

**JEA
FINANCE & AUDIT COMMITTEE AGENDA**

REVISED - August 10, 2018

Removed II.D.3. – Direct Purchase of Variable Rate Electric System Series Three 2008A, 2008B-2, 2008B-3 and 2008C-3 Bonds

DATE: August 13, 2018
TIME: 8:00 – 10:00 AM
PLACE: 21 W. Church Street
 8th Floor Conference Room

			Responsible Person	Action (A) Info (I)	Total Time
I.	OPENING CONSIDERATIONS		Kelly Flanagan		
	A.	Call to Order			
	B.	Adoption of Agenda		A	
	C.	Approval of Minutes – May 7, 2018	La'Trece Bartley	A	
II.	NEW BUSINESS				
	A.	Audit Services			
		1. Approval of Annual Internal Audit Plan	Steve Tuten/Lee Montanez	A	15 mins.
		2. Annual Approval of Internal Audit Charter	Steve Tuten	A	5 mins.
		3. Quarterly Audit Services Update	Steve Tuten/Frank DiBenedetto/Lee Montanez	I	10 mins.
	B.	Ethics Officer Quarterly Report	Walette Stanford	I	5 mins.
	C.	Ernst & Young FY2018 Annual Financial Audit Plan	John DiSanto	A	20 mins.
	D.	Treasury			
		1. Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
		2. JEA Investment Policy – Revision to Authorized Investments	Joe Orfano	A	5 mins.
	E.	JEA Energy Market Risk Management Policy Report	Steve McInall	I	5 mins.
	F.	Announcements			
		1. Next Meeting, December 3, 2018, 8:00 – 10:00 AM			
	G.	Committee Discussion Sessions			
		1. Ernst & Young	John DiSanto	I	5 mins.
		2. Director, Audit Services	Steve Tuten	I	5 mins.
		3. Council Auditor's Office	Jeff Rodda	I	5 mins.
	H.	Adjournment			

I. C.

Approval of Minutes

JEA FINANCE & AUDIT COMMITTEE MINUTES
May 7, 2018

The Finance & Audit Committee of JEA met on Monday, May 7, 2018, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Kelly Flanagan attended telephonically and called the meeting to order at 8:00 AM. Member Husein Cumber in attendance. Board Chair Alan Howard attended in observance. Others in attendance were Aaron Zahn, Melissa Dykes, Brian Roche, Mike Brost, Angie Hiers, Ted Hobson, Kerri Stewart, Jody Brooks, Steve Tuten, Joe Orfano, Walette Stanford, Janice Nelson, Ryan Wannemacher, Steve McInall, Kristina Quarterman, Juli Crawford, Laure Whitmer, Jeff Rodda, Council Auditors office and Russ Jeans, Ernst & Young.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Committee Chair Flanagan.
- C. Approval of Minutes – The March 12, 2018 Minutes were unanimously approved on **motion** by Mr. Cumber and second by Committee Chair Flanagan.

Agenda Item II – New Business

- A. FY2019 Budget Presentation – Ryan Wannemacher, Interim Chief Financial Officer, presented and reviewed the FY2019 draft budget and process. Staff requested the Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2019 operating and capital budget including revenue, O&M expense levels, interest rates and debt structure, financial metrics and regulatory accounting items. The proposed budgets include considerable internal funding for the capital program in an effort to support the “pay-go” philosophy for all recurring capital expenditures. The proposed budgets address key strategic initiatives to support the quality of service delivery, climate change, Total Water Resource Plan, regulatory compliance, workforce readiness, communications, conservation, sewer resiliency, septic tank phase-out, and customer satisfaction initiatives. Mr. Wannemacher stated the budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$118.0 million. Staff also recommended that the Finance and Audit Committee provide feedback and direction, in its report or staff presentation to the Board at the May 15, 2018 meeting, for final Board approval at the June 19, 2018 meeting. This presentation was received for information, advice and direction.
- B. Quarterly Audit Services Update – Steve Tuten, Director, Audit Services, provided an update to the Committee regarding the progress of the FY18 Internal Audit Plan, open audit and investigation report issues, Enterprise Risk Management (ERM) highlights, risks and trend report, and the Ethics Hotline Report. This presentation was received for information.
- C. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries, FY17/18 gift registry, Business Ethics Training Survey results and information on a new platform to track ethics inquiries from employees. This presentation was received for information.
- D. 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.

- E. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.
- F. Annual Disclosure Report – Aaron Zahn, Interim CEO, provided the Committee with time to discuss the Annual Disclosure Report. Mr. Cumber provided several comments regarding Plant Vogtle in the Annual Disclosure Report. Staff will provide an amended Annual Disclosure Report for review and presentation at the May 15, 2018 Board meeting.
- G. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on August 13, 2018, at 8:00 AM.
- H. Committee Discussion Sessions
 - 1. Ernst & Young – At 9:55 AM, Committee Chair Flanagan dismissed staff and the Committee held a general conversation with Russ Jeans.
 - 2. Council Auditor’s Office – Jeff Rodda, The Council Auditor’s Office, had no comments.
 - 3. Director, Audit Services – At 10:05 AM, Committee Chair Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:06 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

La'Trece Bartley
Executive Assistant

II. A. 1.

Approval of Annual Internal Audit Plan



Building Community

AGENDA ITEM SUMMARY

August 1, 2018

SUBJECT:	APPROVAL OF ANNUAL INTERNAL AUDIT PLAN
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The Internal Audit Plan provides the JEA Board of Directors with information on the audit plan for the upcoming year.

Significance: The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with all procedures and regulations.

Effect: JEA is able to manage risks and monitor controls, identifying issues to reduce and/or prevent impact to business operations.

Cost or Benefit: The benefits to the organization are seen in risk avoidance or management and the knowledge that the business is in compliance with rules and regulations.

Recommended Board action: Staff recommends that the Finance & Audit Committee and the Board approve the Annual Internal Audit Plan for FY19.

For additional information, contact: Steven V. Tuten – Director, Audit Services, 904-665-5206

Submitted by: AFZ/TEH/SVT

MISSION Energizing our community through high-value energy and water solutions.	VISION JEA is a premier service provider, valued asset and vital partner in advancing our community.	VALUES <ul style="list-style-type: none">• Safety• Service• Growth?• Accountability• Integrity
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Commitments to Action

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

II. A. 1.
8/13/2018
(F&A)

Return to
Agenda



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FY19 Internal Audit Plan

August 2018



FY19 Internal Audit Plan

Planning Guidance

- A cornerstone of our annual planning process is conducting a risk assessment of the identified auditable entities within JEA.
- We rely on the guidance of the Institute of Internal Auditors (IIA), the global authoritative body for the internal audit profession. This includes the International Standards for the Professional Practice of Internal Auditing, which presents the professional requirements for risk assessments conducted by internal auditors.

Risk Assessment & Audit Planning Approach

- The following approach was taken in creating the Audit Plan:



- The JEA auditable entities structure was updated to reflect the organizational changes made after the introduction of new JEA leadership on April 17, 2018.
- Interviews with the Senior Leadership Team, combined with risk assessment meetings with department Directors and Managers were used to identify perceived areas of risk and potential internal audits.
- This information was developed into an audit plan designed to address critical risks in achieving JEA's objectives, as well as operational and regulatory requirements.

August 2018



FY19 Internal Audit Plan

Risk Assessment Questionnaire

- The risk assessment questionnaire consisted of fourteen questions (four yes/no and ten open questions), designed for management to help identify and document risk factors related to their business objectives. These risk factors included:
 - Key Committee of Sponsoring Organizations of the Treadway Commission (COSO) objectives of operational, compliance and reporting risk
 - Qualitative measures (process complexity, governance matters and degree of change)
 - Potential impact risks (financial and reputational)
- Internal Audit met with management to discuss these risks in each of the 101 identified areas of JEA's auditable entities. We then compiled the scores to determine the highest risk areas for JEA.
- A copy of the questionnaire is shown on Appendix pp. A4-A5.

August 2018



**FY19 Internal Audit
Plan**

Audit Plan Integration with ERM and Ethics & Investigations Audit

Internal Audit risk assessment surveys include detailed information on JEA's Top Corporate Risks (TCRs), and results and statistics from investigative cases. The Audit Plan includes specific information on any Tier 1 and 2 TCRs applicable to each auditable entity.



August 2018



FY19 Internal Audit Plan

For FY2019, Internal Audit will evaluate select key Enterprise Risk Management (ERM) Top Corporate Risks (TCRs), by applying COSO's ERM framework to the TCRs and their corresponding mitigating activities.

Description of Scheduled Audits

- The final plan has twenty-three (23) audits and projects scheduled:
 - Nine (9) new audits based on the FY2019 risk assessment process
 - Four (4) special projects
 - One (1) recurring project related to Performance Pay
 - One (1) JEA-led external audit of The Energy Authority (TEA)
 - One (1) Agreed-Upon Procedures Engagement audit
 - Three (3) follow-up audits due to “Needs Improvement” audit report ratings
 - Four (4) carry-over audits from FY2018.
- The proposed timeline for these audits is shown on p.7.
- A detailed list of these audits/projects, which includes an entity description and mapping to the relevant top corporate risks, is shown on Appendix pp. A1-A3.

August 2018



FY19 Internal Audit Plan

Proposed Timeline

Audit/Project	Budgeted Hours	Auditor-in-Charge	Estimated Draft Report Date	FY2019												
				Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	
2018 Electric Production Engineering and Outages	60	Laurie Gaughan (LG)	10/31/18													
2018 W/WW Reuse and Treatment	75	David Arnold (DA)	10/31/18													
2018 Information Security Follow-Up	160	Rashid Brittain (RB)	11/15/18													
2018 Response and Environmental Programs	160	Troy England (TE)	11/15/18													
Recruitment Services	400	Andrew Shelley (AS)	12/31/18													
TEA Audit	725	LG, RB & TE	12/31/18													
JEA FY2018 Performance Pay Audit	100	TE	11/31/18													
Customer Solutions & Market Development	400	DA	1/31/19													
Contract Administration	375	TE	2/28/19													
MEAG Special Project	250	LG	2/28/19													
Branch Follow-Up	330	AS	3/31/19													
Procurement Inventory Control	525	DA & RB	4/30/19													
Water Supply Management/Long Term Planning Top Corporate Risk COSO Special Project	250	TE	5/31/19													
Byproducts	400	LG	5/31/19													
Green-e Agreed-Upon Procedures Engagement	200	Lee Montanez	6/1/19													
Cybersecurity Top Corporate Risk COSO Special Project	300	RB	6/30/19													
Payroll Services Follow-Up	330	AS	6/30/19													
Staffing Top Corporate Risk COSO Special Project	275	DA	7/31/19													
Electric Systems Asset Management	400	LG	9/30/19													
Project Management Office	400	RB	9/30/19													
District Energy Operations	400	TE	9/30/19													
Corporate Records Compliance	400	AS	9/30/19													
Meter Operations Follow-Up	300	DA	9/30/19													
FY2019 Action Plan Follow-Up	470	All Staff	N/A													
FY2020 Annual Risk Assessments	340	All Staff	N/A													

August 2018



FY19 Internal Audit Plan



In-Progress FY18 Audit
 Scheduled FY19 Audit or Special Project
 Audit Administration

Appendix

- The following supplemental documents are included in the Appendix, and were cross-referenced in the preceding presentation:
 - A1-A3 – Proposed FY19 Internal Audit Plan with Details Pp. 6-7.
 - A4-A5 – Risk Assessment Survey for FY19 Internal Audit Plan Pp. 4.

August 2018



JEA AUDIT SERVICES
PROPOSED FY2019 INTERNAL AUDIT PLAN
WITH ENTITY DESCRIPTION & MAPPING TO ERM TOP CORPORATE RISKS
(SEE PP. 6 IN PRESENTATION)

<u>Title</u>	<u>Entity Description</u>	<u>Top Corporate Risks</u>
<u>Electric Systems</u>		
Byproducts (Audit)	Responsible for handling the byproducts from Northside Generating Station in a safe, environmentally appropriate, low-risk, and cost-effective manner.	<u>Tier 2</u> By Product Management (E12)
Electric Systems Asset Management (Audit)	Collaborates with all Electric System Departments to maintain a mature organizational level based on the Publicly Available Specification (PAS 55) published by the British Standards Institution in 2004 (ISO 55001), by proper tracking of assets throughout the asset lifecycle matrix, which strengthens the overall EAM Strategy.	<u>Tier 2</u> Infrastructure Maintenance - Electric System Assets (E11)
MEAG Purchase Power Agreement (Special Project)	Agreement between JEA and the Municipal Electric Authority of Georgia (MEAG), for projected power purchase. Follow-up from FY12 internal audit, and addressing any additional Management requests.	<u>Tier 1</u> Carbon Emission Mitigation - Clean Power Plan (E01) Long-term Planning/Load Forecast (E06) Revenues and Expenses Management (F01)
<u>Water / Wastewater Systems</u>		
District Energy Operations (Audit)	Provides chilled water services to various City of Jacksonville entities, and hospitals.	<u>Tier 2</u> Public and Employee Safety (H03)
Water Supply Management/Long Term Planning Top Corporate Risk COSO (Special Project)	Application of COSO ERM model to the accurate long-term planning of water supply risks related to the reclaimed water infrastructure, Consumptive Use Permit (CUP) management and future water needs.	<u>Tier 1</u> Water Supply Management/Long Term Planning (W01)
<u>Compliance</u>		
Corporate Records Compliance (Audit)	Responsible for fulfilling public records requests, discovery and subpoena compliance, and attesting to records compliance in the State of Florida.	<u>Tier 2</u> Records Management (C05)

**JEA AUDIT SERVICES
 PROPOSED FY2019 INTERNAL AUDIT PLAN
 WITH ENTITY DESCRIPTION & MAPPING TO ERM TOP CORPORATE RISKS
 (SEE PP. 6 IN PRESENTATION)**

<u>Title</u>	<u>Entity Description</u>	<u>Top Corporate Risks</u>
<u>Human Resources</u>		
Payroll Services Follow-Up (Audit)	Manages the payroll process for all JEA employees. Follow-up on issues from FY17 audit.	None.
Recruitment Services (Audit)	Responsible for identifying and recruiting qualified talent, both internally and externally, to ensure recruitment fairness and equitability.	<u>Tier 1</u> Staffing (H02)
Staffing Top Corporate Risk COSO (Special Project)	Application of COSO ERM model to Staffing risks related to the recruitment and retention of adequate and qualified personnel to enable JEA to meet current and future objectives.	<u>Tier 1</u> Staffing (H02)
<u>Logistical Services</u>		
Procurement Inventory Control (Audit)	Partners with JEA business entities to identify inventory needs, provide quantity analysis based on lead times and vendor, maintains adequate inventory levels as reflected in Oracle.	<u>Tier 2</u> Infrastructure Maintenance – Electric System Assets (E11) Infrastructure Maintenance – Water/Waste Water Systems (W04)
Contract Administration (Audit)	Primarily works with Procurement to establish or maintain contract files, and assist business units on any vendor protest, contract dispute, certificates of insurance and contract negotiation.	None.
<u>Customer Relationships</u>		
Water Meter Services Follow-Up (Audit)	Maintains JEA's residential, commercial and industrial water meters and systems to ensure accurate readings for billing purposes. Follow-up on issues from FY17 audit.	<u>Tier 1</u> Customer Relationship Management (CO1)
Branch Follow-Up (Audit)	Responsible for the customer-facing activities at the Customer Center, such as start-stop and bill pay services. Follow-up on issues from FY17 audit.	<u>Tier 1</u> Customer Relationship Management (CO1)
Customer Solutions & Market Development (Audit)	Responsible for the customer rebate program, and strategies related to electric and water conservation, peak reduction and Demand Site Management (DSM).	<u>Tier 1</u> Customer Relationship Management (CO1)

**JEA AUDIT SERVICES
 PROPOSED FY2019 INTERNAL AUDIT PLAN
 WITH ENTITY DESCRIPTION & MAPPING TO ERM TOP CORPORATE RISKS
 (SEE PP. 6 IN PRESENTATION)**

<u>Title</u>	<u>Entity Description</u>	<u>Top Corporate Risks</u>
<u>Information Technology</u>		
Project Management Office (Audit)	Responsible for managing the delivery of projects within time, scope and cost parameters as defined and tracked in the overall capital portfolio of projects.	<u>Tier 2</u> Technology Infrastructure Reliability (T01)
Cybersecurity Top Corporate Risk COSO (Special Project)	Application of COSO ERM model to Cyber Security risks related to the unauthorized intrusion into JEA's critical systems resulting in a disruption of service and/or loss of data.	<u>Tier 2</u> Cyber Security Information Protection (T02) Cyber Security Business Disruption (T03)
<u>Environmental Services, Financial</u>		
<u>Services & Public Affairs</u>		
None.		
<u>Recurring Audits / Projects</u>		
JEA Performance Pay (Audit)	Determine if achieved levels of performance were calculated in conformance with the incentive plan approved by JEA's Board of Directors.	
The Energy Authority (TEA) (Audit)	Year 1 (of 3) of JEA-led audit of TEA's Operations performed by a team of representatives from several member utilities.	
Annual Risk Assessments (Audit Administration)	Identifying and prioritizing risks to the business. The FY2020 audit plan will be developed from these assessments.	
Action Plan Follow-Up & Reporting (Audit Administration)	Ensure that management's action plans are being implemented and are working effectively to mitigate internal control deficiencies reported in internal audits and investigations reports.	
Green-e Renewable Energy Credits (REC) (Audit)	Green-e request of a one-time agreed-upon procedures audit of the Jacksonville Solar facility for REC certification.	

**II. A. 1. Return to
8/13/2018 Agenda
(F&A)**

Audit Services FY2019 Risk Assessment Questionnaire

Department:				Date:
Director/Manager Name:		Cost Center:		Completed By:

1. Describe the operations performed by this department. Has there been any significant changes during the past year or are there any proposed for the next fiscal year?

2. During the last twelve months, has this department:

		Yes	No	Comments
a.	Updated/Reviewed its written procedures?	<input type="checkbox"/>	<input type="checkbox"/>	
b.	Updated/Reviewed the Business Continuity Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
c.	Updated/Reviewed Succession Planning documentation?	<input type="checkbox"/>	<input type="checkbox"/>	
d.	Developed Key Metrics? <i>(if Yes, list applicable metrics)</i>	<input type="checkbox"/>	<input type="checkbox"/>	
e.	Provided training to its employees? <i>(if Yes, list training courses)</i>	<input type="checkbox"/>	<input type="checkbox"/>	
f.	Outsourced any of its functions? <i>(if Yes, list outsourced functions)</i>	<input type="checkbox"/>	<input type="checkbox"/>	

3. How many employees have retired or resigned from your department to date in FY2018? Has this increased or decreased in comparison with FY2016 and FY2017?

4. How many temporary employees (Randstad/Aerotek) and contractors are assigned to this department? Are security (badge) attestations performed regularly? *(if yes, when was the last one completed?)*

5. Related to Technology:

		Yes	No	Comments
a.	Do Corporate IT systems fully support your business processes?	<input type="checkbox"/>	<input type="checkbox"/>	
b.	Are there any hardware and/or software applications not supported by Corporate IT? <i>(if Yes, please list)</i>	<input type="checkbox"/>	<input type="checkbox"/>	
c.	Is there a planned hardware or software project for FY2019? <i>(if Yes, please list)</i>	<input type="checkbox"/>	<input type="checkbox"/>	
d.	Are badge and application attestations performed periodically?	<input type="checkbox"/>	<input type="checkbox"/>	

6. Related to Data/Information:

		Yes	No	Comments
a.	Does incorrect/inaccurate data have an effect on the department's operations?	<input type="checkbox"/>	<input type="checkbox"/>	
b.	Does this department produce or handle confidential data?	<input type="checkbox"/>	<input type="checkbox"/>	
c.	Do other JEA entities depend on this department's data? <i>(if Yes, please list)</i>	<input type="checkbox"/>	<input type="checkbox"/>	
d.	Do other external entities depend on this department's data? <i>(if Yes, please list)</i>	<input type="checkbox"/>	<input type="checkbox"/>	

7. Does this department need to comply with Federal or State regulations? If so, have there been any fines or penalties assessed or levied in the past year?

8. Which of the Top Corporate Risks (TCRs) identified by Enterprise Risk Management (ERM) are applicable to this department? Are you responsible for any mitigation activities related to the risk(s)? Do you consider them effective? If more than one TCR is mentioned, which one is the most concerning and why?

9. Has this department been externally audited/reviewed in the past three years? If so, what were the results? *(Auditor only: List internal audit reports for the past 3 years)*

Fiscal Year	Internal	External	Report Rating	Comments
	<input type="checkbox"/>	<input type="checkbox"/>		
	<input type="checkbox"/>	<input type="checkbox"/>		
	<input type="checkbox"/>	<input type="checkbox"/>		

10. If your department is selected for an audit in FY19, do you foresee obstacles regarding its timing? *(if yes, explain)*

11. Select the most approximate range/level:

Budget	O&M	FY2018	<\$500K	\$500K to \$1MM	>\$1MM
		FY2019 <i>(proposed)</i>	<\$500K	\$500K to \$1MM	>\$1MM
Capital	FY2018	0	<\$1MM	\$1M to \$3MM	>\$3MM
	FY2019 <i>(proposed)</i>	0	<\$1MM	\$1M to \$3MM	>\$3MM

Inventory?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<\$500K	\$500K to \$1MM	>\$1MM
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Revenues?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<\$500K	\$500K to \$1MM	>\$1MM
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12. Which activities in your department could negatively increase JEA's reputation?

13. For any ethics investigations during the past year, what were the recommendations and have these been implemented?

14. Do you have any additional information or comments about this or any other JEA department?

II. A. 2.

Annual Approval of Internal Audit Charter

August 1, 2018

SUBJECT:	ANNUAL APPROVAL OF INTERNAL AUDIT CHARTER
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The Internal Audit Charter provides the JEA Board of Directors with information on the authority of the audit staff, the key roles and responsibilities of Audit Services and the outline of Audit Services' Quality Assurance program. Key changes in the charter include renaming the charter from "Audit Services Charter" and reflecting recent changes in the Senior Leadership Titles.

Significance: The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with all procedures and regulations.

Effect: JEA is able to manage risks and monitor controls, identifying issues to reduce and/or prevent impact to business operations.

Cost or Benefit: The benefits to the organization are seen in risk avoidance or management and the knowledge that the business is in compliance with rules and regulations.

Recommended Board action: Staff recommends that the Finance & Audit Committee and the Board approve the Internal Audit Charter.

For additional information, contact: Steven V. Tuten – Director, Audit Services, 904-665-5206

Submitted by: AFZ/TEH/svt

MISSION	VISION	VALUES
 Energizing our community through high-value energy and water solutions.	 JEA is a premier service provider, valued asset and vital partner in advancing our community.	 <ul style="list-style-type: none"> • Safety • Service • Growth? • Accountability • Integrity

Commitments to Action

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



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Internal Audit Charter

Internal Audit Charter

Steve Tuten – Director, Audit Services

August 2018



Internal Audit Charter

Summary of Changes to Charter

- Name changed from “Audit Services Charter” to “Internal Audit Charter”, as the Charter specifically addresses internal auditing responsibilities and accountabilities, rather than the Audit Services Group as a whole.
- Addresses recent changes in Senior Leadership Team (SLT) titles.
- Transfer Charter to Corporate Records Compliance’s new Organizational Policy and Procedures template.
- The updated Internal Audit Charter...

August 2018



OPP:	COMP (F&A)	Corporate Policy Ref:
		Internal Audit Charter

POLICY STATEMENT:

The purpose of JEA’s internal audit function is to provide independent and objective assurance and consulting services designed to add value and improve JEA’s operations. Internal Audit helps JEA to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, compliance, 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 Internal Audit 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.

GENERAL DESCRIPTION of PROCEDURE:

This procedure is intended to:

1. Address the authority of the Director, Audit Services and the Internal Audit Staff.
2. Describe the key roles and responsibilities of Internal Audit.
3. Outline Internal Audit’s Quality Assurance program.

