BOARD MEETING PACKAGE

JEA
Building Community®

BOARD MEETING AGENDA ITEMS

For the JEA Board of Directors Meeting

Tuesday, December 11, 2018

12:00 PM

19th Floor, JEA Tower

Melissa Charleroy
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JEA BOARD MEETING AGENDA

December 11, 2018 • 12:00 p.m.

21 W. Church Street, 19th Floor

Building Community®

I.	WELCOME	
	A.	Call to Order
	B.	Time of Reflection
	C.	Pledge to Flag
	D.	Adoption of the Agenda – Action
	E.	Safety Briefing – Aaron Zahn, Managing Director/CEO
	F.	Sunshine Law/Public Records Statement – Jody Brooks, Vice President & Chief Legal Officer

II.	COMMENTS / PRESENTATIONS		
	Item(s)		Speaker/Title
	A.	Comments from the Public	Public
	B.	Council Liaison's Comments	Council Member Matt Schellenberg

III.	OPERATIONS (DISCUSSION / ACTION)				
	Definition: The "Operations" section of the Board Meeting is for business matters requiring Board discussion and action.				
	Item(s)			Speaker/Title	Discussion Action/Information
	A.	Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature, or have been discussed in previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation, and are approved by one motion and vote.			
		Consent Agenda Reference Material (Provided in Appendices)			
		Appendix A:	CEO Search Committee Minutes October 31, 2018		Action
		Appendix B:	Board Meeting Minutes November 27, 2018		Action
		Appendix C:	Appointment of Geraldine Lockett to Civil Service Board		Action
		Appendix D:	Monthly Financial Statements		Information
		Appendix E:	Monthly Financial and Operations Detail		Information
		Appendix F:	Monthly FY18 Communications & Engagement Calendar and Plan Update		Information
	B.	Monthly Financial and Operations Dashboard		Melissa Dykes, Pres./COO Ryan Wannemacher, CFO	Information
	C.	Fuel Strategy – Universal Solar Expansion and Gas Prepayment Parameters		Ryan Wannemacher, CFO Steve McInall, Director, Electric Production Resource Planning	Action
	D.	Fuel Strategy – Pricing Policy Modifications		Ryan Wannemacher, CFO	Action
	E.	Strategic & Timely Asset Realignment Plan		Ryan Wannemacher, CFO	Action

	F.	Electric Advance Agreement Between JEA and The Energy Authority (TEA)	Ted Hobson, Chief Compliance Officer & Jody Brooks, Chief Legal Officer	Action

IV.	**STRATEGY (DISCUSSION ONLY)**		
	Definition: The "Strategy" section of the Board Meeting is <u>only</u> for discussion & feedback to management on strategic initiatives of and for JEA.		
	Item(s)		Speaker/Title
	A.	Corporate Headquarters – Campus Update	Nancy Kilgo, Director of Government Relations
	B.	Governance - Delegation of Authority	Aaron Zahn, Managing Director/CEO
	C.	Guiding Principles	Aaron Zahn, Managing Director/CEO

V.	**SUBJECT MATTER EXPLORATION (OPPORTUNITIES & RISKS – PRESENTATION)**		
	Definition: The "Subject Matter Exploration" section of the Board Meeting will be used to brief the Board Members on market, environment, business or other generally important matters. Staff and/or 3rd party experts will provide presentations on a specific subject and the Board will be afforded an opportunity for Q&A at the end.		
	Item(s)		Speaker/Title
	A.	N/A	

VI.	**COMMITTEE REPORTS**				
	Item(s)			Speaker/Title	Discussion/Action/ Information
	A.	Finance & Audit Committee		Kelly Flanagan, Committee Chair	
		1.	Approval of Minutes – August 13, 2018		Action
		2	Audit Services – Quarterly Audit Services Update		Information
		3.	JEA Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment		Information
		4.	Ethics Officer Quarterly Report		Information
		5.	Electric System and Water and Sewer System Reserve Fund Quarterly Report		Information
		6.	JEA Calendar Years 2019 and 2020 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer, St. Johns River Power Park and Bulk Power Supply Systems		Action
		7.	JEA Energy Market Risk Management Policy Report		Information
		8.	Ernst & Young FY2018 External Audit Report		Information
		9.	Next Meeting, March 18, 2019 8:00 – 10:00 AM		Information
		10.	Committee Discussion Session a. Ernst & Young – John DiSanto b. Director, Audit Services – Steve Tuten c. Council Auditor's Office – Jeff Rodda		Information

VII.	**OTHER BUSINESS**		
	Item(s)		Speaker/Title
	A.	Old Business	
	B.	Other New Business	

	C.	Open Discussion	
	D.	Managing Director/CEO's Report	Aaron Zahn, Managing Director/CEO
	E.	Chair's Report	Alan Howard, Board Chair

VIII.	**CLOSING CONSIDERATIONS**	
	Item(s)	
	A.	Announcements – Next Board Meeting January 22, 2019
	B.	Adjournment

Board Calendar

Board Meetings: 12:00 p.m. – Fourth Tuesday of Every Month (exception(s): November 19, 2019 and December 17, 2019

Committees: Finance & Audit Committee: March 18, 2019

Compensation Committee: TBD

Government Affairs Committee: TBD

Nominating Committee: TBD

A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call **665-7550** by **8:30 AM** the day before the meeting and we will provide reasonable assistance for you.

B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose, needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.

I. F.

Sunshine Law/Public Records Statement

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Agenda

Florida's Government in the Sunshine Law

Office of General Counsel

This meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times. Official acts of the JEA Board may be conducted at this meeting that will be considered binding on the JEA. Reasonable notice has been provided and minutes of this meeting shall be taken and promptly recorded.

III. B.

Monthly Financial and Operations Dashboard

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III. B.
12/11/2018

Corporate Metrics Dashboard

As of October 31, 2018

Metrics for FY19 Goals	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 YTD	2019 Goal	Variance
Customer Value										
JDP Customer Satisfaction Index - Residential	4th Quartile	3rd Quartile	3rd Quartile	1st Quartile	2nd Quartile	1st Quartile	2nd Quartile	2nd Quartile	Top Decile or Trophy	-
JDP Customer Satisfaction Index - Business	4th Quartile	4th Quartile	1st Quartile	1st Quartile	1st Quartile	1st Quartile	1st Decile	NA- Data in Jan	Top Five or Trophy	-
Customer Response Time (min.): W/WW System	70	69	67	69	67	68	76	71	65	9%
Overall First Contact Resolution Index	N/A	N/A	0.79	0.81	0.79	0.79	0.79	0.83	0.80	4%
Estimated Time of Restoration Accuracy	-	-	88%	85%	89%	82%	80%	81%	80%	1%
Grid Performance: Frequency (outages/year)	2.4	1.7	1.7	1.7	1.4	1.6	1.4	1.2	1.6	-25%
Grid Performance: Outage Duration (minutes/year)	84	68	71	99	71	99.5	67	57	75	-24%
Grid Performance: CEMI5 (% cust. > 5 outages/year)	n/a	n/a	2.34	2.10	1.40	1.07	0.40	0.80	1.00	-20%
Water Unplanned Outages (% cust.)	2%	1%	1%	2%	4%	1%	5%	0.1%	2%	-94%
Water Distribution System Pressure (avg min < 30 psi)	34.9	20.0	2.1	2.8	2.1	3.7	1.8	1.0	2.0	-48%
Financial Value										
Net Write-Offs	0.19%	0.15%	0.15%	0.16%	0.14%	0.14%	0.13%	0.1%	0.2%	-33%
Generation Fleet Reliability (forced outages rate)	0.7%	1.6%	3.0%	1.8%	2.0%	2.2%	2.1%	0.3%	2.0%	-85%
Percent of Net O&M Budget	92%	90%	88%	93%	93%	93%	93%	93%	95%	-2%
Cost Reduction Metric ($000)	n/a	n/a	n/a	n/a	$25,156	$10,087	$10,495	$52	$9,100	TBD
Community Impact Value										
Capital Invested ($000)	$273,774	$234,718	$158,392	$204,708	$298,045	$307,918	$374,456	$15,494	$437,774 – $574,578	TBD
Safety (RIR)	1.48	1.84	2.38	1.65	1.82	2.10	1.48	1.14	1.40	-19%
JEA Volunteers	237 Activities	465 Activities	670 Activities	753 Activities	985 Activities	913 Activities	760 Activities	359 Hours	4,800 Hours	TBD
JSEB Spend ($000)	$9,168	$10,121	$7,302	$9,318	$9,983	$13,365	$15,760	$1,343	$13,000	TBD
Environmental Value										
Electric System Environmental Compliance (permit exceedances)	5	4	3	2	4	6	2	0	4	TBD
Consumptive Use Permit Compliance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nitrogen to the River (tons)	650	767	579	556	524	556	552	29	616	TBD
Sanitary Sewer Overflows (SSO's) (per 100 miles of pipe)	0.58	0.55	0.68	0.52	0.61	1.07	0.63	0.07	0.58	TBD

Metrics We Watch	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast
Financial Value								
Change in Net Position ($000)	$182,642	$79,975	$156,269	$323,008	$210,016	$254,620	$156,556	$145,725
Debt to Capitalization	75%	73%	70%	69%	66%	63%	59%	57%
City Contribution ($000)	$104,188	$106,687	$109,188	$111,688	$129,187	$115,823	$116,620	$117,648
Electric sales (000's MWh)	13,855	11,930	12,172	12,434	12,561	12,050	12,364	12,591
Water Sales (000's kgal)	35,345	33,088	32,468	34,558	36,358	37,245	36,187	39,773
Sewer Sales (000's kgal)	24,490	23,624	23,527	24,922	25,818	26,713	26,340	27,819
Reclaim Sales (000's kgal)	1,330	1,110	1,301	1,784	2,644	3,290	3,120	4,967
Community Impact Value								
Utility Scale Solar Energy (000's MWh)	21	21	20	21	21	26	55	74
New Partnerships and Student Programs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Voluntary Attrition	46	36	44	32	33	35	35	0
Diverse Slate of Candidates (% of recruitments)	N/A	N/A	N/A	97.6%	98.6%	100%	100%	95%
Economic Development Program Participants	N/A	0	0	1	0	0	4	1
Environmental Value								
Reclaimed Water Customer Growth*	35%	40%	43%	31%	27%	25%	22%	22%

Strategic Metrics - Long Term Influence	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast
Customer Value								
Residential Electric Bill in FL (% of State Median)	101%	101%	99%	99.5%	101%	100%	98%	99.7%
Residential Water/Sewer Bill in FL (% of State Median)	110%	104%	102%	100%	96%	94%	92%	92.3%
Financial Value								
Consolidated Return on Equity	13%	8%	10%	12%	13%	13%	9%	9%
Return on Net Assets	3%	1%	2%	5%	3%	4%	3%	2%
Unlevered Free Cash Flow: EBITDA less CAPEX ($000)	$606,131	$532,872	$632,212	$591,925	$547,897	$573,259	$351,976	$257,177
Net Position (Book Value of Equity) ($000)	$1,991,311	$2,071,286	$2,196,006	$2,166,909	$2,376,928	$2,631,545	$2,740,279	$2,886,004
City Contribution NPV	-	-	-	-	-	-	$1,998,311	$1,998,311
Electric Credit Ratings	Aa2/AA-/AA-	Aa2/AA-/AA	Aa2/AA-/AA	Aa2/AA-/AA	Aa2/AA-/AA	Aa2/AA-/AA	Aa2/A+/AA	A2/A+/AA
W/WW Credit Ratings	Aa2/AA/AA	Aa2/AA/AA	Aa2/AA/AA	Aa2/AA/AA	Aa2/AAA/AA	Aa2/AAA/AA	Aa2/AAA/AA	A2/AAA/AA
Community Impact Value								
Employee engagement (survey)	-	71%	-	74%	72%	79%	81%	-
Environmental Value								
CO_2 Emissions (lbs/MWh), net basis	1,381	1,498	1,642	1,475	1,558	1,358	1,474	1,525
Aquifer Withdrawal Limit	104	100	103	107	112	114	112	113
Residential Water Use Efficiency (gal. per capita per day)	88	80	75	79	81	82	75	75

*May contain reclaimed customers temporarily supplied with potable water

MANAGEMENT DISCUSSION

Financial

Electric Enterprise:

- FY19 sales down 4.4% compared to Oct FY18
- Sales per customer are down 6.2% compared to Oct FY18
- Degree days are down 10.3% compared to Oct FY18
- Total customers are up 1.9% compared to Oct FY18
- Revenues decreased $12m vs. FY18 driven by SJRPP decreases.
- Expenses decreased $4m vs. FY18 with decreases in fuel and depreciation, being partially offset by the increases in Scherer R&R, purchased power volume, and stabilization.
- Fuel and purchased power down $5m due to lower costs, partially offset by higher net volume.

Water and Sewer:

- Water sales are up 2.2% compared to Oct FY18
- Sewer sales are up 2.6% compared to OctFY18
- Reclaimed sales are up 23.5% compared to Oct FY18
- Sales per customer are up 6.2%
- Rain days are up 25%(2 days) compared to Oct FY18, irrigation up 10.2% versus Oct FY18
- Total customers are up 2.7% compared to Oct FY18
- Revenues increased by $4m vs. FY18 due to higher sales.
- Expenses increased $3m vs. FY18 driven by an increase in overhead and compensation.

DES

- Stable, minimal change from FY18

FEMA reimbursement:

- Matthew - $2.2m of $11m received
- Irma - $0m of $19m received

Operations

Two (2) OSHA recordables safety incident for JEA in the month of October.

Electric:

- JEA launched a new program last year aimed at reducing outage duration.
- The JEA fleet Forced Outage Rate has been running in line with prior 7-year performance and performed slightly better than the target.
- A number of planned outages are currently underway this fall.
- High unit reliability contributes to lower fuel and non-fuel expenses.

Water/Sewer:

- Unplanned Water Main Outages: 409 customers experienced an outage in the month of October
- CUP: Average daily flow of 113 MGD was 16% below CY limit of 135 MGD; reclaimed usage at 17 MGD
- Nitrogen to River: FY19 Forecast is 557 tons this includes 45 additional tons possible during the aeration basin project at Buckman. JEA has a limit of 683 tons per year and provides the COJ with 37 tons.
- SSO's Impacting Waters of the US: 4, root cause analysis is performed on each SSO

III. C.

Fuel Strategy – Gas Prepay Parameters & Solar Purchase Power Agreements

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III. C.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 30, 2018

SUBJECT:	**FUEL STRATEGY - UNIVERSAL SOLAR EXPANSION AND GAS PREPAYMENT PARAMETERS**

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

Issue: More than 33% of JEA's electric revenue is dedicated to fuel alone. JEA proactively manages fuel prices to reduce costs and provide greater stability for our customers. Two strategies presented to the Board last month are prepayments for natural gas and the addition of solar energy.

Significance: High. These solar PPAs allow JEA to lock in current, competitive low energy prices for approximately 5 percent of our generation requirements, reducing JEA's reliance on fossil fuels and providing some protection to JEA customers against future changes in volatile commodity costs. Gas supply agreements related to gas prepayment projects lower fuel costs by allowing JEA to lock in a discount to monthly index prices over the term of the agreement.

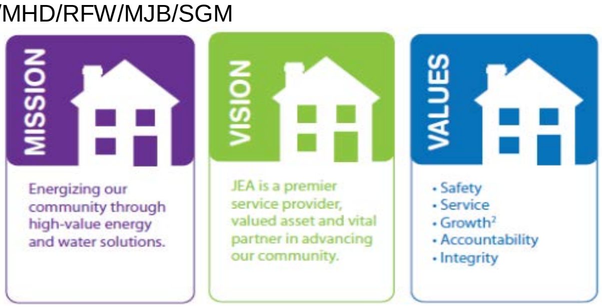
Effect: This universal solar expansion supports JEA's Energy Mix initiative. JEA will own the land for the solar farms, ensuring that land will remain available for solar applications in the future. These new projects will also help lower the cost of our JEA SolarSmart offering, and allow for further expansion through the JEA SolarMax rate. The prepayment gas supply agreements will allow JEA to achieve savings on fuel costs and help mitigate increases in natural gas prices.

