
  - Managing Partner Andersen Consulting (now Accenture)
- Industrial Engineer from Rensselaer (RPI-BS and MS), recognized by RPI with the Distinguished Albert Fox Demers Medal, the second highest recognition given to an Alumnus, and by his Fraternity, Sigma Chi, as a Significant Sig.
- Has three grown children, has held local JAX residency since 2000, Currently lives in PVB w/wife Charlene and 2 dogs, moving to Jax Beach later this year.

Paul J Cosgrave
Chief Information Officer

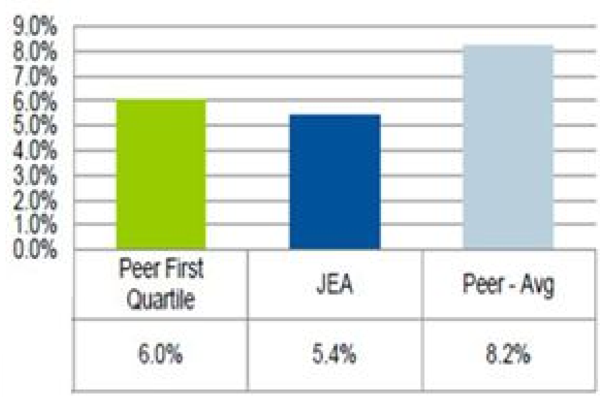
Technology Services (TS) Highlights

- Technology Services (TS) is one of 8 organizations that report in directly to the CEO.
- Authorized Staff is 121
- Services include:
    - Telecommunications/Network Support (16)
    - Data Center/PC Support (37)
    - Cyber Security (11)
    - Application Development (31)
    - Analytics/GIS Support (12)
    - Project Management (9)
    - Enterprise Architecture (5)

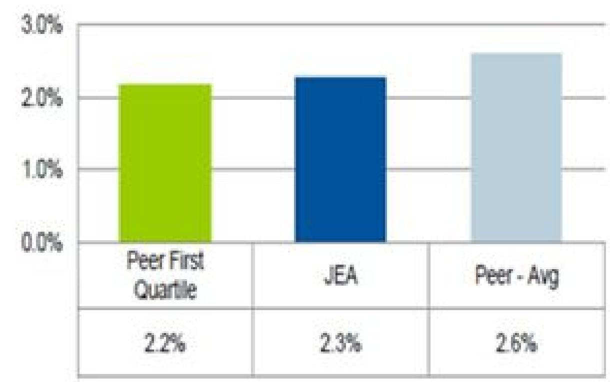
2016 Budget
$43.8 Million



IT Staff as % of Total Employees



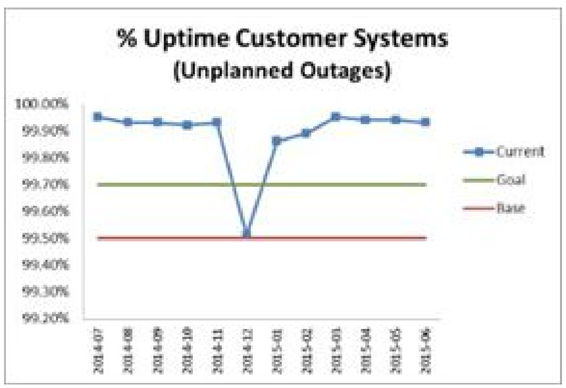
IT Spend as % of Revenue

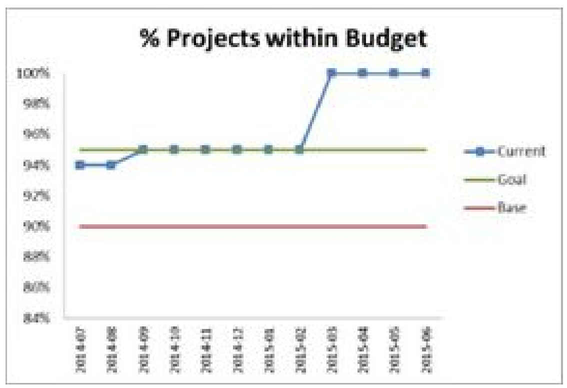


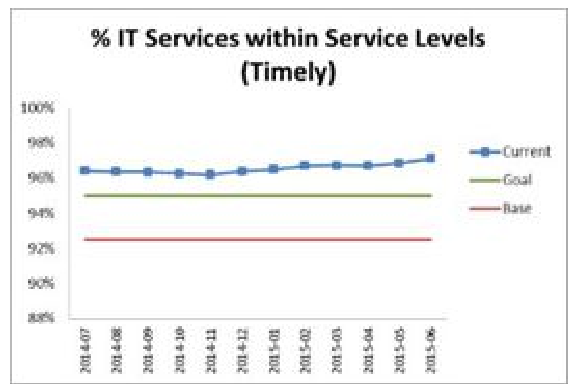
Technology Services (TS) Highlights

- Major Service Goals:
  - Reliability of Essential Systems (99.9% uptime target)
  - Deliver Projects on-time and on-budget
  - Provide timely response to all service needs
  - Ensure System Security/Protect Enterprise and Personal Information;
    - Compliance - Meet Critical Infrastructure Protection Requirements
    - Compliance - Protect Customer and Employee Identities/Personal Information
    - Operational –Prevent business disruption-ensure continuity of operations (from both terrorist and natural incidents.

Key Performance Metrics:







JEA
Building Community

AGENDA ITEM SUMMARY

July 27, 2015

SUBJECT:	**ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of June 30, 2015.

Significance: Low

Effect: JEA Board

Cost or Benefit: None

Recommended Board action: No action required; provided for information only.

For additional information, contact: Melissa Dykes

Submitted by: PEM/MHD/JEO/BHG

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
July 27, 2015

SUBJECT: **ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Peter Bower, Chair
Husein Cumber
Robert Heekin
John Hirabayashi

BACKGROUND:
At the May 7, 2012 Finance and Audit Committee meeting, JEA staff presented schedules reflecting historical and projected activity in JEA's Electric System and Water and Sewer System unrestricted and restricted fund balances. Many of these reserves are required under the respective System's bond resolution or under Board approved policies such as Pricing Philosophy or Debt Management Policy. JEA staff also stated that these schedules would be provided to the JEA Board on a quarterly basis beginning in August 2012.

DISCUSSION:
Attached are the reserve fund schedules referenced above for the period ending June 30, 2015.

RECOMMENDATION:
No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

Ver 2.1 09/21/2013

Electric System and Water & Sewer System Reserve and Fund Balances (1)

For the Fiscal Quarter Ending June 30, 2015

(In Thousands of Dollars)

Electric System	Fiscal Year 2012	Fiscal Year FY 2013	Fiscal Year FY 2014	Fiscal Year FY 2015	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 49,749	$ 46,588	$ 43,178	$ 48,657	
Debt Management Strategy Reserve	12,257	-	-	-	3
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,440	15,914	10,749	7,799	5
Rate Stabilization					
• Fuel	92,362	108,289	105,457	147,454	6
• DSM/conservation	6,912	3,891	3,570	2,935	7
• Environmental	5,343	10,023		23,259	8
• Debt Management	41,611	42,126	42,126	42,126	9
• Non-Fuel Purchased Power	-	-	12,000	38,000	10
Environmental	18,359	18,662	18,662	18,662	11
Customer Deposits	43,454	44,882	42,688	42,688	12
Total Unrestricted	295,487	300,375	288,430	381,580	
Unrestricted Days of Cash on Hand	125	129	123	176	
Restricted					
Debt Service Funds (Sinking Funds)	107,754	101,305	120,458	137,476	13
Debt Service Reserve Funds	72,226	64,841	64,841	64,595	14
Renewal and Replacement Funds/OCO (2)	105,235	140,486	146,910	170,466	15
Construction Funds	40,034	5,184	42	-	16
Total Restricted	325,249	311,816	332,251	372,537	
Total Electric System	$ 620,736	$ 612,191	$ 620,681	$ 754,117	

Water and Sewer System	Fiscal Year 2012	Fiscal Year FY 2013	Fiscal Year FY 2014	Fiscal Year FY 2015	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 3,084	$ 5,886	$ 9,227	$ 10,223	
Debt Management Strategy Reserve	6,458	304	304	-	17
Rate Stabilization Fund – Debt Management	20,290	20,290	20,291	20,290	18
Customer Deposit	12,627	13,860	12,787	13,434	19
Total Unrestricted	42,459	40,340	42,609	43,947	
Unrestricted Days of Cash on Hand	113	110	118	128	
Restricted					
Debt Service Funds (Sinking Funds)	81,675	80,317	75,019	70,610	20
Debt Service Reserve Funds	119,131	119,915	116,829	114,182	21
Renewal and Replacement Funds					
• R&R/OCO (3)	64,260	78,689	59,295	74,371	22
• Capacity Fees/State Revolving Loans	45,454	60,360	76,887	87,751	23
• Environmental	(8,158)	(9,857)	5,299	17,897	24
Construction Funds	7,419	2,305	326	-	25
Total Restricted	309,781	331,729	333,655	364,811	
Total Water & Sewer System	$ 352,240	$ 372,069	$ 376,264	$ 408,758	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.
(2) Balance includes $47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.
(3) Balance includes $20,000 of Water & Sewer System Renewal and Replacement Reserve for MADS calculation.

Funds Established Per the Bond Resolutions

Fund/Account Description	Electric System	Water and Sewer System
Revenue Fund	Net Revenues (i.e. Revenues minus Cost of Operation and Maintenance), pledged to bondholders, balance available for any lawful purpose after other required payments under the bond resolution have been made.	Pledged to bondholders; balance available for any lawful purpose after other required payments under the bond resolution have been made, however, revenues representing impact fees may only be used to finance costs of expanding the system or on the debt service on bonds issued for such expansion purposes.
Rate Stabilization Fund	Not pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; able to transfer to any other fund or account established under the resolution or use to redeem Bonds.
Subordinated Rate Stabilization Fund	Pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; available for any lawful purpose.
Debt Service Account	Pledged to bondholders; used to pay debt service on bonds.	Pledged to bondholders; used to pay debt service on bonds.
Debt Service Reserve Account	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.
Renewal and Replacement Fund	Not pledged to bondholders but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions) .	Pledged to bondholders; but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions).
Construction Fund	Pledged to bondholders; applied to the payment of costs of the system.	Pledged to bondholders; applied to the payment of costs of the system.
Subordinated Construction Fund	Pledged to bondholders; applied to the payment of costs of the system	Pledged to bondholders; applied to the payment of costs of the system
Construction Fund - Construction Reserve Account	Pledged to bondholders; applied to fund downgraded reserve fund sureties.	Pledged to bondholders; applied to fund downgraded debt service reserve fund sureties.
General Reserve Fund	Not pledged to bondholders; available for any lawful purpose.	n/a

Regardless of whether the Funds/Accounts are designated as pledged, in the event that monies in the Debt Service Account are insufficient to pay debt service on the bonds, pursuant to the respective bond resolutions, amounts in the various Funds/Accounts are required to be transferred to the respective Debt Service Accounts and used to pay debt service.