ASSIGNMENT of RESPONSIBILITY:

The Director, Audit Services or designee shall establish, maintain, and disseminate this Charter and any related supporting documentation.

DEFINITIONS:

Internal Auditing – 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. Also enhances and protects organizational value by providing risk-based and objective assurance, advice, and insight.”

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. A key part of Internal Audit’s responsibilities.

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. A key part of Internal Audit’s responsibilities.

Quality Assurance – A program based on an IIA Standard, which is designed to enable an evaluation of Internal Audit’s conformance with the IIA’s Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement. Adequate supervision and quality assurance will be performed and documented for each auditor and each audit assignment as defined in Internal Audit’s 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).

OPP:	COMP	Corporate Policy Ref:
		Internal Audit Charter

PROCEDURE:

A. Roles & Responsibilities

Responsibility	Action
Director, Audit Services	Oversees the execution of 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. Is also the organization's Chief Audit Executive (CAE).
VP & Chief Compliance Officer (CCO)	To whom the Director, Audit Services and Internal Audit reports administratively.
Managing Director / Chief Executive Officer (CEO) and/or President / Chief Operating Officer (COO)	To whom the Director, Audit Services reports when Internal Audit conducts audits of Compliance Department functions. Meets quarterly with the Director, Audit Services.
JEA Management	<p>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.</p> <p>Management also has the responsibility and accountability for addressing weaknesses and inefficiencies 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 Internal Audit 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.</p> <p>Management should immediately inform the CAE of any significant internal control problems, thefts, frauds, or unauthorized transactions.</p>
Internal Audit Staff	<p>Executes the program of Internal Audit projects, including the annual audit plan. Internal Audit's authority and key responsibilities are described as follows:</p> <p>Authority</p> <ul style="list-style-type: none"> To have access to all JEA records, assets, properties, plants, computers, personnel, etc., with strict and absolute accountability for safekeeping and confidentiality while conducting their internal audit duties. <p>Annual Risk Assessment and Audit Plan Activities</p> <ul style="list-style-type: none"> Perform annual risk assessment activities and develop an annual audit plan. The Director, Audit Services will present the annual audit plan to the Finance & Audit Committee for review and approval. <p>Assurance/Audit Activities</p>

OPP:	COMP	Corporate Policy Ref:
		Internal Audit Charter

	<ul style="list-style-type: none"> • 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. • The audit scope will be based on Internal Audit’s assessment of risk. Audit coverage will focus on high risk areas as defined in the annual risk assessment process. • 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. <p>Consulting Activities</p> <ul style="list-style-type: none"> • Provide consulting services where the level of risk warrants our involvement. However, Internal Audit does not act in an operating capacity, and cannot be part of the approval process. <p>Reporting</p> <ul style="list-style-type: none"> • 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 and Director/Manager of the area being audited, along with the Managing Director/Chief Executive Officer and/or the President/ Chief Operating Officer, as well as the Chief Risk and Compliance Officer. Final audit reports are also submitted to the City of Jacksonville’s Council Auditor’s office and the Office of the Inspector General. Quarterly summaries of audit results are presented to the Finance & Audit Committee of the Board of Directors. <p>Team Assignment Restrictions</p> <ul style="list-style-type: none"> • 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.
Finance and Audit Committee of JEA’s Board of Directors	Meets quarterly with the Director, Audit Services. Annual review and approval of Charter.
JEA’s External Auditors	Primary auditor of JEA’s financial statements. To minimize duplication of efforts, Audit Services will not audit JEA’s financial statements.

OPP:	COMP	Corporate Policy Ref:
		Internal Audit Charter

SIGNED: _____

Title: VP & Chief Compliance Officer

Effective Date: August 13, 2018

Revised Dates: August 13, 2018

Origination Date: October 5, 2004, with ten (10) of a series of annual subsequent revisions / presentations / approvals, most recently on August 7, 2017.

Keywords: internal audit, assurance, consulting, quality assurance

II. A. 3.

Quarterly Audit Services Update

August 1, 2018

SUBJECT:	QUARTERLY AUDIT SERVICES UPDATE
-----------------	--

Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The Quarterly Audit Update provides the JEA Board of Directors with information on the current Internal Audit, Enterprise Risk Management and Ethics Investigations & Audit activities.

Significance: The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with all procedures and regulations. JEA's Enterprise Risk Management (ERM) Program identifies, assesses, measures, monitors and actively manages risk. The Ethics Investigations and Audit Group conducts internal investigations of confidential reports into JEA's Ethics Hotline (EHL) and from other sources.

Effect: JEA is able to manage risks and monitor controls, identifying issues to reduce and/or prevent impact to business operations.

Cost or Benefit: The benefits to the organization are seen in risk avoidance or management and the knowledge that the business is in compliance with rules and regulations.

Recommended Board action: No action required. The Quarterly Audit Services Update is for information only.

For additional information, contact: Steven V. Tuten – Director, Audit Services, 904-665-5206

Submitted by: AFZ/TEH/svt



MISSION
Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES
• Safety
• Service
• Growth?
• Accountability
• Integrity

Commitments to Action

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



Audit Services 3Q FY18 Report



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Ethics Investigations & Audit	15-18

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Audit Services
3Q FY18 Report

Internal Audit Report

Lee Montanez – Manager, Audit Services

August 2018



Audit Services
3Q FY18 Report

Internal Audit Team Highlights

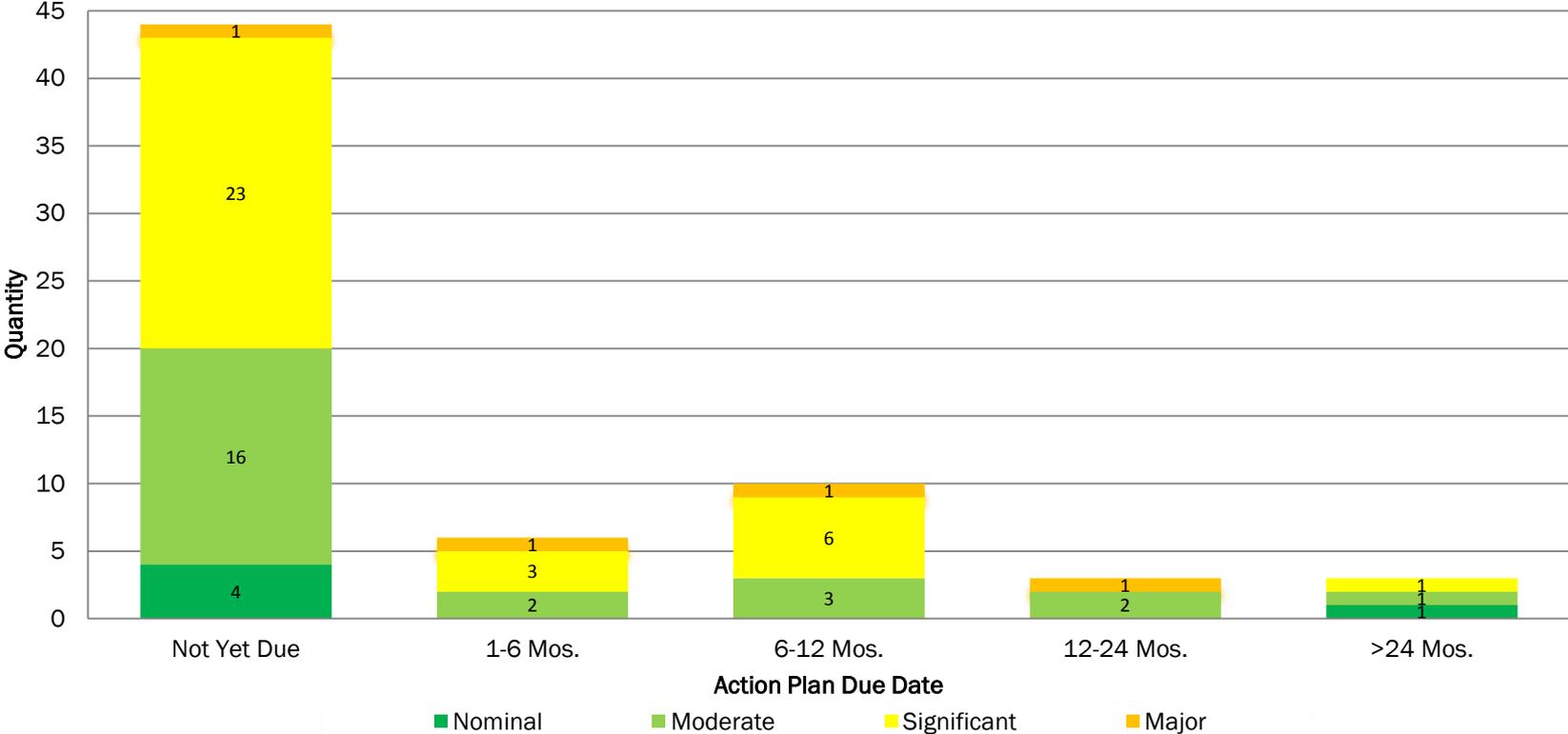
- **FY18 Internal Audit Plan - We are on track to complete the Plan. One planned audit was postponed due to action plan timing issues. The current timeline and details regarding the FY18 Plan is shown on page 6.**
- **Open Audit and Investigation Report Issues - As of 6/30/18, there were 66 open issues requiring management's corrective action plans. This represents an increase of 13 open items since our last report. However, this is primarily a timing issue due to the recent issuance of several audit reports. See pg. 5 for the distribution of these issues by issue rating and action plan due date.**

August 2018



Open Audit and Investigations Report Issues

Open Action Plan (66) by Issue Rating and Action Plan Due Date



August 2018



FY18 Internal Audit Plan Schedule

Audit/Project	Auditor-in-Charge	Planning Memo Date	Status	Budget			Comments	Final Draft Report Date	Final Report Date (Sent to City)	Audit Report Rating
				Budgeted Hours (adjusted)	Actual Hours	Will Meet/Met Budget				
2017 Safety and Health	David Arnold	8/10/2017	Final Report Issued	350	330	●	Slightly delayed due to Hurricane Irma.	2/1/2018	6/5/2018	Satisfactory
2017 Customer Revenue - Branch	Rashid Brittain	9/27/2017	Final Report Issued	300	267	●	Slightly delayed due to Hurricane Irma.	12/20/2017	3/29/2018	Needs Improvement
2017 Permitting and Regulatory Conformance	Troy England / Andrew Shelley	1/3/2017	Final Report Issued	400	597	●	New Auditor was paired with experienced JEA Auditor for training purposes.	4/25/2018	7/25/2018	Excellent
JEA/SJRPP Performance Pay Audit	TE	N/A	Completed	200	131	●	Incentive Pay Review memos issued on: (SJRPP) - 1/18/2017 / (JEA) - 1/22/17	-	-	-
TEA Audit	Laurie Gaughan /RB	N/A	Completed	300	271	●	TEA Audit Report was presented to the TEA Board on February 27, 2018.	-	-	-
W/W/W Project Engineering & Construction	TE/AS	2/27/2018	First Draft Issued	500	780	●	Audit testing and reporting coordinating challenges with PEC Management due to PEC projects.			Satisfactory
T&D Electric Transmission Planning	LG	12/5/2017	Final Report Issued	450	459	●		4/5/2018	7/25/2018	Satisfactory
Personnel Out Process (POP)	DA	12/11/2017	Final Draft Issued	310	469	●	Complex audit with possible major issues. Audit work coordinated with various business units.	6/5/2018		Needs Improvement
Telecommunications & Support	RB	12/19/2017	Final Draft Issued	450	470	●		6/19/2018		Satisfactory
Customer Experience Centers + Strategy Support	DA	5/2/2018	Reporting	400	388	●	Original audit estimate due date did not consider time used in June for the annual risk assessments.			
Transmission and Substation Maintenance	LG	4/2/2018	First Draft Issued	450	430	●				Satisfactory
Technology Infrastructure	RB	5/9/2018	Testing	500	327	●				
Utility Locate Services/3rd. Party Claims	TE	6/1/2018	Testing	350	221	●				
Benefit Services	AS	7/1/2018	Testing	400	299	●	Additional work with W/W/W PEC audit has delayed due date.			
Electric Production Engineering and Outages	LG		Planning	450	17	●				
W/W/W Reuse and Treatment	DA		Planning	400	17	●				
Disaster Recovery Follow-Up	RB		Planning	250	0	●				
Information Security Follow-Up	RB		Planning	275	0	●				
New Auditor Training	AS		Completed	150	170	●				
FY2018 Action Plan Follow-Up	All Staff		Ongoing	625	490	●				
FY2019 Audit Plan	All Staff		Completed	300	311	●				

August 2018



Audit Services 3Q FY18 Report

●	Audit will be/has been completed within estimated hours.
●	Audit will be/has been completed slightly above estimated hours. <i>(No more than a 10% variance)</i>
●	Audit will be/has been completed significantly above estimated hours. <i>(10%+ variance)</i>

II. A. 3.

8/13/2018
(F&A)

Return to
Agenda

Enterprise Risk Management Report

Frank DiBenedetto – Manager, Enterprise Risk Management

August 2018



Audit Services
3Q FY18 Report

ERM Structure

- Enterprise Risk Management is an internal program designed to identify, assess, and mitigate potential and actual risk events that can have a significant negative impact.
- Risk management processes are corporate-wide, but are managed at the Senior Leadership Team level.
- Risks are prioritized through a scoring methodology, which assesses the probability of the risk event occurring, and the severity of its impact. The program has been effective in reducing both, due to improved processes and risk mitigation efforts.
- Over the last eight years, although the number of identified risks has increased from 40 to the current 54, the average risk score has decreased from 9.9 to the current 8.2.

August 2018



Audit Services
3Q FY18 Report

ERM Corporate Risk Heat Map

		<u>Top Corporate Risks</u>		<u>Score</u>				<u>Impact x Likelihood</u>	
		Tier 1	Tier 2	Tier 3				Score	
Likelihood	Almost Certain >90%	5	5	10	15	20	25	15-25	Red
	Likely 65-90%	4	4	8	12	16	20	10-14	Orange
	Possible 35-65%	3	3	6	9	12	15	8-9	Yellow
	Unlikely 5-35%	2	2	4	6	8	10	4-6	Light Green
	Rare <5%	1	1	2	3	4	5	1-3	Dark Green
			1	2	3	4	5		
			Minor	Moderate	Significant	Major	Severe		
		Impact							

The risk score is a factor of the risk impact x likelihood which helps us evaluate the criticality of the risks and the need for mitigation.

August 2018



ERM - Tier 1 Top Corporate Risk Trends

Risk 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	FY16				FY17				FY18			Long Term Risk Exposure Trend (> 5 Years)	Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
E05 - Cooling Water Intake Structures 316(b)	10	10	10	20	20	20	20	20	20	20	20	↔ Stable	
F01 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	↑ Increasing	
H01 - Pensions	20	20	20	20	20	20	16	16	16	16	16	↔ Stable	
W01 - Water Supply Management/Long Term Planning	15	15	15	15	15	15	15	15	15	15	15	↑ Increasing	
C16 - Weather & Climate Change Impact		15	15	15	15	15	15	15	15	15	15	↑ Increasing	
E01 - Carbon Emission Mitigation - Clean Power Plan	25	25	25	25	25	25	20	15	15	15	15	↔ Stable	
E03 - Coal Combustion Residual Rule (CCR)	10	10	10	15	15	15	15	15	15	15	15	↔ Stable	
H02 Staffing	9	9	9	9	9	9	9	9	9	12	12	↑ Increasing	
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
C03 - New Technology	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
E04 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	↔ Stable	
C01 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	↔ Stable	
W03 - Sanitary Sewer Overflow Management	8	8	8	8	12	12	12	12	12	12	12	↓ Decreasing	
E06 - Long-term Planning/Load Forecast - Electric	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing	
E07 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing	

These risks pose the greatest potential impacts to JEA. Most are due to external factors including economic factors, inherent risk and/or increased regulatory requirements

August 2018



Audit Services
3Q FY18 Report

ERM - Tier 2 Top Corporate Risk Trends

Risk 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	FY16				FY17				FY18			Long Term Risk Exposure Trend (> 5 Years)	Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
E10 - Nuclear Power Portfolio	8	8	8	8	8	9	9	9	9	9	9	↑ Increasing	
C06 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
T02 - Cyber Security Information Protection	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
T05 - Technology Services Resource Optimization	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
W02 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
C05 - Records Management	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
H03 - Public and Employee Safety	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
T03 - Cyber Security Business Disruption	8	8	8	8	8	8	8	8	8	8	8	↑ Increasing	
E02 - Effluent Limitation Guidelines	16	16	16	20	20	15	8	8	8	8	8	↔ Stable	
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
T01 - Technology Infrastructure Reliability	4	8	8	8	8	8	8	8	8	8	8	↔ Stable	
T04 - Technology Services Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C07 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C08 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C04 - External Influence on Policy	10	8	8	8	8	8	8	8	8	8	8	↔ Stable	
W06 - Water Quality Management			8	8	8	8	8	8	8	8	8	↔ Stable	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E20 - Operations Technology Management - Electric	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E12 - By Product Management	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
W04 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
F03 - Credit Availability/Cost	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
C09 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E08 - SJRPP	9	9	9	9	9	9	6	6	6	6	6	↓ Decreasing	
F04 - Counterparty Risk	5	5	5	5	5	5	5	5	5	5	5	↔ Stable	

August 2018



Audit Services
3Q FY18 Report

These risks are primarily operational in nature. Although the impact can still be significant, JEA has more flexibility in mitigating the risks.

ERM Initiatives

Risk Tolerance Matrix & Risk Profile Scoring

- Focus risk scoring on the two primary criteria: (1) Financial Impact; and (2) Potential Reputational Impact, if the risk event occurs.
- The metrics can be the basis for developing Key Process and Key Risk Indicators (KPIs / KRIs).
- Total risk score would be a factor of both the Financial and Reputational Impact/Probability scores.

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ERM Initiatives (concluded)

Training

Because risk management is an enterprise-wide effort, expand current training to provide all employees with a better understanding of risk management and internal controls practices, skills, and tools.

1. Risk Management/Internal Control Computer-Based Training (CBT):

- Short course (20-30 minutes) required for all JEA employees
- Provides overview of key concepts.

2. Detailed Risk Management Training:

- Full day (Eight-hour class) required for all Directors, Managers and selected appointed employees
- Provides an overview of JEA's risk management program and Top Corporate Risks
- Teaches skills and provides tools in identifying, assessing and mitigating risk through effective internal controls
- Participants are required to complete a risk assessment for their individual business function(s).

August 2018



Ethics Investigations & Audit Report

Steve Tuten - Director, Audit Services

August 2018
////////////////////

Audit Services
3Q FY18 Report

INVESTIGATIVE CASE STATISTICS – Q3 FY18

Open Cases 3/31/2018	Cases Opened Q3 FY18	Cases Closed Q3 FY18	Open Cases 6/30/2018
14	8	11	11
Categories For Cases Opened During Q3 FY18			
Fraud/Waste/Abuse			4
Conflict of Interest/Ethics Matters			2
Discrimination/Harassment			2
Total			8

AUGUST 2018

 **Audit Services**
3Q FY18 Report

SUMMARY OF CLOSED INVESTIGATIVE CASES – Q3 FY18

Reporting Source	Allegation	Investigation Results
EHL	JEA-17-08-0001 – The caller alleged an employee was charging JEA for upgrade pay that was not warranted.	We determined managerial approval was obtained for the upgrade pay due to the employee performing some supervisory duties. A review of the upgrade payments revealed the employee was overpaid by \$64.29, which has since been reimbursed to JEA. As a result of this case, violations of JEA's Acceptable Use and Secondary Employment Policies were also noted and reported to Labor Relations for disposition.
EHL	JEA- 17-08-0002 – A worker reported being harassed by an employee working in a supervisory role. Additionally, the caller reported another employee may be falsifying time sheet hours.	The information provided by the complainant did not contain enough detail to locate any evidence to confirm or deny the allegation of harassment. Regarding the allegation of time sheet falsification, no evidence was found to substantiate the claim; however, our investigation revealed violations of JEA Fleet Policy relating to driving out of the way for a meal break and making personal stops using a JEA vehicle. Policy violations were reported to Management for disposition.
EHL	JEA-17-12-0001 and JEA-17-12-0002 – SJRPP employees were concerned the money they paid for their SJRPP gym memberships could have been embezzled by the SJRPP employee who controlled the bank account.	A joint investigation with law enforcement resulted in the arrest of the SJRPP employee for theft of SJRPP Employee Athletic Association funds in the amount of \$8,500. The employee was officially charged with grand theft and paid restitution through a Felony Pretrial Intervention Program.

AUGUST 2018



Audit Services
3Q FY18 Report

SUMMARY OF CLOSED INVESTIGATIVE CASES – Q3 FY18 (CONTINUED)

Reporting Source	Allegation	Investigation Results
EHL	JEA-18-02-0002 – The caller alleged two members of JEA’s Senior Leadership Team refused to disclose any information about the company’s future plans. The caller indicated this was a violation of the Sunshine Laws.	Because the allegation involved members of JEA’s Senior Leadership Team, the case was turned over to the City of Jacksonville’s Office of the Inspector General (OIG) as required by a Letter of Understanding between JEA and the OIG. The OIG reached out to the caller through JEA’s Ethics Hotline, but having heard no response from the caller, the OIG closed the case.
EHL	JEA-18-03-0001 and JEA-18-03-0002 – The anonymous callers alleged a JEA Team Leader instructed employees to complete certain tasks that were not in accordance with JEA’s safety procedures.	The safety concerns involving the Team Leader were discussed with Senior Management and Labor Relations. After counseling the employee, Management added an additional safety responsibility to the employee as Team Lead and conveyed the expectations of working safely, using PPE when required, and following procedures.
EHL	JEA-18-03-0003 – A customer complained about not being able to pay a JEA bill online with a third party vendor’s website because the vendor’s software was not compatible with the customer’s reading device for the blind.	As a result of this complaint, a JEA Business Analyst worked with JEA’s billing contractor who agreed to update their website to allow the customer to use the reading device to make payments.

AUGUST 2018



Audit Services
3Q FY18 Report

SUMMARY OF CLOSED INVESTIGATIVE CASES – Q3 FY18 (CONCLUDED)

Reporting Source	Allegation	Investigation Results
External	JEA-18-04-0001 – The complainant reported a JEA truck was speeding excessively and following vehicles too close to be safe.	We determined JEA’s new GPS system had not yet been installed on the vehicle for the date indicated in the complaint, thus we were unable to confirm the allegation. However, once GPS was installed on the vehicle, we reviewed three consecutive days of GPS data and did not find any excessive violations of the speed limit during the employee’s daily travels. Our review did result in several minor violations of the posted speed limit of which the employee was counseled by Management.
External	JEA-18-04-0002 – A complainant alleged a JEA employee accessed family member’s JEA accounts, removed balances, and transferred the amounts to an unknown customer’s account.	A review was conducted of JEA account adjustments made by the employee since 2016, and no evidence was found to substantiate the allegation.
Internal	JEA-18-04-0003 – In assisting Labor Relations and Management with gathering video and badging data for an upcoming employee fact-finding, the Senior Ethics Auditor noted inconsistencies concerning work hours which indicated the employee may not be working hours as reported.	An analysis was conducted and discrepancies were noted between the time reported on the employee’s timecard and the calculation of time worked. Prior to the employee’s scheduled fact finding and finalizing the analysis, the employee suddenly retired. The case was closed due to the employee’s resignation.

AUGUST 2018



Audit Services
3Q FY18 Report

II. B.

Ethics Officer Quarterly Report

July 27, 2018

SUBJECT:	ETHICS OFFICER QUARTERLY REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The Ethics Officer Quarterly Report provides the JEA Board of Directors with information on the current ethics inquiries, hotline activity and training.

Significance: JEA's Ethics Officer ensures information is shared and advice given regarding issues and questions.

Effect: JEA is able to manage ethical concerns for the organization, ensuring compliance with business and governmental regulations.