Cost or Benefit: It is a benefit to our customers and the environment, as we lock in discounted gas, low renewable energy prices and add a substantial amount of carbon-free generation, supporting the Board's 2017 Energy Mix Policy.

Recommended Board action: Staff recommends the board delegate authorization to the Managing Director/Chief Executive Officer to execute the PPAs and associated documents negotiated with EDF Renewables North America for five (5) 50-MW solar facilities in Duval County on JEA-owned land as described above, by adopting the attached Resolution 2018-21 prepared by staff and approved by the Chief Legal Officer. Staff recommends the board delegate authorization to the Managing Director/Chief Executive Officer to execute the Gas Supply Agreements and any associated documents and amendments thereto as described above by adopting the attached Resolution 2018-23 prepared by staff and approved by the Chief Legal Officer.

For additional information, contact: Steve McInall, (904) 665-4309

Submitted by: AFZ/MHD/RFW/MJB/SGM



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INTER-OFFICE MEMORANDUM

November 30, 2018

SUBJECT:	**FUEL STRATEGY - UNIVERSAL SOLAR EXPANSION AND GAS PREPAYMENT PARAMETERS**
FROM:	Aaron F. Zahn, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
The purpose of this item is to gain JEA Board approval for:

1) Five (5) Power Purchase Agreements (PPAs) with EdF Renewables North America (EdF) for five 50-MW solar facilities on JEA-owned land. The outline of these agreements was presented at the October 2018 Board meeting.
2) Authority to enter into gas supply agreements related to gas prepayment projects.

DISCUSSION:

Universal Solar Expansion
The price of utility-scale solar PPAs has declined from $75/MWh on average in 2016 to near JEA's current fuel charge of $32.50/MWh today. Pursuant to Board action taken in October 2017, staff has identified five projects suitable to host 50-MW solar facilities, acquired land to support those projects, conducted a competitive bid process to select a developer, and negotiated PPAs and land leases with the selected bidder, EdF.

Under the proposed structure, JEA supplies the land and the interconnection facilities, while the developer provides the solar systems, paying all the associated permitting, development and construction costs, and charges JEA for each megawatt-hour (MWh) of electric energy produced. The developer is responsible for securing the Federal Investment Tax Credit (ITC), which provides tax credits for up to 30 percent of the construction cost.

Staff has secured, or contracted for, property to host the five solar facilities. Solar farms will be located at the following (see figure for locations):

- Cecil Commerce Solar Center – on JEA's existing "Peterson" tract, purchased in 2000
- Beaver Street Solar Center – on JEA's existing "Miller" tract, purchased in 2001
- Deep Creek Solar Center – purchased under Resolution 2017-36
- Westlake Solar Center – purchased under Resolution 2017-36
- Forest Trail Solar Center – under contract, to be purchased under Resolution 2017-36

Approximately $34 million will be spent on the three properties purchased under Resolution 2017-36, well within the $50 million allotted in the resolution.

Staff issued a Request for Qualifications to solar photovoltaic (PV) vendors to provide PPAs in October, 2017, for which thirty-eight responses were received. The top seven respondents were invited to respond to a Request for Proposal, which was released on January 2, 2018. On April 26, 2018, JEA awarded all five sites to EdF, who had the lowest responsive price. The second-place company, NextEra Florida Renewables, protested the award to the procurement officer and then to the Procurement Appeals Board. On July 12, 2018, the Procurement Appeals Board upheld the award to EdF. Negotiations on the five PPAs, leases, and interconnection agreements began shortly after the resolution of the protests. PPA and lease negotiations are complete, while the interconnection agreement requires the developer design to be more firm before completion.

Key elements of the contracts are as follows:

- 25-year base term with two 5-year extensions, one at Seller option, one mutual
- “Take and Pay” – JEA pays EdF only for energy delivered, at set price (fixed for contract term)
- Payments to JEA in the event of Seller default
- Estimated 610,000 MWh per year of production
- PPA Rate below $26/MWh (fixed for contract term)
- Estimated $400M direct payments to EdF over 25 years
- JEA owns property and leases sites to EdF
- JEA responsible for land and interconnection costs
- JEA has buyout options at 10 years, 20 years and 25 years into contract term
- Guaranteed timeline to construct
- Construction completion security
- Seller default for bankruptcy, failure to complete project, or failure to deliver power
- JEA step-in rights on default
- JEA receive up to $50M in event of default ($10M per project)
- Separate PPA for each site
- Not firm capacity

The construction of the new solar developments is contracted to be complete by the end of 2022, with earlier completion (in stages) expected. Universal solar allows JEA to lock in current, competitive low energy prices for a portion of our generation requirements, reducing JEA's reliance on fossil fuels and providing some protection to JEA customers against future changes in volatile commodity costs. This expansion will increase JEA’s solar footprint over 600% compared to existing and planned solar facilities, making Jacksonville the top solar community in the country (based on extrapolation of the 2016 Shining Cities report).

<u>Gas Prepayment Participation</u>
Gas supply agreements related to gas prepayment projects can provide financial value to JEA by allowing JEA to procure fuel at a discount to the monthly index price. JEA has evaluated participation in gas prepayment projects is seeking authority to execute gas supply agreements related to these projects subject to the following parameters:

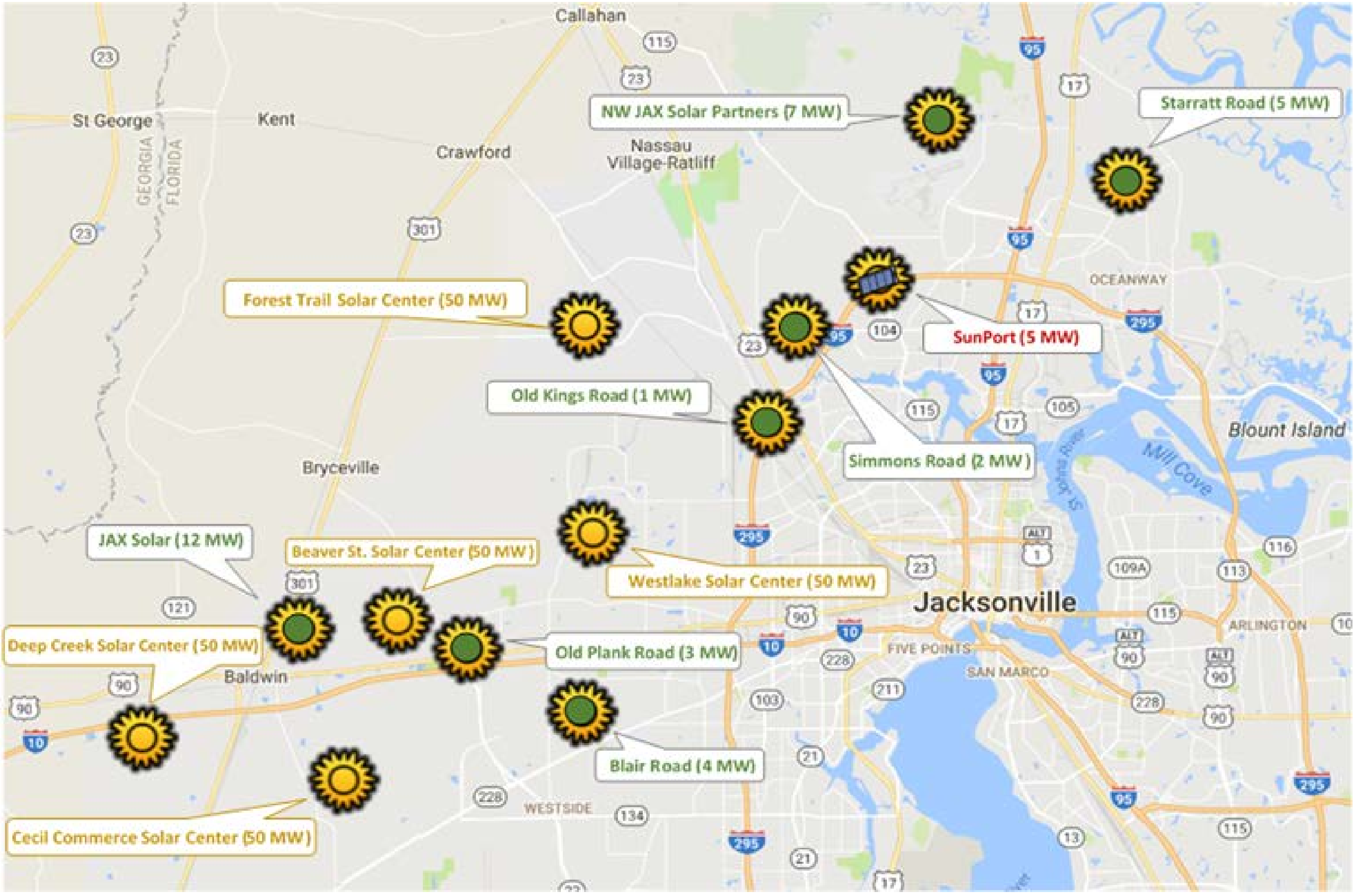
- The term of the gas supply agreement shall not exceed 30 years.
- There must be a minimum savings of no less than 20 cents per MMBtu for all Gas Supply Agreements in excess of 5 years.
- The maximum volume committed beyond 12 months will not exceed 50% of total estimated annual natural gas throughput.
- JEA has no responsibility or liability respecting debt service on any issued Bonds of the Gas
- Supplier and JEA shall be obligated only if and as such natural gas supplies are delivered.

<u>RECOMMENDATION</u>:
Staff recommends the Board delegate authorization to the Managing Director/Chief Executive Officer to execute the PPAs and associated documents for the solar developments described above by adopting the attached Resolution 2018-21 prepared by staff and approved by the Vice President & Chief Legal Officer.

Staff recommends the Board delegate authorization to the Managing Director/Chief Executive Officer to execute the Gas Supply Agreements and any associated documents and amendments thereto as described above by adopting the attached Resolution 2018-23 prepared by staff and approved by the Vice President & Chief Legal Officer.

____
Aaron F. Zahn, Managing Director/CEO

AFZ/MHD/MJB/sgm



**Sites shown in gold are part of the PPAs covered by this item. Their commercial operation dates are planned for 2019 – 2022. Sites not highlighted are the 34 MW awarded (27 MW constructed) through JEA's Phase 1 -3 Solar RFPs, and JEAs original solar farm, Jax Solar (12 MW). Sites in green font (34 MW) are currently operating.*

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Fuel Strategy
Gas Prepayment Parameters and Universal Solar Expansion

WHAT IS JEA'S LONG TERM ACTION PLAN?

Hedging Strategy

- Currently implementing natural gas hedge strategies for 2020 and 2021 targeting up to 50% of average annual expected volume

Expense Reclassification

- Reclassification of one-time SJRPP expenses related to the shutdown providing relief to the FSF

Gas Prepay Contracts

- Investigating gas prepay arrangements which allow municipal utilities to contract for long-term supplies of natural gas and could offer potential savings

Fuel Diversity

- A diversified generating fleet that includes renewable PPAs and solid fuel will help stabilize rate

Distributed Energy Resources

There is peak shaving potential of DER, i.e. batteries controlled by JEA

DEC 2018

FUEL STRATEGY – GAS PREPAYMENT PARAMETERS

Gas Prepay Participation Parameters

Staff is recommending the Board approve participation in gas supply agreements associated with prepayment projects subject to certain thresholds

- Staff is asking the board for a delegated resolution to allow for the execution of gas supply agreements related to prepayment projects under certain key parameters:
  - ✓ Term of the gas supply agreement shall not exceed 30 years
  - ✓ Minimum savings of no less than 20 cents per MMBtu for all agreements in excess of 5 years
  - ✓ Maximum committed volumes not to exceed 50% of estimated annual throughput
  - ✓ JEA is obligated only if such natural gas supplies are delivered

Gas Prepayment Supply Agreements– Resolution 2018-23

Board Resolution 2018-23, will authorize the Managing Director/Chief Executive Officer to sign all required documents to execute the Gas Supply Agreements.

Resolution 2018-23

A RESOLUTION APPROVING THE PARTICIPATION, EXECUTION, DELIVERY AND PERFORMANCE OF GAS SUPPLY AGREEMENTS ASSOCIATED WITH PREPAYMENT PROJECTS OFFERED BY MUNICIPAL SUPPLIERS; DELEGATE AUTHORITY TO EXECUTE SUCH GAS SUPPLY AGREEMENTS AND ALL OTHER TRANSACTIONAL DOCUMENTS TO THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

WHEREAS, JEA has a need for natural gas supplies to serve JEA electric generation facilities; and

WHEREAS, certain municipal gas suppliers ("Gas Supplier") have been created for the purposes of acquiring, financing, and managing secure and economically priced supplies of natural gas for sale to its members, municipal governments, and others; and

WHEREAS, a Gas Supplier plans, develops and funds projects to acquire long-term gas supplies from certain suppliers on a prepaid discount basis to meet the needs of the Gas Supplier's members and customers, all of which are governmental entities ("Prepayment Projects"); and

WHEREAS, JEA may have the opportunity from time to time to secure natural gas supply from a Gas Supplier at advantageous prices; and

WHEREAS, JEA staff comes now to seek the approval of the JEA Board for approval to participate in gas supply agreements ("Gas Supply Agreement") associated with Prepayment Projects under the following terms: the term of the gas supply agreement shall not exceed 30 years; there must be a minimum savings of no less than 20 cents for all prepaid gas supply agreements in excess of 5 years; a maximum volume committed beyond 12 months will not exceed 50% of total estimated annual natural gas throughput; JEA has no responsibility or liability respecting debt service on any issued Bonds of the Gas Supplier and JEA shall be obligated only if and as such natural gas supplies are delivered; and

WHEREAS, the JEA Charter, Section 21.10, provides that the JEA Board may delegate the authority to an officer, agent or employee of JEA by resolution to execute documents.

DEC 2018

Gas Prepayment Resolution

DEC 2018

FUEL STRATEGY – UNIVERSAL SOLAR EXPANSION

Universal Solar

In 2017 the JEA Board authorized staff to procure 250 MW of additional universal solar, making Jacksonville the largest solar city in the U.S.