Electric System Debt Management Reserve

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 12,257	$ 12,257	$ 12,257	$ 12,257	$ -	$ -	$ 12,257	$ 9,806	$ 12,257
Additions:									
Contributions	-	- -	-	-		-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Withdrawals	-	-	-	12,257		-	-	3,064	12,257
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 12,257	$ -				
Ending balance	$ 12,257	$ 12,257	$ 12,257	$ -	$ -	$ -	$ 12,257	$ 7,354	$ 12,257

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- A portion of this reserve was used to pay on interest rate swap terminations in connection with a refunding of variable rate debt in February 2013, and the remainder was used in Sept 2013 for a defeasance.

Electric System Self Insurance - Property

For the Fiscal Quarter Ending June 30, 2015
Reserve/Fund Authorization: Budget Appropriation
Metric: Budgeted Deposit = $10 million

Definitions and Goals: JEA's self-insurance fund is for catastrophic damage to JEA's electric lines (transmission and distribution) caused by the perils of hurricanes, tornadoes, and ice storms. This fund was established in October, 1992, as an alternative to JEA's procurement of commercial property insurance.

	Actual as of 06/30/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Reserve Withdrawal				N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000

	Historical					**Statistical**			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 3,500	$ 3,500	$ 10,000	$ 10,000	$ 10,000	$ 3,500	$ 10,000	$ 7,400	$ 10,000
Additions:									
Reserve Contribution		6,500				-	3,250	3,250	6,500
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 6,500	$ -	$ -	$ -				
Reserve Withdrawal						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 3,500	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 3,500	$ 10,000	$ 8,700	$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Florida Statute for self insured government plans

Metric: An actuary calculates amount annually

Definitions and Goals: This reserve fund is a requirement under Florida Statute 112.08 that requires self insured government plans to have enough money in a reserve fund to cover the Incurred But Not Reimbursed (IBNR) claims and a 60 day surplus of claims. The IBNR claims are claims that would still need to be paid if the company went back to a fully insured plan or dropped coverage all together. An actuary calculates this amount annually.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 9,368	$ 10,749	$ 10,749	N/A	$ 15,914	$ 7,799	$ 7,799	$ 7,799
Additions:								
Employee Contributions	1,445	3,874	5,464	N/A	4,573	6,101	6,589	7,116
Retiree & Other Contributions	964	3,090	4,988		5,188	6,987	7,546	8,150
Employer Contributions	4,105	13,196	17,012		14,252	19,759	21,340	23,047
Sub-total	$ 6,514	$ 20,160	$ 27,464	$ -	$ 24,013	$ 32,847	$ 35,475	$ 38,313
Deductions:								
Payments for Claims		21,415	28,416	N/A	27,157	30,689	33,144	35,796
Actuary & Other Payments	614	1,731	1,998		2,021	2,158	2,331	2,517
Sub-total	$ 614	$ 23,146	$ 30,414	$ -	$ 29,178	$ 32,847	$ 35,475	$ 38,313
Ending Balance	$ 15,268	$ 7,763	$ 7,799	N/A	$ 10,749	$ 7,799	$ 7,799	$ 7,799

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 4,095	$ 8,227	$ 12,505	$ 15,440	$ 15,914	$ 4,095	$ 12,505	$ 11,236	$ 15,914
Additions:									
Employee Contributions	5,804	5,926	6,147	5,893	4,573	4,573	5,893	5,669	6,147
Retiree & Other Contributions	4,653	4,725	6,910	5,701	5,188	4,653	5,188	5,435	6,910
Employer Contributions	22,186	20,484	21,155	20,629	14,252	14,252	20,629	19,741	22,186
Sub-total	$ 32,643	$ 31,135	$ 34,212	$ 32,223	$ 24,013				
Deductions:									
Payments for Claims	26,179	24,699	29,220	29,354	27,157	24,699	27,157	27,322	29,354
Actuary & Other Payments	2,332	2,158	2,057	2,395	2,021	2,021	2,158	2,193	2,395
Sub-total	$ 28,511	$ 26,857	$ 31,277	$ 31,749	$ 29,178				
Ending balance	$ 8,227	$ 12,505	$ 15,440	$ 15,914	$ 10,749	$ 8,227	$ 12,505	$ 12,567	$ 15,914

Observations:
- Self Insurance for Employee Health Insurance began in July 2009.
- Projections are using the 8% rate of increase based on information obtained from the Actuarial Memorandum and Report.
  Calendar year data is presented above in fiscal year format.

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending June 30, 2015
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: Targeted 15% of total annual projected energy costs

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Established pursuant to the section VII and Section IX of the Pricing Policy, the Fuel Reserve target is 15% of the greater of (a) the maximum 12-month historical fuel cost or (b) the projected 12-month fuel cost. Withdrawals from the Rate Stabilization Fund for fuel stabilization are limited to the following purposes: (a) to reduce the variable fuel rate charge to the customers for a determined period of time; (b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues; (c) to be rebated back to the customers as a credit against the electric bill; and/or (d) to reimburse the costs associated with any energy risk management activities.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 136,669	$ 105,457	$ 105,457	N/A	$ 108,289	$ 147,454	$ 87,454	$ 87,454
Additions:								
Contributions	29,690	60,902	91,905	12,879	22,496			
Sub-total	$ 29,690	$ 60,902	$ 91,905	$ 12,879	$ 22,496	$ -	$ -	$ -
Deductions:								
Withdrawals					-			
Customer Fuel Rebate Credit		49,908	49,908		25,328	60,000		
Sub-total	$ -	$ 49,908	$ 49,908	$ -	$ 25,328	$ 60,000	$ -	$ -
Ending Balance	$ 166,359	$ 116,451	$ 147,454	N/A	$ 105,457	$ 87,454	$ 87,454	$ 87,454

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 84,781	$ 55,935	$ 24,990	$ 92,362	$ 108,289	$ 24,990	$ 84,781	$ 73,271	$ 108,289
Additions:									
Contributions	73,194	53,465	76,763	52,523	22,496	22,496	53,465	55,688	76,763
						-	-	-	-
						-	-	-	-
Sub-total	$ 73,194	$ 53,465	$ 76,763	$ 52,523	$ 22,496				
Deductions:									
Withdrawals	102,040	84,410	9,391			9,391	84,410	65,280	102,040
Customer Fuel Rebate Credit				36,596	25,328	25,328	30,962	30,962	36,596
						-	-	-	-
Sub-total	$ 102,040	$ 84,410	$ 9,391	$ 36,596	$ 25,328				
Ending balance	$ 55,935	$ 24,990	$ 92,362	$ 108,289	$ 105,457	$ 24,990	$ 92,362	$ 77,407	$ 108,289

Observations:
- Actual and historical numbers reflect fuel recovery contributions and withdrawls on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: $0.50 per 1,000 kWh plus $0.01 per kWh residential conservation charge for consumption greater than 2,750 KWh monthly

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Pursuant to section VII of the Pricing Policy, $0.50 per 1,000 kWh plus $0.01 per kWh residential conservation charge for consumption greater than 2,750 kWh monthly. These revenue sources are to fund demand side management and conservation programs.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 3,467	$ 3,570	$ 3,570	N/A	$ 3,891	$ 2,935	$ 2,935	$ 2,935
Additions:								
Contributions	1,644	4,806	6,937	6,942	6,929	7,000	7,000	7,000
Other								
Sub-total	$ 1,644	$ 4,806	$ 6,937	$ 6,942	$ 6,929	$ 7,000	$ 7,000	$ 7,000
Deductions:								
Withdrawals				9,021	7,250		7,000	7,000
		5,183	7,572			7,000		
Sub-total	$ -	$ 5,183	$ 7,572	$ 9,021	$ 7,250	$ 7,000	$ 7,000	$ 7,000
Ending Balance	$ 5,111	$ 3,193	$ 2,935	N/A	$ 3,570	$ 2,935	$ 2,935	$ 2,935

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 6,058	$ 10,813	$ 10,703	$ 6,912	$ 3,891	$ 3,891	$ 6,912	$ 7,675	$ 10,813
Additions:									
Contributions	8,240	7,978	6,657	6,683	6,929	6,657	6,929	7,297	8,240
Transfer from Rev Fd						-	-	-	-
						-	-	-	-
Sub-total	$ 8,240	$ 7,978	$ 6,657	$ 6,683	$ 6,929				
Deductions:									
Withdrawals	3,485	8,088	10,448	9,704	7,250	3,485	8,088	7,795	10,448
						-	-	-	-
						-	-	-	-
Sub-total	$ 3,485	$ 8,088	$ 10,448	$ 9,704	$ 7,250				
Ending balance	$ 10,813	$ 10,703	$ 6,912	$ 3,891	$ 3,570	$ 3,570	$ 6,912	$ 7,178	$ 10,813

Observations:

- Rate Stabilization Fund for Demand Side Management began in April 2009.