Cost or Benefit: JEA fosters an environment that ensures ethical behaviors.

Recommended Board action: This item is for information only.

For additional information, contact: Walette Stanford, 904-665-4282

Submitted by: AFZ//TH/WS

MISSION  Energizing our community through high-value energy and water solutions.	VISION  JEA is a premier service provider, valued asset and vital partner in advancing our community.	VALUES  • Safety • Service • Growth? • Accountability • Integrity
--	---	---

Commitments to Action

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

“Creating an Ethical Culture”

JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.

August 2018

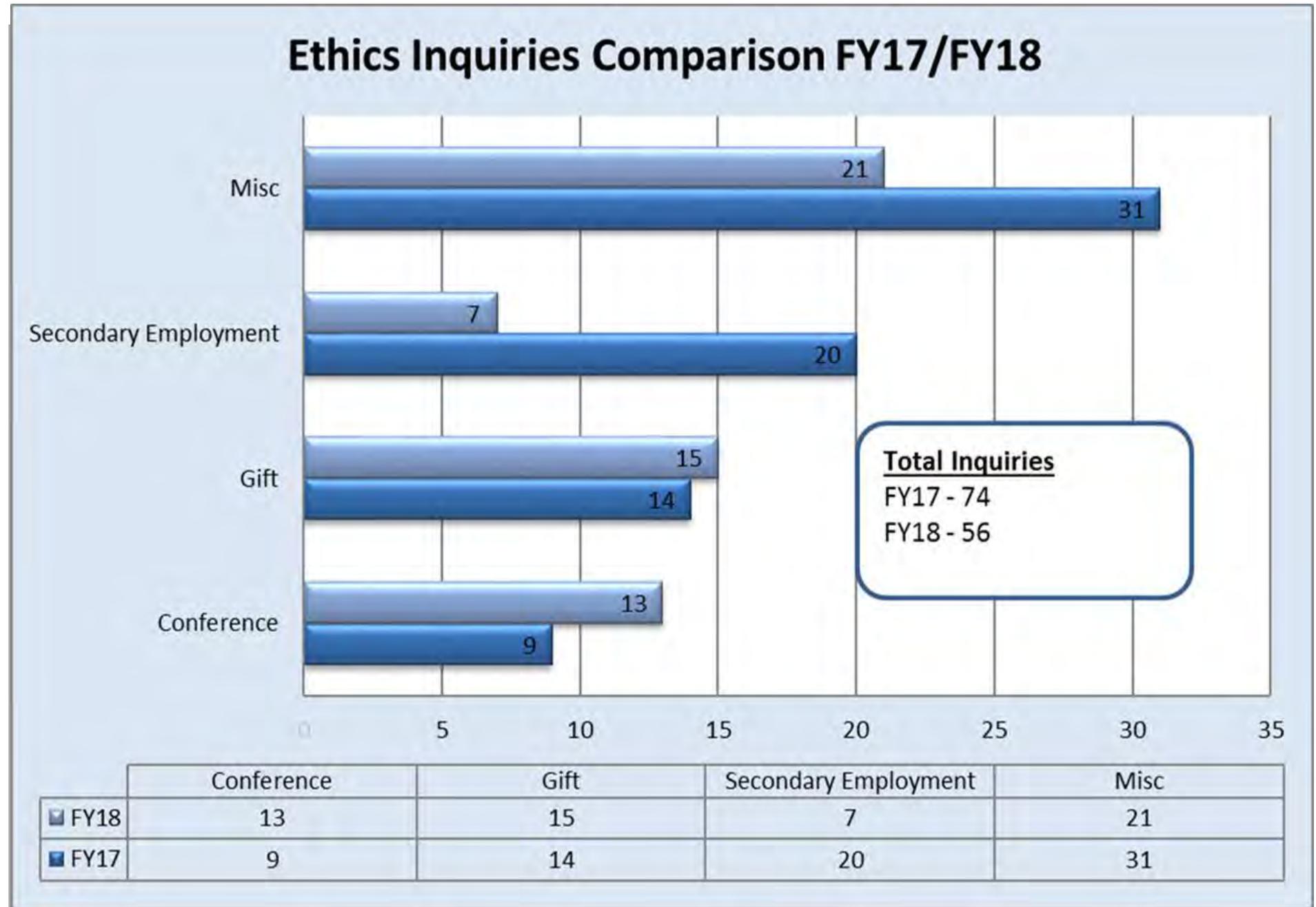


Ethics Officer Report
Walette Stanford

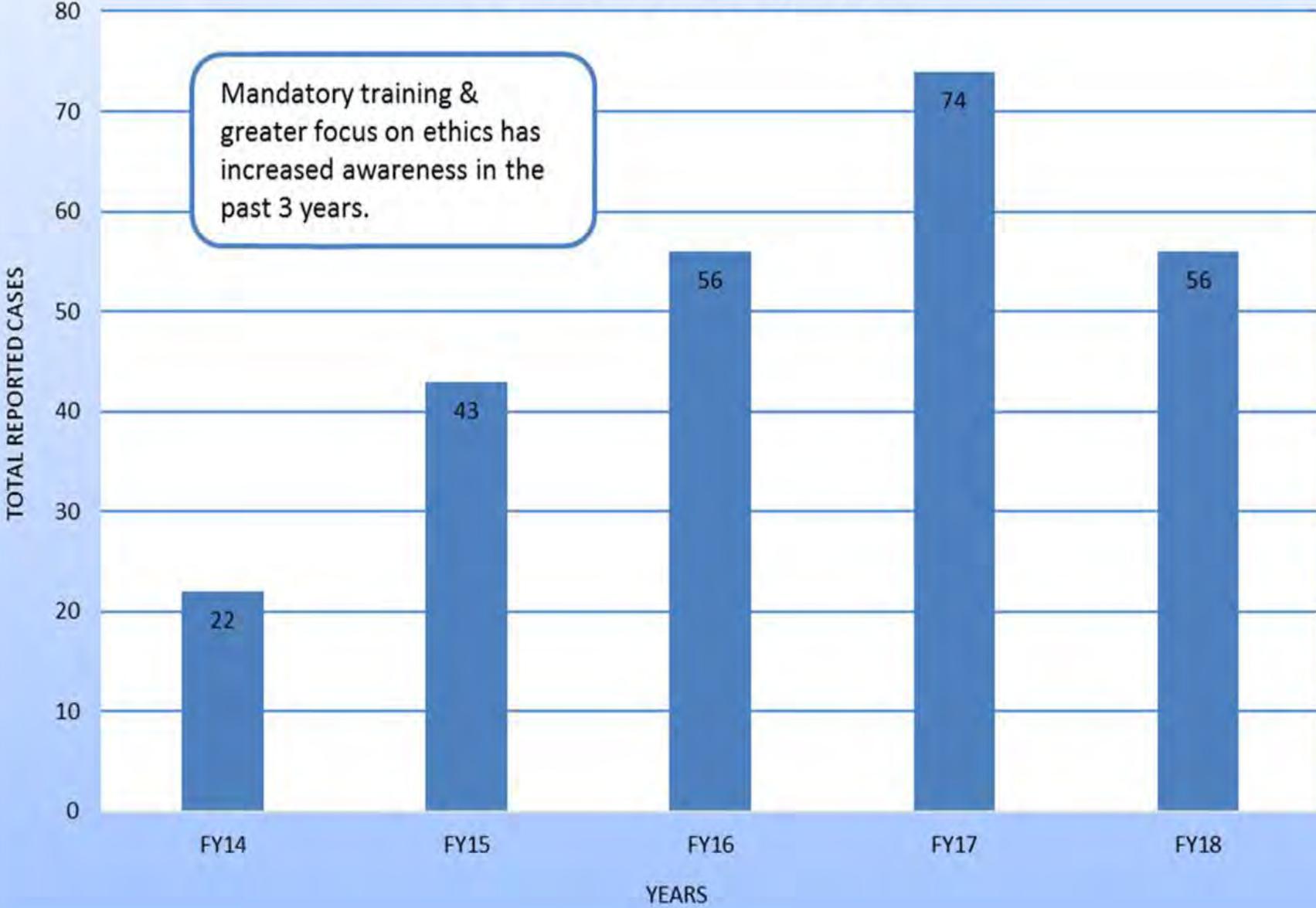
August 2018



Ethics Officer Quarterly Report



Ethics Cases by Year



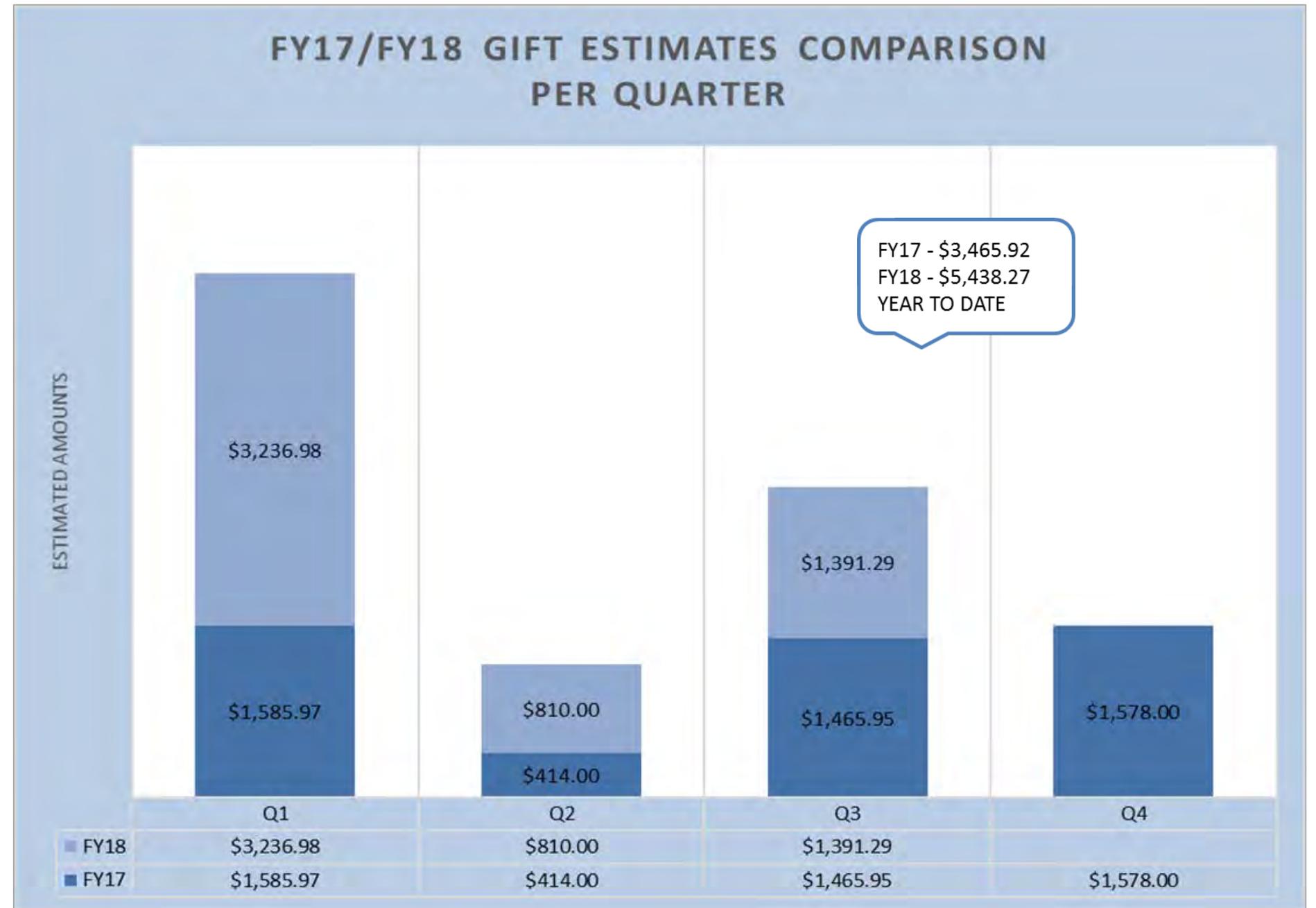
August 2018



August 2018



Ethics Officer Quarterly Report

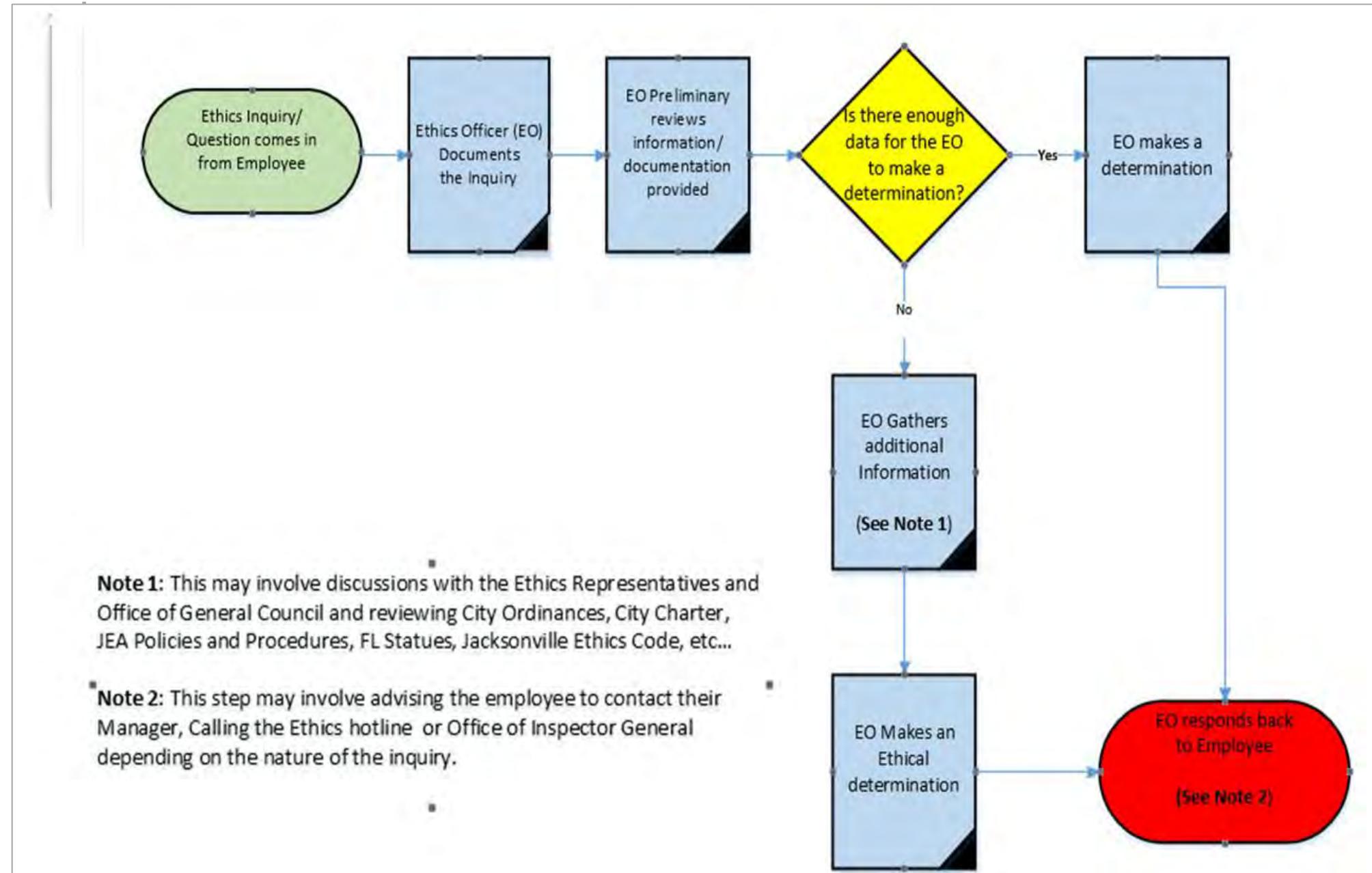


Food Items: Business lunches/dinners, donuts, swag hats
Misc: Visa gift cards, canvas bags, water bottles

August 2018



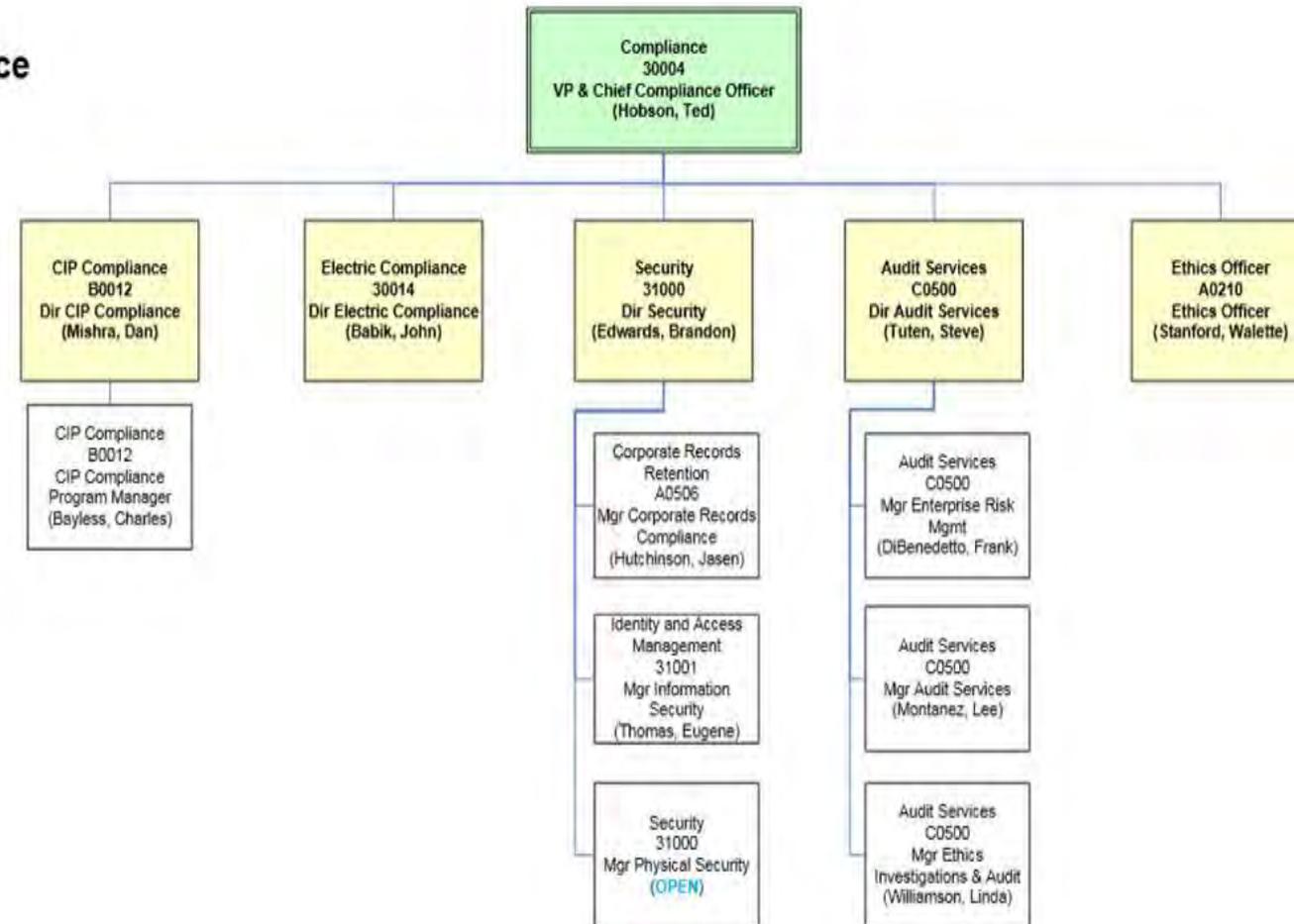
Ethics Officer Quarterly Report



- Updated all Ethics Policies and Procedures and placed them in the New JEA policies and procedures template
 - *Secondary Employment/Gifts/Nepotism/Ethical Guideline/Exit Interviews*
- Met with Ethics Representatives in July to discuss Current Cases and New Employee Orientation CBT Enhancements
- Created the Job Description for Full time Ethics Officer position – Benchmarked with peers in City Government
- Partnering with Governmental Affairs to put out a Political Activity FAQs in September 2018.
- Ethics Officer Role moved from Human Resources to Compliance on April 23, 2018



Compliance
FY18 June, Q3



August 2018



Ethics Officer Quarterly Report

II. C.

Ernst & Young FY2018 Annual Financial Audit Plan

July 24, 2018

SUBJECT: ERNST & YOUNG FY2018 ANNUAL FINANCIAL AUDIT PLAN

Purpose: Information Only Action Required Advice/Direction

Issue: Ernst & Young (E&Y) has been invited to attend the August 13, 2018 Finance & Audit Committee (FAC) meeting to review the FY2018 annual financial audit scope and approach. At that meeting, they will outline the scope of their services, identify the E&Y team that will perform the audit and present the key considerations that will affect the FY2018 audit.

Significance: Auditing standards require the auditors to communicate certain matters, to the governing board, that may assist the Board in overseeing management’s financial reporting process.

Effect: To keep in compliance with the Finance and Audit Committee Operating Policy, a formal approval of the annual audit plan is required. The effect of the formal approval is to demonstrate that the governing board has reviewed and is in agreement with the plan. In addition, meeting with auditors to discuss the audit plan assist the Board in overseeing management’s financial reporting process.

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

Recommended Board action: Staff recommends that the Finance and Audit Committee and Board approve the attached FY2018 Annual Audit Plan.

For additional information, contact: Janice Nelson

Submitted by: AFZ/WRF/JRN



MISSION
Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES

- Safety
- Service
- Growth?
- Accountability
- Integrity

Commitments to Action

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

II. C.
8/13/2018
(F&A)

Return to
Agenda

JEA

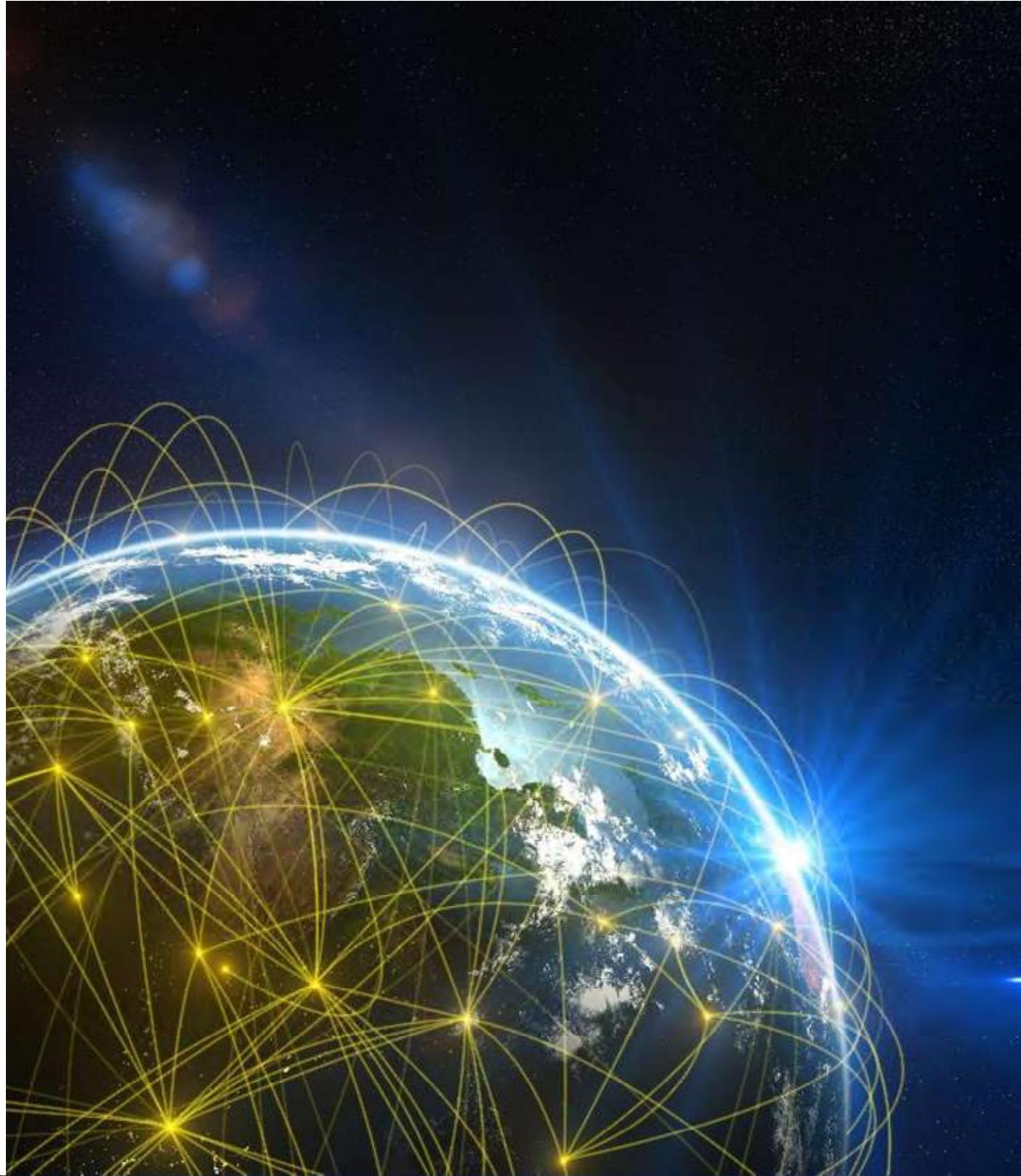
2018 Audit Plan

August 13, 2018



Contents

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03	Client Service Team
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05	▶ Areas of audit emphasis
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Executive summary: 2018 audit plan

2018 audit plan*

Audit timeline

- ▶ We will perform our interim procedures during the months of April through August and our year end procedures during the months of October through December.