DEC 2018

Solar Power Purchase Agreements

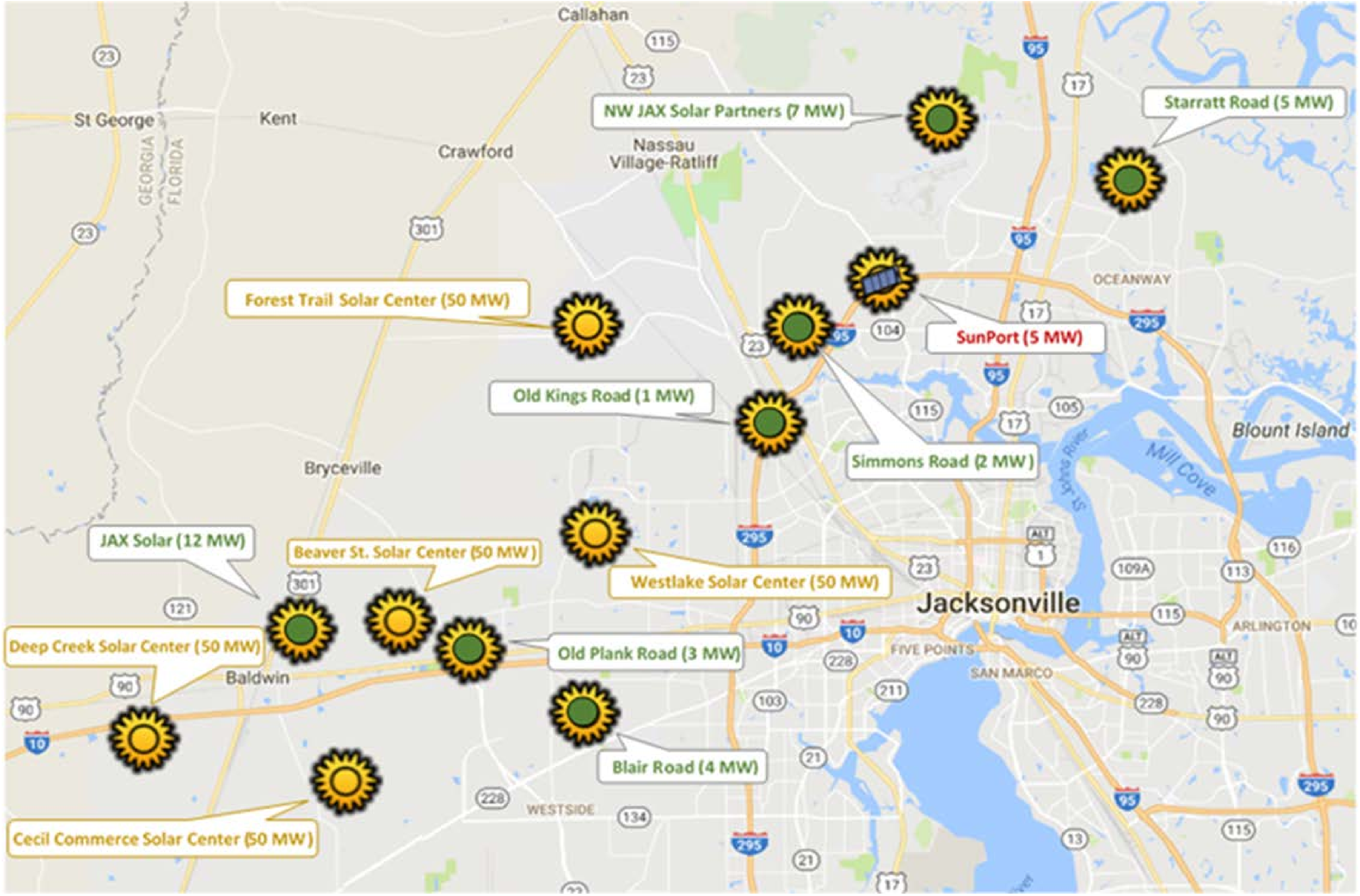
- Developer: EDF Renewables North America
- Negotiations Concluded Dec. 2018
  - Contract
  - Land Lease
    - Beaver Street Solar Center – Miller Tract
    - Cecil Commerce Solar Center – Peterson Tract
    - Deep Creek Solar Center - Purchased
    - Forest Trail Solar Center – Under Contract
    - Westlake Solar Center – Purchased
  - Distribution Interconnection
- Board Resolution 2018-21 to approve contract execution

Online	
Jax Solar	12
NW Jax	7
Starratt	5
Old Plank	3
Simmons	2
Blair	4
Old Kings	1
Total	34 MW

In Progress	
SunPort (Battery)	5 MW

Univ. Solar Expansion (2020-2022)	
Cecil	50
Deep Creek	50
Beaver	50
Westlake	50
Forest Trail	50
Total	250 MW

DEC 2018



Solar PPA – Existing and New Locations

Solar PPA – Resolution 2017-36

Board Resolution 2017-36, passed October 17, 2017, authorized staff to purchase property for the purpose of hosting universal solar facilities. A $50M cap was placed on the acquisitions.

DEC 2018

Solar PPA Land Acquisition

Resolution 2017-36

A RESOLUTION TO DELEGATE AUTHORITY TO NEGOTIATE AND EXECUTE REAL ESTATE PURCHASE AGREEMENTS FOR UNIVERSAL SOLAR PROGRAM TO THE MANAGING DIRECTOR/CEO IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

WHEREAS, after consideration by JEA, staff has recommended JEA pursue additional universal solar opportunities within JEA service territory; and

WHEREAS, certain real estate parcels have been identified in JEA service territory that can accommodate the JEA universal solar projects; and

WHEREAS, JEA staff will negotiate acceptable terms and conditions for the purchase of the needed parcels of real estate; and

WHEREAS, the total cost for the acquisition of the needed parcels of real estate shall not exceed fifty million dollars ($50,000,000).

WHEREAS, the JEA Charter, Section 21.10, provides that the JEA Board may delegate the authority to an officer, agent or employee of JEA by resolution to execute purchase and sale agreements.

BE IT RESOLVED by the JEA Board of Directors that:

1. JEA acquire the necessary real property associated with JEA's universal solar expansion program under terms and conditions satisfactory for the intended use by JEA.
2. The Board hereby delegates to the Managing Director/CEO the authority to execute all transaction documents required for the acquisition of real estate for JEA's universal solar expansion program.
3. The total acquisition cost of all real property necessary for JEA's universal solar expansion program shall not exceed fifty million dollars ($50,000,000) without additional approval by the JEA Board of Directors.

Contract Issue	5 x 50 MW Solar
Term	25 years + two 5-year extensions 1st extension at Seller Option 2nd extension mutual
Project Ownership	EDF owns project, JEA owns land
Payment Obligation	"Take and Pay" – payment by JEA only for energy delivered. JEA pays for land and interconnections in advance, ~$67M
Default Provisions	In event of Seller Default, JEA will receive approximately $10M per project ($50M total), representing approximately 20% of EDF construction costs
Estimated Annual Production (MWh)	610,000
Total Lifetime Production (MWh)	15,000,000 (25 years) 3,000,000 MWh per 5 year extension

Contract Issue	5 x 50 MW Solar
Cost per MWh	<$26, PPA Cost including cost for land and interconnection Rate is flat for contract term
Cost per MWh, total	<$33, including cost for land and interconnection
Estimated Total Payments	$410M (PPA only, base contract)
Number of Contracts	5 PPAs, Leases, and Interconnection Agreements
Buyout Provisions	JEA buyout option at 10 years, 20 years and 25 years.
Cap on Costs to JEA	Yes
Renewable Energy Credits	15,250,000 (base contract)

DEC 2018

Contract Summary

Solar PPA – Resolution 2018-21

Board Resolution 2018-21, will authorize the Managing Director/Chief Executive Officer to sign all required documents to execute the PPAs.

Resolution 2018-21

A RESOLUTION TO DELEGATE AUTHORITY TO EXECUTE POWER PURCHASE AGREEMENTS AND ALL OTHER TRANSACTIONAL DOCUMENTS FOR UNIVERSAL SOLAR PROGRAM TO THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

WHEREAS, after consideration by JEA, staff has recommended JEA pursue additional universal solar opportunities within JEA service territory; and

WHEREAS, JEA has acquired or contracted for real estate that can accommodate the JEA universal solar projects; and

WHEREAS, JEA staff has conducted a competitive bid process to select a qualified developer, EdF Renewables North America; and

WHEREAS, JEA staff has negotiated beneficial Power Purchase Agreements (PPAs) with EdF Renewables North America; and

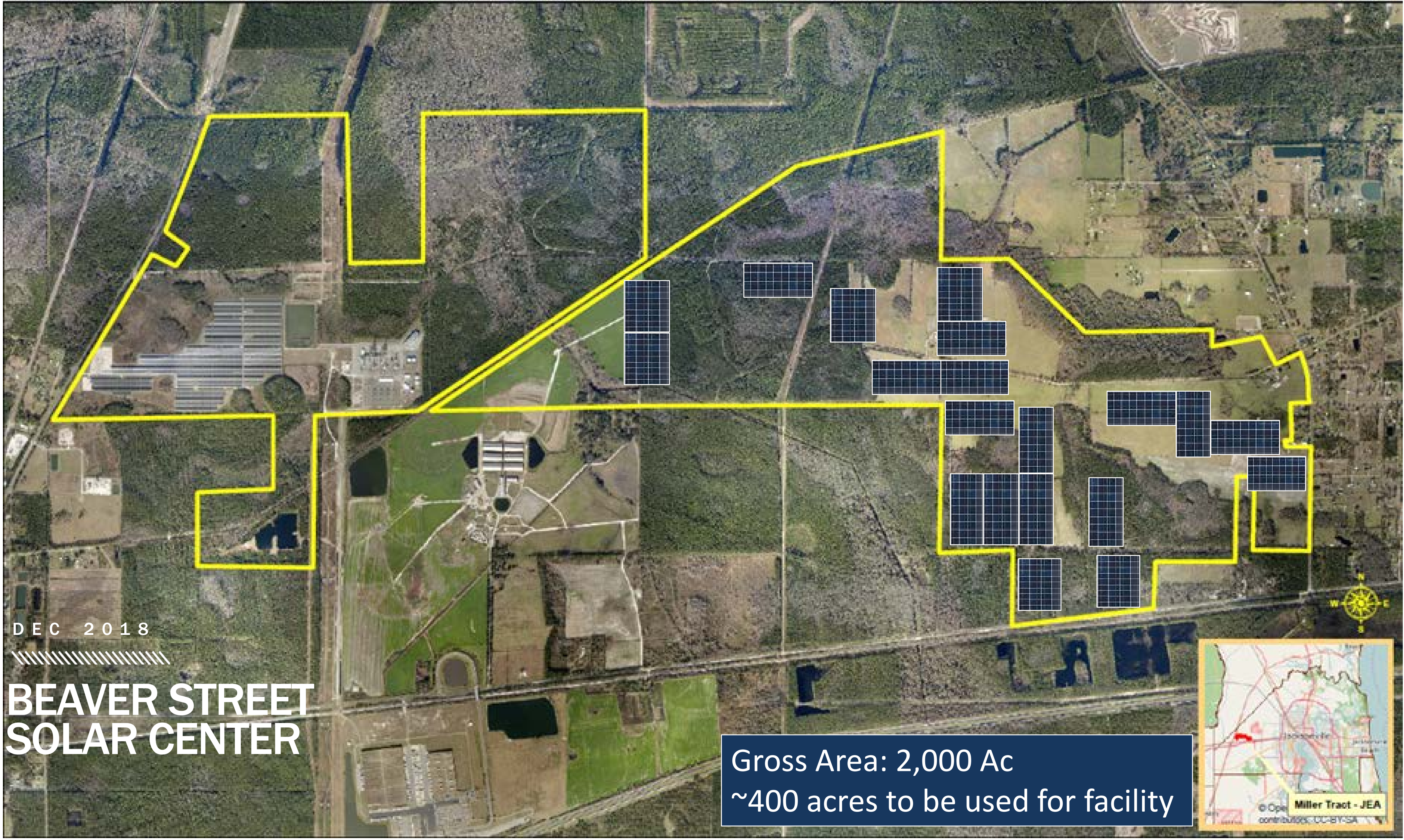
WHEREAS, the JEA Charter, Section 21.10, provides that the JEA Board may delegate the authority to an officer, agent or employee of JEA by resolution to execute documents.

BE IT RESOLVED by the JEA Board of Directors that:

1. The Board hereby delegates to the Managing Director/Chief Executive Officer the authority to execute all transactional documents (including the PPAs, interconnection agreements, and real estate leases), and future amendments thereto, with EdF Renewables North America to add up to 250-MW of universal solar to the JEA electric grid. PPAs for each of the five sites shall be in substantially the same form attached hereto as Exhibit A.

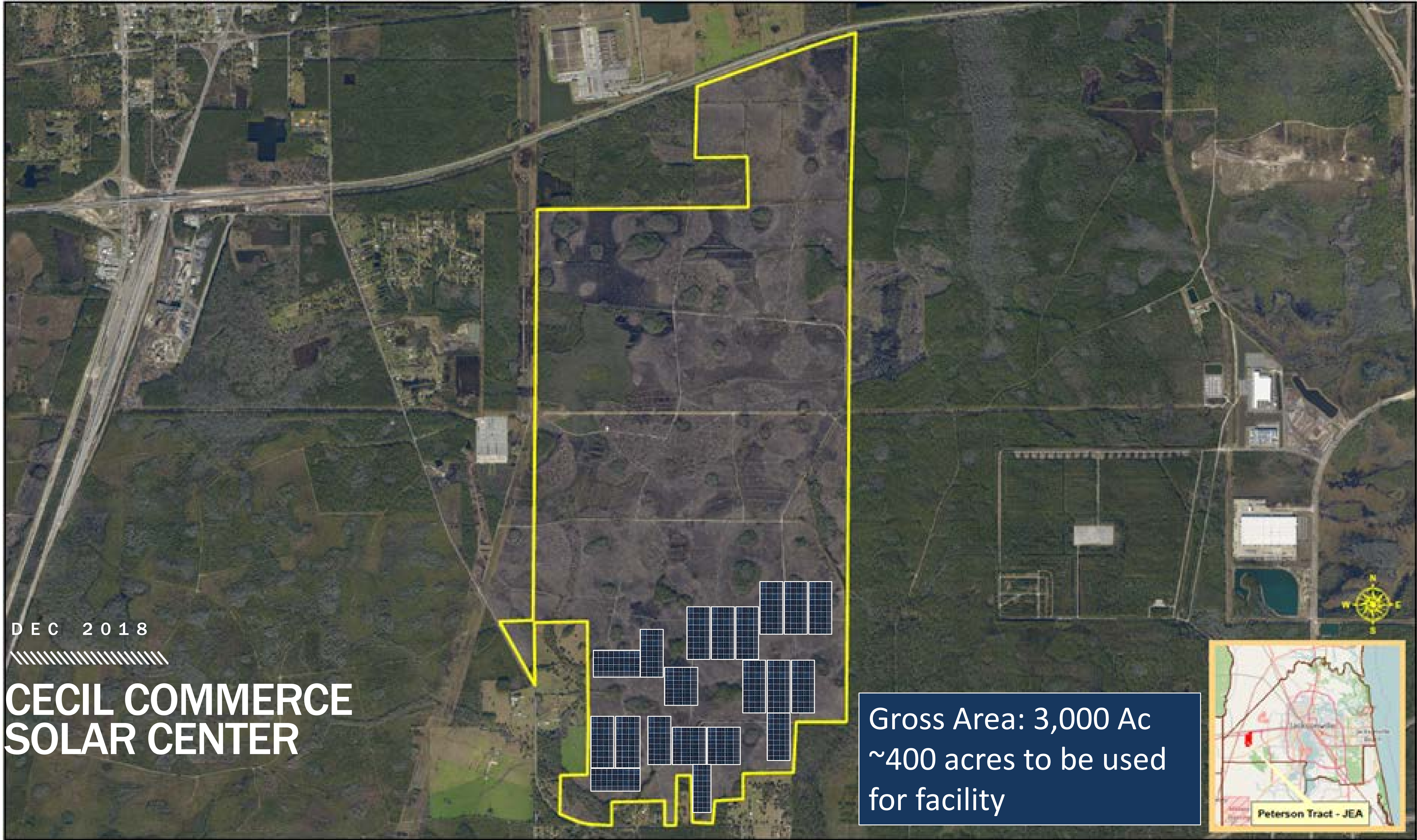
DEC 2018

Solar PPA Resolution


DEC 2018
BEAVER STREET
SOLAR CENTER
Gross Area: 2,000 Ac
~400 acres to be used for facility
Miller Tract - JEA