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: $0.62 per 1,000 kWh

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to this fund began in fiscal year 2010 for amounts representing the Electric System Environmental Charge ($0.62 per 1000 kWh). Withdrawals from this reserve will represent payments for regulatory initiatives such as the premium cost of renewable energy generation which is considered available for JEA's capacity plans.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 19,874	$ 16,639	$ 16,639	N/A	$ 10,023	$ 23,259	$ 26,259	$ 29,259
Additions:								
Contributions	1,954	5,416	7,588	7,320	7,395	7,440	7,440	7,440
Sub-total	$ 1,954	$ 5,416	$ 7,588	$ 7,320	$ 7,395	$ 7,440	$ 7,440	$ 7,440
Deductions:								
Withdrawals				2,229	779		4,440	4,440
		411	968			4,440		
Sub-total	$ -	$ 411	$ 968	$ 2,229	$ 779	$ 4,440	$ 4,440	$ 4,440
Ending Balance	$ 21,828	$ 21,644	$ 23,259	N/A	$ 16,639	$ 26,259	$ 29,259	$ 32,259

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ -	$ 2,467	$ 4,232	$ 5,343	$ 10,023	$ -	$ 4,232	$ 4,413	$ 10,023
Additions:									
Contributions	2,467	6,583	2,436	5,650	7,395	2,436	5,650	4,906	7,395
						-	-	-	-
						-	-	-	-
Sub-total	$ 2,467	$ 6,583	$ 2,436	$ 5,650	$ 7,395				
Deductions:									
Withdrawals		4,818	1,325	970	779	779	1,148	1,973	4,818
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 4,818	$ 1,325	$ 970	$ 779				
Ending balance	$ 2,467	$ 4,232	$ 5,343	$ 10,023	$ 16,639	$ 2,467	$ 5,343	$ 7,741	$ 16,639

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals					-			
			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 4,026	$ 19,213	$ 35,930	$ 41,611	$ 42,126	$ 4,026	$ 35,930	$ 28,581	$ 42,126
Additions:									
Contributions	15,187	16,717	5,681	6,581		5,681	10,884	11,042	16,717
						-	-	-	-
						-	-	-	-
Sub-total	$ 15,187	$ 16,717	$ 5,681	$ 6,581	$ -				
Deductions:									
Withdrawals	-	-	-	6,066		-	-	1,517	6,066
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 6,066	$ -				
Ending balance	$ 19,213	$ 35,930	$ 41,611	$ 42,126	$ 42,126	$ 19,213	$ 41,611	$ 36,201	$ 42,126

Observations:

- Rate Stabilization Fund for Debt Management began in May 2009.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending June 30, 2015
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to the Rate Stabilization Fund for Non-Fuel Purchased Power Stabilization during the fiscal year are made with the approval of the CEO or CFO, provided such deposits are not in excess of JEA's total operating budget for the current fiscal year. Withdrawals from the Rate Stabilization Fund for Non-Fuel Purchased Power are to reimburse the costs associated with any non-fuel purchased power activities. Withdrawals can be made as necessary during the fiscal year and requires the approval of the CEO or the CFO.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 12,000	$ 12,000	$ 12,000	N/A	$ -	$ 38,000	$ 35,000	$ 26,000
Additions:								
Contributions			26,000	N/A	12,000			
Sub-total	$ -	$ -	$ 26,000	$ -	$ 12,000	$ -	$ -	$ -
Deductions:								
Withdrawals					-	3,000	9,000	12,000
			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ 3,000	$ 9,000	$ 12,000
Ending Balance	$ 12,000	$ 12,000	$ 38,000	N/A	$ 12,000	$ 35,000	$ 26,000	$ 14,000

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions:						-	-	-	-
Contributions					12,000	12,000	12,000	12,000	12,000
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ 12,000				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ -	$ -	$ -	$ -	$ 12,000	$ -	$ -	$ 2,400	$ 12,000

Observations:
- The Non-Fuel Purchased Power Rate Stabiliation Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Pricing Policy

Metric: Target equals the balance in the environmental liability account

Definitions and Goals: This reserve represents the initial amounts collected from the Electric System Environmental Charge and will be deposited until the balance in this reserve equals the balance in the environmental liability account. Withdrawals from this account will represent payments for these liabilities.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662
Additions:								
Contributions			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 12,523	$ 16,946	$ 20,899	$ 18,359	$ 18,662	$ 12,523	$ 18,359	$ 17,478	$ 20,899
Additions:									
Contributions	4,423	3,953		970	-	-	2,462	2,337	4,423
						-	-	-	-
						-	-	-	-
Sub-total	$ 4,423	$ 3,953	$ -	$ 970	$ -				
Deductions:									
Withdrawals			2,540	667	-	-	667	1,069	2,540
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 2,540	$ 667	$ -				
Ending balance	$ 16,946	$ 20,899	$ 18,359	$ 18,662	$ 18,662	$ 16,946	$ 18,662	$ 18,706	$ 20,899

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 42,870	$ 42,688	$ 42,688	N/A	$ 44,882	$ 42,688	$ 42,688	$ 42,688
Additions:								
Net Customer Activity			-	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Net Customer Activity	624	442			2,194			
Loan to ES Revenue Fund				N/A	-			
Sub-total	$ 624	$ 442	$ -	$ -	$ 2,194	$ -	$ -	$ -
Ending Balance	$ 42,246	$ 42,246	$ 42,688	N/A	$ 42,688	$ 42,688	$ 42,688	$ 42,688

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 37,390	$ 38,801	$ 42,767	$ 43,454	$ 44,882	$ 37,390	$ 42,767	$ 41,459	$ 44,882
Additions:									
Net Customer Activity	4,032	5,011	905	1,430		905	2,731	2,845	5,011
Loan Repayment to ES Revenue Fund	17,500	16,000				16,000	16,750	16,750	17,500
						-	-	-	-
Sub-total	$ 21,532	$ 21,011	$ 905	$ 1,430	$ -				
Deductions:									
Net Customer Activity	2,621	1,045	218	2	2,194	2	1,045	1,216	2,621
Loan to ES Revenue Fund	17,500	16,000				16,000	16,750	16,750	17,500
Sub-total	$ 20,121	$ 17,045	$ 218	$ 2	$ 2,194				
Ending balance	$ 38,801	$ 42,767	$ 43,454	$ 44,882	$ 42,688	$ 38,801	$ 42,767	$ 42,518	$ 44,882

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits starting in Fiscal Year 2014.

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

	Actual as of 06/30/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 87,018	$ 120,458	$ 120,458	N/A	$ 101,305	$ 137,476	$ 136,861	$ 129,201
Additions:								
Revenue Fund Deposits	45,271	136,055	184,140	200,470	167,340	194,698	190,860	190,785
Bond funded interest					-			
Sub-total	$ 45,271	$ 136,055	$ 184,140	$ 200,470	$ 167,340	$ 194,698	$ 190,860	$ 190,785
Deductions:								
Principal and Int Payments	41,079	165,303	167,122	N/A	148,187	195,313	198,520	188,902
Sub-total	$ 41,079	$ 165,303	$ 167,122	$ -	$ 148,187	$ 195,313	$ 198,520	$ 188,902
Ending Balance	$ 91,210	$ 91,210	$ 137,476	N/A	$ 120,458	$ 136,861	$ 129,201	$ 131,084

	Historical					**Statistical**			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 80,683	$ 86,769	$ 125,988	$ 107,754	$ 101,305	$ 80,683	$ 101,305	$ 100,500	$ 125,988
Additions:									
Revenue Fund Deposits	126,621	187,629	159,724	159,072	167,340	126,621	159,724	160,077	187,629
Bond funded interest	7,263	1,726				1,726	4,495	4,495	7,263
						-	-	-	-
Sub-total	$ 133,884	$ 189,355	$ 159,724	$ 159,072	$ 167,340				
Deductions:									
Principal and Int Payments	127,798	150,136	177,958	165,521	148,187	127,798	150,136	153,920	177,958
						-	-	-	-
						-	-	-	-
Sub-total	$ 127,798	$ 150,136	$ 177,958	$ 165,521	$ 148,187				
Ending balance	$ 86,769	$ 125,988	$ 107,754	$ 101,305	$ 120,458	$ 86,769	$ 107,754	$ 108,455	$ 125,988

Observations:

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Maximum interest payable on outstanding senior Electric System bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 06/30/2015		**Full Year Budget Amounts**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 64,595	$ 64,841	$ 64,841	N/A	$ 64,841	$ 64,595	$ 64,595	$ 64,595
Additions:								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Release to Revenue Fund		246	246	N/A	-			
Sub-total	$ -	$ 246	$ 246	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 64,595	$ 64,595	$ 64,595	N/A	$ 64,841	$ 64,595	$ 64,595	$ 64,595

	Historical Actuals					**Statistical**			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 55,551	$ 72,226	$ 72,226	$ 72,226	$ 64,841	$ 55,551	$ 72,226	$ 67,414	$ 72,226
Additions:									
Proceeds from Bonds	16,675	-	-	-	-	-	-	3,335	16,675
						-	-	-	-
						-	-	-	-
Sub-total	$ 16,675	$ -	$ -	$ -	$ -				
Deductions:									
Defeasance				7,385		7,385	7,385	7,385	7,385
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 7,385	$ -				
Ending balance	$ 72,226	$ 72,226	$ 72,226	$ 64,841	$ 64,841	64,841	72,226	69,272	72,226

Observations:

- In FY 2007, the debt service reserve requirement was satisfied 100% by the use of debt service reserve surety policies. In accordance with the bond resolution, beginning in FY 2008, cash/investments replaced the downgraded sureties due to their downgrade by the rating agencies. Sureties of $67.6 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.
- The debt service reserve account balance is currently in excess of the the debt service reserve requirement under the bond resolution by $3.0 million. The excess will be used, if needed, to (1) fund an increase in the reserve requirement caused by a future issuance of new money bonds and/or variable to fixed refunding bonds, (2) help satisfy cash reserve targets instituted by the rating agencies, and/or (3) redeem bonds, in accordance with applicable tax laws.