Audit strategy, including significant risks identified

- ▶ Our audit strategy, including significant risks identified, for the 2018 audit is outlined in the [Areas of audit emphasis](#).

Involvement of council auditors

- ▶ We plan to use the work of the city council auditors in selected areas of our 2018 audit. Refer to the [Involvement of council auditors](#).

Important updates*

- ▶ [Cybersecurity](#)
- ▶ [Analytics and the digital audit](#)
- ▶ GASB 75 - OPEB
- ▶ GASB 83 - ARO

Significant 2018 considerations

- ▶ SJRPP Decommissioning
- ▶ New GASB 75 OPEB Standard
- ▶ Plant Vogtle
- ▶ Analytics Implementation
- ▶ SJRPP Pension Plan
- ▶ Uniform Guidance audit required (FEMA)

Inquiries

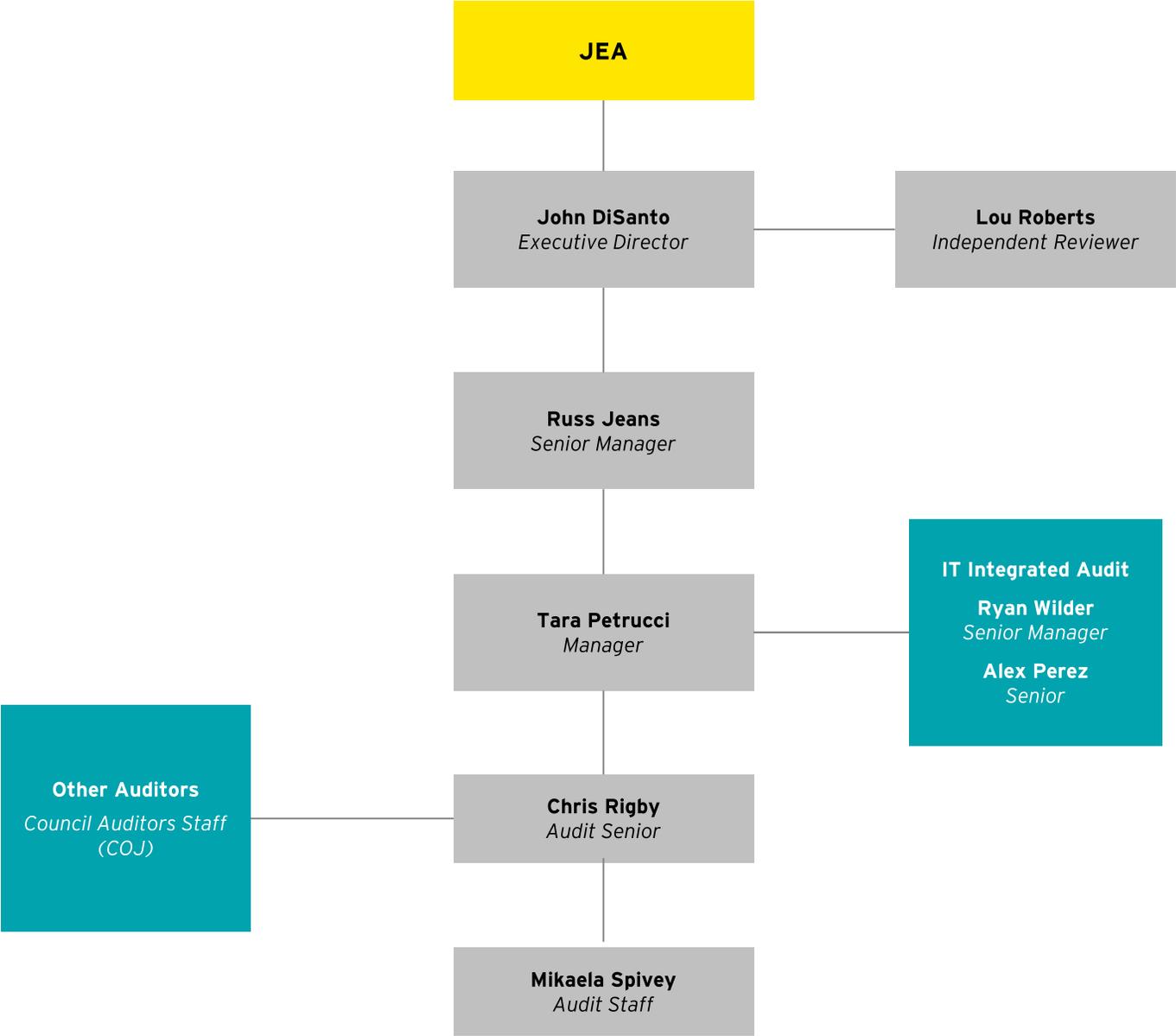
We inquire of those charged with governance regarding your awareness of matters relevant to the audit, including:

- ▶ 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 "whistleblower" program), other matters relevant to the audit (such as violations or possible violations of laws or regulations) or any significant unusual transactions.
- ▶ How you exercise oversight over the JEA's assessment of fraud risks and the establishment of controls to address these risks.
- ▶ Your understanding of relationships and transactions with related parties that are significant to the JEA and any concerns related to those relationships or transactions.

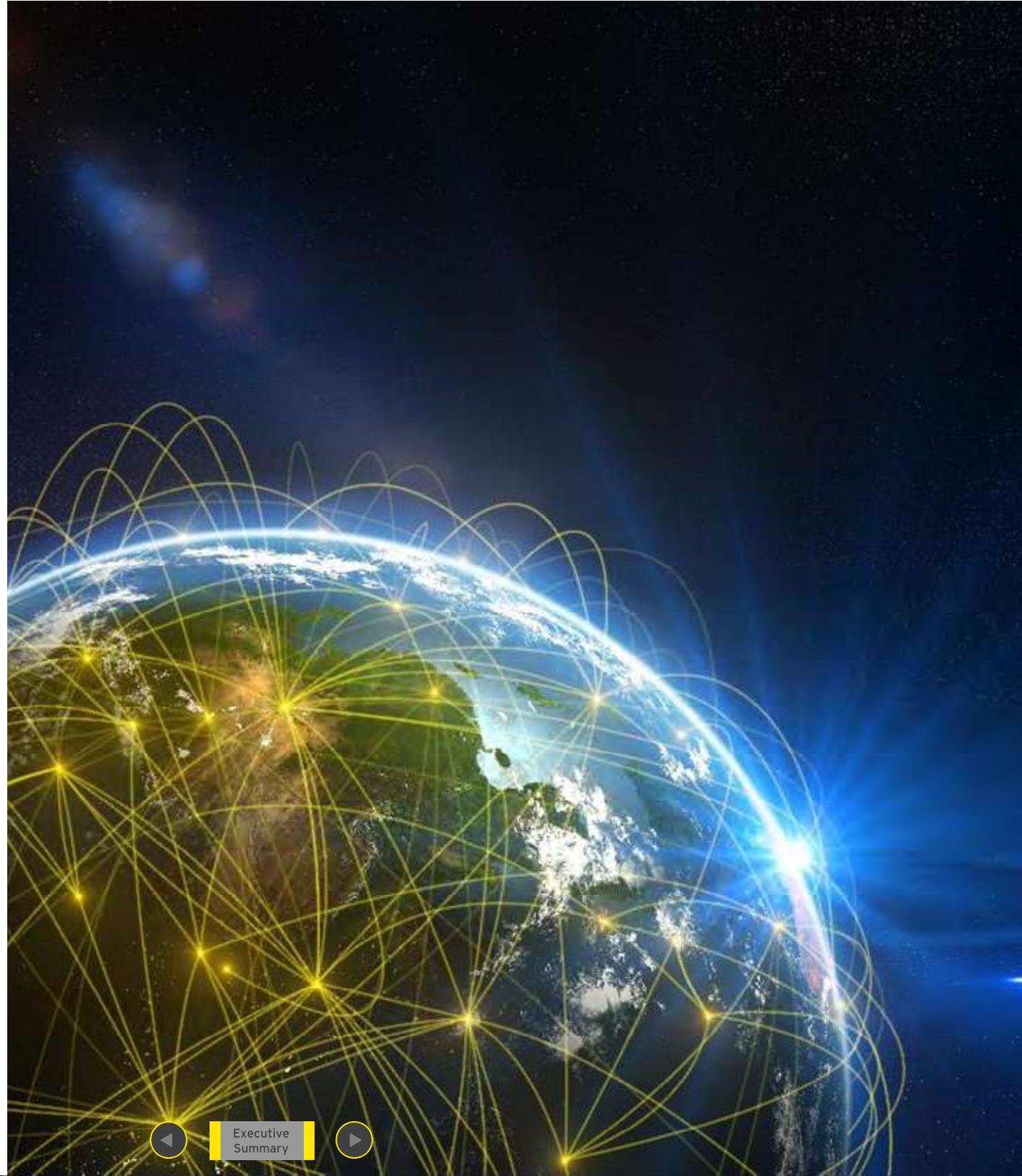
* These matters are addressed on the following pages within our presentation.

Note: This report is intended solely for the information and use of the those charged with governance, Board of Directors and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

Client service team



2018 audit plan



Executive
Summary



2018 audit plan: Areas of audit emphasis

Our audit procedures emphasize testing those processes, 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 to address specific areas of emphasis is detailed beginning on page 14.

Areas of audit emphasis

- ▶ Revenue recognition
- ▶ Allowance for doubtful accounts
- ▶ Regulatory assets
- ▶ Legal reserves
- ▶ Derivative instruments and hedging activities
- ▶ Asset retirement obligations (SJRPP Decommissioning)
- ▶ Other post retirement benefits liabilities (OPEB)
- ▶ Pension accounting, including valuation of pension assets
- ▶ Investments
- ▶ Capital asset leases
- ▶ Asset impairments

2018 audit plan: Involvement of council auditors

As required by AICPA standards, we have evaluated the competence and objectivity of the city council auditors and its application of a systematic and disciplined approach, including its quality control processes. We have also considered whether, and to what extent, we can use the work of council auditors in our 2018 audit. We have discussed with city council auditors their 2018 audit involvement. The table below represents the areas where we plan to use city council auditors in the 2018 audit.

We will work with city council auditors in a direct assistance model, which involves us performing:

- On-site direction and supervision
- Detailed review of working papers

Areas/significant class of transactions where EY is planning to use the work of the council auditors

Council auditors

- ▶ Test of transactions
- ▶ Substantive procedures for certain audit areas (including cash and investments, AR, capital assets, AP, taxes)

Important updates



Executive Summary



Important update: GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

JEA adopted and implemented GASB 75 in the current year which will impact its financial reporting and application of accounting policies.

Observations related to management's implementation

Key changes regarding GASB 75 include:

- ▶ Net or total OPEB liability is now recorded in Statement of Net Position (\$34.5 million as of September 30, 2017)
- ▶ Strictly prescribed actuarial methodology & discounting guidance will produce a different (often higher) OPEB liability than GASB 45
- ▶ Annual measurement dates are now required using either annual or biennial valuations. Triennial valuations no longer allowed
- ▶ Expense volatility is likely due to claims volatility, discount rate volatility & more frequent plan changes
- ▶ More robust note disclosure & required supplementary information (RSI) is required

Summary of planned audit procedures related to the implementation

- ▶ We will review the Actuary's Report and ensure that disclosures, Required Supplementary Information, and funding for the OPEB liability are in accordance with requirements of the new standard.
- ▶ We will review significant assumptions used by the actuary for reasonableness and test data provided by JEA used in the actuary's calculations, if the liability is significant at September 30, 2018.
- ▶ We will engage and work with EY internal specialists to assist the audit team with the review of the actuarial assumptions used in order to estimate JEA's OPEB liability.
- ▶ We will audit the assets of Plan held by the Florida Municipal Pension Trust Fund.
- ▶ We will review the note disclosure and required supplementary information to ensure it is complete and accurate.

Relevant materials are available in Accounting Link (www.ey.com/us/accountinglink)

Important update: GASB 83 - Certain Asset Retirement Obligations

JEA adopted and implemented GASB 83 in the current year which will impact the liability recorded related to the SJRPP Decommissioning.

Observations related to management's implementation

- ▶ Asset Retirement Obligation ("ARO") recorded related to the SJRPP Decommissioning after shutdown in January of 2018. (Recorded ARO is \$68.1 million)
- ▶ The amount of liability recorded represents the best estimate of the current value of outlays expected to be incurred and is offset by a deferred outflow.
- ▶ Disclosure requirements include:
 - General description of AROs and related assets
 - Methods/assumptions used
 - Any restricted assets set aside for ARO

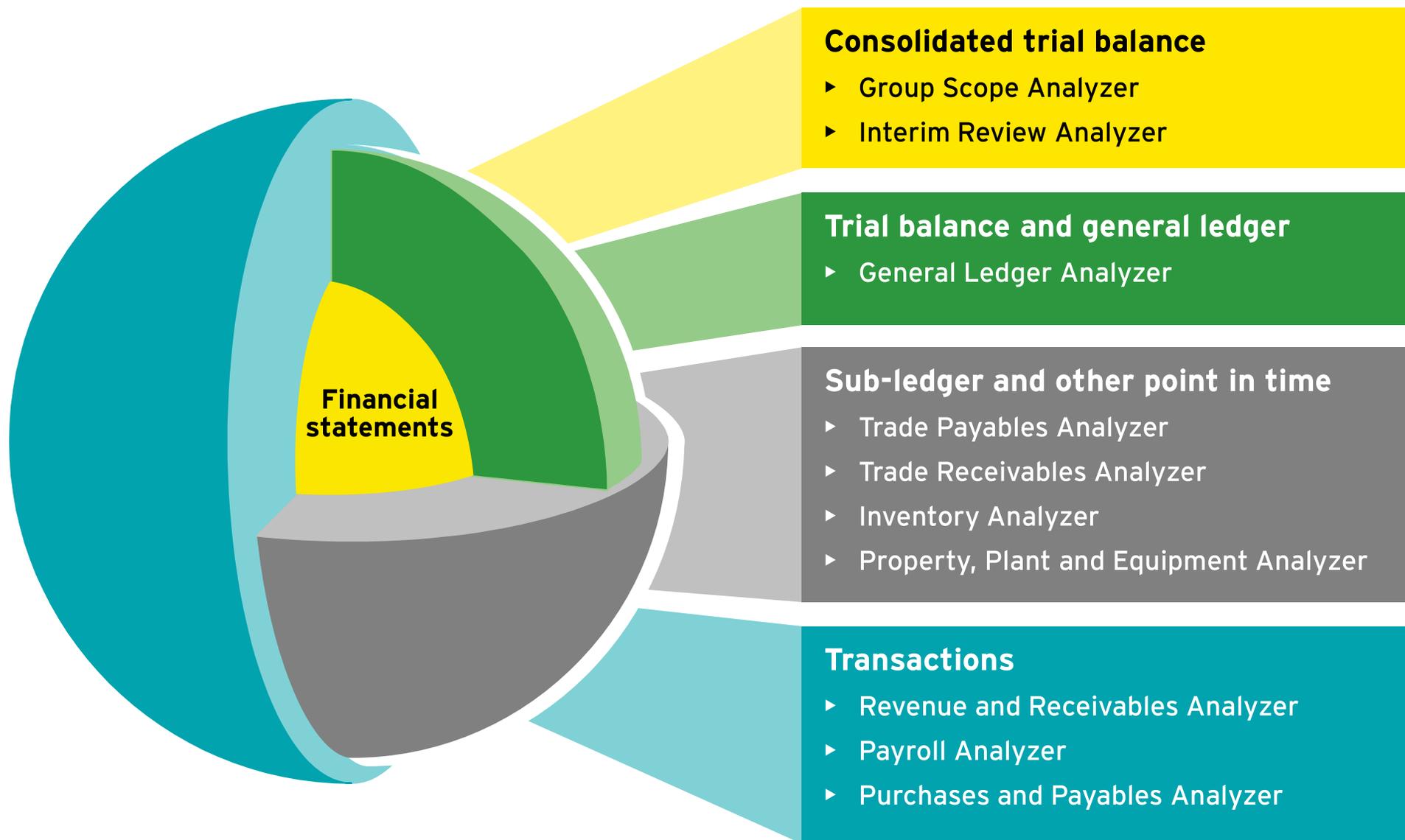
Summary of planned audit procedures related to the implementation

- ▶ We will engage and work with EY internal specialists to assist the audit team with the review of assumptions and other inputs used in order to estimate JEA's ARO liability.
- ▶ As part of our review of the financial statements we will assess any required disclosures in accordance with GASB 83.
- ▶ We will vouch cash receipts from FPL and cash disbursements made for bond defeasances.
- ▶ We will perform testing to validate amounts for inventory at shutdown.
- ▶ We will obtain and inspect executed agreements to test that effects are properly accounted.
- ▶ We will perform flux analyses from SJRPP's audited financial data as of September 30, 2017 to data as of the shutdown date to assess reasonableness of changes.

Relevant materials are available in Accounting Link (www.ey.com/us/accountinglink)

Important update: Leveraging analytics as part of the digital audit

With data analytics, we can analyze the flow of transactions, reducing the burden on the business and highlighting unusual items to better focus our work and inquiries of management. This diagram provides an overview of EY Helix Analyzers available to us which will require us to work with management in identifying next steps to automate data capture for our 2018 audit.



Powered by EY Helix

Impact of analytics on the audit

EY Helix, our suite of analytics, enables us to deliver a high quality audit by:

- ▶ Allowing us a deeper understanding of your business by analyzing larger populations of audit relevant data, to present a fuller picture of what happened and identify relevant risks.
- ▶ Identifying trends and anomalies in your processes to help direct our audit efforts in the right areas.
- ▶ Using complete data populations to obtain higher quality audit evidence within areas of higher risk.
- ▶ Delivering relevant feedback and insights during the audit, so you can optimize your business processes and controls.
- ▶ Saving JEA valuable time and effort through our repeatable data capture process using globally-integrated data extraction tools and processes

Our audit procedures utilizing analytics will seek to create audit efficiencies within testing for the following key areas.

Areas of audit efficiencies

- ▶ Revenue transaction testing
- ▶ Accounts receivable testing
- ▶ Fixed assets testing
- ▶ Payroll testing

Important update: Cybersecurity is a prominent business risk

Effect of cybersecurity risk on an audit

We are required by professional standards to:

- ▶ Perform risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement of the financial statements, whether due to error or fraud, and
- ▶ Design and execute audit procedures responsive to those risks.

We consider whether cybersecurity risk (like other business risks) represents a risk of a material misstatement of the financial statements. If we determine that cybersecurity risk represents a risk of material misstatement, we design and implement appropriate responses to address the identified risks.

We start the risk assessment process during audit planning and re-evaluate it throughout the audit.

Audit risk assessment procedures related to cybersecurity

To understand and assess an entity's exposure due to cybersecurity risk, we:

- ▶ Obtain an understanding, primarily via inquiry, of the entity's processes and controls to manage cybersecurity risks
- ▶ Consider the information obtained to assess the risk of material misstatement of the financial statements
- ▶ Communicate observations for strengthening the control environment to management and the Committee

Our procedures are not designed to provide any assurance as to the adequacy of the cybersecurity control environment.

Board of Directors considerations

The National Association of Corporate Directors (NACD), in conjunction with AIG, Inc. and the Internet Security Alliance, has identified five steps boards should consider for enhancing their oversight of cyber risks:

1. Directors need to understand and approach cybersecurity as an enterprise-wide risk management issue, not just an IT issue.
2. Directors should understand the legal implications of cyber risk as they relate to their company's specific circumstances.
3. Boards should have adequate access to cybersecurity expertise, and discussions about cyber-risk management should be given regular and adequate time on board meeting agendas.
4. Directors should set the expectation that management will establish an enterprise-wide, cyber-risk management framework with adequate staffing and budget.
5. Board-management discussions about cyber risk should include identification of which risks to avoid, which to accept, and which to mitigate or transfer through insurance, as well as specific plans associated with each approach. ⁽¹⁾

Currently, there are no regulatory or legislative requirements that require an organization to provide information regarding its cybersecurity management program to boards and other stakeholders. The American Institute of Certified Public Accountants (AICPA) has developed criteria that provide a comprehensive and business-aligned evaluation of an organization's cybersecurity risk management program, as well as optional reporting guidance if the organization decides to issue an attestation report on the effectiveness of its program. The AICPA's SOC for Cybersecurity framework may provide boards with greater insight into your organization's cybersecurity risk management program.

⁽¹⁾ NACD *Cyber-Risk Oversight, Director's Handbook Series*, January 2017

Appendices

- A Areas of audit emphasis: Detail
- B 2018 EY services
- C Required communications





Appendix A

Areas of audit emphasis: Detail

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<p>Revenue recognition</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> ▶ 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 ▶ Through the use of data analytics we will analyze 100% of the revenue data within the general ledger and perform a correlation analysis between revenue, AR and cash
<p>Allowance for doubtful accounts</p> <p>An allowance for doubtful accounts is established based on JEA's best estimate of billed amounts that will not be collected from its customers.</p>	<ul style="list-style-type: none"> ▶ 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

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Regulatory accounts	
<p>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 Electric, Waster & Sewer, SJRPP and Bulk power systems pursuant to 3rd party agreements, and generally relate to the timing differences between recognition of capital asset and other costs (depreciation) and amounts collected in rates to cover debt service requirements.</p>	<ul style="list-style-type: none"> ▶ Test approval of any new regulatory assets/liabilities ▶ Verify that amortization and expense recognition are consistent with rate recovery ▶ Vouch significant activity ▶ 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
Legal reserves	
<p>Accruals are recorded for regulatory and legal proceedings that arise in the ordinary course of business when probable and subject to reasonable estimation.</p> <p>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.</p>	<ul style="list-style-type: none"> ▶ 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	
<p>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.</p>	<ul style="list-style-type: none"> ▶ 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

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Asset retirement obligations (SJRPP Decommissioning)	
<p>In accordance with GASB 83, JEA records an asset retirement obligation liability that represents their best estimate of the current value of outlays expected to be incurred and is offset by a deferred outflow.</p> <p>▶ Disclosure requirements include:</p> <ul style="list-style-type: none"> • General description of AROs and related assets • Methods/assumptions used • Any restricted assets set aside for ARO 	<ul style="list-style-type: none"> ▶ We will engage and work with EY internal specialists to assist the audit team with the review of assumptions and other inputs used in order to estimate JEA's ARO liability. ▶ As part of our review of the financial statements we will assess any required disclosures in accordance with GASB 83. ▶ We will vouch cash receipts from FPL and cash disbursements made for bond defeasances. ▶ We will perform testing to validate amounts for inventory at shutdown. ▶ We will obtain and inspect executed agreements to test that effects are properly accounted. ▶ We will perform flux analyses from SJRPP's audited financial data as of September 30, 2017 to data as of the shutdown date to assess reasonableness of changes.
Other postretirement benefits liabilities	
<p>JEA has adopted and implemented GASB 75.</p> <p>JEA engages an actuary to calculate the liability related to the other post-employment benefit liability.</p> <p>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.</p>	<ul style="list-style-type: none"> ▶ We will review the Actuary's Report and ensure that disclosures, Required Supplementary Information, and funding for the OPEB liability are in accordance with requirements of the new standard. ▶ We will review significant assumptions used by the actuary for reasonableness and test data provided by JEA used in the actuary's calculations, if the liability is significant at September 30, 2018. ▶ We will engage and work with EY internal specialists to assist the audit team with the review of the actuarial assumptions used in order to estimate JEA's OPEB liability. ▶ We will audit Plan assets held by the Florida Municipal Pension Trust Fund. ▶ We will review the note disclosure and required supplementary information to ensure it is complete and accurate.