DEC 2018

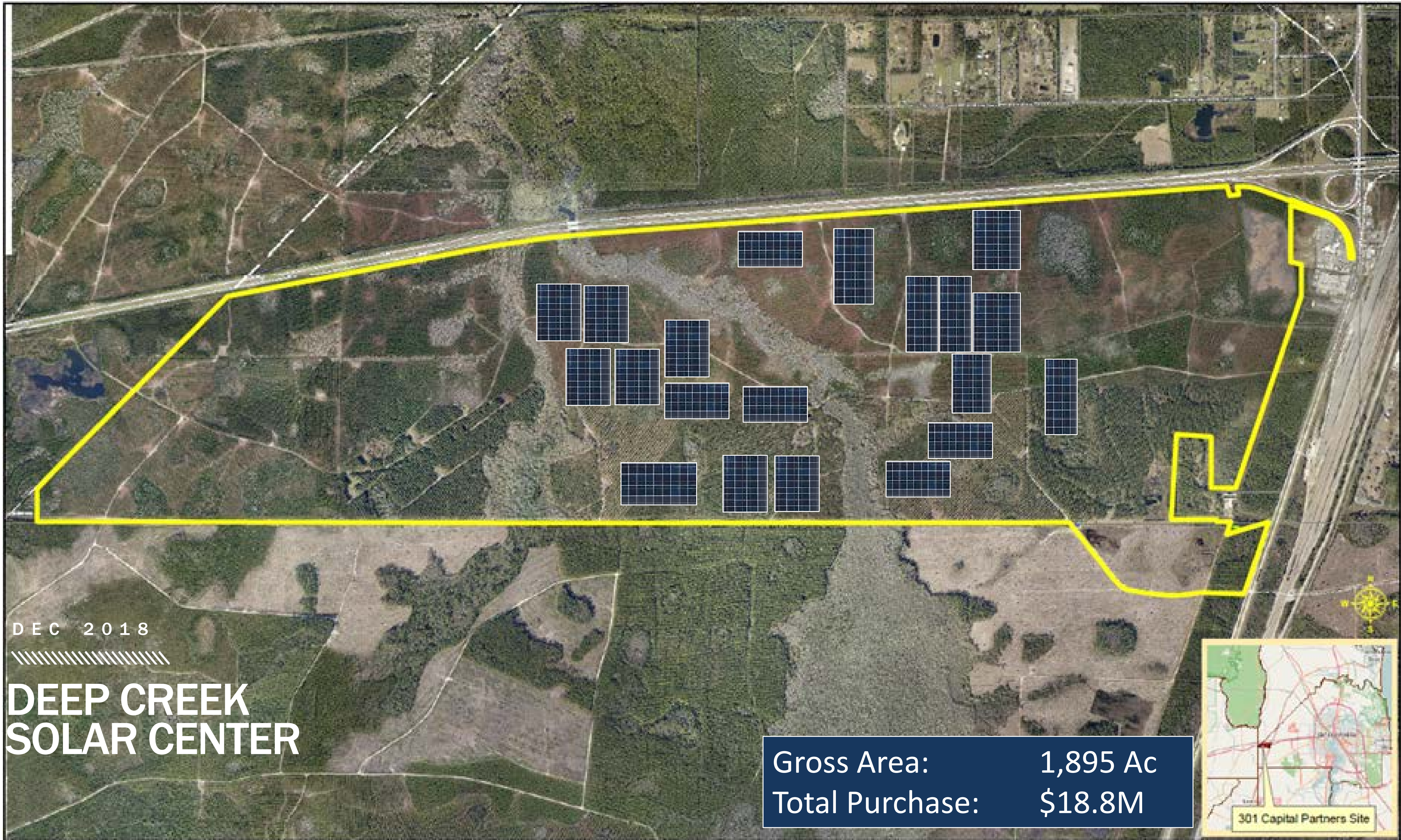
CECIL COMMERCE SOLAR CENTER



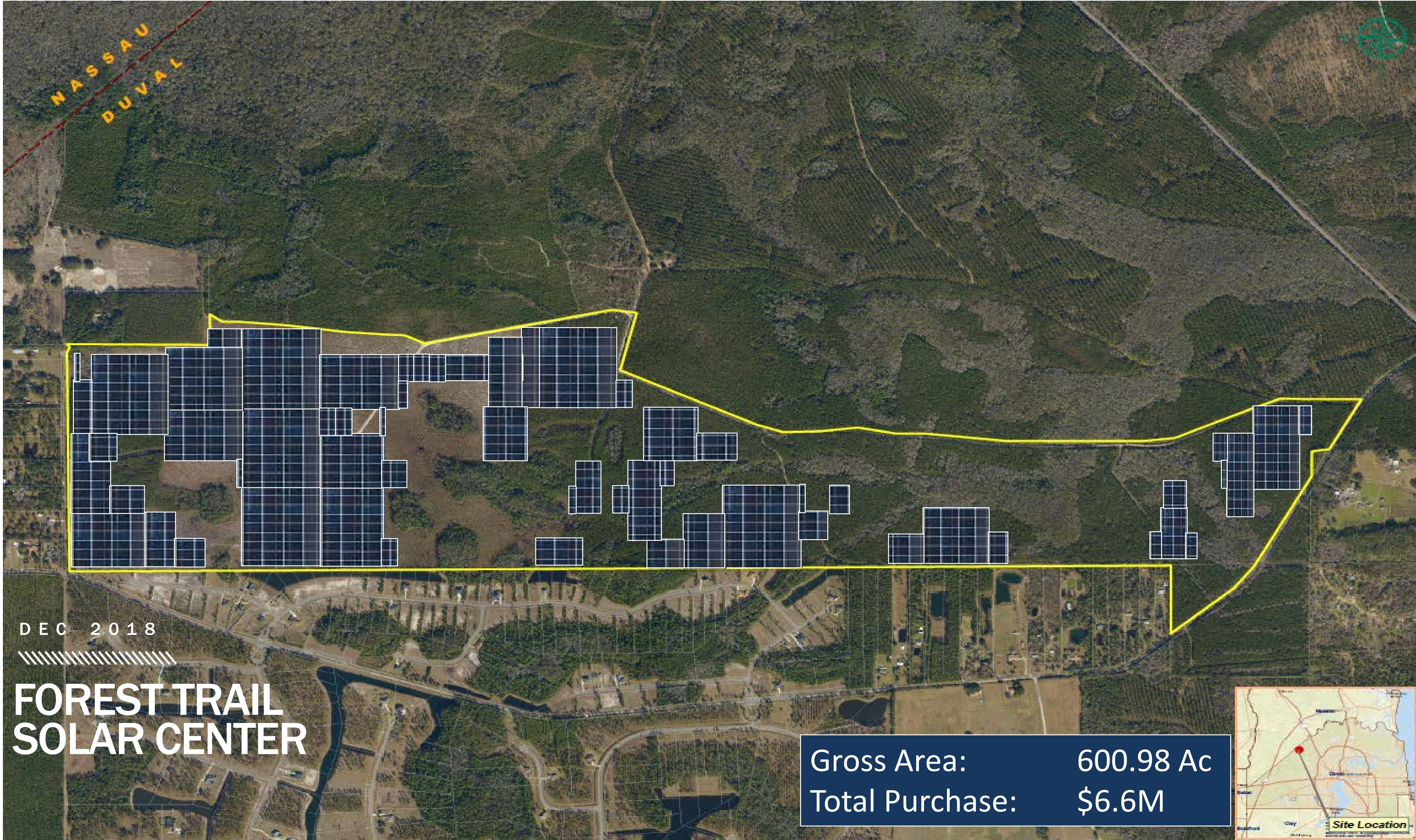
Gross Area: 3,000 Ac
~400 acres to be used for facility

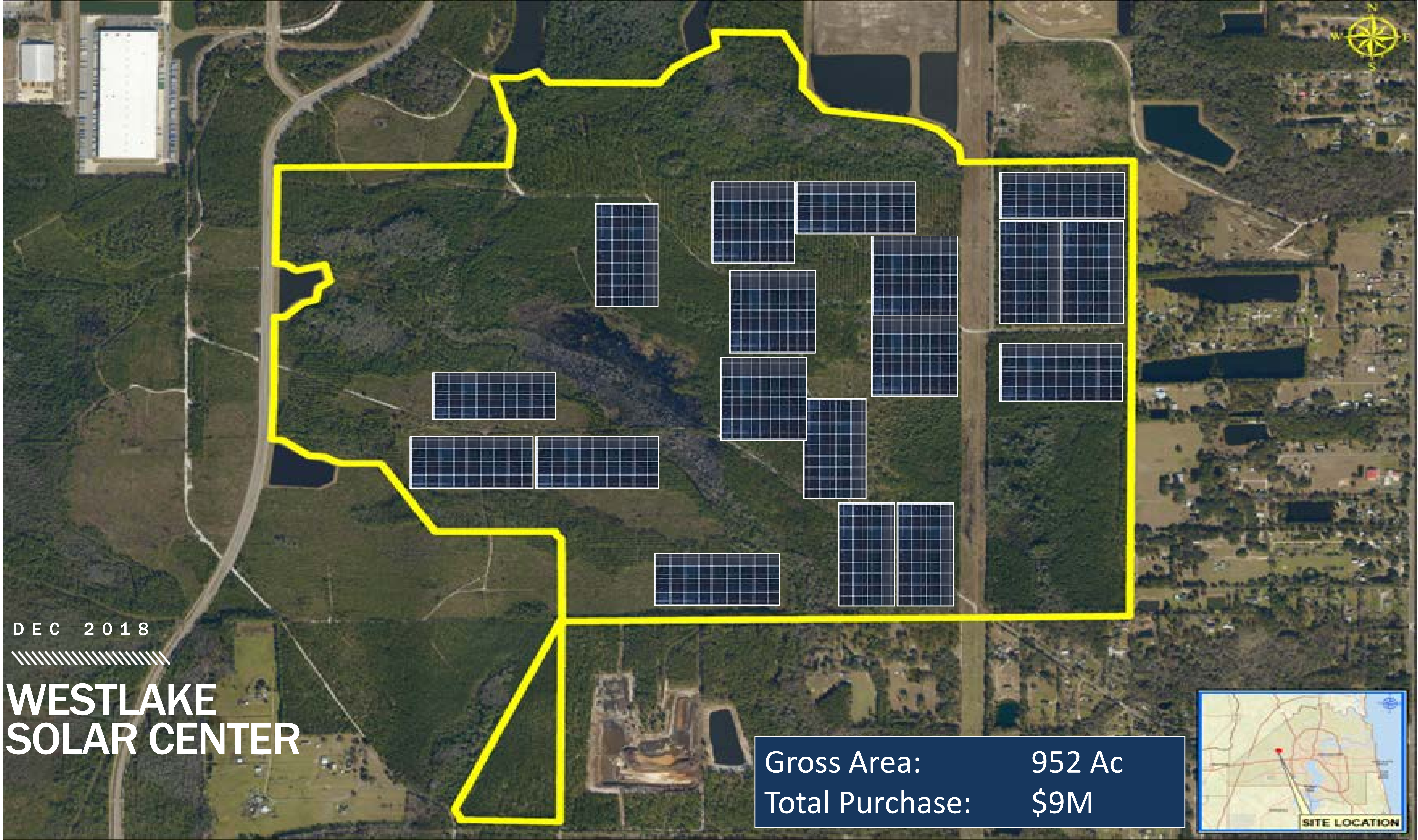
DEC 2018

DEEP CREEK SOLAR CENTER



Gross Area:	1,895 Ac
Total Purchase:	$18.8M


NASSAU
DUVAL
DEC 2018
FOREST TRAIL
SOLAR CENTER
Gross Area: 600.98 Ac
Total Purchase: $6.6M
Site Location


DEC 2018
WESTLAKE
SOLAR CENTER
Gross Area: 952 Ac
Total Purchase: $9M
SITE LOCATION

Questions

Resolution 2018-21

A RESOLUTION TO DELEGATE AUTHORITY TO EXECUTE POWER PURCHASE AGREEMENTS AND ALL OTHER TRANSACTIONAL DOCUMENTS FOR UNIVERSAL SOLAR PROGRAM TO THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

WHEREAS, after consideration by JEA, staff has recommended JEA pursue additional universal solar opportunities within JEA service territory; and

WHEREAS, JEA has acquired or contracted for real estate that can accommodate the JEA universal solar projects; and

WHEREAS, JEA staff has conducted a competitive bid process to select a qualified developer, EdF Renewables North America; and

WHEREAS, JEA staff has negotiated beneficial Power Purchase Agreements (PPAs) with EdF Renewables North America; and

WHEREAS, the JEA Charter, Section 21.10, provides that the JEA Board may delegate the authority to an officer, agent or employee of JEA by resolution to execute documents.

BE IT RESOLVED by the JEA Board of Directors that:

1. The Board hereby delegates to the Managing Director/Chief Executive Officer the authority to execute all transactional documents (including the PPAs, interconnection agreements, and real estate leases), and future amendments thereto, with EdF Renewables North America to add up to 250-MW of universal solar to the JEA electric grid. PPAs for each of the five sites shall be in substantially the same form attached hereto as Exhibit A.

Dated this ____ day of December, 2018.

JEA

By: ________________________________

G. Alan Howard, Chair

Attest:

____

Reverend Frederick Newbill, Secretary

Approved as to form:

____

Jody Brooks, Chief Legal Officer

Return to Agenda

III. C.
12/11/2018

JEA - 3 December 2018 PPA Draft

(Interconnection Requirements and Interconnection Agreement Removed)

RENEWABLE ENERGY PURCHASE
POWER AGREEMENT

Dated as of ____________, 20___

Between

JEA
(Buyer)

and

____
(Seller)

____
(Project)

RENEWABLE ENERGY PURCHASE POWER AGREEMENT

THIS **RENEWABLE ENERGY PURCHASE POWER AGREEMENT** ("Agreement") dated as of __________, 20___, is entered into between JEA, a body politic and corporate ("Buyer" or "JEA"), and ____________________, a ________________________ ("Seller;" and each of Buyer and Seller, a "Party").

WITNESSETH:

WHEREAS, Seller will develop, construct, own and operate a solar electric generating facility with a designed output of approximately 50 MW AC (the "Facility," as more fully described and defined herein);

WHEREAS, Seller intends to interconnect the Facility with JEA's Electric Power System as provided for in a separate Interconnection Agreement to be entered into between JEA and Seller;

WHEREAS, Seller anticipates the Commercial Operation Date of the Facility will occur on or prior to the date for the Commercial Operation Milestone set forth on the Schedule of Milestones (as such terms are defined herein).

WHEREAS, Buyer desires to receive and purchase, and Seller desires to deliver and sell all of the Electric Energy from the Facility (including all Environmental Attributes therefrom), pursuant to this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the Parties hereto agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions. As used in this Agreement, the terms set forth below in this **Article 1** shall have the respective meanings so set forth.

1.1.1 "*AC*" means alternating current.

1.1.2 "*Affected Party*" has the meaning set forth in **Section 15.1**.

1.1.3 "*Affiliate*" means with respect to any Person, each Person that directly or indirectly controls, is controlled by, or is under common control with such designated Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean (a) the direct or indirect right to cast at least fifty percent (50%) of the votes exercisable at an annual general meeting (or its equivalent) of such Person or, if there are no such rights, ownership of at least fifty percent (50%) of the equity or other ownership interest in such Person, or (b) the right to direct the policies or operations of such Person.

1.1.4 "*Ancillary Services*" means those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the JEA's Electric Power System in accordance with Good Utility Practice, as defined by the Federal Energy Regulatory Commission.

1.1.5 "*Business Day*" means any day except a Saturday, Sunday or the following days: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, Day after Thanksgiving, Christmas Eve Day, and Christmas Day. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business.

1.1.6 "*Buyer Event of Default*" has the meaning specified in **Section 10.2**.

1.1.7 "*Buyer Initiated Curtailment*" has the meaning set forth in **Section 4.5** of this Agreement.

1.1.8 "*Change of Control*" means the occurrence of any one of the following events with respect to Seller: (i) a transfer of a majority of the ownership interests in Seller; and (ii) any consolidation or merger of Seller or in which Seller is not the continuing or surviving entity. The following shall not be a "Change of Control".: (a) a transfer of ownership interests in Seller, in whole or in part, to an Affiliate or a Lender; (b) any assumption of control over Seller by Lender pursuant to exercise of its rights under applicable financing documents; or (c) a sale or conveyance of any ownership interest in Seller following which EDF Renewables , Inc. or an Affiliate is either the direct or indirect owner of at least 50% of the non-tax equity investor ownership interests of Seller or is otherwise in control of the day to day management or operation of Seller.

1.1.9 "*Change in Law*" means a change in any Legal Requirement made from or after the Effective Date that is applicable to this Agreement or the transactions contemplated by this Agreement and that materially affects Seller's costs of meeting its obligations under this Agreement during the Initial Term or any Renewal Term. A "*Change in Law*" shall include Buyer becoming subject to any regional transmission organization or independent system operator, a change in the compliance requirements with respect to Seller's obligations pursuant to **Section 7.5** of this Agreement, or the imposition by any Governmental Entity of requirements or constraints with respect to the construction or operation of the Facility, including as a condition to securing or maintaining any required Governmental Approval.

1.1.10 *"Change in Technology"* means a change in technology in the design of the Facility or in the equipment incorporated into the Facility that first becomes commercially available after the Effective Date and that, if implemented and integrated into the Facility, would alter the operation of the Facility so as to increase Electric Energy Output or reduce Facility operating costs.

1.1.11 *"Commercial Operation*" has the meaning set forth in **Appendix K**.