Electric Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually 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 per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Electric System bond resolution and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit and may be allocated for use between capacity or non-capacity related expenditures based on the most beneficial economic and tax related financing structure incorporating the use of internal and bond funding.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 174,200	$ 146,910	$ 146,910	N/A	$ 140,486	$ 170,466	$ 171,728	$ 141,064
Additions:								
R&R/OCO Contribution	57,524	131,856	148,236	130,818	85,639	138,472	130,481	116,484
Loans betw Capital Fds				-	-			
Other	703	496	771	-	4,014	18,590		
Sub-total	$ 58,227	$ 132,352	$ 149,007	$ 130,818	$ 89,653	$ 157,062	$ 130,481	$ 116,484
Deductions:								
Capital Expenditures	26,139	72,974	125,418	118,996	82,889	155,800	161,145	126,301
Transfers betw Capital Fds			33	-	340		-	-
Transfer to Scherer				-	-			
Sub-total	$ 26,139	$ 72,974	$ 125,451	$ 118,996	$ 83,229	$ 155,800	$ 161,145	$ 126,301
Ending Balance	$ 206,288	$ 206,288	$ 170,466	N/A	$ 146,910	$ 171,728	$ 141,064	$ 131,247

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 67,697	$ 48,626	$ 73,727	$ 105,235	$ 140,486	$ 48,626	$ 73,727	$ 87,154	$ 140,486
Additions:									
R&R/OCO Contribution	128,214	156,406	142,822	124,630	85,639	85,639	128,214	127,542	156,406
Loans betw Capital Fds	2,000	-	-	-	-	-	-	400	2,000
Other	2,467	2,876	943	2,423	4,014	943	2,467	2,545	4,014
Sub-total	$ 132,681	$ 159,282	$ 143,765	$ 127,053	$ 89,653				
Deductions:									
Capital Expenditures	117,752	115,181	112,257	91,802	82,889	82,889	112,257	103,976	117,752
Bond Buy Back	34,000	-	-			-	-	11,333	34,000
Transfer to Scherer		19,000							
Loans betw Capital Fds					340				
Other		-		-		-	-	-	-
Sub-total	$ 151,752	$ 134,181	$ 112,257	$ 91,802	$ 83,229				
Ending balance	$ 48,626	$ 73,727	$ 105,235	$ 140,486	$ 146,910	$ 48,626	$ 105,235	$ 102,997	$ 146,910

Observations:

- Other includes the Oracle Financing and Sale of Property.
- Includes $47 million for Maximum Annual Debt Service calculation.

Electric Construction / Bond Fund

For the Fiscal Quarter Ending June 30, 2015
Reserve/Fund Authorization: Bond Resolution
Metric: Target = Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Electric System. The senior construction fund is limited to the costs of additions, extension and improvements relating to non-generation capital expenditures. The subordinated construction fund is used for capital projects relating to all categories of capital expenditures but primarily targeted to fund generation capital expenditures.

(In Thousands)	Actual as of 06/30/2015 Current Quarter	Year -to-Date	Full Year 2015 Forecast	2015 Budget	Prior Year Actual	Projection 2016	2017	2018
Opening Balance	$ 7	$ 42	$ 42	N/A	$ 5,184	$ -	$ -	$ -
Additions:								
Bond Proceeds				-	-			
Line of Credit				-	-			
Transfers b/w Capital Fds		4	37	-	3,091			
Other				-	340			
Sub-total	$ -	$ 4	$ 37	$ -	$ 3,431	$ -	$ -	$ -
Deductions:								
Capital Expenditures		75	75	40	4,821			
Bond Funded Interest				-	-			
Transfers betw Capital Fds		4	4		3,091			
Other			-	-	661			
Sub-total	$ -	$ 79	$ 79	$ 40	$ 8,573	$ -	$ -	$ -
Ending Balance	$ 7	$ (33)	$ -	N/A	$ 42	$ -	$ -	$ -

(In Thousands)	Historical 2010	2011	2012	2013	2014	Statistical Low	Median	Mean	High
Opening Balance	$ 33,084	$ 36,981	$ 63,915	$ 40,034	$ 5,184	$ (33)	$ 35,033	$ 29,861	$ 63,915
Additions:									
Bond Proceeds	100,306	91,545		1,550		1,550	91,545	64,467	100,306
Line of Credit						-	-	-	-
Transfers b/w Capital Fds					3,091	3,091	3,091	3,091	3,091
Other		562		34	340	34	340	312	562
Sub-total	$ 100,306	$ 92,107	$ -	$ 1,584	$ 3,431				
Deductions:									
Capital Expenditures	86,869	63,371	23,385	35,253	4,821	4,821	35,253	42,740	86,869
Bond Funded Interest	7,263	1,802				1,802	4,533	4,533	7,263
Line of Credit									
Transfers b/w Capital Fds	2,000			35	3,091	35	2,000	1,709	3,091
Other	277		496	1,146	661	277	579	645	1,146
Sub-total	$ 96,409	$ 65,173	$ 23,881	$ 36,434	$ 8,573				
Ending balance	$ 36,981	$ 63,915	$ 40,034	$ 5,184	$ 42	$ 42	$ 36,981	$ 29,231	$ 63,915

Observations:
- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2013 - 2015 projection period.

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt.

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ -	$ 304	$ 304	N/A	$ 304	$ -	$ -	$ -
Additions:								
Contributions					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals		304	304		-			
Sub-total	$ -	$ 304	$ 304	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ 304	$ -	$ -	$ -

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 6,458	$ 6,458	$ 6,458	$ 6,458	$ 304	$ 304	$ 6,458	$ 5,227	$ 6,458
Additions:									
Contributions		-				-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals				6,154		6,154	6,154	6,154	6,154
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 6,154	$ -				
Ending balance	$ 6,458	$ 6,458	$ 6,458	$ 304	$ 304	$ 304	$ 6,458	$ 3,996	$ 6,458

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- $6 million was used in Sept 2013 for a defeasance.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt.

Definitions and Goals: TheWater & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 1,524	$ 9,514	$ 17,560	$ 20,290	$ 20,290	$ 1,524	$ 17,560	$ 13,836	$ 20,290
Additions:									
Contributions	7,990	8,046	2,730			2,730	2,730	2,730	2,730
						-	-	-	-
						-	-	-	-
Sub-total	$ 7,990	$ 8,046	$ 2,730	$ -	$ -				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 9,514	$ 17,560	$ 20,290	$ 20,290	$ 20,290	$ 9,514	$ 20,290	$ 17,589	$ 20,290

Observations:

- Contributions began in June 2009.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

	Actual as of 06/30/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 12,985	$ 12,787	$ 12,787	N/A	$ 13,860	$ 13,434	$ 13,434	$ 13,434
Additions:								
Allocated from Electric	449	647	647	N/A	-			
Loan Repayment			-					
Sub-total	$ 449	$ 647	$ 647	$ -	$ -	$ -	$ -	$ -
Deductions:								
Allocated from Electric			-		1,073			
Loan to W&S Operations			-	N/A				
Sub-total	$ -	$ -	$ -	$ -	$ 1,073	$ -	$ -	$ -
Ending Balance	$ 13,434	$ 13,434	$ 13,434	N/A	$ 12,787	$ 13,434	$ 13,434	$ 13,434

	Historical					**Statistical**			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 6,598	$ 8,517	$ 9,727	$ 12,627	$ 13,860	$ 6,598	$ 9,727	$ 10,266	$ 13,860
Additions:									
Allocated from Electric	2,458	1,210	2,900	1,233		1,233	2,067	2,067	2,900
Loan Repayment			1,000			1,000	1,000	1,000	1,000
						-	-	-	-
Sub-total	$ 2,458	$ 1,210	$ 3,900	$ 1,233	$ -				
Deductions:									
Allocated from Electric	539				1,073	1,073	1,073	1,073	1,073
Loan to W&S Operations			1,000			1,000	1,000	1,000	1,000
						-	-	-	-
Sub-total	$ 539	$ -	$ 1,000	$ -	$ 1,073				
Ending balance	$ 8,517	$ 9,727	$ 12,627	$ 13,860	$ 12,787	$ 8,517	$ 12,627	$ 11,504	$ 13,860

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits at some future date.

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 51,703	$ 75,019	$ 75,019	N/A	$ 80,317	$ 70,610	$ 68,082	$ 84,949
Additions:								
Revenue fund deposits	25,699	77,442	105,755	128,232	117,444	108,055	126,684	125,214
Sub-total	$ 25,699	$ 77,442	$ 105,755	$ 128,232	$ 117,444	$ 108,055	$ 126,684	$ 125,214
Deductions:								
Principal and interest payments	33,647	108,706	110,164	N/A	122,742	110,583	109,817	125,566
Sub-total	$ 33,647	$ 108,706	$ 110,164	$ -	$ 122,742	$ 110,583	$ 109,817	$ 125,566
Ending Balance	$ 43,755	$ 43,755	$ 70,610	N/A	$ 75,019	$ 68,082	$ 84,949	$ 84,597

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 60,696	$ 71,496	$ 80,936	$ 81,675	$ 80,317	$ (33)	$ 75,907	$ 62,515	$ 81,675
Additions:			-						
Revenue fund deposits	108,867	120,846	125,160	119,535	117,444	108,867	119,535	118,370	125,160
Bond funded interest						-	-	-	-
						-	-	-	-
Sub-total	$ 108,867	$ 120,846	$ 125,160	$ 119,535	$ 117,444				
Deductions:									
Principal and interest payments	98,067	111,406	124,421	120,893	122,742	98,067	120,893	115,506	124,421
						-	-	-	-
						-	-	-	-
Sub-total	$ 98,067	$ 111,406	$ 124,421	$ 120,893	$ 122,742				
Ending balance	$ 71,496	$ 80,936	$ 81,675	$ 80,317	$ 75,019	$ 71,496	$ 80,317	$ 77,889	$ 81,675

Observations:

- September 30th ending balances are used to pay Oct 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on Oct 1st of the following fiscal year).

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: 125% of average annual debt service on outstanding senior fixed and variable rate bonds plus subordinated fixed rate bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 114,182	$ 116,829	$ 116,829	N/A	$ 119,915	$ 114,182	$ 114,182	$ 114,182
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Revenue fund		2,647	2,647		3,086			
Sub-total	$ -	$ 2,647	$ 2,647	$ -	$ 3,086	$ -	$ -	$ -
Ending Balance	$ 114,182	$ 114,182	$ 114,182	N/A	$ 116,829	$ 114,182	$ 114,182	$ 114,182

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 54,356	$ 91,239	$ 102,214	$ 119,131	$ 119,915	$ 54,356	$ 102,214	$ 97,371	$ 119,915
Additions:									
Construction reserve fund/bond issues	24,316	10,975	10,917	784		784	10,946	11,748	24,316
Revenue fund	12,567	-	6,000	3,821		-	4,911	5,597	12,567
						-	-	-	-
Sub-total	$ 36,883	$ 10,975	$ 16,917	$ 4,605	$ -				
Deductions:									
Revenue fund				3,821	3,086	3,086	3,454	3,454	3,821
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 3,821	$ 3,086				
Ending balance	$ 91,239	$ 102,214	$ 119,131	$ 119,915	$ 116,829	$ 91,239	$ 116,829	$ 109,866	$ 119,915

Observations:

- In 2008, debt service reserve sureties downgraded and JEA began replacing those downgraded sureties with cash/investments as required by the bond resolutions. Sureties of $149.8 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.