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Pension plan accounting and reporting – COJ Plan	
<p>In accordance with GASB 68 JEA is required to record a liability for its share of unfunded pension obligations for the City of Jacksonville (COJ) cost-sharing multi employer pension plan.</p>	<ul style="list-style-type: none"> ▶ Review actuary reports for reasonableness of assumptions and methodology ▶ For cost sharing plan (City Plan) obtain audited allocation schedule to determine the City's liabilities, expenses, deferred inflows and outflows ▶ In accordance with AU-C 805, obtain a report on elements from CRI ▶ Census data testing for JEA plan participants ▶ Assess reasonableness of required disclosures
Pension plan accounting and reporting – SJRPP Plan	
<p>In accordance with GASB 68 JEA is required to record a liability for its unfunded pension obligations for the SJRPP single employer pension plan.</p>	<ul style="list-style-type: none"> ▶ Review actuary reports for reasonableness of assumptions and methodology ▶ For single employer plan, obtain actuary's reports and procedures performed by plan auditors ▶ Census data testing for JEA plan participants ▶ Assess reasonableness of required disclosures ▶ Test plan assets
Investments	
<p>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).</p>	<ul style="list-style-type: none"> ▶ 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 ▶ Evaluate GASB 72 fair market value disclosures

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Capital assets	
<p>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.</p>	<ul style="list-style-type: none"> ▶ Review expenses to determine expenses should be capitalized versus expensed ▶ Test selection of assets added during fiscal year ▶ Review depreciation for reasonableness
Asset impairments	
<p>JEA assesses recoverability of long-lived assets as indicators of impairment become known, as required by GASB Statement No. 42. If an 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.</p>	<ul style="list-style-type: none"> ▶ 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
Plant Vogtle	
<p>Management will continue to monitor the developments of the nuclear power plant construction at Plant Vogtle to evaluate the possible impact on JEA's financial statements including any possible contingent liabilities and required disclosures.</p>	<ul style="list-style-type: none"> ▶ As part of our procedures we will continue to inquire of management, and evaluate the possible impact on JEA's financial statements including possible contingent liabilities and required disclosures



Appendix B

2018 EY Services

2018 EY services

Services and deliverables

Audit and audit-related services

- ▶ Express an opinion on, and report to the Finance and Audit 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 Offices 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 the Uniform Guidance
 - ▶ 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 the Uniform Guidance
- ▶ 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, if applicable
- ▶ Provide agreed upon procedures reports related to FDEP, if applicable
- ▶ Uniform Guidance grant compliance audit (FEMA)



Appendix C

Required communications with audit committees

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 views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ Accounting policies		X
▸ Additional views		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	X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Fraud and non-compliance with laws and regulations (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	
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	

About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

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 a 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 audits 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 knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

II. D. 1.

**Electric System and Water and Sewer System
Reserve Fund Quarterly Report**

July 24, 2018

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

Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
-----------------	--	--	---

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of June 30, 2018. This report is provided for transparency into JEA’s reserve fund accounts and various cash balances.

Significance: High. JEA’s liquidity position is an important balance between operating security and flexibility, financial metrics, and carrying cost of cash.

Effect: JEA operational needs, bond resolution requirements, and credit ratings.

Cost or Benefit: JEA’s reserves are an important component of operating security and flexibility, a critical credit ratings factor.

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

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

Submitted by: AFZ/RFW/JEO/BHG

MISSION	VISION	VALUES
 Energizing our community through high-value energy and water solutions.	 JEA is a premier service provider, valued asset and vital partner in advancing our community.	 <ul style="list-style-type: none"> • Safety • Service • Growth? • Accountability • Integrity

Commitments to Action

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



INTER-OFFICE MEMORANDUM

July 24, 2018

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

FROM: Aaron F. Zahn, Interim Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Husein Cumber

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 resolutions or under Board approved policies such as Pricing Policy 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, 2018.

RECOMMENDATION:

No action required; provided for information only.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JEO/BHG

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

For the Year Ending September 30
(In Thousands of Dollars)

<u>Electric System</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Forecast</u>	<u>Detail</u>
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Fiscal Year</u>	
				<u>FY 2018</u>	<u>Page #</u>
Unrestricted					
Operations/Revenue Fund	\$ 46,624	\$ 56,665	\$ 54,800	\$ 56,274	
Debt Management Strategy Reserve	-	-	-	-	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	10,937	11,179	9,214	10,998	4
Rate Stabilization					
• Fuel	150,742	180,115	131,716	65,911	5
• DSM/conservation	2,886	3,515	3,695	4,040	6
• Environmental	23,430	29,975	36,417	42,742	7
• Debt Management	42,126	42,126	29,884	29,884	8
• Non-Fuel Purchased Power	38,000	34,400	25,189	53,544	9
Environmental	18,662	18,556	17,672	17,647	10
Customer Deposits	42,389	41,084	42,105	44,079	11
Total Unrestricted	385,796	427,615	360,692	335,119	
Days of Cash on Hand (2)	225	270	234	221	
Restricted					
Debt Service Funds (Sinking Funds)	134,927	136,232	167,087	159,605	12
Debt Service Reserve Funds	64,595	60,582	60,582	60,582	13
Renewal and Replacement Funds/OCO (3)	145,711	192,179	201,368	197,848	14
Construction Funds	-	-	-	51	15
Total Restricted	345,233	388,993	429,037	418,086	
Total Electric System	\$ 731,029	\$ 816,608	\$ 789,729	\$ 753,205	
<hr/>					
Water and Sewer System					
Unrestricted					
Operations/Revenue Fund	\$ 22,588	\$ 42,948	\$ 69,232	\$ 48,831	
Rate Stabilization					
• Debt Management	20,290	20,290	14,209	14,209	16
• Environmental		1,699	5,214	11,019	17
Customer Deposit	13,255	13,910	15,086	15,446	18
Total Unrestricted	56,133	78,847	103,741	89,505	
Days of Cash on Hand (2)	466	528	496	488	
Restricted					
Debt Service Funds (Sinking Funds)	67,720	65,410	82,208	81,381	19
Debt Service Reserve Funds	108,849	108,086	107,488	69,850	20
Renewal and Replacement Funds					
• R&R/OCO (4)	76,020	76,020	54,699	85,595	21
• Capacity Fees/State Revolving Loans	90,912	103,411	95,620	64,553	22
• Environmental	19,245	2,659	1,839	2,276	23
Construction Funds	664	152	15	-	24
Total Restricted	363,410	355,738	341,869	303,655	
Total Water & Sewer System	\$ 419,543	\$ 434,585	\$ 445,610	\$ 393,160	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.

(2) Days of Cash on Hand includes R&R Fund in the cash balances, and includes the Contribution to the City of Jacksonville General Fund with the Operating Expenses net of Depreciation.

(3) Balance includes \$47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.

(4) 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, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,451	\$ 12,257
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Withdrawals	12,257					12,257	12,257	12,257	12,257
Sub-total	\$ 12,257	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
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			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:									
Reserve Contribution						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Reserve Withdrawal						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending June 30, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 10,838	\$ 9,214	\$ 9,214	N/A	\$ 11,179	\$ 9,214	\$ 9,214	\$ 9,214
Additions:								
Employee Contributions	1,544	4,627	5,861	N/A	5,862	6,154	6,462	6,785
Retiree & Other Contributions	1,973	5,284	6,693		6,443	7,095	7,520	7,971
Employer Contributions	4,548	13,826	19,356		19,004	21,051	22,918	24,944
Sub-total	\$ 8,065	\$ 23,737	\$ 31,910	\$ -	\$ 31,309	\$ 34,300	\$ 36,900	\$ 39,700
Deductions:								
Payments for Claims	7,543	20,647	30,169	N/A	30,994	32,506	35,053	37,798
Actuary & Other Payments	362	1,306	1,741		2,280	1,794	1,847	1,902
Sub-total	\$ 7,905	\$ 21,953	\$ 31,910	\$ -	\$ 33,274	\$ 34,300	\$ 36,900	\$ 39,700
Ending Balance	\$ 10,998	\$ 10,998	\$ 9,214	N/A	\$ 9,214	\$ 9,214	\$ 9,214	\$ 9,214

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 15,440	\$ 15,914	\$ 10,749	\$ 10,937	\$ 11,179	\$ 10,749	\$ 11,179	\$ 12,844	\$ 15,914
Additions:									
Employee Contributions	5,893	4,573	5,447	5,460	5,862	4,573	5,460	5,447	5,893
Retiree & Other Contributions	5,701	5,188	5,141	5,694	6,443	5,141	5,694	5,633	6,443
Employer Contributions	20,629	14,252	22,220	24,231	19,004	14,252	20,629	20,067	24,231
Sub-total	\$ 32,223	\$ 24,013	\$ 32,808	\$ 35,385	\$ 31,309				
Deductions:									
Payments for Claims	29,354	27,157	30,408	32,946	30,994	27,157	30,408	30,172	32,946
Actuary & Other Payments	2,395	2,021	2,212	2,197	2,280	2,021	2,212	2,221	2,395
Sub-total	\$ 31,749	\$ 29,178	\$ 32,620	\$ 35,143	\$ 33,274				
Ending balance	\$ 15,914	\$ 10,749	\$ 10,937	\$ 11,179	\$ 9,214	\$ 9,214	\$ 10,937	\$ 11,599	\$ 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, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 82,761	\$ 131,716	\$ 131,716	N/A	\$ 180,115	\$ 65,911	\$ 51,992	\$ 68,884
Additions:								
Contributions			-		2,845		16,893	18,297
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 2,845	\$ -	\$ 16,893	\$ 18,297
Withdrawals	7,705	56,660	65,805	32,800	51,244	13,919		
Customer Fuel Rebate Credit					-			
Sub-total	\$ 7,705	\$ 56,660	\$ 65,805	\$ 32,800	\$ 51,244	\$ 13,919	\$ -	\$ -
Ending Balance	\$ 75,056	\$ 75,056	\$ 65,911	N/A	\$ 131,716	\$ 51,992	\$ 68,884	\$ 87,181

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 92,362	\$ 108,289	\$ 105,457	\$ 150,742	\$ 180,115	\$ 92,362	\$ 108,289	\$ 127,393	\$ 180,115
Additions:									
Contributions	52,523	22,496	95,224	85,979	2,845	2,845	52,523	51,813	95,224
Sub-total	\$ 52,523	\$ 22,496	\$ 95,224	\$ 85,979	\$ 2,845	-	-	-	-
Deductions:									
Withdrawals					51,244	51,244	51,244	51,244	51,244
Fuel Rebate Credit	36,596	25,328	49,939	56,606		25,328	43,268	42,117	56,606
Sub-total	\$ 36,596	\$ 25,328	\$ 49,939	\$ 56,606	\$ 51,244	-	-	-	-
Ending balance	\$ 108,289	\$ 105,457	\$ 150,742	\$ 180,115	\$ 131,716	\$ 105,457	\$ 131,716	\$ 135,264	\$ 180,115

Observations:

- Actual and historical numbers reflect fuel recovery contributions and withdrawals 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, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 4,158	\$ 3,695	\$ 3,695	N/A	\$ 3,515	\$ 4,040	\$ 4,266	\$ 4,492
Additions:								
Contributions	1,646	4,941	7,019	7,515	6,685	6,855	6,855	6,855
Other								
Sub-total	\$ 1,646	\$ 4,941	\$ 7,019	\$ 7,515	\$ 6,685	\$ 6,855	\$ 6,855	\$ 6,855
Withdrawals	1,887	4,719	6,674	8,126	6,505	6,629	6,629	6,629
Sub-total	\$ 1,887	\$ 4,719	\$ 6,674	\$ 8,126	\$ 6,505	\$ 6,629	\$ 6,629	\$ 6,629
Ending Balance	\$ 3,917	\$ 3,917	\$ 4,040	N/A	\$ 3,695	\$ 4,266	\$ 4,492	\$ 4,718

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 6,912	\$ 3,891	\$ 3,570	\$ 2,886	\$ 3,515	\$ 2,886	\$ 3,570	\$ 4,155	\$ 6,912
Additions:									
Contributions	6,683	6,929	7,059	7,232	6,685	6,683	6,929	6,918	7,232
Transfer from Rev Fd						-	-	-	-
Sub-total	\$ 6,683	\$ 6,929	\$ 7,059	\$ 7,232	\$ 6,685				
Deductions:									
Withdrawals	9,704	7,250	7,743	6,603	6,505	6,505	7,250	7,561	9,704
Sub-total	\$ 9,704	\$ 7,250	\$ 7,743	\$ 6,603	\$ 6,505				
Ending balance	\$ 3,891	\$ 3,570	\$ 2,886	\$ 3,515	\$ 3,695	\$ 2,886	\$ 3,570	\$ 3,511	\$ 3,891

Observations:

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

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending June 30, 2018

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.

<i>(In Thousands)</i>	Actual as of 06/30/2018		Full Year			Projection		
	Current	Year -to-Date	2018	2018	Prior Year	<u>2019</u>	<u>2020</u>	<u>2021</u>
	Quarter		Forecast	Budget	Actual			
Opening Balance	\$ 39,672	\$ 36,417	\$ 36,417	N/A	\$ 29,975	\$ 42,742	\$ 48,846	\$ 53,726
Additions:								
Contributions	1,855	5,359	7,542	7,942	7,384	8,040	7,320	7,320
Sub-total	\$ 1,855	\$ 5,359	\$ 7,542	\$ 7,942	\$ 7,384	\$ 8,040	\$ 7,320	\$ 7,320
Withdrawals	456	705	1,217	2,051	942	1,936	2,440	3,660
Sub-total	\$ 456	\$ 705	\$ 1,217	\$ 2,051	\$ 942	\$ 1,936	\$ 2,440	\$ 3,660
Ending Balance	\$ 41,071	\$ 41,071	\$ 42,742	N/A	\$ 36,417	\$ 48,846	\$ 53,726	\$ 57,386

	Historical					Statistical			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Low	Median	Mean	High
Opening Balance	\$ 5,343	\$ 10,023	\$ 16,639	\$ 23,430	\$ 29,975	\$ 5,343	\$ 16,639	\$ 17,082	\$ 29,975
Additions:									
Contributions	5,650	7,395	7,586	7,700	7,384	5,650	7,395	7,143	7,700
Sub-total	\$ 5,650	\$ 7,395	\$ 7,586	\$ 7,700	\$ 7,384	-	-	-	-
Deductions:									
Withdrawals	970	779	795	1,155	942	779	942	928	1,155
Sub-total	\$ 970	\$ 779	\$ 795	\$ 1,155	\$ 942	-	-	-	-
Ending balance	\$ 10,023	\$ 16,639	\$ 23,430	\$ 29,975	\$ 36,417	\$ 10,023	\$ 23,430	\$ 23,297	\$ 36,417

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending June 30, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
(In Thousands)								
Opening Balance	\$ 29,884	\$ 29,884	\$ 29,884	N/A	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals					12,242			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 12,242	\$ -	\$ -	\$ -
Ending Balance	\$ 29,884	\$ 29,884	\$ 29,884	N/A	\$ 29,884	\$ 29,884	\$ 29,884	\$ 29,884

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 41,611	\$ 42,126	\$ 42,126	\$ 42,126	\$ 42,126	\$ 41,611	\$ 42,126	\$ 42,023	\$ 42,126
Additions:									
Contributions	6,581					6,581	6,581	6,581	6,581
Sub-total	\$ 6,581	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	6,066				12,242	6,066	9,154	9,154	12,242
Sub-total	\$ 6,066	\$ -	\$ -	\$ -	\$ 12,242	-	-	-	-
Ending balance	\$ 42,126	\$ 42,126	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884	\$ 42,126	\$ 39,678	\$ 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, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 19,459	\$ 25,189	\$ 25,189	N/A	\$ 34,400	\$ 53,544	\$ 56,847	\$ 36,847
Additions:								
Contributions			40,000	-	-	17,630		
Sub-total	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ 17,630	\$ -	\$ -
Withdrawals	2,979	8,709	11,645	11,745	9,211	14,327	20,000	24,194
Sub-total	\$ 2,979	\$ 8,709	\$ 11,645	\$ 11,745	\$ 9,211	\$ 14,327	\$ 20,000	\$ 24,194
Ending Balance	\$ 16,480	\$ 16,480	\$ 53,544	N/A	\$ 25,189	\$ 56,847	\$ 36,847	\$ 12,653

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ 12,000	\$ 38,000	\$ 34,400	\$ -	\$ 12,000	\$ 16,880	\$ 38,000
Additions:									
Contributions		12,000	26,000			12,000	19,000	19,000	26,000
Sub-total	\$ -	\$ 12,000	\$ 26,000	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals				3,600	9,211	3,600	6,406	6,406	9,211
Sub-total	\$ -	\$ -	\$ -	\$ 3,600	\$ 9,211	-	-	-	-
Ending balance	\$ -	\$ 12,000	\$ 38,000	\$ 34,400	\$ 25,189	\$ -	\$ 25,189	\$ 21,918	\$ 38,000

Observations:

- The Non-Fuel Purchased Power Rate Stabilization Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending June 30, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 17,647	\$ 17,672	\$ 17,672	N/A	\$ 18,556	\$ 17,647	\$ 17,647	\$ 17,647
Additions:								
Contributions			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals		25	25	N/A	884			
Sub-total	\$ -	\$ 25	\$ 25	\$ -	\$ 884	\$ -	\$ -	\$ -
Ending Balance	\$ 17,647	\$ 17,647	\$ 17,647	N/A	\$ 17,672	\$ 17,647	\$ 17,647	\$ 17,647

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 18,359	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,556	\$ 18,359	\$ 18,662	\$ 18,580	\$ 18,662
Additions:									
Contributions	970					970	970	970	970
Sub-total	\$ 970	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	667			106	884	106	667	552	884
Sub-total	\$ 667	\$ -	\$ -	\$ 106	\$ 884	-	-	-	-
Ending balance	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,556	\$ 17,672	\$ 17,672	\$ 18,662	\$ 18,443	\$ 18,662

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending June 30, 2018

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 06/30/2018		2018 Forecast	Full Year		Projection		
	Current Quarter	Year -to-Date		2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 43,512	\$ 42,105	\$ 42,105	N/A	\$ 41,084	\$ 44,079	\$ 44,079	\$ 44,079
Additions:								
Net Customer Activity	567	1,974	1,974	N/A	1,021			
Loan Repayment to ES Revenue Fund					-			
Sub-total	\$ 567	\$ 1,974	\$ 1,974	\$ -	\$ 1,021	\$ -	\$ -	\$ -
Net Customer Activity Loan to ES Revenue Fund				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 44,079	\$ 44,079	\$ 44,079	N/A	\$ 42,105	\$ 44,079	\$ 44,079	\$ 44,079

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 43,454	\$ 44,882	\$ 42,688	\$ 42,389	\$ 41,084	\$ 41,084	\$ 42,688	\$ 42,899	\$ 44,882
Additions:									
Net Customer Activity	1,430				1,021	1,021	1,226	1,226	1,430
Loan Repayment to ES Revenue Fund						-	-	-	-
Sub-total	\$ 1,430	\$ -	\$ -	\$ -	\$ 1,021				
Deductions:									
Net Customer Activity	2	2,194	299	1,305		2	802	950	2,194
Loan to ES Revenue Fund						-	-	-	-
Sub-total	\$ 2	\$ 2,194	\$ 299	\$ 1,305	\$ -				
Ending balance	\$ 44,882	\$ 42,688	\$ 42,389	\$ 41,084	\$ 42,105	\$ 41,084	\$ 42,389	\$ 42,630	\$ 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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 93,026	\$ 167,087	\$ 167,087	N/A	\$ 136,232	\$ 159,605	\$ 150,471	\$ 92,613
Additions:								
Revenue Fund Deposits	50,644	150,820	201,292		209,450	198,989	141,056	136,439
Bond funded interest					-			
Sub-total	\$ 50,644	\$ 150,820	\$ 201,292	\$ -	\$ 209,450	\$ 198,989	\$ 141,056	\$ 136,439
Principal and Int Payments	32,338	206,575	208,774	N/A	178,595	208,123	198,914	139,464
Sub-total	\$ 32,338	\$ 206,575	\$ 208,774	\$ -	\$ 178,595	\$ 208,123	\$ 198,914	\$ 139,464
Ending Balance	\$ 111,332	\$ 111,332	\$ 159,605	N/A	\$ 167,087	\$ 150,471	\$ 92,613	\$ 89,588

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 107,754	\$ 101,305	\$ 120,458	\$ 134,927	\$ 136,232	\$ 101,305	\$ 120,458	\$ 120,135	\$ 136,232
Additions:									
Revenue Fund Deposits	159,072	167,340	181,006	177,847	209,450	159,072	177,847	178,943	209,450
Bond funded interest						-	-	-	-
Sub-total	\$ 159,072	\$ 167,340	\$ 181,006	\$ 177,847	\$ 209,450	-	-	-	-
Deductions:									
Principal and Int Payments	165,521	148,187	166,537	176,542	178,595	148,187	166,537	167,076	178,595
Sub-total	\$ 165,521	\$ 148,187	\$ 166,537	\$ 176,542	\$ 178,595	-	-	-	-
Ending balance	\$ 101,305	\$ 120,458	\$ 134,927	\$ 136,232	\$ 167,087	\$ 101,305	\$ 134,927	\$ 132,002	\$ 167,087

Observations:

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- This report does not include any Scherer debt service sinking funds.
- 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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year Budget Amounts			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
	Opening Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 60,582	\$ 60,582	\$ 60,582
Additions:								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release to Revenue Fund				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 60,582	\$ 60,582	\$ 60,582	\$ 60,582

	Historical Actuals					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,595	\$ 60,582	\$ 60,582	\$ 64,841	\$ 65,417	\$ 72,226
Additions:									
Proceeds from Bonds				-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Defeasance	7,385		246	4,013		246	4,013	3,881	7,385
Sub-total	\$ 7,385	\$ -	\$ 246	\$ 4,013	\$ -	-	-	-	-
Ending balance	\$ 64,841	\$ 64,841	\$ 64,595	\$ 60,582	\$ 60,582	60,582	64,595	63,088	64,841

Observations:

- This report does not include any Scherer debt service reserves.
- 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 \$8.0 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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 190,282	\$ 201,368	\$ 201,368	N/A	\$ 192,179	\$ 197,848	\$ 47,840	\$ 29,706
Additions:								
R&R/OCO Contribution	42,402	127,205	146,957		196,589	157,181	250,490	255,286
Loans betw Capital Fds					-			
Other	9,194	15,873	38,418		5,074	13,724	2,000	2,000
Sub-total	\$ 51,596	\$ 143,078	\$ 185,375	\$ -	\$ 201,663	\$ 170,905	\$ 252,490	\$ 257,286
Deductions:								
Capital Expenditures	45,022	133,627	188,895		113,987	320,913	270,624	151,737
Transfers betw Capital Fds					-	37,200		
R&R/OCO Contribution								
Debt Defeasance					-	41,287		
Other	-	13,963						
Sub-total	\$ 45,022	\$ 147,590	\$ 188,895	\$ -	\$ 192,474	\$ 320,913	\$ 270,624	\$ 151,737
Ending Balance	\$ 196,856	\$ 196,856	\$ 197,848	N/A	\$ 201,368	\$ 47,840	\$ 29,706	\$ 135,255

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 105,235	\$ 140,486	\$ 146,910	\$ 145,711	\$ 192,179	\$ 105,235	\$ 145,711	\$ 146,104	\$ 192,179
Additions:									
R&R/OCO Contribution	124,630	85,639	110,351	200,692	196,589	85,639	124,630	143,580	200,692
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	2,423	4,014	970	3,744	5,074	970	3,744	3,245	5,074
Sub-total	\$ 127,053	\$ 89,653	\$ 111,321	\$ 204,436	\$ 201,663				
Deductions:									
Capital Expenditures	91,802	82,889	112,483	157,201	113,987	82,889	112,483	111,672	157,201
Bond Buy Back				2		2	2	2	2
Transfer to Scherer									
Loans betw Capital Fds		340	37	765	37,200				
Other		-	-	-	41,287	-	-	13,762	41,287
Sub-total	\$ 91,802	\$ 83,229	\$ 112,520	\$ 157,968	\$ 192,474				
Ending balance	\$ 140,486	\$ 146,910	\$ 145,711	\$ 192,179	\$ 201,368	\$ 140,486	\$ 146,910	\$ 165,331	\$ 201,368

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, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 223	\$ -	\$ -	N/A	\$ -	\$ 51	\$ -	\$ -
Additions:								
Bond Proceeds	-	805	805	-	429			150,000
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other				-	-			
Sub-total	\$ -	\$ 805	\$ 805	\$ -	\$ 429	\$ -	\$ -	\$ 150,000
Deductions:								
Capital Expenditures	-				-	-	-	150,000
Bond Funded Interest					-			
Transfers b/w Capital Fds					-	51		
Other		582	754	-	429			
Sub-total	\$ -	\$ 582	\$ 754	\$ -	\$ 429	\$ 51	\$ -	\$ 150,000
Ending Balance	\$ 223	\$ 223	\$ 51	N/A	\$ -	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ 133	\$ 7,581	\$ 40,034
Additions:									
Bond Proceeds	1,550				429	429	990	990	1,550
Line of Credit						-	-	-	-
Transfers b/w Capital Fds		3,091				3,091	3,091	3,091	3,091
Other	34	340	37	2		2	36	103	340
Sub-total	\$ 1,584	\$ 3,431	\$ 37	\$ 2	\$ 429				
Deductions:									
Capital Expenditures	35,253	4,821	75	6		6	2,448	10,039	35,253
Bond Funded Interest						-	-	-	-
Line of Credit									
Transfers b/w Capital Fds	35	3,091				35	1,563	1,563	3,091
Other	1,146	661			429	429	661	745	1,146
Sub-total	\$ 36,434	\$ 8,573	\$ 75	\$ 6	\$ 429				
Ending balance	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ -	\$ 4	\$ 1,046	\$ 5,184

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 2017 - 2019 projection period.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending June 30, 2018

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 Water & 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 06/30/2018		Full Year			Projection		
	Current Quarter	Year-to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 14,209	\$ 14,209	\$ 14,209	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals					6,081			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 6,081	\$ -	\$ -	\$ -
Ending Balance	\$ 14,209	\$ 14,209	\$ 14,209	N/A	\$ 14,209	\$ 14,209	\$ 14,209	\$ 14,209

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290
Additions:									
Contributions						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals					6,081	6,081	6,081	6,081	6,081
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 6,081	-	-	-	-
Ending balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 14,209	\$ 14,209	\$ 20,290	\$ 19,074	\$ 20,290

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending June 30, 2018

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Definitions and Goals: The Water & Sewer 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 debt management and regulatory requirements or initiatives.

	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year-to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 10,243	\$ 5,214	\$ 5,214	N/A	\$ 1,699	\$ 11,019	\$ 11,019	\$ 11,019
Additions:								
Contributions	6,089	17,656	24,853		24,362			
Regulatory Receivable								
Sub-total	\$ 6,089	\$ 17,656	\$ 24,853	\$ -	\$ 24,362	\$ -	\$ -	\$ -
Deductions:								
Withdrawals	4,418	10,956	19,048		20,847			
Regulatory Receivable								
Sub-total	\$ 4,418	\$ 10,956	\$ 19,048	\$ -	\$ 20,847	\$ -	\$ -	\$ -
Ending Balance	\$ 11,914	\$ 11,914	\$ 11,019	N/A	\$ 5,214	\$ 11,019	\$ 11,019	\$ 11,019

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ 1,699	\$ -	\$ -	\$ 340	\$ 1,699
Additions:									
Contributions				23,635	24,362	23,635	23,999	23,999	24,362
Regulatory Receivable						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ 23,635	\$ 24,362				
Deductions:									
Withdrawals				21,936	20,847	20,847	21,392	21,392	21,936
Regulatory Receivable						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ 21,936	\$ 20,847				
Ending balance	\$ -	\$ -	\$ -	\$ 1,699	\$ 5,214	\$ -	\$ -	\$ 1,383	\$ 5,214

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

(F&A)

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending June 30, 2018

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 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 15,218	\$ 15,086	\$ 15,086	N/A	\$ 13,910	\$ 15,446	\$ 15,446	\$ 15,446
Additions:								
Allocated from Electric Loan Repayment	228	360	360	N/A	1,176			
Sub-total	\$ 228	\$ 360	\$ 360	\$ -	\$ 1,176	\$ -	\$ -	\$ -
Deductions:								
Allocated from Electric Loan to W&S Operations			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 15,446	\$ 15,446	\$ 15,446	N/A	\$ 15,086	\$ 15,446	\$ 15,446	\$ 15,446

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 12,627	\$ 13,255	\$ 13,288	\$ 13,910
Additions:									
Allocated from Electric Loan Repayment	1,233		468	655	1,176	468	655	766	1,176
Sub-total	\$ 1,233	\$ -	\$ 468	\$ 655	\$ 1,176	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations		1,073				-	-	-	-
Sub-total	\$ -	\$ 1,073	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 15,086	\$ 12,787	\$ 13,860	\$ 13,780	\$ 15,086

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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		2018 Forecast	Full Year		Projection		
	Current Quarter	Year -to-Date		2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 50,910	\$ 82,208	\$ 82,208	N/A	\$ 65,410	\$ 81,381	\$ 85,606	\$ 86,181
Additions:								
Revenue fund deposits	28,473	85,223	113,946		114,873	119,748	120,110	120,310
Sub-total	\$ 28,473	\$ 85,223	\$ 113,946	\$ -	\$ 114,873	\$ 119,748	\$ 120,110	\$ 120,310
Deductions:								
Principal and interest payments	25,708	113,756	114,773	N/A	98,075	115,523	119,535	118,867
Sub-total	\$ 25,708	\$ 113,756	\$ 114,773	\$ -	\$ 98,075	\$ 115,523	\$ 119,535	\$ 118,867
Ending Balance	\$ 53,675	\$ 53,675	\$ 81,381	N/A	\$ 82,208	\$ 85,606	\$ 86,181	\$ 87,624

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 223	\$ 71,370	\$ 61,727	\$ 81,675
Additions:									
Revenue fund deposits	119,535	117,444	102,789	97,077	114,873	97,077	114,873	110,344	119,535
Bond funded interest						-	-	-	-
Sub-total	\$ 119,535	\$ 117,444	\$ 102,789	\$ 97,077	\$ 114,873	-	-	-	-
Deductions:									
Principal and interest payments	120,893	122,742	110,088	99,387	98,075	98,075	110,088	110,237	122,742
Sub-total	\$ 120,893	\$ 122,742	\$ 110,088	\$ 99,387	\$ 98,075	-	-	-	-
Ending balance	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 82,208	\$ 65,410	\$ 75,019	\$ 74,135	\$ 82,208

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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current	Year -to-Date	2018	2018	Prior Year	2019	2020	2021
	Quarter		Forecast	Budget	Actual			
Opening Balance	\$ 102,850	\$ 107,488	\$ 107,488	N/A	\$ 108,086	\$ 69,850	\$ 69,850	\$ 69,850
Additions:								
Construction reserve fund/bond issues				N/A	-			
Revenue fund				N/A	-			
Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Revenue fund		4,638	7,036		598			
Construction fund			30,602					
Sub-total	\$ -	\$ 4,638	\$ 37,638	\$ -	\$ 598	\$ -	\$ -	\$ -
Ending Balance	\$ 102,850	\$ 102,850	\$ 69,850	N/A	\$ 107,488	\$ 69,850	\$ 69,850	\$ 69,850

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 119,131	\$ 119,915	\$ 116,829	\$ 108,849	\$ 108,086	\$ 108,086	\$ 116,829	\$ 114,562	\$ 119,915
Additions:									
Construction reserve fund/bond issues	784					784	784	784	784
Revenue fund	3,821					3,821	3,821	3,821	3,821
Sub-total	\$ 4,605	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Revenue fund	3,821	3,086	7,980	763	598	598	3,086	3,250	7,980
Sub-total	\$ 3,821	\$ 3,086	\$ 7,980	\$ 763	\$ 598	-	-	-	-
Ending balance	\$ 119,915	\$ 116,829	\$ 108,849	\$ 108,086	\$ 107,488	\$ 107,488	\$ 108,849	\$ 112,233	\$ 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.
- 2018 Bond Resolution amendment will allow the use of \$33 million AA+ rated Berkshire Hathaway Assurance surety policy to be included in Debt Service Reserve Fund funding calculation which allows the release of \$33 million (\$2.4 million to the Revenue Fund and \$30.6 million to the Construction Fund).

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

For the Fiscal Quarter Ending June 30, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 74,510	\$ 54,699	\$ 54,699	N/A	\$ 76,020	\$ 85,595	\$ 83,691	\$ 46,368
Additions:								
R&R/OCO Contribution	39,363	115,815	156,425	-	108,119	155,138	129,545	132,384
Transfer from Capital Fds				-	137			
Other	2,057	4,662	9,100	-	8,050	11,111	11,544	9,051
Sub-total	\$ 41,420	\$ 120,477	\$ 165,525	\$ -	\$ 116,306	\$ 166,249	\$ 141,089	\$ 141,435
Deductions:								
Capital Expenditures	35,112	94,358	134,629	-	132,588	167,503	177,762	164,161
Transfer to Capacity Fund				-	86			
Transfer to Construction Fund				-				
Other				-	4,953	650	650	
Sub-total	\$ 35,112	\$ 94,358	\$ 134,629	\$ -	\$ 137,627	\$ 168,153	\$ 178,412	\$ 164,161
Ending Balance	\$ 80,818	\$ 80,818	\$ 85,595	N/A	\$ 54,699	\$ 83,691	\$ 46,368	\$ 23,642

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 64,260	\$ 78,689	\$ 59,295	\$ 37,337	\$ 76,020	\$ 37,337	\$ 64,260	\$ 63,120	\$ 78,689
Additions:									
R&R/OCO Contribution	91,245	48,373	62,793	124,574	108,119	48,373	91,245	87,021	124,574
Loans betw Capital Fds	-		22		137	-	22	53	137
Other (incl septic tank)	1,539	1,614	653	30,889	8,050	653	1,614	8,549	30,889
Sub-total	\$ 92,784	\$ 49,987	\$ 63,468	\$ 155,463	\$ 116,306				
Deductions:									
Capital Expenditures	68,355	67,488	85,426	116,674	132,588	67,488	85,426	94,106	132,588
Loan Repayment	-	-			86	-	-	29	86
Transfer to Constr. Fund	10,000	1,893		106		106	1,893	4,000	10,000
Other (incl septic tank)	-	-	-	-	4,953	-	-	991	4,953
Sub-total	\$ 78,355	\$ 69,381	\$ 85,426	\$ 116,780	\$ 137,627				
Ending balance	\$ 78,689	\$ 59,295	\$ 37,337	\$ 76,020	\$ 54,699	\$ 37,337	\$ 59,295	\$ 61,208	\$ 78,689

Observations:

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019
- Includes \$20 million for Maximum Annual Debt Service calculation.
- \$57 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, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 87,161	\$ 95,620	\$ 95,620	N/A	\$ 103,411	\$ 64,553	\$ 52,097	\$ 44,668
Additions:								
Capacity Fees	7,732	19,389	25,073	-	24,777	21,641	21,959	22,287
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund			-	-	-	650	650	
Other				-	86			
Sub-total	\$ 7,732	\$ 19,389	\$ 25,073	\$ -	\$ 24,863	\$ 22,291	\$ 22,609	\$ 22,287
Deductions:								
Capital Expenditures	7,650	27,742	56,128	-	32,654	34,747	30,038	51,959
Other				-	-			
		24	12	-	-			
Sub-total	\$ 7,650	\$ 27,766	\$ 56,140	\$ -	\$ 32,654	\$ 34,747	\$ 30,038	\$ 51,959
Ending Balance	\$ 87,243	\$ 87,243	\$ 64,553	N/A	\$ 95,620	\$ 52,097	\$ 44,668	\$ 14,996

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 45,454	\$ 60,360	\$ 76,887	\$ 90,912	\$ 103,411	\$ 45,454	\$ 76,887	\$ 75,405	\$ 103,411
Additions:									
Capacity Fees	17,394	18,298	19,579	21,995	24,777	17,394	19,579	20,409	24,777
State Revolving Fd Loan	-	-				-	-	-	-
Loan Repayments	-	-	246	145		-	73	98	246
Other	12	-	5	7	86	-	7	22	86
Sub-total	\$ 17,406	\$ 18,298	\$ 19,830	\$ 22,147	\$ 24,863				
Deductions:									
Capital Expenditures	2,270	1,758	5,805	9,648	32,654	1,758	5,805	10,427	32,654
Loans betw Capital Fds						-	-	-	-
Other	230	13				13	122	122	230
	-	-	-	-					
Sub-total	\$ 2,500	\$ 1,771	\$ 5,805	\$ 9,648	\$ 32,654				
Ending balance	\$ 60,360	\$ 76,887	\$ 90,912	\$ 103,411	\$ 95,620	\$ 60,360	\$ 90,912	\$ 85,438	\$ 103,411

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending June 30, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 815	\$ 1,839	\$ 1,839	N/A	\$ 2,659	\$ 2,276	\$ 1,000	\$ 1,000
Additions:								
Environmental Contributions	1,822	4,349	9,892	-	12,394	18,145	9,421	4,696
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	\$ 1,822	\$ 4,349	\$ 9,892	\$ -	\$ 12,394	\$ 18,145	\$ 9,421	\$ 4,696
Deductions:								
Capital Expenditures	2,230	5,781	9,455	-	13,214	19,421	9,421	4,696
Septic Tank Phase Out				-	-			
Other	-			-	-			
Sub-total	\$ 2,230	\$ 5,781	\$ 9,455	\$ -	\$ 13,214	\$ 19,421	\$ 9,421	\$ 4,696
Ending Balance	\$ 407	\$ 407	\$ 2,276	N/A	\$ 1,839	\$ 1,000	\$ 1,000	\$ 1,000

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ -	\$ 2,659	\$ (9,857)	\$ -	\$ (2,011)	\$ 5,299
Additions:									
Environmental Contributions	21,193	21,018	22,056	15,539	12,394	12,394	21,018	18,440	22,056
Loans betw Capital Fds	-	-				-	-	-	-
Other						-	-	-	-
Sub-total	\$ 21,193	\$ 21,018	\$ 22,056	\$ 15,539	\$ 12,394				
Deductions:									
Capital Expenditures	22,892	5,862	7,318	12,880	13,214	5,862	12,880	12,433	22,892
Septic Tank Phase Out			203			203	203	203	203
Other			19,834			19,834	19,834	19,834	19,834
Sub-total	\$ 22,892	\$ 5,862	\$ 27,355	\$ 12,880	\$ 13,214				
Ending balance	\$ (9,857)	\$ 5,299	\$ -	\$ 2,659	\$ 1,839	\$ (9,857)	\$ 1,839	\$ (12)	\$ 5,299

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending June 30, 2018

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.

(In Thousands)	Actual as of 06/30/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 324	\$ 15	\$ 15	N/A	\$ 152	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds		894	894	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other				-	-			
Sub-total	\$ -	\$ 894	\$ 894	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures	4	587	894	-	-			
Bond Proceeds				-	-			
Other		2	15	-	137			
Sub-total	\$ 4	\$ 589	\$ 909	\$ -	\$ 137	\$ -	\$ -	\$ -
Ending Balance	\$ 320	\$ 320	\$ -	N/A	\$ 15	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 7,419	\$ 2,305	\$ 326	\$ 664	\$ 152	\$ 152	\$ 664	\$ 2,173	\$ 7,419
Additions:									
Bond Proceeds	486	-				-	243	243	486
Line of Credit	-	-				-	-	-	-
Loans/trnsf btw CapFds	10,000	1,893				1,893	5,947	5,947	10,000
Other	3	476	344	17		3	181	210	476
Sub-total	\$ 10,489	\$ 2,369	\$ 344	\$ 17	\$ -				
Deductions:									
Capital Expenditures	14,855	3,784	6			6	3,784	6,215	14,855
Bond Proceeds	411	48				48	230	230	411
Line of Credit	-	-				-	-	-	-
Loans/trnsf btw CapFds	337	516				337	427	427	516
Other	-	-		529	137	-	69	167	529
Sub-total	\$ 15,603	\$ 4,348	\$ 6	\$ 529	\$ 137				
Ending balance	\$ 2,305	\$ 326	\$ 664	\$ 152	\$ 15	\$ 15	\$ 326	\$ 692	\$ 2,305

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 2017-2019 projection.

II. D. 2.

**JEA Investment Policy –
Revision to Authorized Investments**

July 16, 2018

SUBJECT:	JEA INVESTMENT POLICY – REVISION TO AUTHORIZED INVESTMENTS
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The JEA Investment Policy includes Exhibits that list the authorized investments for each of the JEA systems. Staff recommends deleting the Exhibit for the St. Johns River Power Park (SJRPP) First Bond Resolution to take into account the recent plant closure. Also recommended are revisions to the Water and Sewer System to reflect amendments to the Bond Resolution for that System. The primary change recommended for the Water and Sewer System would allow investments in government agency debt. In addition, staff is recommending an increase in the percentage limit for intergovernmental pools from 10% to 15%. Other changes include minor edits to update the Policy and the deletion of redundant or obsolete investment types listed in the Exhibits. Both clean and redlined drafts of the proposed Investment Policy revisions are attached.

Significance: High. Revisions to the Investment Policy require Board authorization.

Effect: The revisions would affect investment income and the composition of the investment portfolio.

Cost or Benefit: Improved portfolio diversification, providing for the opportunity to improve the investment portfolio yield.

Recommended Board action: Staff recommends that the Finance and Audit Committee and the Board approve the attached revisions to the Investment Policy.

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

Submitted by: AFZ/RFW/JEO/TPD

 <p>MISSION</p> <p>Energizing our community through high-value energy and water solutions.</p>	 <p>VISION</p> <p>JEA is a premier service provider, valued asset and vital partner in advancing our community.</p>	 <p>VALUES</p> <ul style="list-style-type: none"> • Safety • Service • Growth² • Accountability • Integrity
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Commitments to Action

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



INTER-OFFICE MEMORANDUM

July 16, 2018

SUBJECT: JEA INVESTMENT POLICY - REVISIONS TO AUTHORIZED INVESTMENTS

FROM: Aaron Zahn, Interim Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Husein Cumber

BACKGROUND:

Section 218.415 of the Florida Statutes requires that investment activity by a unit of local government be consistent with a written policy adopted by the governing body of such unit of local government. In September 1995, the JEA Board approved an Investment Policy that satisfied this statutory requirement. Since that time, on several occasions the JEA Board has amended the JEA Investment Policy to take into account revisions to the statute, changes to JEA system bond resolutions, and to incorporate current industry practices. The most recent revisions to the Policy were approved by the JEA Board at the May 2017 Board meeting.

DISCUSSION:

Section 5.0, Authorized Investments, refers to Exhibits included in the Policy that list the eligible investments for each of JEA's systems. The eligible investments are based primarily on the investments allowed per each system's bond resolution. The closure of the St. Johns River Power Park (SJRPP) has led to the elimination of the First Bond Resolution for SJRPP, and the most recent bond issuance by the Water and Sewer System has resulted in the adoption of an amended bond resolution for that system. The primary revisions proposed are to delete the Exhibit for the SJRPP First Bond Resolution and to update the Exhibit for the Water and Sewer System.

The bond resolution currently in effect for the Water and Sewer System provides that eligible investments are those that are permitted by Florida law. The Florida statutes provide that authorized investments include those that have been approved by a resolution of the entity, e.g. a Board resolution. This means that the JEA Board is able to approve the eligible investments for the Water and Sewer System. This provision is identical to that found in the bond resolutions for the Electric System and the District Energy System (DES). The revised Exhibit for the Water and Sewer System will be identical to that of the Electric System and DES. The primary change recommended for the Exhibit for the Water and Sewer System would delete the AAA ratings requirement for government agency bonds. Agency bonds are currently rated AA+ by S&P and Aaa by Moody's.

In addition, staff is proposing an increase to the percentage limit for intergovernmental pools from 10% to 15% of the investment portfolio. Benefits of increasing the limit for this investment option would include diversification and incremental yield compared with money market funds currently permitted and other short-term investment options. Both of the intergovernmental pools that JEA uses are rated AAA.

Staff is also proposing the elimination of redundant or obsolete items in the lists of Authorized Investments.

RECOMMENDATION:

Staff recommends that the Finance and Audit Committee and the Board approve the attached revisions to the Investment Policy.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JEO/TPD

**JEA
TREASURY SERVICES
INVESTMENT POLICY
AS OF AUGUST 21, 2018**

1.0 SCOPE

The statement of investment policy and guidelines applies to funds under control of JEA in excess of those required to meet short-term expenses.

This investment policy applies to financial assets including funds related to the issuance of debt by JEA, including the Electric System, the Water and Sewer System, St. Johns River Power Park (SJRPP), the Bulk Power Supply System, the District Energy System (DES), and any other entity created and approved by JEA's Board. Furthermore, this investment policy applies to customer deposit monies held by JEA. This policy shall not apply to investments of the SJRPP Employees' Retirement Plan or investments of the Other Post-Employment Benefits (OPEB) Trust, which are covered by separate investment policies or authorizing resolutions.

2.0 INVESTMENT OBJECTIVES

JEA's investment portfolio shall be managed with the primary objective of safety of capital. The investment strategy will provide sufficient liquidity to meet anticipated cash flow requirements.

JEA will strive to obtain the highest possible yields consistent with safety of capital, liquidity of the portfolio and prudent investment principles.

Investments are made with the intention of holding the securities to maturity. However, investments may be sold from time to time to meet cash flow requirements, for the purpose of restructuring the average duration of the portfolio and taking advantage of market opportunities to record capital gains.

3.0 PERFORMANCE MEASUREMENT

JEA seeks to optimize the return on investment within the constraints of safety and liquidity. The investment portfolio shall be designed to attain a market yield consistent with the investment risk, maturity and liquidity constraints as discussed in this policy. A benchmark index will be used to evaluate the performance of the portfolio and the index will be periodically reviewed by the Chief Financial Officer to determine its appropriateness and to recommend changes as needed.

4.0 PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be applied by JEA shall be the “Prudent Person” rule, which states: “Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.” The “Prudent Person” rule shall be applied in the context of managing the overall portfolio.