1.1.12 *"Commercial Operation Date"* means the date set forth in the Commercial Operation Certificate as of which the Facility achieves Commercial Operation in accordance with this Agreement.

1.1.13 *"Commission"* or *"Commissioning"* as applicable, means the Start-Up Testing process leading up to the Commercial Operation Date.

1.1.14 *"Compliance Expenditure Cap"* means $500,000 in any calendar year or $2,000,000 in the aggregate.

1.1.15 *"Contract Price"* means the price in $U.S. to be paid by Buyer to Seller for the purchase of the Electric Energy (including Environmental Attributes and Green Tags), as specified in **Section 7.1**.

1.1.16 "*Contract Year*" means the 12 month period starting on the Commercial Operation Date and ending on the anniversary of the commercial Operation Date and each 12 month period thereafter.

1.1.17 *"Effective Date"* has the meaning set forth in **Section 2.1**.

1.1.18 *"Electric Energy"* means electric energy produced by the Facility and delivered to Buyer by Seller at the Points of Delivery from and after the Commercial Operation Date in accordance with the terms of this Agreement. Electric Energy shall not include any electric energy used to operate the Facility, including house loads, auxiliaries and power losses within the Facility.

1.1.19 *"Energy Rate"* has the meaning set forth in **Appendix B** Energy Rate Payment Schedule.

1.1.20 *"Environmental Attributes"* means any and all credits, benefits, emission reductions, offsets, and allowances, howsoever entitled, resulting from the avoidance of the emission of any gas, chemical, or other substance to the air, soil, or water, which are deemed of value by Buyer, including RECs and Green Tags. Environmental Attributes include but are not limited to:

(a) any avoided emissions of pollutants to the air, soil or water such as (subject to the foregoing) sulfur oxides (SO_X), nitrogen oxides (NO_X), carbon monoxide (CO), and other pollutants; and

(b) any avoided emissions of carbon dioxide (CO_2), methane (CH_4), and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change or other recognized environmental agency to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere. Environmental Attributes do not include Investment Tax Credits or other similar financial tax incentives existing now or in the future associated with the construction, operation or ownership of the Facility or that are otherwise available to an investor in or purchaser of solar energy property.

"Environmental Attributes" do not include any investment tax credits associated with the construction or operation of the Facility and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation.

1.1.21 *"Environmental Impact"* means any cost, damages, expense, liability, obligation or other responsibility arising from or under any Legal Requirement or occupational safety and health law, including, but not limited to, those consisting of or relating to:

(a) any environmental, health or safety matter or condition (including on-Site or off- Site contamination, occupational safety and health and regulation of any chemical substance or product);

(b) any fine, penalty, judgment, award, settlement, legal or administrative proceeding, damages, loss, claim, demand or response, remedial or inspection cost or expense arising under any Legal Requirement or occupational safety and health law;

(c) financial responsibility under any Legal Requirement or occupational safety and health law for cleanup costs or corrective action, including any cleanup, removal, containment or other remediation or response actions ("**Cleanup**") required by any Legal Requirement or occupational safety and health law (whether or not such Cleanup has been required or requested by any Government Agency or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective or remedial required under any Legal Requirement or occupational safety and health law.

1.1.22 "*Environmental Resource Permit*" means the permit issued by the St. Johns River Water Management District to allow commencement of construction activity that may affect wetlands.

1.1.23 *"Facility"* means the integrated assembly of photovoltaic panels, mounting assemblies, inverters, metering, lighting fixtures, grounding and lightning protection, transformers, ballasts, disconnects, combiners, switches, wiring devices and wiring, as more specifically described in **Appendix A**.

1.1.24 *"Fair Market Value"* means the amount that would be paid in an arm's length, free market transaction, on a cash basis, between an informed, willing seller and an informed willing buyer, neither of whom is under compulsion to complete the transaction, taking into account, among other things, the age, condition and performance of the Facility; provided that the Facility shall be valued on an installed basis, shall be deemed to have a useful life of at least 35 years from and after first commercial operation, and shall not be valued as scrap if the Facility then is functioning and in good condition, and the market for the electricity and other attributes generated or produced by the Facility at the time of valuation shall not be deemed a monopsony.

1.1.25 *"FERC'* means the Federal Energy Regulatory Commission or its successor.

1.1.26 *"Forecast"* has the meaning set forth in **Section 4.8** of this Agreement.

1.1.27 *"Forecast Period"* has the meaning set forth in **Section 4.8** of this Agreement.

1.1.28 *"Force Majeure Event"* has the meaning set forth in **Section 15.1**.

1.1.29 *"Force Majeure Period"* means any period during which a Force Majeure Event affecting Seller occurs that precludes wholly or in part the capability of the Facility to meet its obligations as required hereunder.

1.1.30 *"Forced Outage"* means an unplanned outage of one or more components of the Facility that results in a reduction or cessation of the production of Electric Energy by the Facility by more than ten percent (10%) or the delivery of Electric Energy to the Delivery Points by more than ten percent (10%) and that is not the result of a Force Majeure Event.

1.1.31 *"Good Utility Practice"* means any of the practices, methods and acts (including those that would be implemented and followed by a prudent operator of solar electric generating facilities similar to the Facility in the United States during the relevant time period) which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have reasonably been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice shall not be limited to the optimum practice, method, or act to the exclusion of all others, but rather shall be a range of possible practices, methods, or acts generally accepted in the region.

1.1.32 *"Government Agency"* means any federal, state, local, territorial or municipal government, governmental department, commission, board, bureau, agency, instrumentality, judicial or administrative body (or any agency, instrumentality or political subdivision thereof) having jurisdiction over the Buyer, Seller, the Facility, or any official of the forgoing.

1.1.33 *"Governmental Approval"* means any authorization, consent, ratification, waiver, registration, approval, license, ruling, permit, exemption, filing, variance, order, judgment, decree, publication, notice to, declarations of or with or regulation by or with, or issued, granted, or given by any Government Agency relating to the acquisition, ownership, occupation, construction, Commissioning, operation or maintenance of the Facility or to the execution, delivery or performance of this Agreement.

1.1.34 "*Green Tags*" means:

(a) the Environmental Attributes associated with the energy generated from the Facility, together with

(b) the Green Tag reporting rights associated with such energy and Environmental Attributes. One Green Tag represents the Environmental Attributes made available by the generation of 1 MWh from the Facility.

1.1.35 "*Independent Expert*" means a Person that is either: (a) identified on **Appendix L**; or (b) if not identified on **Appendix L**, is not an Affiliate of either Buyer or Seller and that has not provided services to or received services from either Buyer, the City of Jacksonville, Florida, or Seller at any time during the 5-year period prior to the potential engagement of the Person, which Person has qualifications or experience sufficient to enable such Person to (i) evaluate Seller's remedial plans for achieving a Milestone or (ii) evaluate and offer resolution for a Technical Dispute, both consistent with Good Utility Practice.

1.1.36 *"Initial Term"* has the meaning set forth in **Section 2.1**.

1.1.37 *"Interconnection Agreement"* means the generator interconnection agreement to be entered into separately between Seller and JEA governing the terms and conditions under which the Facility will interconnect with, and operate in parallel with, JEA's Electric Power System.

1.1.38 *"Interconnection Facilities"* means the interconnection facilities that will connect the Facility with JEA's Electric Power System, as more fully described in the Interconnection Agreement, and including a Seller-owned and installed substation transformer to step up the voltage provided to JEA by the Seller at 26.4 kiloVolt (kV) AC (phase to phase) to 230 kV.

1.1.39 "*Interconnection Upgrade Costs*" shall have the meaning set forth in **Section 16.2**.

1.1.40 "*Investment Tax Credits*" means investment tax credits under Section 48 of the Internal Revenue Code as in effect from time to time during the term of this Agreement or any successor or other provision providing for a federal tax credit available to an investor in or purchaser of solar energy property and any state tax credit, rebate or other financial incentive available to an investor in or purchaser of solar energy property for which the Facility is eligible.

1.1.41 "*JEA's Electric Power System*" means the electric transmission and distribution system owned by JEA.

1.1.42 "*Lease*" means the Solar Land Lease for the Site to be entered by Seller and Buyer substantially in the form attached hereto as **Appendix H**.

1.1.43 "*Legal Requirement*" means any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty.

1.1.44 "*Lender*" means with respect to the Seller:

(a) any Person that, from time to time, has made loans to, or equity investments (including tax equity investors) in, Seller, its permitted successors or assignees for the debt and/or equity financing (including tax equity financing) or refinancing of the development, construction, ownership, leasing, operation or maintenance (including working capital) of the Facility, whether that financing or refinancing takes the form of private debt or equity, public debt or equity or any other form; or

(b) any Person who purchases the Facility in connection with a sale-leaseback or other lease arrangement in which the Seller is the lessee of the Facility pursuant to a net lease.

1.1.45 "*Maintenance Outage*" means a planned partial or complete reduction of the Facility's generating capability for routine maintenance purposes.

1.1.46 "*MW*" means megawatt.

1.1.47 "*MW AC*" means a megawatt, measured in alternating current (AC), at the AC side of the Facility's inverters.

1.1.48 "*MWh*" means megawatt-hour.

1.1.49 "*Nameplate Capacity Rating*" means 50 MW AC, subject to adjustment pursuant to **Section 3.1(e)**.

1.1.50 "*Net Output*" means all Electric Energy produced by the Facility and delivered at the Points of Delivery, as measured by the JEA Revenue Meter.

1.1.51 "*Person*" means any individual, firm, corporation, partnership, joint venture, limited liability company, association, joint stock company, trust, unincorporated organization, entity, or other enterprise, government or other political subdivision.

1.1.52 "*Planned Outage*" means an outage that is scheduled well in advance and is of a predetermined duration, lasts for several weeks and occurs only once or twice per year.

1.1.53 *"<u>Point of Delivery</u>"* or "*<u>Delivery Point</u>*" means each point at which Buyer receives and takes title to, and at which Seller delivers and transfers title to, the Electric Energy produced by the Facility. The Delivery Points are anticipated to be at the Buyer Revenue Meters located on the Site.

1.1.54 *"<u>Point of Interconnection</u>"* means each of the points of interconnection between the Facility and JEA's Electric Power System. The Points of Interconnection are anticipated be the same as the Delivery Points.

1.1.55 *"<u>REC</u>" means a* Renewable Energy Certificate or a Renewable Energy Credit made available with respect to, or representing 1 MWh of generation from a renewable energy source, as defined by the United States Environmental Protection Agency.

1.1.56 *"<u>Reporting Month</u>"* shall have the meaning given to that term in **<u>Section 6.7</u>**.

1.1.57 *"<u>Revenue Meter</u>"* means each of the primary meters owned and installed by Buyer at a Point of Delivery that measures the Net Output in kilowatt-hours for purposes of calculating the Contract Price set forth in **<u>Section 7.1</u>**. Any back-up meter installed by Buyer or Seller in addition to the Revenue Meters, for purposes of verification of the Revenue Meters or otherwise, will not be a "Revenue Meter".

1.1.58 *"<u>RFP</u>"* has the meaning set forth in the recitals to this Agreement.

1.1.59 *"<u>SCADA</u>"* has the meaning set forth in **<u>Section 4.5</u>** of this Agreement.

1.1.60 "*<u>Schedule of Milestones</u>*" means the schedule attached hereto as **<u>Appendix K</u>** which sets forth the deadlines for the achievement of certain milestones under this Agreement.

1.1.61 "*<u>Seller Assets</u>*" has the meaning in **<u>Section 7.6</u>**.

1.1.62 *"<u>Seller Event of Default</u>"* has the meaning specified in **<u>Section 10.1</u>**.

1.1.63 "*<u>Site</u>*" means the real property and improvements thereon on which the Facility is located, having the street address of **______________________** and subject to Seller's leasehold pursuant to the Lease.

1.1.64 *"<u>Solar Units</u>"* means the equipment necessary for the Facility to collect sunlight and convert it into electricity. Solar Units include photovoltaic arrays, inverters, transformers and related equipment.

1.1.65 *"<u>Start-Up Testing</u>"* means the completion of required factory and start-up tests in accordance with the terms of **<u>Section 3.6</u>** of this Agreement.

1.1.66 *"<u>Tax</u>"* means any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Government Agency or payable under any tax-sharing agreement.

1.1.67 "*Technical Dispute*" means a dispute between Seller and Buyer designated by this Agreement as a 'Technical Dispute,' which shall be subject to resolution in accordance with **Section 10.4**.

1.1.68 "*Technical Dispute Notice*" has the meaning specified in **Section 10.4**.

1.1.69 "*Term*" has the meaning specified in **Section 2.1**.

1.1.70 "*Test Energy*" means Electric Energy output from the Facility delivered to Buyer from Seller during Start-Up Testing and before the Commercial Operation Date in accordance with the terms of this Agreement.

1.1.71 "*Updated Facility Output Estimate*" means the estimated Net Output of the Facility provided by Seller pursuant to **Section 6.9**.

1.2 Interpretation. In this Agreement, unless a clear contrary intention appears:

1.2.1 the singular number includes the plural number and vice versa;

1.2.2 reference to any Person includes such Person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

1.2.3 reference to any agreement (including this Agreement), document, instrument or tariff means such agreement, document, instrument or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof;

1.2.4 reference to any Legal Requirement means such Legal Requirement as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder;

1.2.5 reference to any Section or Appendix means such Section of this Agreement or such Appendix to this Agreement, as the case may be, and references in any Section or definition to any clause means such clause of such Section or definition;

1.2.6 "hereunder", "hereof', "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Section or other provision hereof or thereof;

1.2.7 "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

1.2.8 relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including"; and

1.2.9 reference to time shall always refer to prevailing Eastern Time, i.e., standard time or daylight time as applicable in Duval County, Florida.

1.3 Legal Representation of Parties. This Agreement was negotiated by the Parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party shall not apply to any construction or interpretation hereof or thereof.

1.4 Titles and Headings. Section and Appendix titles and headings in this Agreement are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

1.5 Order of Precedence. In the event of a conflict between any of the terms of this Agreement, the conflict shall be resolved by giving priority to the terms in the following order of precedence:

(a) Written estimates and adjustments delivered pursuant to **Section 6.9**, and changes to the Schedule of Milestones specifically contemplated by **Section 3.3** or pursuant to a Force Majeure event, as contemplated hereby;

(b) Any amendment to this Agreement;

(c) this Agreement, including each Appendix that is not a separate, executable agreement,

(d) the Interconnection Agreement,

(e) any Appendix to this Agreement to the extent it is a separate executable agreement,

(f) the RFP,

(g) the Buyer Submittal Package.

ARTICLE 2 TERM AND SURVIVAL

2.1 Effective Date. The "*Effective Date*" means the date as of which each of the following has occurred: (a) this Agreement is executed by each of Buyer and Seller; (b) Seller has delivered written notice to Buyer either confirming that Seller has secured all approvals from Seller's Board of Directors required for Seller's execution and delivery of this Agreement or waiving any such Seller approval requirement; and (c) Buyer has delivered written notice to Seller either confirming that Buyer has secured all approvals from Buyer's Board of Directors required for Buyer's execution and delivery of this Agreement or waiving any such Buyer approval requirement. If by **February 15, 2019**, the Board of Directors of Seller or if, by **January 31, 2019**, the Board of Directors of Buyer, shall not have approved the execution, delivery and performance of this Agreement, this Agreement shall terminate unless the Parties mutually agree otherwise. Upon termination pursuant to this **Section 2.1**, neither Party shall be liable to pay the other Party any amounts hereunder.

2.2 Term. This Agreement shall have a term (the "**Term**") commencing on the Effective Date and ending twenty-five (25) years after the Commercial Operation Date (the "**Initial Term**"), as extended or terminated in accordance with the provisions of this Agreement. Upon the election of Seller, this Agreement may be extended after the Initial Term for an additional five-year term (a "**Renewal Term**") through the thirtieth anniversary of the Commercial Operation Date, at the Energy Rate provided in **Appendix B** for the final Contract Year of the Initial Term; and (b) upon mutual agreement of Buyer and Seller, the Term may be extended for an additional five-year period (also a "**Renewal Term**") through the thirty-fifth anniversary of the Commercial Operation Date, at the Energy Rate in effect immediately prior to the Renewal Term. If a Party desires to renew this Agreement for a Renewal Term, such Party shall deliver to the other Party a written request to renew at least one hundred eighty (180) days prior to the end of the Initial Term or, as applicable, the then-current Renewal Term. If Seller renews the Term for the first five-year Renewal Term, Buyer shall not have the right to exercise the Final Buyout Option at the end of the Initial Term.