Water and Sewer Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually 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 per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Water and Sewer System bond resolutions and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit. In accordance with the Pricing Policy, by 2013, the objective is to fund an amount equal to all non-capacity capital expenditures with current year internally generated funds.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 81,930	$ 59,295	$ 59,295	N/A	$ 78,689	$ 74,371	$ 52,626	$ 10,043
Additions:								
R&R/OCO Contribution	39,444	97,660	102,828	-	48,373	114,068	95,451	97,131
Loans betw Capital Fds			471	-	-			
Other	53	259	1,120	-	1,614	-		
Sub-total	$ 39,497	$ 97,919	$ 104,419	$ -	$ 49,987	$ 114,068	$ 95,451	$ 97,131
Deductions:								
Capital Expenditures	21,773	57,560	89,343	-	67,488	135,813	138,034	102,340
Transfer to Capacity Fund				-	-			
Transfer to Construction Fund				-	1,893	-		
Sub-total	$ 21,773	$ 57,560	$ 89,343	$ -	$ 69,381	$ 135,813	$ 138,034	$ 102,340
Ending Balance	$ 99,654	$ 99,654	$ 74,371	N/A	$ 59,295	$ 52,626	$ 10,043	$ 4,834

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 7,076	$ 11,539	$ 28,840	$ 64,260	$ 78,689	$ 7,076	$ 28,840	$ 38,081	$ 78,689
Additions:									
R&R/OCO Contribution	31,176	49,946	76,157	91,245	48,373	31,176	49,946	59,379	91,245
Loans betw Capital Fds	-	-	-	-		-	-	-	-
Other (incl septic tank)	1,847	1,067	5,771	1,539	1,614	1,067	1,614	2,368	5,771
Sub-total	$ 33,023	$ 51,013	$ 81,928	$ 92,784	$ 49,987				
Deductions:									
Capital Expenditures	13,560	33,712	46,508	68,355	67,488	13,560	46,508	45,925	68,355
Loan Repayment	15,000	-	-	-	-	-	-	3,000	15,000
Transfer to Constr. Fund	-	-	-	10,000	1,893	-	-	2,379	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	$ 28,560	$ 33,712	$ 46,508	$ 78,355	$ 69,381				
Ending balance	$ 11,539	$ 28,840	$ 64,260	$ 78,689	$ 59,295	$ 11,539	$ 59,295	$ 48,525	$ 78,689

Observations:

- Other includes the Septic Tank Phase-out project and Sale of Property.
- Includes $20 million for Maximum Annual Debt Service calculation.
- No new debt issues for the FY 2013-2015 projection period which creates the need to make permanent transfers from the R&R/OCO Fund to the Construction Fund (page 26).
- $35 million is projected to be withdrawn from this capital balance in FY 2016-2017 to support the capital program with lower Net Revenues as planned with the June 2012 approved reduction in the October 1, 2012 rate increase.

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending June 30, 2015

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

Definitions and Goals: Capacity fees are charged to customers as a one- time fee for a new connection to the Water System and a one- time fee for a new connection to the Sewer System. Capacity charges may be used and applied for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt that was issued for the same purpose. In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. SRF loans are subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 83,482	$ 76,887	$ 76,887	N/A	$ 60,360	$ 87,751	$ 70,690	$ 44,442
Additions:								
Capacity Fees	5,393	14,457	18,207	-	18,298	15,650	15,650	15,650
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund	50	203	265	-	-	650	650	650
Other		5	30	-	-			
Sub-total	$ 5,443	$ 14,665	$ 18,502	$ -	$ 18,298	$ 16,300	$ 16,300	$ 16,300
Deductions:								
Capital Expenditures		4,228	7,638	-	1,758	33,361	42,548	24,307
Other				-	13			
				-	-			
Sub-total	$ -	$ 4,228	$ 7,638	$ -	$ 1,771	$ 33,361	$ 42,548	$ 24,307
Ending Balance	$ 88,925	$ 87,324	$ 87,751	N/A	$ 76,887	$ 70,690	$ 44,442	$ 36,435

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 4,054	$ 21,463	$ 41,025	$ 45,454	$ 60,360	$ 4,054	$ 41,025	$ 34,471	$ 60,360
Additions:									
Capacity Fees	10,968	10,311	10,820	17,394	18,298	10,311	10,968	13,558	18,298
State Revolving Fd Loan	2,450	14,667	3,798	-	-	-	2,450	4,183	14,667
Loan Repayments	15,000	-	-	-	-	-	-	3,000	15,000
Other	191	-	-	12	-	-	-	41	191
Sub-total	$ 28,609	$ 24,978	$ 14,618	$ 17,406	$ 18,298				
Deductions:									
Capital Expenditures	11,200	5,268	7,096	2,270	1,758	1,758	5,268	5,518	11,200
Loans betw Capital Fds	-	-	-			-	-	-	-
Other	-	148	3,093	230	13	-	148	697	3,093
	-	-	-	-					
Sub-total	$ 11,200	$ 5,416	$ 10,189	$ 2,500	$ 1,771				
Ending balance	$ 21,463	$ 41,025	$ 45,454	$ 60,360	$ 76,887	$ 21,463	$ 45,454	$ 49,038	$ 76,887

Observations:

- Other includes funds received from the River Accord and Department of Environmental Protection.

Water and Sewer Environmental

For the Fiscal Quarter Ending June 30, 2015
Reserve/Fund Authorization: Pricing Policy
Metric: Unit tariff rates times consumption

Definitions and Goals: The Environmental Charge will be applied to all water, sewer, irrigation and non bulk user reclaimed consumption. The environmental charge revenue will be collected from customers to partially offset current and future environmental and regulatory needs as specified in the Pricing Policy for specific environmental and regulatory programs.

	Actual as of 06/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 12,335	$ 5,299	$ 5,299	N/A	$ (9,857)	$ 17,897	$ 19,336	$ 25,258
Additions:								
Environmental Contributions	5,918	16,057	21,429	-	21,018	19,792	19,792	19,791
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	$ 5,918	$ 16,057	$ 21,429	$ -	$ 21,018	$ 19,792	$ 19,792	$ 19,791
Deductions:								
Capital Expenditures	1,548	4,211	8,052	-	5,862	17,703	13,220	21,107
Septic Tank Phase Out		203	265	-	-	650	650	650
Other	228	514	514	-	-			
Sub-total	$ 1,776	$ 4,928	$ 8,831	$ -	$ 5,862	$ 18,353	$ 13,870	$ 21,757
Ending Balance	$ 16,477	$ 16,428	$ 17,897	N/A	$ 5,299	$ 19,336	$ 25,258	$ 23,292

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ -	$ 5,920	$ 9,795	$ (8,158)	$ (9,857)	$ (9,857)	$ -	$ (460)	$ 9,795
Additions:		-							
Environmental Contributions	5,920	14,577	21,747	21,193	21,018	5,920	21,018	16,891	21,747
Loans betw Capital Fds	-	-	-	-		-	-	-	-
Other	-	-	-	-		-	-	-	-
Sub-total	$ 5,920	$ 14,577	$ 21,747	$ 21,193	$ 21,018				
Deductions:									
Capital Expenditures	-	10,702	39,700	22,892	5,862	-	10,702	15,831	39,700
	-	-	-	-		-	-	-	-
	-	-	-	-		-	-	-	-
Sub-total	$ -	$ 10,702	$ 39,700	$ 22,892	$ 5,862				
Ending balance	$ 5,920	$ 9,795	$ (8,158)	$ (9,857)	$ 5,299	$ (9,857)	$ 5,299	$ 600	$ 9,795

Observations:
- Currently this fund is combined on the balance sheet with the R&R fund (page 22).

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending June 30, 2015
Reserve/Fund Authorization: Bond Resolution
Metric: Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Water and Sewer System.

	Actual as of 06/30/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 664	$ 326	$ 326	N/A	$ 2,305	$ -	$ -	$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	1,893			
Other	-	344	344	-	476			
Sub-total	$ -	$ 344	$ 344	$ -	$ 2,369	$ -	$ -	$ -
Deductions:								
Capital Expenditures		6	199	-	3,784			
Bond Proceeds				-	-			
Other			471	-	-			
Sub-total	$ -	$ 6	$ 670	$ -	$ 3,784	$ -	$ -	$ -
Ending Balance	$ 664	$ 664	$ -	N/A	$ 890	$ -	$ -	$ -

	Historical					**Statistical**			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 18,003	$ 18,708	$ 29,622	$ 7,419	$ 2,305	$ 2,305	$ 18,003	$ 15,211	$ 29,622
Additions:									
Bond Proceeds	74,246	45,662	-	486	-	-	486	24,079	74,246
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	-	-	10,000	1,893	-	-	2,379	10,000
Other	-	-	-	3	476	-	-	96	476
Sub-total	$ 74,246	$ 45,662	$ -	$ 10,489	$ 2,369				
Deductions:									
Capital Expenditures	50,574	34,172	20,243	14,855	3,784	3,784	20,243	24,726	50,574
Bond Proceeds	-	-	-	411	48	-	-	92	411
Line of Credit	21,715	-	-	-	-	-	-	4,343	21,715
Loans/trnsf btw CapFds	-	-	-	337	516	-	-	171	516
Other	1,252	576	1,960	-	-	-	576	758	1,960
Sub-total	$ 73,541	$ 34,748	$ 22,203	$ 15,603	$ 4,348				
Ending balance	$ 18,708	$ 29,622	$ 7,419	$ 2,305	$ 326	$ 326	$ 7,419	$ 11,676	$ 29,622

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2013-2015 projection period which creates the need to make permanent transfers from the R&R/OCO Fund (page 23) to the Construction Fund.

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AGENDA ITEM SUMMARY

July 24, 2015

SUBJECT:	**RECAP OF RECENT JEA ELECTRIC SYSTEM FIXED RATE DEBT REFUNDING DELEGATED TRANSACTIONS**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: On December 16, 2014 the Board adopted Resolutions No. 2014-07 related to the Electric System.