Employees of JEA involved in the investment process shall not transact personal business activity that could or could appear to conflict with State Statutes, City Ordinances, JEA Management Directives, proper execution of the investment program or which could impair their ability to make impartial investment decisions.

5.0 AUTHORIZED INVESTMENTS

Refer to Exhibits I through V for a complete listing of the “Authorized Investments”. The bond resolutions for the Electric System, the Water and Sewer System and for DES allow any investment that is permitted by Florida law. Further, the Florida statutes provide that authorized investments include those that have been authorized by a resolution of the entity, e.g. a Board resolution. Thus, the JEA Board can amend the list of Authorized Investments for the Electric System, the Water and Sewer System, and for DES. The Authorized Investments for the other JEA systems are specifically listed in their respective bond resolutions and thus can only be changed by a change in the resolution.

Money market funds are specifically included in the list of Authorized Investments for the Electric System, the Water and Sewer System, and DES. However, the term “money market funds” is not specifically noted in the list of Authorized Investments for the SJRPP Second Bond Resolution or the Bulk Power Supply System. The listings for those systems include as Authorized Investments the shares of an investment company organized under the Investment Company Act of 1940, as amended. Money market funds which are organized and registered under the Investment Company Act of 1940, as amended, fall under this definition and are thus included as eligible investments. For all JEA systems, money market funds must be rated AAA by Standard and Poor’s or Aaa by Moody’s Investors Service.

JEA does not speculate on the future movement of interest rates and is not permitted to utilize reverse repurchase agreements or other forms of debt leverage in the management of its investment portfolio. Floating rate notes, inflation-indexed notes, and other adjustable rate securities are permitted types of securities. Inverse floaters, however, are prohibited.

JEA is permitted to use interest rate swap agreements for asset/liability management. For its assets, JEA utilizes interest rate swaps in a 100% asset matched strategy with JEA’s revolving fund balances. JEA is also permitted to engage in the practice of securities

lending, whereby a fee is paid to JEA in exchange for lending securities that are fully collateralized by securities listed as Authorized Investments. JEA's investment professionals have developed sufficient understanding of the investment vehicles listed above and have the expertise to manage them.

6.0 MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities will be matched with known cash needs and anticipated cash flow requirements.

Additionally, maturity limitations for funds related to the issuance of debt are outlined in the Bond Resolution relating to those bond issues.

7.0 PORTFOLIO COMPOSITION

The investment portfolio may be structured to have limits on certain types of securities, issuers, and maturities. Refer to Table 1 for specific limitations.

Investments in commercial paper, certificates of deposit or bankers acceptances shall have the following restrictions: Nine months maximum maturity, \$12,500,000 limit per issuer, and limited to 25% of the entire portfolio (including money market and repurchase agreements). Exceeding the 25% limit is permitted when including investments for the debt service sinking funds and escrows relating to the economic defeasance of debt. In addition, commercial paper must be rated in the highest whole rating category (i.e. A-1 by Standard and Poor's, P-1 by Moody's Investors Service or F1 by Fitch) by at least 2 nationally recognized rating agencies and be issued by a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S. (in U.S. dollar-denominated securities), or the governments of Canada or Canadian provinces (in U.S. dollar-denominated securities). The ratings outlook for the commercial paper must be positive or stable at the time of the investment.

8.0 RISK AND DIVERSIFICATION

Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies shall be reviewed and revised periodically as necessary by the appropriate management staff. A diversity of treasury and agency issues shall be maintained to avoid a concentration in any one issue or maturity. Refer to Table 1 for detailed investment limitations. Such limitations will be periodically reviewed by the Chief Financial Officer to determine their appropriateness and to recommend changes as needed.

9.0 AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

JEA shall only execute US Treasury and Agency investment transactions and repurchase agreements with primary securities dealers as designated by the Federal Reserve Bank of New York and commercial banks within JEA's geographical service area who are member banks of the Federal Reserve System and have capital stock, surplus and undivided earnings aggregating at least \$25,000,000 and have a rating on short-term bank deposits of at least P-1 by Moody's Investors Service. Commercial paper transactions, CDs and BAs can be executed with primary securities dealers and firms considered to be "Direct Issuers". Municipal securities transactions can be executed with primary securities dealers or municipal securities firms having a significant presence in Florida or firms owning a specific JEA bond issue and only on a delivery versus payment basis. Investment Agreements can be purchased directly from the issuing insurance company or financial institution. Money market mutual funds can be purchased from commercial banks meeting the requirements discussed above, from primary dealers, or directly from the money market mutual fund. All other investments can only be purchased from primary dealers.

10.0 THIRD-PARTY CUSTODIAL AGREEMENTS

All securities purchased by, and all collateral obtained by, JEA under this section shall be properly designated as an asset of JEA and held in safekeeping by a third party custodial bank or other third party custodial institution, except as noted below.

All securities purchased and sold by JEA under this section shall be executed using the "delivery versus payment procedure." Collateral requirements for Repurchase Agreements and Securities Lending Agreements will be contained in the Master Repurchase Agreement/Custodial Undertaking and Securities Lending Agreement, respectively, executed between JEA and the broker/dealer or bank.

The safekeeping institution shall issue a safekeeping receipt to JEA listing the specific instrument, par value, rate, maturity and any other pertinent information. In the case of securities purchased or sold, the "confirmation" received from the dealer or safekeeping institution should be attached to the internally generated trade ticket. In the case of repurchase agreements, collateral safekeeping receipts should be compared on a daily basis to ensure compliance with collateral requirements and investment limitations.

No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized staff member of JEA.

An exception to third party custody of assets would be the safekeeping of collateral for repurchase agreements entered into between JEA and its primary bank for the purpose of conducting day to day cash management functions. Collateral will be held by that bank but not in JEA's name. The bank will issue a safekeeping receipt indicating the collateral pledged to JEA.

11.0 MASTER REPURCHASE AGREEMENT

JEA shall require all institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement that is signed by both parties. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

Repurchase Agreements can only be entered into with authorized investment institutions and dealers as defined in Section 9.0 of this policy. In addition, all repurchase agreements must adhere to the provisions as defined in Section 5.0 of this policy relating to Authorized Investments and Section 10.0 of this policy regarding third-party custodial agreements. Collateral requirements must adhere to those outlined in the appropriate bond resolution. Tri Party Repurchase Agreements are preferred to “conventional” (delivery of collateral versus wire transfer of the amount invested) Repurchase Agreements due to significant cost savings derived from safekeeping the collateral at the same custodian utilized by the dealer. Due to the costs associated with transferring Repurchase Agreements on a daily basis, the interest rate paid to JEA will be compared on a daily basis to the market (using Bloomberg or a similar source) and when appropriate, the Repurchase Agreement will be re-executed with a different institution based on the rate comparison.

12.0 BID REQUIREMENT

Staff shall determine the approximate maturity date based on cash flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate.

Competitive bids or offerings shall be obtained from at least three dealers on all sales or purchases except in situations where:

- a. the security involved is a “new issue” and/or can be purchased “at the auction”;
- b. the security involved has a fixed, “posted scale” rate;
- c. the security involved is available through direct issue, private placement (e.g., direct issue commercial paper);
- d. the security involved is of particular special interest to JEA (e.g. Florida General Obligation bonds or other municipal bonds) and dealer competition could have an adverse impact with respect to the price and/or availability of the security to JEA;
- e. a dealer or institution brings to JEA an unsolicited swap proposal deemed advantageous to JEA.

Although direct investments in equity securities are not Authorized Investments, such securities are received by JEA from time to time as payment for customer liabilities in lieu

of the receipt of cash. Competitive bids are not required on the sale of such securities in order that the sale may take place in an expeditious manner.

The requirement for competitive bids does not apply to JEA purchases of JEA bonds in the secondary market, or to investments in money market mutual funds, the State of Florida Local Government Surplus Funds Trust Fund ("Florida Prime"), or intergovernmental investment pools. Money market funds shall be rated AAA by Standard and Poor's or Aaa by Moody's Investors Service and will be selected on the basis of a fund's yield, ranking versus peers, expenses, portfolio composition, assets under management, etc. Investments in money market mutual funds or in Florida Prime or an intergovernmental pool will be reviewed on a periodic basis for appropriateness.

13.0 INTERNAL CONTROLS

The Chief Financial Officer and/or the Treasurer will maintain a system of internal controls, which will be documented in writing and made part of operational procedures in Treasury Services. The internal controls will be reviewed by independent auditors as part of any financial audit periodically required of JEA.

The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of JEA.

14.0 REPORTING

Treasury Services shall generate monthly reports for management purposes. The reports shall include securities in the portfolio by class or type, book value, and yield earned during the period. Market values are reported quarterly in JEA's financial statements. Treasury Services shall provide other such reports and information as deemed reasonable, upon request, from other internal and external sources.

15.0 CONTINUING EDUCATION

JEA staff responsible for making investment decisions must annually complete 8 hours of continuing education in subjects of study related to investment practices and products. This requirement can be met through a variety of methods including, but not limited to, seminars, conferences, college courses, and CPA continuing education.

16.0 AUDITS

Certified public accountants conducting audits of JEA pursuant to section 218.39, Florida Statutes, shall report, as part of the audit, whether or not JEA has complied with this section 218.415, Florida Statutes.

17.0 SALE OF SECURITIES

When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, JEA may sell such investments at the “market” and place the proceeds in the proper account or fund.

18.0 AUTHORIZATIONS

JEA investment accounts may be opened or continued at registered broker/dealers or banks. The Managing Director and Chief Executive Officer (CEO), or his designee, is authorized to open such accounts and to 1) purchase and sell authorized investments and to 2) sell securities received as payment for customer liabilities in lieu of the receipt of cash. A detailed listing of individuals in authorized positions and their specific authorities and signatures will be maintained in an “Authorization for the Opening and Continuing of Certain Investment Accounts and Signatories Therefor.”

19.0 PRIORITY OF DOCUMENTS

This JEA Investment Policy shall be the governing document when conflicting or otherwise inconsistent with the JEA Procurement Code.

20.0 INVESTMENT POLICY APPROVAL

The authority to approve, modify, or amend this Investment Policy rests with the JEA Finance and Audit Committee and the JEA Board. The JEA Chief Financial Officer or Treasurer may submit recommendations for changes to the Investment Policy as deemed necessary.

EXHIBIT 1
JEA ELECTRIC SYSTEM AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;
- (iv) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued and entered into by (i) an insurance company whose claim paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Right of assignment is permitted, if approved by JEA;
- (v) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit or said State are pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (vi) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) and (iii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000, provided at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or national banking association (1) which bank, trust company or

national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical modifier or otherwise) by (x) Moody's Investors Service or (y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirement set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the FDIC or secured, to the extent not insured by the FDIC, by such securities as described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (viii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's Rating Group or their respective successors or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's Ratings Group or "F-1" by Fitch Investors Service and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement relates to the sale and repurchase of any of the securities described in clauses (i) and (iii) above and which, in the judgement of JEA, conforms as to terms and conditions with the then prevailing prudent standards in the financial markets;
- (x) shares of an investment company organized under the Investment Company Act of 1940, as amended, including money market mutual funds, which invests its assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated AAA if rated by Standard & Poor's Rating Group and or Aaa if rated by Moody's Investors Service; and
- (xi) the State of Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

EXHIBIT II
SJRPP AUTHORIZED INVESTMENTS – SECOND BOND RESOLUTION

“Authorized Investments” shall mean and include each of the following securities, obligations and investments if and to the extent that at the time the same shall be legal for investment of JEA’s funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investors Service, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of “AAA” or “Aaa” by Standard & Poor’s or Moody’s Investors Service, as the case may be;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that at the time of their purchase hereunder such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;
- (iv) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State is pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (v) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (i) and (ii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination of federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vi) certificates of deposit, whether negotiable or non-negotiable, and banker’s acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000; provided, that at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest whole rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or nationally recognized association (1) which bank, trust company or national banking association’s deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical or symbolic modifier or otherwise) by (X) Moody’s Investors Service or Standard & Poor’s

or (Y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirements set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the Federal Deposit Insurance Corporation or secured, to the extent not insured by the Federal Deposit Insurance Corporation, by such securities as are described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (vii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's, or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's or "F-1" by Fitch Ratings and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (viii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve bank of New York, which agreement relates to the sale and repurchase of any one or more of the securities described in clauses (i) and (ii) above and which, in the judgment of JEA, conforms as to terms and conditions with then prevailing prudent standards in the financial markets;
- (ix) shares of an investment company organized under the Investment Company Act of 1940, as amended (or successor provision of law), which invests in assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated "AA" or above if rated by Standard & Poor's and "Aa2" or above if rated by Moody's Investors Service;
- (x) interests in the State of Florida Local Government Surplus Funds Trust Fund or other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian; and
- (xi) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment of such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued or entered into by (i) an insurance company whose claims paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such

agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off.

EXHIBIT III
RESTATED AND AMENDED BULK POWER SUPPLY SYSTEM
AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include each of the following securities, obligations and investments if and to the extent that at the time the same shall be legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of "AAA" or "Aaa" by Standard & Poor's or Moody's Investors Service, as the case may be;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that at the time of their purchase hereunder such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;
- (iv) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State is pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (v) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (i) and (ii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination of federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vi) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000; *provided*, that at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest whole rating category by two nationally recognized rating agencies, (b)

issued by a bank, trust company or nationally recognized association (1) which bank, trust company or national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical or symbolic modifier or otherwise) by (X) Moody's Investors Service or Standard & Poor's or (Y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirements set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the Federal Deposit Insurance Corporation or secured, to the extent not insured by the Federal Deposit Insurance Corporation, by such securities as are described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (vii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's, or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's or "F-1" by Fitch Ratings and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (viii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve bank of New York, which agreement relates to the sale and repurchase of any one or more of the securities described in clauses (i) and (ii) above and which, in the judgment of JEA, conforms as to terms and conditions with then prevailing prudent standards in the financial markets;
- (ix) shares of an investment company organized under the Investment Company Act of 1940, as amended (or successor provision of law), which invests in assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated "AA" or above if rated by Standard & Poor's and "Aa" or above if rated by Moody's Investors Service;
- (x) interests in the State of Florida Local Government Surplus Funds Trust Fund or other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian; and
- (xi) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment of such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued or entered into by (i) an insurance company whose claims paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company

or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Any such agreement or contract may provide that, with the approval of JEA, the insurance company or other financial institution may have the right to assign its obligations under any such agreement or contract to any other insurance company or other financial institution.

EXHIBIT IV
JEA WATER AND SEWER AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;
- (iv) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued and entered into by (i) an insurance company whose claim paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Right of assignment is permitted, if approved by JEA
- (v) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State are pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (vi) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) and (iii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000, provide at the time of their purchase hereunder such instruments are (a) rated not lower than the

second highest rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or national banking association (1) which bank, trust company or national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical modifier or otherwise) by (x) Moody's Investors Service or (y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirement set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the FDIC or secured, to the extent not insured by the FDIC, by such securities as described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (viii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's Rating Group or their respective successors or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's Ratings Group or "F-1" by Fitch Investors Service and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement relates to the sale and repurchase of any of the securities described in clauses (i) and (iii) above and which, in the judgement of JEA, conforms as to terms and conditions with the then prevailing prudent standards in the financial markets;
- (x) shares of an investment company organized under the Investment Company Act of 1940, as amended, including money market mutual funds, which invests its assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated AAA if rated by Standard & Poor's or Aaa if rated by Moody's Investors Service; and
- (xi) interests in the State of Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01.

EXHIBIT V
JEA DISTRICT ENERGY SYSTEM AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;
- (iv) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued and entered into by (i) an insurance company whose claim paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Right of assignment is permitted, if approved by JEA;
- (v) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State are pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (vi) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) and (iii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000, provide at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or national banking association (1) which bank, trust company or

national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical modifier or otherwise) by (x) Moody's Investors Service or (y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirement set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the FDIC or secured, to the extent not insured by the FDIC, by such securities as described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (viii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's or their respective successors or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's or "F-1" by Fitch Investors Service and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement relates to the sale and repurchase of any of the securities described in clauses (i) and (iii) above and which, in the judgement of JEA, conforms as to terms and conditions with the then prevailing prudent standards in the financial markets;
- (x) shares of an investment company organized under the Investment Company Act of 1940, as amended, including money market mutual funds, which invests its assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated AAA if rated by Standard & Poor's or Aaa if rated by Moody's Investors Service; and
- (xi) the State of Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

Table 1 – JEA Investment Limitations

Option	Allowable Range (% of total investments and/or \$ amount)	Comments
Bank NOW Account	Up to 25%, except for 3/31 and 9/30 at which time the limit is 30%	Federal or state insured financial institutions designated as Qualified Public Depositories by the State of Florida
Triparty Repo	Up to 15% with any one dealer; up to 25% in aggregate	102% collateral. Collateral can include Treasuries and/or Agencies and is held by a 3 rd party custodian. Dealers rated AA by two rating agencies.
U.S. Treasuries or Treasury-only Money Market Funds	Up to 100%	Fund must be rated AAA or Aaa and registered with SEC.
U.S. Agencies (Fannie Mae, Federal Home Loan Bank, Freddie Mac, etc.)	Less than 35% in any one issuer and up to 75% in aggregate, including repo collateral	Electric/Water/DES: No ratings requirement Other Systems: AAA rated All Systems: Not backed by mortgage loans.
Commercial Paper	Up to 25% of portfolio; maximum of \$12.5 million in any one issuer	Must be in Fortune 500/Global 500, or governments of Canada or Canadian provinces (U.S. dollar-denominated); rated at least A-1/P-1 with stable or positive outlook
Municipal Bonds	Up to 30% non-JEA debt; 50% including JEA debt	Non-JEA debt must be rated AA by two rating agencies
Government Agency Money Market Mutual Funds	Up to 10% in any one fund; up to 25% in aggregate	AAA or Aaa rating required. Registered with SEC.
Intergovernmental Investment Pool	Up to 15%	Authorized by Florida statutes. Includes Florida Prime Fund and PFM's Florida Education Income Trust Fund.

**JEA
TREASURY SERVICES
INVESTMENT POLICY
AS OF ~~MAY 16, 2017~~ AUGUST 21, 2018**

1.0 SCOPE

The statement of investment policy and guidelines applies to funds under control of JEA in excess of those required to meet short-term expenses.

This investment policy applies to financial assets including funds related to the issuance of debt by JEA, including the Electric System, the Water and Sewer System, St. Johns River Power Park (SJRPP), the Bulk Power Supply System, the District Energy System (DES), and any other entity created and approved by JEA's Board. Furthermore, this investment policy applies to customer deposit monies held by JEA. This policy shall not apply to investments of the SJRPP Employees' Retirement Plan or investments of the Other Post-Employment Benefits (OPEB) Trust, which are covered by separate investment policies or authorizing resolutions.

2.0 INVESTMENT OBJECTIVES

JEA's investment portfolio shall be managed with the primary objective of safety of capital. The investment strategy will provide sufficient liquidity to meet anticipated cash flow requirements.

JEA will strive to obtain the highest possible yields consistent with safety of capital, liquidity of the portfolio and prudent investment principles.

Investments are made with the intention of holding the securities to maturity. However, investments may be sold from time to time to meet cash flow requirements, for the purpose of restructuring the average duration of the portfolio and taking advantage of market opportunities to record capital gains.

3.0 PERFORMANCE MEASUREMENT

JEA seeks to optimize the return on investment within the constraints of safety and liquidity. The investment portfolio shall be designed to attain a market yield consistent with the investment risk, maturity and liquidity constraints as discussed in this policy. A benchmark index will be used to evaluate the performance of the portfolio and the index will be periodically reviewed by the Chief Financial Officer to determine its appropriateness and to recommend changes as needed.

4.0 PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be applied by JEA shall be the “Prudent Person” rule, which states: “Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.” The “Prudent Person” rule shall be applied in the context of managing the overall portfolio.

Employees of JEA involved in the investment process shall not transact personal business activity that could or could appear to conflict with State Statutes, City Ordinances, JEA Management Directives, proper execution of the investment program or which could impair their ability to make impartial investment decisions.

5.0 AUTHORIZED INVESTMENTS

Refer to Exhibits I through VI for a complete listing of the “Authorized Investments”. ~~Exhibit I includes the Authorized Investments for the Electric System and Exhibit VI lists the Authorized Investments for DES.~~ The bond resolutions for the Electric System, the Water and Sewer System and for DES allow any investment that is permitted by Florida law. Further, the Florida statutes provide that authorized investments include those that have been authorized by a resolution of the entity, e.g. a Board resolution. Thus, the JEA Board can amend the list of Authorized Investments for the Electric System, the Water and Sewer System, and for DES. The Authorized Investments for the other JEA systems ~~or entities~~ are specifically listed in their respective bond resolutions and thus can only be changed by a change in the resolution.

Money market funds are specifically included in the list of Authorized Investments for the Electric System, the Water and Sewer System, and DES. However, the term “money market funds” is not specifically noted in the list of Authorized Investments for the SJRPP Second Bond Resolution or ~~the Bulk Power Supply System, or the Water and Sewer System.~~ The listings for those systems include as Authorized Investments the shares of an investment company organized under the Investment Company Act of 1940, as amended. Money market funds which are organized and registered under the Investment Company Act of 1940, as amended, fall under this definition and are thus included as eligible investments.

~~In the case of the SJRPP First Bond Resolution, the list of Investment Securities includes investments in direct obligations of or obligations guaranteed by the United States of America. Section 660.415 of the Florida Statutes states that in the absence of an express provision to the contrary, when a governing instrument (e.g. a bond resolution) permits investments in United States Government obligations, trust companies, trust departments, trustees and fiduciaries may invest in shares of an investment company registered under the Investment Company Act of 1940 if the portfolio of such investment company is limited to United States Government obligations and repurchase agreements fully~~

~~collateralized by United States Government obligations. Thus the funds held by the SJRPP Trustee in the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund may be invested in money market mutual funds which invest solely in United States Government obligations or repurchase agreements fully collateralized by United States Government obligations.~~

For all JEA systems, ~~only~~ money market funds ~~must be~~~~that are~~ rated AAA by Standard and Poor's or Aaa by Moody's Investors Service, ~~are permitted.~~

JEA does not speculate on the future movement of interest rates and is not permitted to utilize reverse repurchase agreements or other forms of debt leverage in the management of its investment portfolio. Floating rate notes, inflation-indexed notes, and other adjustable rate securities are permitted types of securities. Inverse floaters, however, are prohibited.

JEA is permitted to use interest rate swap agreements for asset/liability management. For its assets, JEA utilizes interest rate swaps in a 100% asset matched strategy with JEA's revolving fund balances. JEA is also permitted to engage in the practice of securities lending, whereby a fee is paid to JEA in exchange for lending securities that are fully collateralized by securities listed as "Authorized Investments". JEA's investment professionals have developed sufficient understanding of the investment vehicles listed above and have the expertise to manage them.

6.0 MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities will be matched with known cash needs and anticipated cash flow requirements.

Additionally, maturity limitations for funds related to the issuance of debt are outlined in the Bond Resolution relating to those bond issues.

7.0 PORTFOLIO COMPOSITION

The investment portfolio may be structured to have limits on certain types of securities, issuers, and maturities. Refer to Table 1 for specific limitations.

Investments in commercial paper, certificates of deposit or bankers acceptances shall have the following restrictions: Nine months maximum maturity, \$12,500,000 limit per issuer, and limited to 25% of the entire portfolio (including money market and repurchase agreements). Exceeding the 25% limit is permitted when including investments for the debt service sinking funds and escrows relating to the economic defeasance of debt. In addition, commercial paper must be rated in the highest whole rating category (i.e. A-1 by Standard and Poor's, P-1 by Moody's Investors Service or F1 by Fitch) by at least 2 nationally recognized rating agencies and be issued by a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S. (in U.S. dollar-denominated securities), or

the governments of Canada or Canadian provinces (in U.S. dollar-denominated securities). The ratings outlook for the commercial paper must be positive or stable at the time of the investment.