2.3 Ancillary Agreements. If within 180 days after the Effective Date of this Agreement, despite the Parties' good faith efforts to negotiate, execute, and deliver the Interconnection Agreement and the Lease, the Parties have failed to execute and deliver the Interconnection Agreement or the Lease, then each of Buyer and Seller shall have the unilateral right to terminate this Agreement effective upon delivery of a written termination notice to the other Party no later than 210 days after the Effective Date (if the Interconnection Agreement and Lease are not then executed and delivered). Upon termination of this Agreement pursuant to this provision, neither Party shall have any further obligation or liability to the other Party under this Agreement.

2.4 Survival. Except as provided in **Section 2.3**, the provisions of **Article 1** (Definitions and Interpretation), **Section 6.5** (Records), **Section 5.5** (Billing Disputes); **Article 9** (Assignment and Project Financing**),** **Article 10** (Default, Termination and Remedies), **Article 12** (Indemnification), **Article 14** (Confidentiality), **Article 17** (Taxes), **Article 18** (Miscellaneous Provisions), and **Article 19** (Entire Agreement and Amendments) shall survive the termination of this Agreement.

ARTICLE 3 PROJECT IMPLEMENTATION AND ACHIEVEMENT OF COMMERCIAL OPERATION

3.1 Development.

(a) Seller shall:

(i) develop, engineer, procure, construct, provide as-built inverter model settings to JEA, and Commission the Facility at the Site, in accordance with **Appendix A**, all Legal Requirements and Good Utility Practice,

(ii) achieve the Commercial Operation Date and provide Buyer with the Commercial Operation Certificate prior to the date set forth on the Schedule of Milestones,

(iii) apply for and obtain all Governmental Approvals and all renewals thereof as are required for Seller to perform its obligations under this Agreement, including Governmental Approvals required pursuant to environmental Legal Requirements,

(iv) allot designated area on the Site for future installation of storage technology, including areas for circuits or facilities interconnecting any such storage technology to the Facility or to JEA's Electric Power System.

(b) Whether or not any storage technology shall be installed on the Site and the size of the area on the Site to be allotted for such storage technology shall be at the discretion of the Buyer, subject to this paragraph. It is Buyer's intention to determine whether to install storage technology at the Site through a separate, open, competitive solicitation. The size of this storage technology area on the Site shall depend on the Site area and location, and may range from 0 (i.e. no set aside) to 10 acres. Notwithstanding the foregoing, Seller shall have no obligation to install or permit the installation of any storage technology or related facilities at the Site by any Person unless the owner and installer of the storage facility agree in writing to indemnify Seller and hold Seller harmless from and against any adverse impact to Seller or the Facility arising in connection with the construction, operation, or removal of such storage facility, including with respect to Seller's obligations pursuant to the Lease, this Agreement, or the Interconnection Agreement, and the amount or quality of Net Output, Electric Energy, or Environmental Attributes attributable to the Facility.

(c) Seller shall provide to Buyer a true, correct, and complete copy of any Site-specific reports prepared by or for Seller in connection with the development of the Facility on the Site, including, for example, any wetlands delineation, geotechnical reports, and endangered species surveys. Because Buyer has an interest in the Site, it is anticipated that all Site-related Governmental Approvals will be applied for and secured by Seller in Buyer's name; and Buyer shall use commercially reasonable efforts to cooperate with all reasonable requests of Seller for purposes of obtaining or making, or enabling Seller to obtain or make, any and all Governmental Approvals.

(d) In designing the Facility, Seller shall consider and may incorporate into the final Facility design any Change in Technology, consistent with Good Utility Practice, Governmental Approvals, and applicable Legal Requirements. As soon as possible after achievement of the Development Milestone, Seller shall deliver to Buyer a final set of the plans based on which the Facility will be constructed, installed, and Commissioned (the "**Buyer Submittal Package")**.

(e) The Nameplate Capacity Rating of the Facility shall be determined at the time of Buyer's review of the permit package pursuant to Lease, shall be subject to the limitations set forth in **Section 3.9,** and shall not reflect a Facility nameplate capacity of less than 40 MW AC, unless the reduction of the Nameplate Capacity Rating below 40 MW AC is due to Site constraints, the provisions of any Governmental Approval, Force Majeure events, a Change in Law, or other event or circumstance beyond the reasonable control of Seller.

3.2 Construction. Seller shall complete, or cause the completion of, the design, construction, installation, and Commissioning of the Facility in a manner consistent with Good Utility Practice and substantially consistent with the Buyer Submittal Package.

3.3 Milestones.

(a) *Development Milestone.* Seller shall use commercially reasonable efforts to achieve the Development Milestone as set forth in the Schedule of Milestones. The date for achieving the Development Milestone is subject to adjustment pursuant to **Section 3.3(e)**.

(b) *Interconnection Facility Milestone*. Buyer shall achieve the Interconnection Facility Milestone as set forth in the Schedule of Milestones. The date for achieving the Interconnection Facility Milestone is subject to adjustment pursuant to **Section 3.3(e)**.

(c) *Commercial Operation Milestone*. Seller shall achieve the Commercial Operation Milestone as set forth in the Schedule of Milestones. The date for achieving the Commercial Operation Milestone is subject to adjustment pursuant to **Section 3.3(e)**.

(d) *Sister Projects.* The Seller and Buyer acknowledge and agree that, as of the Effective Date, in addition to this Agreement with respect to the Facility, Buyer, on the one hand, and Seller or one or more Affiliates of Seller, on the other hand, are executing four (4) power purchase agreements each with respect to a solar, photovoltaic electricity generation project having an approximate capacity of 50 MW AC (each, a "**Sister Project**"). Each Party will use commercially reasonable efforts consistent with Good Utility Practice, to achieve each Milestone that is the responsibility of such Party under **Section 3.3(a)** as soon as practicable after the Effective Date, on the understanding that the Parties may agree that Seller can stage construction of the Sister Projects and the Facility to accommodate, among other things, orderly completion of Interconnection Facilities by Buyer and a Milestone date set forth in a Milestone Notice. Notwithstanding the foregoing, the staging provisions of this paragraph for Sister Projects and the Facility shall not serve to extend the dates for the Milestones set forth on the Schedule of Milestones unless agreed to by Buyer in writing.

(e) *Changes to Milestone Dates*.

(i) If Seller achieves the Development Milestone in advance of the date set forth for that milestone in the Schedule of Milestones, Seller may deliver a written notice of achieving the Development Milestone to Buyer ("**Milestone Notice**") that sets forth the date the Development Milestone is achieved (the "**Development Milestone Date**"). If Seller delivers a Milestone Notice to Buyer: (1) Buyer shall revise the Schedule of Milestones to provide a date for the Interconnection Facility Milestone that will occur by the last day of the "Interconnection Facility Period" (defined for the Facility on **Appendix K)** following the Development Milestone Date; provided, however, Buyer shall not be obligated to commence construction of the Interconnection Facilities Work any sooner than the "Earliest Interconnection Notice Date" for the Facility on **Appendix K**, which date would be the earliest starting date of the Interconnection Facility Period; and (2) Seller shall revise the Schedule of Milestones to provide a date for the Commercial Operation Milestone that is no greater than three (3) months following the revised date of the Interconnection Facility Milestone. The Schedule of Milestones revised as provided in this Section 3.3(e)(i) shall replace any previous Schedule of Milestones.

(ii) Subject to Section 3.3(e)(iv), upon the occurrence of an event of Force Majeure affecting Seller's performance under this Agreement or the Interconnection Agreement or a Buyer Event of Default, each of the milestone dates set forth on the Schedule of Milestones following such event of Force Majeure or Buyer Event of Default shall be extended on a day-for-day basis for each day of delay of the Milestone caused by such event of Force Majeure or Buyer Event of Default.

(iii) Subject to Section 3.3(e)(iv), notwithstanding the Interconnection Facility Period for the Project, upon the occurrence of an event of Force Majeure affecting Buyer's performance under this Agreement or the Interconnection Agreement or a Seller Event of Default, the date for the Interconnection Facility Milestone following such event or default shall be extended on a day-for-day basis for each day of delay of the Milestone caused by such event of Force Majeure or Seller Event of Default.

(iv) To the extent the Interconnection Facility Milestone Date is extended pursuant to Section 3.3(e)(ii) or Section 3.3(e)(iii), the date for the Commercial Operation Milestone shall be extended to a date that is no more than 3 months after the new Interconnection Facility Milestone Date. The date for achieving the Commercial Operation Milestone, shall be extended on a day-for-day basis for each day that Buyer is delayed in achieving the Interconnection Facility Milestone**.** In addition, if Seller is unable to achieve the Development Milestone and the Commercial Operation Milestone by the dates set forth in, and adjusted by, this **Section 3.3(e)**, due to the acts or failures of Buyer or an Affiliate of Buyer pursuant to the Interconnection Agreement or the Lease, Seller and Buyer will work in good faith to agree on a new date for the Commercial Operation Milestone.

(f) *Seller Failure to Achieve Milestones.* If Seller is unable to achieve the Development Milestone by the date set forth in Schedule of Milestones, as they may be adjusted by **Section 3.3(e)**, such failure shall not be considered an Event of Default, if prior to the date the Milestone is to be achieved, Seller has delivered to Buyer a reasonably acceptable action plan that details the reasons why the Development Milestone was not achieved in a timely manner and what steps Seller has taken or will take in order to achieve Commercial Operation. However, if Seller is unable to achieve the Development Milestone by the date set forth in, and adjusted by, this **Section 3.3**, and such failure is not otherwise extended by **Section 3.3(e)** or excused pursuant to this **Section3.3(f)**, then such failure shall be a Seller Event of Default.

3.4 Independent Engineer Documents. Seller shall provide Buyer with copies of such information and supporting data relating to the satisfaction of the milestones detailed in **Section 3.3** as Buyer may reasonably request. In addition, Buyer shall have the right to have a qualified independent engineering firm review the information submitted by Seller under this Section in order to confirm the adequacy or accuracy of the information provided by Seller.

3.5 Status Report. Starting thirty (30) days after the Effective Date, Seller shall report to Buyer, each month, on the construction status and shall provide a report on Seller's progress toward achieving the Schedule of Milestones. Such report shall, at a minimum, provide a schedule showing Facility status of project financing, Governmental Approval status, items completed and to be completed, the expected date of the first Start-Up Testing, the expected Commercial Operation Date and the estimated percentage of completion for the Facility. Seller shall provide any documentation reasonably requested by Buyer to evidence of completed items in such status reports.

3.6 Start-Up Testing and Test Power.

(a) Seller shall provide Buyer with written notice at least two (2) weeks before the initial energizing and Start-Up Testing of the Facility so that Buyer may monitor the testing of any equipment and protective systems associated with the interconnection to JEA's Electric Power System. Seller will provide the total anticipated duration of Start-Up Testing, a weekly test schedule, and a minimum of 24 hours' notice prior to each test. Seller shall provide Buyer with a detailed description of Seller's Start-Up Testing procedures, including IEEE 519 requirements, which shall be subject to Buyer's approval and modification which shall not be unreasonably withheld or delayed.

(b) Buyer shall purchase all Test Energy at the rate specified in **Section 7.2** of this Agreement. Seller shall give Buyer an estimate of the MWh AC to be generated and the duration of the test prior to each test.

(c) Seller will not perform any construction activities requiring Buyer support, testing, validation, or other related activities from December 16 through and including January 3 of any year. Seller shall incorporate this window in all relevant project schedules.

3.7 Performance Assurance. Seller acknowledges that Buyer has agreed to incur significant up-front costs and expenses in connection with the construction of the Facility ("**Buyer's Expenses**") which include, but are not limited to, the following:

(a) all Interconnection Upgrade Costs,

(b) Buyer's costs and expenses in procuring and installing the Revenue Meters, and

(c) Buyer's costs and expenses in procuring any back-up meter on behalf of Seller.

Appendix G sets forth Buyer's good faith estimate of Buyer's Expenses which estimate may be revised, in good faith from time to time, on notice to Seller prior to the date Buyer solicits bids for the construction of the Interconnection Facilities (the **"Estimate"**). Buyer shall provide to Seller such documentation of Buyer's Expenses incurred by Buyer as Seller may reasonably request. Seller agrees to deliver to Buyer collateral in the amount of the lesser of the Estimate and $5,000,000 to secure such obligation (the "**Performance Assurance**"), which Seller shall maintain in full force and effect for the period provided in this **Section 3.7**. Acceptable forms of Performance Assurance include a surety bond, a guaranty by EDF Renewables, Inc. or another Affiliate of Seller with assets sufficient to support such guaranty (and provided such entity's senior unsecured credit rating is at or above BBB/Baa2/BBB for Standard & Poor's, Moody's and Fitch, respectively) in the form attached as **Appendix M**, or an irrevocable, non-transferable standby letter of credit in the form attached as **Appendix N**. Any such Performance Assurance shall be held and released by Buyer pursuant to terms and conditions of this Agreement. Buyer will initiate construction of the Interconnection Facilities to be constructed or provided by Buyer on the date specified by Buyer in a written notice to Seller ("**Buyer Commencement Notice**") which construction commencement shall not occur (or be noticed to occur) prior to: (I) the later of the date of delivery of the Milestone Notice or the commencement of the "Interconnection Facility Period" for the Facility as may be adjusted pursuant to **Appendix K**, or (II) if no Milestone Notice is delivered, April 1, 2022; and, from and after the date established in the Buyer Commencement Notice, Buyer will complete construction of the Interconnection Facilities to be constructed or provided by Buyer on or before the Interconnection Facility Milestone date established pursuant to **Section 3.3** as may be adjusted pursuant to **Appendix K**. Seller shall provide the Performance Assurance within ten (10) Business Days of the date of Seller's delivery to Buyer of the Buyer Commencement Notice. Buyer shall be able to draw upon the Performance Assurance prior to the Commercial Operation Date due to a Seller Event of Default under this Agreement or a Seller default under the Interconnection Agreement, or in the event that the Performance Assurance is not properly extended within twenty (20) days prior to its expiration. If the Commercial Operation Date occurs on or before the deadline set forth in the Schedule of Milestones as may be adjusted by **Section 3.3**, and no damages are due and owing to Buyer under this Agreement due to a Seller Event of Default as of the Commercial Operation Date and no breach of the terms of this Agreement then exists which would become a Seller Event of Default if not timely cured, or if this Agreement terminates prior to the Commercial Operation Date, other than due to a Seller Event of Default, and no breach of the terms of this Agreement then exists which would become a Seller Event of Default if not timely cured, then Seller shall no longer be required to maintain the Performance Assurance and Buyer shall return the Performance Assurance to Seller within fifteen (15) Business Days of the Commercial Operation Date or such earlier termination of this Agreement.

3.8 Grant of Security Interest/Remedies. To secure its obligations under this Agreement, Seller hereby grants to Buyer, as the secured party, a first priority security interest in, and lien on (and right of setoff against) and assignment of, all such Performance Assurance posted with Buyer in the form of cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, Buyer. Within thirty (30) days of the delivery of the Performance Assurance, Seller agrees to take such action as Buyer reasonably requires in order to perfect a first-priority security interest in, and lien on (and right of setoff against) such Performance Assurance and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Seller Event of Default or at any time after Buyer's right to draw on the Performance Assurance is triggered as provided in **Section 3.7** of this Agreement, Buyer may do any one or more of the following:

(a) exercise any of the rights and remedies of a secured party with respect to the Performance Assurance, including any such rights and remedies under applicable laws then in effect;

(b) exercise its rights of setoff against any and all property of Seller in the possession of Buyer or Buyer's agent;

(c) draw on any outstanding Performance Assurance issued for its benefit; and

(d) liquidate all Performance Assurance then held by or for the benefit of Buyer free from any claim or right of any nature whatsoever of Seller, including any equity or right of purchase or redemption by Seller.