Significance: The following resolution provided the Managing Director/CEO the authorization to price and execute fixed rate refunding transactions within the stated parameters.

Effect: Pursuant to Resolution No. 2014-07, JEA staff priced approximately $42.4 million fixed rate bonds on July 7, 2015. The Managing Director/CEO executed the bond purchase agreement for the Electric System Revenue Bonds, Series Three 2015B on July 8, 2015.

Cost or Benefit: The Electric System refunding produces over $5.9 million of present value savings and generates approximately $1.0 million of average annual debt service savings.

Recommended Board action: No action is required by the Board.

For additional information, contact: Joe Orfano, Treasurer, 665-4541

Submitted by: PEM/MHD/JEO/OCD

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
July 24, 2015

SUBJECT: **RECAP OF RECENT JEA ELECTRIC SYSTEM FIXED RATE DEBT REFUNDING DELEGATED TRANSACTIONS**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Peter Bower, Chair
Husein Cumber
Robert Heekin
John Hirabayashi

BACKGROUND:
On December 16, 2014, the Board adopted Resolution No. 2014-07 relating to the Electric System that provided the Managing Director/CEO the authorization to price and execute fixed rate refunding transactions within stated parameters. The resolution, in addition to providing parameters, also (i) approves the form of and authorizes the execution of various legal documents that have been prepared by counsel in connection with the issuance of any fixed rate funding bonds; and (ii) provides that the bonds must be sold no later than December 31, 2016. The results of all bond issues sold will be reported back to the Board.

DISCUSSION:
Pursuant to Resolution No. 2014-07 relating to the Electric System adopted by the Board on December 16, 2014, JEA staff priced approximately $42.4 million fixed rate bonds on July 7, 2015. Bond refunding proceeds, together with a $25 million contribution from the Electric System, were utilized to redeem approximately $69.6 million of fixed rate bonds. The Managing Director/CEO executed the bond purchase agreement for the Electric System Revenue Bonds, Series Three 2015B on July 8, 2015.

The attached presentation shows the actual results as compared to the delegated parameters for the Electric System Revenue Bonds, Series Three 2015B.

J.P. Morgan served as senior manager, Nixon Peabody LLP served as JEA's Bond Counsel and Public Financial Management served as JEA's Financial Advisor for the refunding transaction.

RECOMMENDATION:
Provided for the Board's information. No action is required at this time.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/OCD

Ver 2.2 02/01/2014

FY 15 BOND REFUNDING ACTIVITY AND RESULTS

JEA Finance and Audit Committee Meeting

August 10, 2015

FINANCING TEAM

JEA

Joe Orfano, Treasurer

Chris Cicero, Bond Compliance Specialist

Lori Boynton , Bond Compliance Specialist

Robert Hahn, Bond Administration Specialist

Oliver Domingo, Debt Financial Analyst

Senior Underwriter:

Electric System Series Three 2015A

- Goldman, Sachs & Co.

Electric System Series Three 2015B

- J.P. Morgan

SJRPP Issue 2, Series 26 & 27

- RBC Capital Markets

Bond Counsel:

Nixon Peabody, LLP

Financial Adviser:

Public Financial Management, Inc.

SUMMARY OF REFUNDING RESULTS

Series Three 2015A Electric System Refunding (3/19/15)

- Total bond par amount: $83.3 million
- Gross savings: $19.8 million
- Present value savings: $12.8 million

Series Three 2015B Electric System Refunding (7/16/15)

- Total bond par amount: $42.4 million
- Gross savings: $16.5 million
- Present value savings: $5.9 million

SJRPP Issue Two, Series Twenty-Six & Twenty-Seven Refunding (5/7/15)

- Total bond par amount: $73.1 million
- Gross savings: $12.1 million
- Present value savings: $11.3 million

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ELECTRIC SYSTEM RESOLUTION PARAMETERS

	Delegated	Actual
Maximum Par Amount	$162.7MM[1]	$42.4MM[2]
Weighted Average Life	Current + 1: 10.924 Years	7.554 Years
Current Refunding NPV Savings	Positive Savings, 2015 >= 3.00% 2016, 2017 >= 4.00% 2018-2023 >= 5.00% 2024 + OR >= 5.00% Overall	8.55% Overall
Optional Redemption Price	<=101%	100%
Optional Redemption Dates	>= 4.0 years; <= 10.0 years	October 1, 2020 and April 1, 2025

[1] Remaining balance from the original amount of $246.0MM less the $83.3MM from the Electric System Series Three 2015A refunding transaction.
[2] $69.6 million of bonds redeemed through a combination of cash contribution and bond refunding proceeds.

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FY15 ANTICIPATED REFUNDING TRANSACTION SCHEDULE

System	Type	Pricing	Estimated Par Amount
Water & Sewer	Current	August/September	TBD

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AGENDA ITEM SUMMARY

July 28, 2015

SUBJECT:	**RESOLUTIONS AMENDMENT FOR ELECTRIC SYSTEM 2008B AND 2008D DIRECT PURCHASE VARIABLE RATE INDEX BONDS**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: Staff is pursuing renewal of JEA's existing Continuing Covenants Agreements ("CCAs") with Wells Fargo Bank, N.A. relating to the Direct Purchase of certain variable rate Electric System bonds under authorization provided by Resolution No. 2012-20. JEA's bond counsel has recommended a modification to the supplemental resolutions authorizing the bonds.

Significance: High.

Effect: The proposed modification to the supplemental resolutions authorizing the bonds will clarify language regarding the timing for principal amortization payments to be made on the bonds by JEA if the bond transaction is not renewed and the bonds are not purchased at the end of the applicable CCA holding period.

Cost or Benefit: Renewing the existing agreements provides JEA with debt service savings and retains the risk reduction and diversification of JEA's variable debt portfolio achieved through the Direct Purchase structure. CCA credit terms and conditions conformed to recently renewed liquidity facilities.

Recommended Board action: That the Finance and Audit Committee review, discuss and recommend the Board approve Resolution No. 2015-04 modifying Section 503.1 of Resolutions No. 2010-11 and No. 2010-12 as described in the Discussion section of the attached committee agenda memorandum.

For additional information, contact: Melissa Dykes

Submitted by: PEM/MHD/JEO/RLH

Ver.2.0D 9/21/2013 jer

4832-9661-8534.2

Building Community

INTER-OFFICE MEMORANDUM
July 28, 2015

SUBJECT: **RESOLUTIONS AMENDMENT FOR ELECTRIC SYSTEM 2008B AND 2008D DIRECT PURCHASE VARIABLE RATE INDEX BONDS**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Peter Bower, Chair
Husein Cumber
Robert Heekin
John Hirabayashi

BACKGROUND:
On June 15, 2010 the Board adopted Resolution No. 2010-10, which approved restructuring the outstanding variable rate Electric System Revenue Bonds, Series Three 2008B-1 (the "2008B-1 Bonds"), Series Three 2008B-4 (the "2008B-4 Bonds") and Series Three 2008D-1 (the "2008D-1 Bonds" and collectively with the 2008B-1 Bonds and the 2008B-4 Bonds, the "Bonds") from a structure that utilized liquidity and credit facilities to "Direct Purchase" variable rate index bonds under which Wells Fargo Bank, N.A. ("Wells Fargo") would purchase the applicable bonds for their own account, with the variable rate based on a spread to the SIFMA index. In 2010, Wells Fargo purchased the 2008B-1 Bonds and the 2008D-1 Bonds for an initial holding period of two (2) years and the 2008B-4 Bonds continued to be remarketed as variable rate demand bonds with credit and liquidity support from Wells Fargo. In 2012, Wells Fargo agreed to extend the holding period for the 2008B-1 Bonds and the 2008D-1 Bonds for three years and to purchase the 2008B-4 Bonds with an initial holding period of three years. The Advantages of the Direct Purchase over the prior structure include (i) the simplification of the role of the remarketing agent resulting in the elimination of the associated remarketing fee, (ii) the reduction of risk to JEA relating to the negative consequences relating to any downgrade in credit ratings relating to the credit provider since the bonds are owned by the bank as opposed to being publicly remarketed based on the bank's credit rating and (iii) the diversification that the Direct Purchase notes add to the entire portfolio of variable rate bonds issued by JEA.

On May 15, 2012 the Board adopted Resolution No. 2012-20, which provided the Managing Director and CEO the authorization to extend, amend or substitute the Direct Purchase Continuing Covenant Agreements ("CCAs"), so long as such actions are deemed by the Managing Director and CEO or his designee, and confirmed by JEA's financial advisor, to be necessary or desirable and advantageous to JEA and commercially reasonable. The current CCAs expire September 25, 2015 (with respect to the 2008B-1 Bonds and 2008D-1 Bonds) and October 22, 2015 (with respect to the 2008B-4 Bonds) and staff is working on amendments to extend the agreements with Wells Fargo Bank, N.A. at a favorable rate for approximately three years under the authorization provided by Resolution No. 2012-20 and to make other modifications to the agreements that are determined by the Managing Director and CEO or his designee, and confirmed by JEA's financial advisor, to be necessary or desirable and advantageous to JEA and commercially reasonable.

Page 2

DISCUSSION:

Concurrent with its 2010 approval to restructure the Bonds, the Board adopted Resolutions No. 2010-11 and No. 2010-12, which amended and restated the original supplemental resolutions authorizing the issuance of the Series Three 2008B-1, Series Three 2008B-2, Series Three 2008B-3 and Series Three 2008B-4, and the Series Three 2008D-1 and Series Three 2008D-2 bonds, respectively. JEA's bond counsel has prepared Resolution No. 2015-04 to modify Section 503.1 of each of Resolution No. 2010-11 and No. 2010-12 to clarify that at the conclusion of the period during which Wells Fargo will be holding the Bonds, if JEA and Wells Fargo do not extend the holding period and if the bonds are not purchased from Wells Fargo, then JEA will need to pay the principal amount of the bonds over a period of time beginning with the first business day in April or October that is at least six months after the end of the holding period and continuing every six months on the first business day in April and October until the earlier to occur of (i) the maturity date for the bonds or (ii) the first business day in April or October immediately preceding the fifth anniversary of the end of the period during which Wells Fargo will be holding the bonds.