8.0 RISK AND DIVERSIFICATION

Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies shall be reviewed and revised periodically as necessary by the appropriate management staff. A diversity of treasury and agency issues shall be maintained to avoid a concentration in any one issue or maturity. Refer to Table 1 for detailed investment limitations. Such limitations will be periodically reviewed by the Chief Financial Officer to determine their appropriateness and to recommend changes as needed.

9.0 AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

JEA shall only execute US Treasury and Agency investment transactions and repurchase agreements with primary securities dealers as designated by the Federal Reserve Bank of New York and commercial banks within JEA's geographical service area who are member banks of the Federal Reserve System and have capital stock, surplus and undivided earnings aggregating at least \$25,000,000 and have a rating on short-term bank deposits of at least P-1 by Moody's Investors Service. Commercial paper transactions, CD's and BA's can be executed with primary securities dealers and firms considered to be "Direct Issuers". Municipal securities transactions can be executed with primary securities dealers or municipal securities firms having a significant presence in Florida or firms owning a specific JEA bond issue and only on a delivery versus payment basis. Investment Agreements can be purchased directly from the issuing insurance company or financial institution. Money market mutual funds can be purchased from commercial banks meeting the requirements discussed above, from primary dealers, ~~through JEA Trustees as discussed in Section 5.0,~~ or directly from the money market mutual fund. All other investments can only be purchased from primary dealers.

10.0 THIRD-PARTY CUSTODIAL AGREEMENTS

All securities purchased by, and all collateral obtained by, JEA under this section shall be properly designated as an asset of JEA and held in safekeeping by a third party custodial bank or other third party custodial institution, except as noted below.

All securities purchased and sold by JEA under this section shall be executed using the "delivery versus payment procedure." Collateral requirements for Repurchase Agreements and Securities Lending Agreements will be contained in the Master Repurchase Agreement/Custodial Undertaking and Securities Lending Agreement, respectively, executed between JEA and the broker/dealer or bank.

The safekeeping institution shall issue a safekeeping receipt to JEA listing the specific instrument, par value, rate, maturity and any other pertinent information. In the case of securities purchased or sold, the “confirmation” received from the dealer or safekeeping institution should be attached to the internally generated trade ticket. In the case of repurchase agreements, collateral safekeeping receipts should be compared on a daily basis to ensure compliance with collateral requirements and investment limitations.

No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized staff member of JEA.

An exception to third party custody of assets would be the safekeeping of collateral for repurchase agreements entered into between JEA and its primary bank for the purpose of conducting day to day cash management functions. Collateral will be held by that bank but not in JEA’s name. The bank will issue a safekeeping receipt indicating the collateral pledged to JEA.

11.0 MASTER REPURCHASE AGREEMENT

JEA shall require all institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement that is signed by both parties. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

Repurchase Agreements can only be entered into with authorized investment institutions and dealers as defined in Section 9.0 of this policy. In addition, all repurchase agreements must adhere to the provisions as defined in Section 5.0 of this policy relating to authorized investments and Section 10.0 of this policy regarding third-party custodial agreements. Collateral requirements must adhere to those outlined in the appropriate bond resolution. Tri Party Repurchase Agreements are preferred to “conventional” (delivery of collateral versus wire transfer of the amount invested) Repurchase Agreements due to significant cost savings derived from safekeeping the collateral at the same custodian utilized by the dealer. Due to the costs associated with transferring Repurchase Agreements on a daily basis, the interest rate paid to JEA will be compared on a daily basis to the market (using Bloomberg or a similar source) and when appropriate, the Repurchase Agreement will be re-executed with a different institution based on the rate comparison.

12.0 BID REQUIREMENT

Staff shall determine the approximate maturity date based on cash flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate.

Competitive bids or offerings shall be obtained from at least three dealers on all sales or purchases except in situations where:

- a. the security involved is a “new issue” and/or can be purchased “at the auction”;

- b. the security involved has a fixed, “posted scale” rate;
- c. the security involved is available through direct issue, private placement (e.g., ~~General Electric Commercial Paper, Chevron Commercial Paper~~ direct issue commercial paper, etc.);
- d. the security involved is of particular special interest to JEA (e.g. Florida General Obligation bonds or other municipal bonds) and dealer competition could have an adverse impact with respect to the price and/or availability of the security to JEA;
- e. a dealer or institution brings to JEA an unsolicited swap proposal deemed advantageous to JEA.

Although direct investments in equity securities are not ~~a~~Authorized ~~i~~Investments, such securities are received by JEA from time to time as payment for customer liabilities in lieu of the receipt of cash. Competitive bids are not required on the sale of such securities in order that the sale may take place in an expeditious manner.

The requirement for competitive bids does not apply to JEA purchases of JEA bonds in the secondary market, or to investments in money market mutual funds, the State of Florida Local Government Surplus Funds Trust Fund (~~the “State Pool”~~ “Florida Prime”), or intergovernmental investment pools. Money market funds shall be rated AAA by Standard and Poor’s or Aaa by Moody’s Investors Service and will be selected on the basis of a fund’s yield, ranking versus peers, expenses, portfolio composition, assets under management, etc. Investments in money market mutual funds or in ~~the State Pool~~ Florida Prime or an intergovernmental pool will be reviewed on a periodic basis for appropriateness.

13.0 INTERNAL CONTROLS

The Chief Financial Officer and/or the Treasurer will maintain a system of internal controls, which will be documented in writing and made part of operational procedures in Treasury Services. The internal controls will be reviewed by independent auditors as part of any financial audit periodically required of JEA.

The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of JEA.

14.0 REPORTING

Treasury Services shall generate monthly reports for management purposes. The reports shall include securities in the portfolio by class or type, book value, and yield earned during the period. Market values are reported quarterly in JEA’s financial statements. Treasury

Services shall provide other such reports and information as deemed reasonable, upon request, from other internal and external sources.

15.0 CONTINUING EDUCATION

JEA staff responsible for making investment decisions must annually complete 8 hours of continuing education in subjects of study related to investment practices and products. This requirement can be met through a variety of methods including, but not limited to, seminars, conferences, college courses, and CPA continuing education.

16.0 AUDITS

Certified public accountants conducting audits of JEA pursuant to section 218.39, Florida Statutes, shall report, as part of the audit, whether or not JEA has complied with this section 218.415, Florida Statutes.

17.0 SALE OF SECURITIES

When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, JEA may sell such investments at the “market” and place the proceeds in the proper account or fund.

18.0 AUTHORIZATIONS

JEA investment accounts may be opened or continued at registered broker/dealers or banks. The Managing Director and Chief Executive Officer (CEO), or his designee, is authorized to open such accounts and to 1) purchase and sell authorized investments and to 2) sell securities received as payment for customer liabilities in lieu of the receipt of cash. A detailed listing of individuals in authorized positions and their specific authorities and signatures will be maintained in an “Authorization for the Opening and Continuing of Certain Investment Accounts and Signatories Therefor.”

19.0 PRIORITY OF DOCUMENTS

This JEA Investment Policy shall be the governing document when conflicting or otherwise inconsistent with the JEA Procurement Code.

20.0 INVESTMENT POLICY APPROVAL

The authority to approve, modify, or amend this Investment Policy rests with the JEA Finance and Audit Committee and the JEA Board. The JEA Chief Financial Officer or Treasurer may submit recommendations for changes to the Investment Policy as deemed necessary.

EXHIBIT 1
JEA ELECTRIC SYSTEM AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;
- ~~(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate and (d) which at the time of their purchase hereunder are rated AAA by Standard & Poor's and if rated by Moody's Investors Service, are rated Aaa by such agency;~~
- (iii) bonds, debentures, or other evidences of ~~long term~~ indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- ~~(iv) discount notes or other short term debt issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase are rated in the highest rating category by two nationally recognized rating agencies;~~
- ~~(v) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;~~
- (~~viii~~iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;

- (~~viii~~iv) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued and entered into by (i) an insurance company whose claim paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Right of assignment is permitted, if approved by JEA;
- (~~viii~~v) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit or said State are pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (~~ix~~vi) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) and (iii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (~~x~~vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000, provided at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or national banking association (1) which bank, trust company or national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical modifier or otherwise) by (x) Moody's Investors Service or (y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirement set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the FDIC or secured, to the extent not insured by the FDIC, by such securities as described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;
- (~~x~~viii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's Rating Group or their respective successors or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's Ratings Group or "F-1" by Fitch Investors Service and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;

- | ~~(xiii)~~ any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement relates to the sale and repurchase of any of the securities described in clauses (i) and (iii) above and which, in the judgement of JEA, conforms as to terms and conditions with the then prevailing prudent standards in the financial markets;

- | ~~(xiii)~~ shares of an investment company organized under the Investment Company Act of 1940, as amended, including money market mutual funds, which invests its assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated AAA if rated by Standard & Poor's Rating Group and or Aaa if rated by Moody's Investors Service; and

- | ~~(xiv)~~ the State of Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

EXHIBIT H
SJRPP AUTHORIZED INVESTMENTS—FIRST BOND RESOLUTION

~~"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:~~

- ~~(i) — direct obligations of or obligations guaranteed by the United States of America;~~
- ~~(ii) — obligations issued by any of the following agencies or their successors: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Federal Land Banks; Export-Import Bank of the United States; Tennessee Valley Authority; Government National Mortgage Association; Federal Farm Credit Banks; Farmers Home Administration; Federal National Mortgage Association; a Federal agency to the extent that such obligations are backed by the full faith and credit of the United States of America (other than as provided in clause (i) hereof);~~
- ~~(iii) — public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge or annual contribution under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;~~
- ~~(iv) — direct and general obligations of or obligations guaranteed by the State of Florida, to the payment of the principal of and interest on which the full faith and credit of the State is pledged;~~
- ~~(v) — deposits in interest bearing time deposits or certificates of deposit fully secured by obligations described in clause (i) through (iv) hereof to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation;~~
- ~~(vi) — debt obligations having a maximum maturity of one year of any corporation or bank which are rated by Moody's Investors Service, Inc. and Standard & Poor's Corporation or their successors in the highest rating category used by one such rating agency and in one of the two highest rating categories used by the other rating agency for comparable types of debt obligations; and~~
- ~~(vii) — investment agreements with any government bond dealer reporting to the Federal Reserve Bank of New York, or any Member bank of the Federal Reserve System having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 which agreements are secured by obligations described in sub-paragraphs (i) through (vi) of this paragraph having a market value of at least 103 percent of the amount of such agreement.~~

EXHIBIT III
SJRPP AUTHORIZED INVESTMENTS – SECOND BOND RESOLUTION

“Authorized Investments” shall mean and include each of the following securities, obligations and investments if and to the extent that at the time the same shall be legal for investment of JEA’s funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investors Service, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of “AAA” or “Aaa” by Standard & Poor’s or Moody’s Investors Service, as the case may be;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that at the time of their purchase hereunder such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;
- (iv) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State is pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (v) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (i) and (ii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination of federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vi) certificates of deposit, whether negotiable or non-negotiable, and banker’s acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000; provided, that at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest whole rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or nationally recognized association (1) which bank, trust company or national banking association’s deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical or symbolic modifier or otherwise) by (X) Moody’s Investors Service or Standard & Poor’s

or (Y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirements set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the Federal Deposit Insurance Corporation or secured, to the extent not insured by the Federal Deposit Insurance Corporation, by such securities as are described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (vii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's, or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's or "F-1" by Fitch Ratings and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (viii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve bank of New York, which agreement relates to the sale and repurchase of any one or more of the securities described in clauses (i) and (ii) above and which, in the judgment of JEA, conforms as to terms and conditions with then prevailing prudent standards in the financial markets;
- (ix) shares of an investment company organized under the Investment Company Act of 1940, as amended (or successor provision of law), which invests in assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated "AA" or above if rated by Standard & Poor's and "Aa2" or above if rated by Moody's Investors Service;
- (x) interests in the State of Florida Local Government Surplus Funds Trust Fund or other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian; and
- (xi) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment of such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued or entered into by (i) an insurance company whose claims paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such

agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off.

EXHIBIT ~~III~~^{IV}
RESTATED AND AMENDED BULK POWER SUPPLY SYSTEM
AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include each of the following securities, obligations and investments if and to the extent that at the time the same shall be legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;
- (ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of "AAA" or "Aaa" by Standard & Poor's or Moody's Investors Service, as the case may be;
- (iii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that at the time of their purchase hereunder such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;
- (iv) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State is pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (v) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (i) and (ii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination of federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vi) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000; *provided*, that at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest whole rating category by two nationally recognized rating agencies, (b)

issued by a bank, trust company or nationally recognized association (1) which bank, trust company or national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical or symbolic modifier or otherwise) by (X) Moody's Investors Service or Standard & Poor's or (Y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirements set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the Federal Deposit Insurance Corporation or secured, to the extent not insured by the Federal Deposit Insurance Corporation, by such securities as are described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (vii) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's, or if not so rated by both such rating agencies, then rated "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's or "F-1" by Fitch Ratings and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (viii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve bank of New York, which agreement relates to the sale and repurchase of any one or more of the securities described in clauses (i) and (ii) above and which, in the judgment of JEA, conforms as to terms and conditions with then prevailing prudent standards in the financial markets;
- (ix) shares of an investment company organized under the Investment Company Act of 1940, as amended (or successor provision of law), which invests in assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated "AA" or above if rated by Standard & Poor's and "Aa" or above if rated by Moody's Investors Service;
- (x) interests in the State of Florida Local Government Surplus Funds Trust Fund or other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian; and
- (xi) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment of such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued or entered into by (i) an insurance company whose claims paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company

or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Any such agreement or contract may provide that, with the approval of JEA, the insurance company or other financial institution may have the right to assign its obligations under any such agreement or contract to any other insurance company or other financial institution.

EXHIBIT IV
JEA WATER AND SEWER AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;
- ~~(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate and (d) which at the time of their purchase hereunder are rated AAA by Standard & Poors Ratings Group and if rated by Moody's Investors Service, are rated Aaa by such agency;~~
- (iii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, ~~which at the time of their purchase hereunder are rated AAA and Aaa by Standard and Poor's and Moody's Investors Service, respectively, or if only rated by one, then shall have a rating of AAA or Aaa, as the case may be;~~
- ~~(iv) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;~~
- (iii*) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time

of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;

- (iv) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued and entered into by (i) an insurance company whose claim paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Right of assignment is permitted, if approved by JEA
- (v) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State are pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;
- (vi) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) and (iii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;
- (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000, provide at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or national banking association (1) which bank, trust company or national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical modifier or otherwise) by (x) Moody's Investors Service or (y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirement set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the FDIC or secured, to the extent not insured by the FDIC, by such securities as described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- (viii) commercial paper that, at the date of investment, is rated “P-1” by Moody's Investors Service and “A-1” by Standard & Poor's Rating Group or their respective successors or if not so rated by both such rating agencies, then rated “P-1” by Moody’s Investors Service or “A-1” by Standard & Poor’s Ratings Group or “F-1” by Fitch Investors Service and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;
- (ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement relates to the sale and repurchase of any of the securities described in clauses (i) and (iii) above and which, in the judgement of JEA, conforms as to terms and conditions with the then prevailing prudent standards in the financial markets;
- (xi) shares of an investment company organized under the Investment Company Act of 1940, as amended, including money market mutual funds, which invests its assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated AAA or above if rated by Standard & Poor’s ~~Rating Group and or~~ Aaa2 or above if rated by Moody’s Investors Service; and
- (xii) interests in the State of Florida Local Government Surplus Funds Trust Fund or ~~other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian~~ any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01.

EXHIBIT VI
JEA DISTRICT ENERGY SYSTEM AUTHORIZED INVESTMENTS

"Authorized Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of JEA's funds:

- (i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;
- ~~(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate and (d) which at the time of their purchase hereunder are rated AAA by Standard & Poor's Ratings Group and if rated by Moody's Investors Service, are rated Aaa by such agency;~~
- (iii) bonds, debentures, or other evidences of ~~long-term~~ indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- ~~(iv) discount notes or other short-term debt issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase are rated in the highest rating category by two nationally recognized rating agencies;~~
- ~~(v) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;~~
- (~~viii~~iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;

- | (~~vi~~iv) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued and entered into by (i) an insurance company whose claim paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Right of assignment is permitted, if approved by JEA;

- | (vii) direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State are pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida;

- | (viii) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) and (iii) of this definition, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;

- | (~~ix~~vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances issued by any bank, trust company or national banking association, in each case, having a combined capital, surplus and undivided profits of not less than \$100,000,000, provide at the time of their purchase hereunder such instruments are (a) rated not lower than the second highest rating category by two nationally recognized rating agencies, (b) issued by a bank, trust company or national banking association (1) which bank, trust company or national banking association's deposit obligations have been issued the highest possible rating (giving effect to any refinement or graduation of ratings by a numerical modifier or otherwise) by (x) Moody's Investors Service or (y) two nationally recognized rating agencies or (2) which bank, trust company or national banking association has issued and outstanding senior unsecured indebtedness rated not lower than the second highest whole rating category by two nationally recognized rating agencies; provided that, if after the purchase of any such certificates of deposit, the ratings thereon or with respect to the issuer thereof, as the case may be, shall fall below the requirement set forth in clause (a) or (b) hereof, JEA shall sell such certificates of deposit, or (c) fully insured by the FDIC or secured, to the extent not insured by the FDIC, by such securities as described in clause (i) of this definition which securities shall at all times have a market value at least equal to the principal amount of such certificates of deposit or banker's acceptances;

- | (~~xviii~~) commercial paper that, at the date of investment, is rated “P-1” by Moody's Investors Service and “A-1” by Standard & Poor's or their respective successors or if not so rated by both such rating agencies, then rated “P-1” by Moody’s Investors Service or “A-1” by Standard & Poor’s or “F-1” by Fitch Investors Service and rated with the highest possible rating (giving effect to any refinement or graduation of ratings with a numerical or symbolic modifier or otherwise) by one other nationally recognized rating agency;

- | (~~xix~~) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement relates to the sale and repurchase of any of the securities described in clauses (i) and (iii) above and which, in the judgement of JEA, conforms as to terms and conditions with the then prevailing prudent standards in the financial markets;

- | (~~xx~~) shares of an investment company organized under the Investment Company Act of 1940, as amended, including money market mutual funds, which invests its assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated AAA if rated by Standard & Poor’s ~~and~~ or Aaa if rated by Moody’s Investors Service; and

- | (~~xxi~~) the State of Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

Table 1 – JEA Investment Limitations

Option	Allowable Range (% of total investments and/or \$ amount)	Comments
Bank NOW Account	Up to 25%, except for 3/31 and 9/30 at which time the limit is 30%	Federal or state insured financial institutions designated as Qualified Public Depositories by the State of Florida
Triparty Repo	Up to 15% with any one dealer; up to 25% in aggregate	102% collateral, for Elec., Water, SJRPP 2nd Resolution; 103% for SJRPP 1st Resolution. Collateral can include Treasuries and/or Agencies and is held by a 3 rd party custodian. Dealers rated AA by two rating agencies.
U.S. Treasuries or Treasury-only Money Market Funds	Up to 100%	Fund must be rated AAA or Aaa and registered with SEC.
U.S. Agencies (Fannie Mae, Federal Home Loan Bank, Freddie Mac, etc.)	Less than 35% in any one issuer and up to 75% in aggregate, including repo collateral	Electric/ Water /DES: No ratings requirement for long-term debt; A-1/P-1 or better for short-term debt; SJRPP 1st Resolution: no ratings requirements; Other Systems: AAA rated All Systems: Not backed by mortgage loans.
Commercial Paper	Up to 25% of portfolio; maximum of \$12.5 million in any one issuer	Must be in Fortune 500/Global 500, or governments of Canada or Canadian provinces (U.S. dollar-denominated); rated at least A-1/P-1 with stable or positive outlook
Municipal Bonds	Up to 30% non-JEA debt; 50% including JEA debt	Non-JEA debt must be rated AA by two rating agencies for Elec., Water, and 2nd Power Park Resolution; Fla. GOs for original Power Park Resolution
Government Agency Money Market Mutual Funds	Up to 10% in any one fund; up to 25% in aggregate	AAA or Aaa rating required. Registered with SEC.
Intergovernmental Investment Pool	Up to 10 15%	Authorized by Florida statutes. Includes Florida Prime Fund and PFM's Florida Education Income Trust Fund.

II. E.

JEA Energy Market Risk Management Policy Report



Building Community

AGENDA ITEM SUMMARY

July 20, 2018

SUBJECT:	JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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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 a quarterly report 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 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: AFZ/MHD/MJB/SGM

MISSION	VISION	VALUES
 Energizing our community through high-value energy and water solutions.	 JEA is a premier service provider, valued asset and vital partner in advancing our community.	 <ul style="list-style-type: none"> • Safety • Service • Growth² • Accountability • Integrity

Commitments to Action

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

(F&A) Energy Market Risk Management: Physical and Financial Positions

Summary as of 7/1/2018		
Projected FY18 Expense (Budget = \$431M)	\$462M	☹
Projected FY18 Fuel Fund Ending Balance	\$66M	☹
Projected FY19 Expense (Budget = \$418M)	\$417M	☺
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 7/1/2018

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	Contura Eagle Butte - 003	Fixed Price	\$1,192,974	6 months
Scherer 4	Coal	Peabody Caballo - 009	Fixed Price	\$1,074,588	6 months
Scherer 4	Coal	Buckskin - 010	Fixed Price	\$463,559	6 months
Scherer 4	Coal	CY19 Contura Eagle Butte - 001	Fixed Price	\$2,806,571	12 months
Scherer 4	Coal	CY19 Contura Eagle Butte - 004	Fixed Price	\$862,826	12 months
Scherer 4	Coal	CY19 Peabody Caballo -005	Fixed Price	\$2,334,578	12 months
Scherer 4	Coal	CY20 Contura Eagle Butte - 001	Fixed Price	\$3,018,716	12 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$179,132,661	2.83 years

Table 2: Financial Positions as of 7/1/2018

Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost (\$/mmBtu)	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY18	Natural Gas	8,683,300	3,640,000	41.9%	\$ 2.85	Swap	\$ 2.65	\$ (757,120)	Wells Fargo
FY19	Natural Gas	54,589,300	5,460,000	10.0%	\$ 2.81	Swap	\$ 2.65	\$ (1,521,520)	Wells Fargo
FY20	Natural Gas	51,229,300	-	0.0%	\$ 2.69	-	-	\$ -	-

Table 3: Fuel Procurement as of 7/1/2018

Fuel Type	Natural Gas	Coal	Petcoke	Purchased Power	Oil/Diesel	Renewables
FY18 Remaining / Energy Mix	45%	21%	18%	15%	0%	1%
Expected Spend (\$M)	39	23	24	15	0.1	3.8
% Procured	78%	100%	100%	63%	100%	100%
% Hedged	37%	100%	8%	7%	100%	100%
FY19 Budget / Energy Mix	50%	18%	12%	18%	0%	2%
Expected Spend (\$M)	156	73	50	64	2.0	18
% Procured	50%	67%	8%	55%	100%	100%
% Hedged	9%	67%	8%	6%	100%	100%
FY20 Projection / Energy Mix	50%	16%	13%	16%	0%	5%
Expected Spend (\$M)	141	69	54	54	1.8	29
% Procured	44%	42%	8%	14%	100%	100%
% Hedged	0%	42%	8%	2%	100%	100%

Supporting Notes:

- Renewable purchase power agreements are not included in Table 1
- Natural Gas Transportation is 100% fixed capacity and price
- Solid fuel procurement - annually and quarterly at Northside; CY2018-2020 for Scherer
- Table 3: FY Energy Mix based on MWH
- In Table 3, the procured percent relates to inventory on hand, or contracted and the percent hedged is inventory on hand or contracted with fixed pricing or financial hedges
- Renewables in Table 3 represent signed agreements and an estimated cost for pending contracts