Buyer shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce Seller's obligations under this Agreement (Seller remaining liable for any amounts owing to Buyer after such application), subject to the Buyer's obligation to return to Seller any surplus proceeds remaining after such obligations are satisfied in full.

3.9 Commercial Operation Date; Commercial Operation Certificate. Upon achieving Commercial Operation of the Facility, Seller will submit to Buyer a certificate ("**Commercial Operation Certificate**") executed by an officer of Seller specifically familiar with the Facility certifying that: (i) all Governmental Approvals required to be obtained by Seller to operate the Facility in compliance with applicable Legal Requirements and this Agreement have been obtained and are in full force and effect, (ii) Seller is in compliance with the terms and conditions of this Agreement in all material respects, (iii) the as-built Nameplate Capacity Rating of the entire Facility does not exceed 50 MW AC, and (iv) all conditions to achieving the Commercial Operation set forth in the definition of "Commercial Operation" in this Agreement have occurred or otherwise been satisfied. Buyer shall have ten (10) Business Days to review the Commercial Operation Certificate and raise reasonable objections that relate directly to whether Seller has achieved the Commercial Operation Date. Seller's Commercial Operation Certificate shall be deemed accepted by Buyer if Buyer fails to raise any reasonable objections within such time period. Upon request by Seller, Buyer shall confirm in writing that the Commercial Operation Certificate has been accepted and the Commercial Operation Date achieved. In the event that Buyer disputes the accuracy of the Commercial Operation Certificate, such dispute shall be a "**Technical Dispute**" subject to resolution under **Section 10.4**.

ARTICLE 4 ELECTRIC ENERGY DELIVERY

4.1 Delivery of Electric Energy. Subject to the terms and conditions of this Agreement, Seller shall sell, make available and deliver at the Points of Delivery and Buyer shall receive and purchase from Seller at the Points of Delivery, all Electric Energy tendered by Seller at a rate up to the Nameplate Capacity Rating of set forth in the Certificate of Commercial Operation. Buyer shall permit, design, procure, and install two dedicated 26.4 kV feeders to interconnect the Facility to JEA's Electric Power System. Each feeder shall not receive power greater than 25 MW. All Net Output shall be measured by the JEA Revenue Meters, and shall meet the power specifications set forth in the Interconnection Agreement. In the event that Electric Energy delivered by Seller hereunder fails to conform to such power specifications, Seller shall promptly notify Buyer of the same and of its best good faith estimate of the duration and extent of such failure to conform, and Seller shall attempt to promptly cure such failure thereafter. For the avoidance of doubt, beginning on the Commercial Operation Date, Seller shall deliver all Electric Energy generated by the Facility to Buyer at the Points of Delivery.

4.2 Delivery of Test Energy. Subject to the terms and conditions of this Agreement, Seller shall sell, make available and deliver at the Points of Delivery and Buyer shall receive and purchase from Seller at the Points of Delivery, all Test Energy tendered by Seller prior to the Commercial Operation Date of the Facility.

4.3 Point of Sale; Title and Risk of Loss. The point of sale of Electric Energy and associated Environmental Attributes shall be at the Points of Delivery and Seller shall deliver all Electric Energy and Environmental Attributes to Buyer free and clear of all liens, claims and encumbrances. Title to and risk of loss with respect to such Electric Energy and associated Environmental Attributes shall transfer from Seller to Buyer upon delivery of such Electric Energy at the Points of Delivery. Buyer shall be responsible for any transmission beyond the Points of Delivery.

4.4 No Dispatch Rights of Buyer. Buyer shall not have any dispatch rights whatsoever and shall take and pay for all Electric Energy tendered by Seller in accordance with this Agreement.

4.5 Remote SCADA Monitoring. Seller shall furnish data communication ports, data concentrator(s)/Remote Terminal Unit(s), and associated cabinetry on the supervisory control and data acquisition ("**SCADA**") system(s) for the Facility such that Buyer may remotely monitor (read only) selected operating data for the Facility. Buyer shall be responsible for extending the Buyer fiber optic bundle to the Seller's data concentrator/RTU system in accordance with the schedule and specifications agreed by Buyer and Seller in connection with the execution and delivery of the Interconnection Agreement. The Buyer is responsible for all Buyer data communication fiber optic equipment extending from the Seller's data concentrator/RTU back to the Buyer communication head end equipment. Seller shall be responsible for the operations, maintenance and upkeep of the data concentrator/RTU related equipment. Seller shall furnish or shall cause to be furnished in a timely fashion the necessary interface protocol requirements and specifications of its control system such that Buyer may specify its compatible equipment. The Seller's data concentrator/RTU shall only utilize DNP 3.0 serial over fiber communication protocol. Routable connectivity (Ethernet) is not allowed. The data to be sampled, transmitted, and monitored shall include everything that is essential to Buyer's dispatch of Buyer's own generating pool, FRCC procedures and policies, NERC Guidelines, etc.

4.6 Disconnection of Facility or Curtailment of Deliveries. Buyer may, or may require Seller to:

(a) effect a curtailment of deliveries from the Facility, or

(b) disconnect the Facility from JEA's Electric Power System, as the case may be, as necessary or appropriate to eliminate adverse impacts to JEA's Electric Power System attributable to operation of the Facility.

The circumstances under which JEA will effect a curtailment or require disconnection of the Facility are limited to the following:

(i) if a condition exists that presents a physical threat to persons or property and disconnection or curtailment appears necessary for Buyer to protect such persons or property; or

(ii) as a result of power quality which does not conform to the requirements contained in the Interconnection Agreement or to otherwise overcome reliability problems of JEA's Electric Power System or other JEA electricity distribution or transmission system; or

(iii) if such disconnection or curtailment is necessary to construct, install, maintain, repair, replace, remove, investigate, inspect, or test any affected part of JEA's Electric Power System; or

(iv) as permitted under any other provisions of this Agreement or the Interconnection Agreement that provide for any such disconnection or curtailment.

Notwithstanding any limitation on damages contained in this Agreement, Seller shall be solely responsible for any lost revenue and any damages incurred by Seller associated with any such curtailment or disconnection which is the result, in whole or in part, of the quality and quantity of power delivered by Seller that does not conform to the requirements of the Interconnection Agreement or if the curtailment or disconnection is necessary as a result of a Force Majeure Event or any action or inaction by Seller in breach of this Agreement or the Interconnection Agreement. In the event of a curtailment requested or caused by Buyer pursuant to this **Section 4.6** through no fault of Seller and the Electric Energy being delivered by Seller immediately prior to the curtailment conformed to the requirements of this Agreement and the Interconnection Agreement (a "**Buyer Initiated Curtailment**"), Buyer shall continue to compensate Seller as though Buyer had continued to receive Electric Energy from Seller at the rate received immediately prior to such Buyer Initiated Curtailment.

4.7 Rights to Renewable Energy Green Attributes. Seller hereby certifies that the Electric Energy being sold by Seller to Buyer pursuant to this Agreement is being generated from a solar resource. Seller agrees that Buyer shall receive any and all Environmental Attributes of the Electric Energy being purchased pursuant to this Agreement. Environmental Attributes shall be documented in such a way as to be suitable for Green-e certification (www.green-e.org).

4.8 Forecasting.

(a) By 5:30 AM on the Business Day immediately preceding the date of delivery, Seller shall provide Buyer with a non-binding forecast of the Project's available capacity and the expected delivered Electric Energy) for each hour of the immediately succeeding day ("**Day-Ahead Forecast"**). A Day-Ahead Forecast provided in a day prior to any non-Business Day(s) shall include forecasts for the immediate day, each succeeding non-Business Day and the next Business Day. Each Day-Ahead Forecast shall clearly identify, for each hour, Seller's best estimate of the Project's available capacity and expected delivered Electric Energy. Seller may not change the forecast past the deadlines provided in this section except in the event of a Forced Outage or schedule change imposed by Buyer, in which case Seller shall promptly provide Buyer with a copy of any and all updates to such forecast indicating changes from the then-current forecast. If Seller fails to provide Buyer with a Day-Ahead Forecast, then Buyer shall rely on the forecast previously provided to Seller or Buyer's best estimate based on information reasonably available to Buyer.

(b) From and after the date that is no greater than sixty (60) days after the Commercial Operation Date through the fifth anniversary of the Commercial Operation Date ("**Forecast Period**"), Seller shall make available, or shall cause a third-party to make available, to Buyer a non-binding, rolling (real-time) forecast of the Project's expected delivered Electric Energy, including the Project's available capacity ("**Forecast"**). Buyer shall have access to the Forecast via the SCADA installed as part of the Project or other mutually-agreed interface. To the extent requested by Buyer at least 90 days prior to the last day of the Forecast Period, Seller and Buyer shall negotiate in good faith to extend the Forecast Period and continue to make the Forecast available to Buyer on mutually agreeable terms, which may include directly licensing to, and payment by Buyer, of a third-party energy forecasting service.

(c) Notwithstanding anything to the contrary herein, in the event Seller makes a change to its schedule on the actual date of delivery for any reason including Forced Outages which results in a change to its deliveries (whether in part or in whole), Seller shall notify Buyer immediately by calling Buyer's on-duty scheduler. Seller shall keep Buyer informed of any developments that will affect either the duration of an outage or the availability of the Facility during or after the end of the outage.

ARTICLE 5 METERING; BILLING; PAYMENT

5.1 Metering Electricity.

(a) All Electric Energy delivered by Seller to Buyer from the Facility under this Agreement shall be metered by the Revenue Meters. Buyer will maintain the Revenue Meters according to Good Utility Practice and all Legal Requirements.

(b) Buyer will provide the Revenue Meters which will be installed by Buyer into the panel owned, operated and maintained exclusively by Buyer pursuant to the Interconnection Agreement. Seller shall provide Buyer open access on and over the Site to the Revenue Meters and associated telemetry. Seller shall have the right to install a backup meter (the "**Seller's Backup Meter**") which shall be owned, operated and maintained exclusively by Seller.

(c) The JEA Revenue Meters shall be located at the Points of Delivery on overhead poles. The pole mounted Revenue Meter shall also house the associated instrument transformers (CT/PT) secondary wiring. JEA communication to each Revenue Meter shall be fiber optic or wireless based depending on the acceptable method chosen by JEA personnel.

(d) All recurring telecommunications service charges for the Revenue Meters shall be contracted for and provided by the Buyer, except that any physical facilities (including phone line installation charges) at the Site shall be the responsibility of the Seller.

5.1.2 Meter Testing. The Revenue Meters shall be tested by Buyer at least once each year starting the Commercial Operation Date at Buyer's expense and at any other reasonable time upon request by either Party, at the requesting Party's expense. Buyer shall give Seller at least five (5) days' notice of any testing of the Revenue Meters. Seller shall have the right to be present during all testing and shall be furnished all testing results on a timely basis.

5.1.3 Inaccurate Meter. If testing of the Revenue Meters indicates that an inaccuracy of more than ± 0.2% in measurement of Electric Energy has occurred, the Revenue Meter(s) shall be re-calibrated promptly to register accurately within the Revenue Meter's manufacturer stated tolerances. Each Party shall comply with any reasonable request of the other concerning the sealing of Revenue Meters, the presence of a representative of the other Party when the seals are broken and the tests are made, and other matters affecting the accuracy of the measurement of Electric Energy. If either Party believes that there has been a Revenue Meter failure or stoppage, it shall immediately notify the other Party.

5.1.4 Failed Meter. If, for any reason, both Revenue Meters and any Buyer back-up meter are out of service or out of repair so that the amount of Electric Energy delivered to the Points of Delivery cannot be ascertained or computed from the readings thereof, the Electric Energy delivered during the period of such outage shall be computed from the Seller's Backup Meter(s).

5.2 Adjustment for Inaccurate Meter. If the Revenue Meters fail to register, or if the measurement made by a Revenue Meter is found upon testing to be inaccurate by more than ± 0.2% in measurement, an adjustment shall be made correcting all measurements by the inaccurate or defective Revenue Meter for both the amount of the inaccuracy and the period of inaccuracy as may be mutually agreed upon by Seller and Buyer in writing.

5.2.1 In the event that Buyer and Seller cannot agree on the amount of the adjustment necessary to correct the measurements made by any inaccurate or defective Revenue Meter, Buyer and Seller shall use Seller's Backup Meter to determine the amount of such inaccuracy. Seller's Backup Meter shall be tested and maintained in accordance with the provisions of **Section 5.1**. In the event that Seller's Backup Meter also is found to be inaccurate by more than the allowable limits set forth in **Section 5.2**, the Parties shall mutually agree to estimate the amount of the necessary adjustment based on deliveries of Electric Energy during periods of similar operating conditions when the Revenue Meters were registering accurately.

5.2.2 In the event that the Parties cannot agree on the actual period during which the Revenue Meters made inaccurate measurements, the period during which the measurements are to be adjusted shall be the shorter of:

(a) the last one-half of the period from the last previous test of the Revenue Meters to the test that found the Revenue Meters to be defective or inaccurate, or

(b) the one hundred eighty (180) days immediately preceding the test that found the Revenue Meters to be defective or inaccurate.

5.2.3 To the extent that the adjustment period covers a period of deliveries for which payment has already been made by Buyer, Seller shall use the corrected measurements as determined in accordance with **Sections 5.2.1**, **5.2.2**, or **5.2.3** hereof to re-compute the amount due for the period of inaccuracy and shall subtract the previous payments by Buyer for this period from such re-computed amount. If the difference is a positive number, the difference shall be paid by Buyer to Seller; if the difference is a negative number, that difference shall be either paid by Seller to Buyer directly or paid in the form of an offset to payments due Seller by Buyer hereunder at Buyer's sole option. Adjustment of such difference by the owing Party shall be made not later than thirty (30) days after the owing Party receives notice of the amount due, unless Buyer elects payment via an offset.

5.3 Billing. Within ten (10) days after the last day of each month during the Term, Seller shall render a statement to Buyer for the amounts due in respect of such month under **Article 7**, which statement shall contain reasonable detail showing the manner in which the applicable charges were determined.

5.4 Payments. The amount due to Seller as shown on any monthly statement rendered by Seller pursuant to **Section 5.3** shall be paid by Buyer by ACH transfer to an account specified by Seller within thirty (30) days after the date such statement is received by Buyer. If a payment by either Party under this Agreement is late, a late payment charge shall be applied to the unpaid balance for the number of days payment was late and shall be added to the next billing statement. Late payment charges shall be calculated using an interest rate equal to the higher of: (i) the one-month London Interbank Offered Rate ("LIBOR") published on the date of the invoice in The Wall Street Journal or online at the following link: http://www.wsj.com/mdc/public/page/2_3020-libor.html (or, if unavailable, an equivalent publication on or about that date) plus two percent (2%) per year; or (ii) four percent (4%) per year, provided that such rate shall not exceed the maximum amount of interest allowed by Applicable Law.

5.5 Billing Disputes. If either Party, in good faith, disputes any amounts due pursuant to an invoice rendered pursuant to this Agreement, such Party shall notify the other Party of the specific basis for the dispute and, if the invoice shows an amount due, shall pay that portion of the statement that is undisputed, on or before the due date. If any amount disputed by such Party is determined to be due to the other Party, or if the Parties resolve the payment dispute, the amount due shall be paid within thirty (30) days of such determination or resolution with interest calculated consistent with the provisions of **Section 5.4**. Disputes regarding any amounts due pursuant to an invoice shall be brought within one year of receipt of the invoice.

ARTICLE 6 OPERATION AND MAINTENANCE OF THE FACILITY

6.1 Standard of Operation.

6.1.1 Operation and Maintenance. Seller shall manage, control, operate and maintain the Facility in accordance with:

(a) Good Utility Practice;

(b) the requirements of the Interconnection Agreement;

(c) all applicable Legal Requirements; and

(d) all necessary Governmental Approvals required for the performance of Seller's obligations under this Agreement.

6.1.2 Insurance. Seller shall comply with the Insurance Requirements set forth in **Appendix C** to this Agreement.

6.2 Permits and Licenses. Seller will obtain and maintain all certifications, permits, licenses and Governmental Approvals necessary to construct, operate and maintain the Facility and to perform its obligations under this Agreement and as required pursuant to any and all Legal Requirements.