Staff is currently negotiating the renewal of the three variable rate Wells Fargo Direct Purchase Agreements to reduce the credit spreads and conform covenants/events of default to recently-renewed liquidity facilities.

RECOMMENDATION:

That the Finance and Audit Committee review, discuss and recommend the Board approve Resolution No. 2015-04 modifying Section 503.1 of Resolutions No. 2010-11 and No. 2010-12 as described in the Discussion above.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/RLH

4815-3179-9590.2

RESOLUTION NO. 2015-04

A RESOLUTION ("AMENDING RESOLUTION"), (i) AMENDING A RESOLUTION OF JEA ADOPTED JUNE 15, 2010 NUMBERED RESOLUTION NO. 2010-11 ("RESOLUTION NO. 2010-11"), AMENDING AND RESTATING A RESOLUTION OF JEA ADOPTED ON MARCH 7, 2008, AS AMENDED AND RESTATED ON APRIL 21, 2009, WHICH PROVIDED, AMONG OTHER THINGS, FOR THE AUTHORIZATION OF THE ISSUANCE OF $261,490,000 IN AGGREGATE PRINCIPAL AMOUNT OF VARIABLE RATE ELECTRIC SYSTEM REVENUE BONDS, SERIES THREE 2008B-1, 2008B-2, 2008B-3 AND 2008B-4 OF JEA AND FOR AN EFFECTIVE DATE, AND (ii) AMENDING A RESOLUTION OF JEA ADOPTED JUNE 15, 2010 NUMBERED RESOLUTION NO. 2010-12 ("RESOLUTION NO. 2010-12"), AMENDING AND RESTATING A RESOLUTION OF JEA ADOPTED ON APRIL 15, 2008, AS AMENDED ON MARCH 17, 2009, WHICH PROVIDED, AMONG OTHER THINGS, FOR THE AUTHORIZATION OF THE ISSUANCE OF $130,000,000 VARIABLE RATE ELECTRIC SYSTEM REVENUE BONDS, SERIES THREE 2008D-1 AND $130,000,000 VARIABLE RATE ELECTRIC SYSTEM REVENUE BONDS, SERIES THREE 2008D-2 OF JEA AND FOR AN EFFECTIVE DATE, FOR THE PURPOSE OF (I) PROVIDING THE AUTHORITY FOR THIS AMENDING RESOLUTION, (II) AMENDING AND RESTATING THE PROVISIONS RELATING TO THE PRINCIPAL REPAYMENT OF SERIES THREE 2008B BANK BONDS AND SERIES THREE 2008D BANK BONDS; AND (III) PROVIDING AN EFFECTIVE DATE.

WHEREAS, on March 7, 2008, JEA adopted a Resolution for the purpose of authorizing the issuance of JEA's Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, 2008B-2, 2008B-3 and 2008B-4 (the "Original Series Three 2008B Supplemental Resolution") and JEA adopted a Resolution on April 21, 2009 amending and restating the Original Series Three 2008B Supplemental Resolution (the "2009 Amended Series Three 2008B Supplemental Resolution");

WHEREAS, on April 15, 2008, JEA adopted a Resolution for the purpose of authorizing the issuance of JEA's Variable Rate Electric System Revenue Bonds, Series Three 2008D-1 and 2008D-2 (the "Original Series Three 2008D Supplemental Resolution") and JEA adopted a Resolution on March 17, 2009 amending the Original Series Three 2008D Supplemental Resolution (the Original Series Three 2008D Supplemental Resolution as so amended, the "2009 Amended Series Three 2008D Supplemental Resolution");

WHEREAS, on June 15, 2010 JEA adopted Resolution No. 2010-11 and Resolution No. 2010-12 to provide for the amendment and restatement of (i) the 2009 Amended Series Three 2008B Supplemental Resolution which provided, among other things, for the authorization of the issuance of $261,490,000 in aggregate principal amount of Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, 2008B-2, 2008B-3 and 2008B-4 of JEA and (ii) the 2009 Amended Series Three 2008D Supplemental Resolution which provided, among other things, for the authorization of the issuance of $260,000,000 in aggregate principal amount of Variable Rate Electric System Revenue Bonds, Series Three 2008D-1 and D-2;

WHEREAS, JEA wishes to amend and restate the provisions in Resolution No. 2010-11 and Resolution No. 2010-12 describing the principal repayment of Series Three 2008B Bank Bonds and Series Three 2008D Bank Bonds to clearly specify the intent of JEA and Wells Fargo Bank, National Association, as the Holder of 100% of the aggregate principal amount outstanding of JEA Electric

System Revenue Bonds Series Three 2008B-1, JEA Electric System Revenue Bonds Series Three 2008B-4 and JEA Electric System Revenue Bonds Series Three 2008D-1;

WHEREAS, in accordance with Section 15 of the Electric System Resolution, JEA will receive the written consent of the Holders (as defined in the Electric System Resolution) of the JEA Electric System Revenue Bonds, Series Three 2008B-1, JEA Electric System Revenue Bonds, Series Three 2008B-4 and JEA Electric System Revenue Bonds, Series Three 2008D-1 to such amendments and waiver of the mandatory tender requirement of Section 1005.2 of Resolution 2010-10 and Section 805.2 of Resolution 2010-12 in order for the amendments provided for in this Amending Resolution to become effective;

WHEREAS, capitalized terms used herein and not defined herein and where it is not specified herein where such terms are defined, are used as defined in Resolution No. 2010-11 or Resolution No. 2010-12, as applicable;

NOW, THEREFORE, BE IT RESOLVED BY JEA that Resolution No. 2010-11 and Resolution No. 2010-12 each shall be amended as provided herein, such amendment to be effective with respect to the Series Three 2008B Bonds of a particular series (or sub-series) and the Series Three 2008D Bonds of a particular series (or sub-series) only from and after the date, if any, on which consent to such amendment and waiver of mandatory tender by 100% of the Holders of Series Three 2008B Bonds of a particular series (or sub-series) and the Series Three 2008D Bonds of a particular series (or sub-series) has been received by JEA:

ARTICLE I

AUTHORITY

SECTION 101. Authority for this Resolution. This Resolution (i) is adopted pursuant to the provisions of the Act (as defined in the Electric System Resolution), and (ii) supplements the Electric System Resolution and is adopted in accordance with the terms of the Electric System Resolution.

ARTICLE II

AMENDING THE PROVISIONS RELATING TO THE PRINCIPAL REPAYMENT OF SERIES THREE 2008B BANK BONDS AND SERIES THREE 2008D BANK BONDS

SECTION 201. Amendment of Section 503.1 of Resolution No. 2010-11 and Resolution No. 2010-12. 1 Section 503.1 of Resolution No. 2010 -11 is hereby amended and restated to read as follows:

> "1.a. The principal of a Series Three 2008B Bank Bond which is not a Series Three 2008B Purchased Bond shall be payable in equal, successive semi-annual installments, commencing on the first Semi-Annual Payment Date that is at least six (6) months following the Bank Bond Purchase Date with respect thereto and continuing on each successive Semi-Annual Payment Date to and including the earlier to occur of (a) the maturity date of such Series Three 2008B Bond or (b) the Semi-Annual Payment Date immediately preceding the fifth (5^{th}) anniversary of such Bank Bond Purchase Date.
>
> 1.b. The principal of a Series Three 2008B Bank Bond which is a Series Three 2008B Purchased Bond shall be payable in equal, successive semi-annual installments,

4844-3753-6038.3

commencing on the first Semi-Annual Payment Date that is at least six (6) months following the last day of the Initial Period applicable thereto and continuing on each successive Semi-Annual Payment Date to and including the earlier to occur of (a) the maturity date of such Series Three 2008B Bond or (b) the Semi-Annual Payment Date immediately preceding the fifth (5^{th}) anniversary of the last day of the Initial Period applicable thereto."

2. Section 503.1 of Resolution No. 2010-12 is hereby amended and restated to read as follows:

"1.a. Except as provided in a Liquidity Facility, the principal of a Series Three 2008D Bank Bond which is not a Series Three 2008D Purchased Bond shall be payable in equal, successive semi-annual installments, commencing on the first Semiannual Payment Date that is at least six (6) months following the Bank Bond Purchase Date with respect thereto and continuing on each successive Semiannual Payment Date to and including the earlier to occur of (a) the maturity date of such Series Three 2008D Bond or (b) the Semiannual Payment Date immediately preceding the fifth (5th) anniversary of such Bank Bond Purchase Date.

1.b. The principal of a Series Three 2008D Bank Bond which is a Series Three 2008D Purchased Bond shall be payable in equal, successive semi-annual installments, commencing on the first Semiannual Payment Date that is at least six (6) months following the last day of the Initial Period applicable thereto and continuing on each successive Semiannual Payment Date to and including the earlier to occur of (a) the maturity date of such Series Three 2008D Bond or (b) the Semiannual Payment Date immediately preceding the fifth (5th) anniversary of the last day of the Initial Period applicable thereto."

ARTICLE III

EFFECT OF THIS RESOLUTION

SECTION 301. **Effect of this Resolution**. Except as amended hereby, Resolution No. 2010-11 and Resolution No. 2010-12 shall remain in full force and effect.

ARTICLE IV

EFFECTIVE DATE

SECTION 401. **Effective Date**. This Resolution shall take effect immediately upon its adoption; *provided, however*, that the amendments to Resolution No. 2010-11 and Resolution No. 2010-12 effected by Article II hereof shall become effective upon receipt by JEA of the written consent to such amendments and waiver of mandatory tender by 100% of the Holders of Series Three 2008B Bonds of a particular series (or sub-series) and the Series Three 2008D Bonds of a particular series (or sub-series) has been received by JEA.

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4844-3753-6038.3

ADOPTED THIS 18TH DAY OF AUGUST, 2015.

JEA

____
Chairperson

JEA OFFICIAL SEAL CREATED OCT 1, 1968

ATTEST:

____
Secretary

Approved as to Form:

By:____________________________________
Office of General Counsel

4844-3753-6038.3

Building Community

AGENDA ITEM SUMMARY

July 20, 2015

SUBJECT:	**JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires that the Chief Financial Officer report quarterly on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions.

Significance: High. The Policy governs JEA's wholesale energy market risk management and allows JEA to execute certain physical and financial transactions. The attached report is provided to the Board's Finance and Audit Committee and satisfies the requirements of the reporting section of the EMRM Policy.

Effect: Financial and physical transactions allow the JEA Fuels group to manage the risks inherent in the wholesale fuel and energy markets. The attached Finance and Audit Committee report summarizes JEA's current positions.

Cost or Benefit: The costs of financial transactions are reflected in comparison to market indices. The benefits include establishment of a stable fuel price for the future.

Recommended Board action: None required. The report is required by the EMRM Policy and is provided as information.

For additional information, contact: Steve McInall, 665-4309

Submitted by: PEM/ MJB/ SGM

Ver.2.0D 9/21/2013 jer

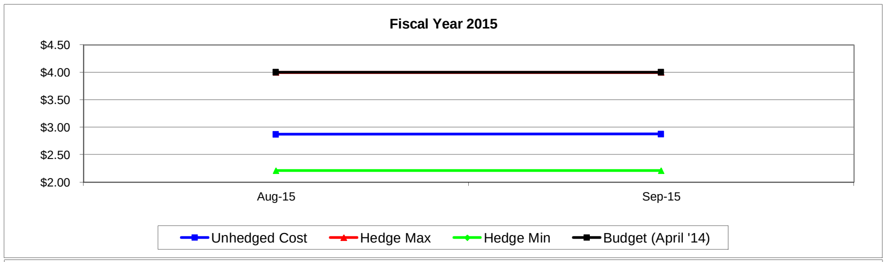
Financial Natural Gas Positions as of 7/20/15

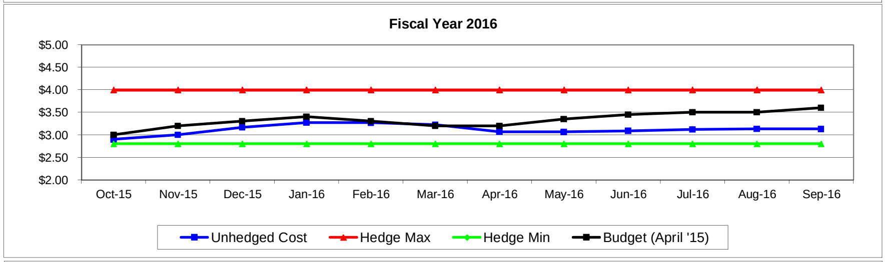
Month	Physical Volume	Hedged Volume	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Mark-to-Market Value
Aug-15	4,105,700	600,000	14.6%	$2.87	Collar	$2.21 / $4.00	$0
Sep-15	4,567,900	600,000	13.1%	$2.87	Collar	$2.21 / $4.00	$1,920
FY15 Total	**8,673,600**	**1,200,000**	**13.8%**	**$2.87**			**$1,920**
Oct-15	4,082,500	600,000	14.7%	$2.90	Collar	$2.80 / $4.00	$80,610
Nov-15	2,836,400	600,000	21.2%	$3.00	Collar	$2.80 / $4.00	$70,440
Dec-15	3,453,100	600,000	17.4%	$3.17	Collar	$2.80 / $4.00	$31,560
Jan-16	3,508,800	600,000	17.1%	$3.27	Collar	$2.80 / $4.00	($8,010)
Feb-16	3,310,600	600,000	18.1%	$3.27	Collar	$2.80 / $4.00	($11,070)
Mar-16	2,064,300	600,000	29.1%	$3.22	Collar	$2.80 / $4.00	($1,050)
Apr-16	1,939,400	600,000	30.9%	$3.07	Collar	$2.80 / $4.00	$67,380
May-16	2,952,900	600,000	20.3%	$3.06	Collar	$2.80 / $4.00	$69,960
Jun-16	2,746,100	600,000	21.8%	$3.09	Collar	$2.80 / $4.00	$68,730
Jul-16	3,149,900	600,000	19.0%	$3.12	Collar	$2.80 / $4.00	$60,570
Aug-16	3,360,900	600,000	17.9%	$3.13	Collar	$2.80 / $4.00	$58,530
Sep-16	2,563,300	600,000	23.4%	$3.13	Collar	$2.80 / $4.00	$60,750
FY16 Total	**35,968,200**	**7,200,000**	**20.0%**	**$3.12**			**$548,400**
Oct-16	2,565,700	600,000	23.4%	$3.16	Collar	$2.93 / $4.50	$111,210
Nov-16	1,931,600	600,000	31.1%	$3.24	Collar	$2.93 / $4.50	$81,240
Dec-16	3,219,700	600,000	18.6%	$3.40	Collar	$2.93 / $4.50	$29,970
Jan-17	2,566,800	600,000	23.4%	$3.51	Collar	$2.93 / $4.50	($17,880)
Feb-17	2,024,700	600,000	29.6%	$3.50	Collar	$2.93 / $4.50	($21,750)
Mar-17	2,551,700	600,000	23.5%	$3.44	Collar	$2.93 / $4.50	($3,030)
Apr-17	1,896,700	600,000	31.6%	$3.19	Collar	$2.93 / $4.50	$99,450
May-17	2,386,600	600,000	25.1%	$3.18	Collar	$2.93 / $4.50	$100,710
Jun-17	2,755,900	600,000	21.8%	$3.22	Collar	$2.93 / $4.50	$92,160
Jul-17	3,108,800	600,000	19.3%	$3.26	Collar	$2.93 / $4.50	$83,040
Aug-17	3,208,800	600,000	18.7%	$3.27	Collar	$2.93 / $4.50	$80,760
Sep-17	2,504,200	600,000	24.0%	$3.26	Collar	$2.93 / $4.50	$85,440
FY17 Total	**30,721,200**	**7,200,000**	**23.4%**	**$3.30**			**$721,320**

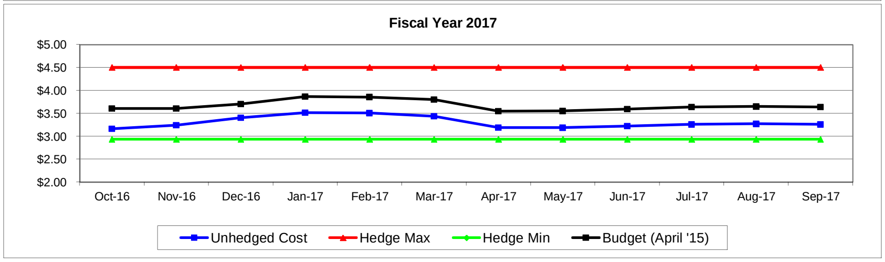
Volume - mmBtu

Counterparty Exposure

Supplier/ Counterparty	Fuel Type	Contract Type	Hedged Volume	Mark-to-Market Value
Wells				
FY15	Natural Gas	Puts and Calls	1,200,000	$1,920
FY16	Natural Gas	Puts and Calls	7,200,000	$548,400
FY17	Natural Gas	Puts and Calls	7,200,000	$721,320
RBC				
FY15	Natural Gas	Swaps, Puts, Calls	---	---
FY16	Natural Gas	Swaps, Puts, Calls	---	---
FY17	Natural Gas	Swaps, Puts, Calls	---	---







Physical Fuel and Purchase Power Positions as of 7/20/15

Physical Positions

Plant	Energy Fixed Price (MWH)	Energy Fixed Price (%)	Expense Fixed Price ($)	Expense Fixed Price (%)
Northside CFB				
Bal. FY15	365,017	67%	8,918,797	70%
FY16	-	0%	-	0%
FY17	-	0%	-	0%
SJRPP				
Bal. FY15	484,487	99%	17,307,066	99%
FY16	1,814,764	62%	65,823,864	63%
FY17	1,865,737	66%	69,639,911	67%
Scherer 4				
Bal. FY15	237,500	100%	5,670,602	92%
FY16	924,865	80%	26,583,467	85%
FY17	647,017	52%	26,991,074	78%
Renewable Purchase Power				
Bal. FY15	99,637	100%	6,175,799	100%
FY16	197,664	100%	13,039,759	100%
FY17	197,108	100%	13,200,309	100%
Other Purchase Power				
Bal. FY15	-	0%	-	0%
FY16	-	0%	-	0%
FY17	-	0%	-	0%

Physical Counterparties (Contracts One Year or Greater)

Supplier/ Counterparty	Fuel Type	Contract Type	Generating Unit	Original Contract Volume	Remaining Contract Volume	Units	Original Contract Term	Remaining Contract Term
Coal Marketing Company	Coal	Index w/ Collar	SJRPP	1,500,000	682,000	Tons	1/1/14 - 12/31/16	7/20/15 - 12/31/16
Coal Marketing Company	Coal	Fixed Price	SJRPP	2,000,000	1,736,000	Tons	1/1/15 - 12/31/17	7/20/15 - 12/31/17
Coal Marketing Company	Coal	Fixed Price	SJRPP	372,000	279,000	Tons	1/1/15 - 12/31/15	7/20/15 - 12/31/15
Sunrise Coal	Coal	Fixed Price	SJRPP	250,000	174,850	Tons	1/1/15 - 12/31/16	7/20/15 - 12/31/16
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	260,270	120,284	Tons	1/1/15 - 12/31/15	7/20/15 - 12/31/15
Coal Sales LLC	Coal	Fixed Price	Scherer 4	182,638	105,037	Tons	1/1/15 - 12/31/15	7/20/15 - 12/31/15
Arch Coal Inc.	Coal	Fixed Price	Scherer 4	191,020	84,589	Tons	1/1/15 - 12/31/15	7/20/15 - 12/31/15
Cloud Peek Cordero Rojo	Coal	Fixed Price	Scherer 4	56,150	16,803	Tons	1/1/15 - 12/31/15	7/20/15 - 12/31/15
Cloud Peek Antelope	Coal	Fixed Price	Scherer 4	94,764	73,706	Tons	6/1/15 - 12/31/15	7/20/15 - 12/31/15
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	350,000	350,000	Tons	1/1/16 - 12/31/16	1/1/16 - 12/31/16
Coal Sales LLC	Coal	Fixed Price	Scherer 4	150,000	150,000	Tons	1/1/16 - 12/31/16	1/1/16 - 12/31/16
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	350,000	350,000	Tons	1/1/17 - 12/31/17	1/1/17 - 12/31/17
BG	Natural Gas	Index w/Fixed Price Option	NG Fleet	445.6	130.7	Bcf	6/1/01 - 5/31/21	7/20/15 - 5/31/21