6.3 Scheduled Maintenance. Buyer understands that Seller shall shut down the Facility for maintenance as conditions require. Seller and Buyer shall mutually agree to an annual schedule of all scheduled maintenance that results in a curtailment of Electric Energy delivered to Buyer. This schedule shall be established by Seller and Buyer on or before October 1 of each year the Agreement is in effect from and after the Commercial Operation Date. Seller shall also notify Buyer immediately of any changes to the annual maintenance schedule. To the extent possible, Buyer and Seller shall coordinate maintenance outages to off-peak periods of the year.

(a) *Major Planned Outages* - No Planned Outage may be scheduled to occur during any portion of the months of December, January, February, June, July, August or September, except to the extent such Planned Outage is consistent with or required by any manufacturers' recommendations or warranties.

(b) *Maintenance Outages* - Whenever Seller reasonably determines that it is necessary to schedule a Maintenance Outage, Seller shall notify Buyer of the proposed Maintenance Outage at least five (5) days before the outage begins. Upon such notice, Seller and Buyer shall plan the Maintenance Outage to mutually accommodate the reasonable requirements of Seller and the service obligations of Buyer. Notice of a proposed Maintenance Outage shall include the expected start date of the Maintenance Outage, the amount of generation capability of the Facility that will not be available, and the expected completion date of the Maintenance Outage. Buyer may request reasonable modifications in the schedule for the Maintenance Outage. Seller shall use reasonable efforts to comply with any request to modify the schedule for a Maintenance Outage to the extent such request is not inconsistent with Good Utility Practice or any manufacturers' recommendations and warranties. Seller shall notify Buyer as soon as practicable of any subsequent change in the Maintenance Outage completion date. Seller shall take all reasonable measures and exercise its commercially reasonable best efforts to minimize the frequency and duration of Maintenance Outages.

(c) *Forced Outages* - Seller shall promptly provide to Buyer an oral report of any Forced Outage. This report shall include the amount of the generation capability of the Facility that will not be available because of the Forced Outage and the expected return date of the generation capability. Seller shall promptly update the report as necessary to advise Buyer of changed circumstances. As soon as practicable, if the Forced Outage resulted in more than twenty percent (20%) of the Nameplate Capacity Rating of the Facility being unavailable, the oral report shall be confirmed in writing. Seller shall take all reasonable measures and exercise its commercially reasonable best efforts to avoid Forced Outages and to minimize their duration.

(d) *Notice of Deratings and Outages* - Without limiting the foregoing, Seller will promptly inform Buyer of any major limitations, restrictions, deratings or outages known to Seller affecting the Facility for the following day and will promptly update Seller's notice to the extent of any material changes in this information, with "major" defined as affecting more than twenty percent (20%) of the Nameplate Capacity Rating of the Facility.

(e) *Scheduling; Cooperation and Standards* - To the extent that scheduling of Electric Energy is required by Buyer or a Government Agency, regional transmission operator, independent system operator, or other authority having jurisdiction over Buyer or the Facility now or in the future,

(i) Seller will reasonably cooperate with Buyer with respect to the scheduling of the delivery of such Electric Energy,

(ii) Buyer and Seller shall use commercially reasonable efforts to assure that all of the Facility's Net Output is scheduled, and

(iii) each Party shall designate authorized representatives to communicate with regard to scheduling and related matters arising under this Agreement.

6.4 Interaction with JEA's Electric Power System. Buyer understands that Seller may be required to reduce, curtail or interrupt electrical generation at the Facility in accordance with Good Utility Practice or to take other appropriate action in accordance with the applicable provisions of the Interconnection Agreement which in the reasonable judgment of Buyer (consistent with Good Utility Practice) may be necessary to operate, maintain and protect the JEA's Electric Power System during an emergency. Such interactions shall be identified in the monthly report required in **Section 6.7**.

6.5 Records. Seller shall keep and maintain all records as may be necessary or useful in performing or verifying any calculations made pursuant to this Agreement, or in verifying Seller's performance hereunder and Seller's compliance with all applicable Legal Requirements, including environmental compliance and safety. All such records shall be retained by Seller, and Buyer shall retain all Buyer records pertaining to this Agreement or the Facility during the Term and for at least five (5) calendar years following termination of this Agreement. Seller shall make such records available to Buyer for inspection and copying, upon reasonable notice during Seller's regular business hours.

6.6 Access Rights. Upon reasonable prior notice, during normal business hours, and subject to compliance with Seller safety and other Site requirements (including that Buyer be escorted on site by a representative of Seller), Buyer's indemnity of Seller for any damage to property, death or personal injury resulting from Buyer (or Buyer's guests) actions (which indemnity shall be subject to the conditions and limitations of Florida Statutes Section 768.28), Seller shall provide Buyer and its authorized agents, employees and inspectors with access to the Facility:

(a) for the purpose of reading or testing metering equipment,

(b) to witness any required generation capability tests to determine the amount of generation capability associated with the Facility,

(c) in connection with the operation and maintenance of the Interconnection Facilities for the Facility,

(d) to provide tours of the Facility to customers and other guests of Buyer, provided Buyer notifies Seller in advance, Seller consents to such tour, and, if requested by Seller, such tour is conducted at a time that enables a Seller representative to be present for the tour,

(e) for purposes of implementing **Section 6.5** (examination of records), and

(f) for other reasonable purposes at the reasonable request of Buyer.

6.7 Reports. Seller shall furnish to Buyer the following reports:

(a) In accordance with **Section 3.5**, Seller will provide a status report each month starting thirty (30) days after the Effective Date.

(b) In accordance with **Section 6.3**, Seller will provide a maintenance schedule on or before October 1 of each year from and after the Commercial Operation Date during the Term. The maintenance schedule shall be subject to the approval of Buyer, which approval shall not be unreasonably withheld, delayed or conditioned.

(c) Within ten (10) working days after the end of each calendar month during the Term (a "**Reporting Month**") after the Commercial Operation Date, Seller shall provide to Buyer a report in electronic format which includes:

(i) the Facility's total Net Output (in MWh AC);

(ii) the number of hours of outages, amount of duration, and amount of unavailability of the Facility during such Reporting Month;

(iii) The total Electric Energy that, but for any curtailment or disconnection of the Facility during such month, would have been produced by the Facility; and

(iv) a summary of any other significant events related to the operation of Facility for the Reporting Month.

As applicable, Seller shall calculate the amount of Electric Energy not produced due to the curtailment, disconnection, or instruction not to dispatch using the best-available data and methods.

6.8 Tax Incentives.

(a) If, after the Effective Date, a change in Legal Requirements occurs that provides Seller a tax incentive with respect to the Facility for which Seller qualifies, an exemption from sales, use, or property tax payable by Seller in respect of the Facility or any component or material incorporated therein, or a direct cash grant or payment to the Seller in respect of the Facility, which tax incentive, tax exemption, or cash grant was not available to Seller in respect of the Facility as of the Effective Date (each a "**New Tax Attribute**"), then Buyer shall provide Seller written notice of the New Tax Attribute (if Buyer has actual knowledge of such New Tax Attribute), and from and after such notice date, Seller shall use commercially reasonable efforts to qualify for, and secure for the benefit of Seller in respect of the Facility such New Tax Attribute. To the extent Seller qualifies for, and secures, any New Tax Attribute during the Term, then, from and after the date in the Term that Seller realizes the value attributable to such New Tax Attribute in excess of the amount equal to (i) $2,000,000 *plus* (ii) the out-of-pocket costs (including legal, accounting, and engineering fees, if applicable) incurred by Seller to qualify for and secure such New Tax Attribute (such amount, the "**Excess Value**"), Seller shall pay to Buyer in cash or in the form of a credit or credits against amounts payable by Buyer to Seller hereunder, 50% of such Excess Value no later than 45 days after Seller realizes such Excess Value.

(b) Any dispute between the Seller and Buyer about whether a change in Legal Requirements has resulted in a New Tax Attribute or when Seller realizes Excess Value shall be a "**Technical Dispute**" subject to resolution under **Section 10.4.**

6.9 Change in Technology. As soon as possible after the achieving the Commercial Operation Milestone, Seller shall provide Buyer a non-binding estimate (an "**Updated Facility Output Estimate**") of the Net Output of the Facility over the Initial Term, equal to the P50 estimated production for the Facility for each Contract Year through the thirty-fifth Contract Year (where P50 means the level of estimated Facility Net Output that is at least 50% likely to occur in a given period), based on the final Facility design and the Nameplate Capacity Rating (as adjusted through Commercial Operation pursuant to **Section 3.1(d)**), taking into account equipment degradation, weather variation, and other factors, prepared consistent with Good Utility Practice. If Buyer disagrees with Seller's Updated Facility Output Estimate, then no later than fifteen (15) days after delivery of the Updated Facility Output Estimate, Buyer shall initiate a "**Technical Dispute**" subject to resolution under **Section 10.4**. The Updated Facility Output Estimate shall be an estimate of Net Output only and shall be used solely for purposes of determining whether Buyer is entitled to a discount under **Section 7.1** or for determining whether the Facility production is below the threshold established under **Section 10.1**.

ARTICLE 7 COMPENSATION

7.1 Contract Price. Each month, beginning on the Commercial Operation Date and continuing for the Term, Buyer shall pay Seller the Energy Rate for the Net Output that Buyer receives at the Points of Delivery in each month of the applicable Contract Year. The Energy Rate for delivered Net Output delivered up to 115% of the Updated Facility Output Estimate for the relevant delivery period shall be equal to the applicable Annual Fixed Price set forth on **Appendix B** for the Contract Year in which Net Output is so delivered. The Energy Rate for Net Output delivered in any period in excess of one hundred and fifteen percent (115%) of the Updated Facility Output Estimate for such period shall be equal to fifty percent (50%) of the applicable Annual Fixed Price set forth on **Appendix B** for the Contract Year in which Net Output is so delivered.

7.2 Energy Rate for Test Energy. The Energy Rate for any Test Energy received by Buyer at the Points of Delivery prior to the Commercial Operation Date shall be equal to fifty percent (50%) of the first Contract Year Energy Rate set forth on **Appendix B**.

7.3 Limitation on Review of Rates. Except as otherwise provided in **Section10.3(c)**, the rates for service specified herein (i.e., delivery of Electric Energy) shall remain as set forth on **Appendix B** for the Term. The Parties hereby stipulate and agree that this Agreement was entered into as a result of arm's-length negotiations between the Parties. Further, the Parties believe that, to the extent the sale of Electric Energy under this Agreement is subject to Sections 205 and 206 of the Federal Power Act, 16 U.S.C. Sections 824d and 824e, the rates, terms and conditions of this Agreement are just and reasonable within the meanings of Sections 205 and 206 of the Federal Power Act, and that the rates, terms and conditions of this Agreement will remain so during the Agreement Term. The Parties agree that, absent prior agreement in writing by the Parties to a proposed change, the standard of review for changes to any rate, charge, classification, term or condition of this Agreement, whether proposed by a Party (to the extent that any provision of this Section is unenforceable or ineffective as to such Party), a non-party or the FERC acting *sua sponte* shall be the "public interest" application of the "just and reasonable" standard of review that requires FERC to find an "unequivocal public necessity" or "extraordinary circumstances where the public will be severely harmed" to modify a contract, as set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), and clarified by *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish*, 554 U.S. 527 at 550-51 (2008) and *NRG Power Marketing, LLC v. Maine Public Utilities Comm'n*, 558 U.S. 165 (2010).

7.4 Costs and Charges for Ownership and Operation. Without limiting the generality of any other provision of this Agreement, Seller shall be solely responsible for paying when due:

(a) all costs, fees and charges of owning and operating the Facility in compliance with all existing and future Legal Requirements and regulations and the terms and conditions of this Agreement, and

(b) all Taxes now existing or hereinafter imposed on or with respect to the construction, ownership or leasing, operation or maintenance of the Facility, or any components or appurtenances thereof, and any ad valorem Taxes relating to the Facility, subject to **Section 17.1** of this Agreement.

7.5 Compliance with Laws.

(a) Subject to **Section 7.5(c)**, Seller shall comply with all applicable Legal Requirements, including all applicable federal, state, and local environmental laws and regulations presently in effect or which may be enacted during the Term of this Agreement.

(b) Seller shall be responsible for any Environmental Impact caused by the construction, operation, maintenance, alteration or by the termination of operations of the Facility.

(c) If a Change in Law occurs after the Effective Date, Seller shall: (i) use commercially reasonable efforts consistent with Good Utility Practice to comply with such Change in Law and cause the Facility to be in compliance; and (ii) Seller and Buyer shall meet as soon as reasonably practicable and negotiate in good faith with the twin goals of preserving the balance of benefits and risks provided to the Parties by this Agreement and seeking a resolution to the Change in Law that enables the Parties to meet the essential purposes of this Agreement. Notwithstanding the foregoing, Seller shall not be obligated to incur costs directly resulting from any Change in Law or multiple Changes in Law that, in any year or in the aggregate, exceed the Compliance Expenditure Cap. If, notwithstanding Seller's commercially reasonable efforts and expenditures, the Facility is not in compliance with Legal Requirements due to the occurrence of a Change in Law: (I) Buyer may elect to pay for any compliance costs that exceed the Compliance Expenditure Cap, in which case Seller shall continue to use commercially reasonably efforts to cause the Facility to be in compliance with Legal Requirements as it may have been affected by the Change in Law, (II) Buyer shall remain obligated to pay Seller the Contract Price for the respective hours in which the Facility delivered Electric Energy to the Points of Delivery despite the failure of the Facility to be in compliance with Legal Requirements, regardless of whether Buyer elects to pay costs in excess of the applicable Compliance Expenditure Cap; and (III) if the costs to comply with any Change in Law exceed the applicable Compliance Expenditure Cap, and Buyer does not elect to pay such excess within 60 days after delivery to Buyer of a written request for payment of such excess, then Seller shall have the right to terminate this Agreement, without further liability or obligation to Buyer (or other recourse against Buyer) by delivering a written termination notice to Buyer. However, any dispute between the Seller and Buyer about whether the Compliance Expenditure Cap has been reached and the amount payable by Buyer in such event under this Section shall be a "**Technical Dispute**" subject to resolution under **Section 10.4**. If, within 30 days after delivery to Buyer of a written request that Buyer pay any excess over the Compliance Expenditure Cap following a Change in Law, Buyer fails to pay the excess or initiate the "Technical Dispute" pursuant to **Section 10.4** as to whether the Compliance Expenditure Cap has been achieved or as to the amount of any excess, then by delivering a written notice to Buyer within 365 days after the effective date of any Change in Law or, if later, 180 days after delivery to Buyer or a request to pay such excess, Seller shall have the right to terminate this Agreement effective no sooner than 90 days after the date of delivery of such notice. If a Technical Dispute is timely initiated pursuant to the preceding sentence and, despite following the requirements of **Section 10.4**, the Buyer and Seller are unable to resolve the Technical Dispute within 100 days after initiation of the Technical Dispute process, then, by written notice to Buyer, Seller shall have the right to either terminate this Agreement effective no sooner than 90 days after the date of delivery of such notice or continue to operate the Facility; provided that if Seller elects to continue to operate the Facility, Buyer shall have no liability with respect to any failure to comply with the Change in Law. As of termination of this Agreement under this provision, neither Party shall have any obligation or liability to the other Party, except for obligations and liabilities accrued and unsatisfied through the termination date.

7.6 Final Buyout Option. Buyer, in its sole discretion, shall have the option (the "**Final Buyout Option**") to purchase and acquire from Seller for the applicable Buyout Price on the applicable Buyout Closing Date all of Seller's right, title and interest in and to all of Seller's assets, real, personal or mixed, tangible and intangible, of every kind and description, which are required or useful for the ownership and operation of the Facility, including all Environmental Attributes (collectively, the "**Seller Assets**"), free and clear of all liens, mortgages, security interests, charges and other encumbrances of any kind, if at least 150 days prior to the last day of the Initial Term (the "**Buyout Exercise Deadline**"), Buyer delivers to Seller a written notice of Buyout Option exercise ("**Exercise Notice**"). In consideration of the transfer of the Facility upon exercise of the Final Buyout Option, on the applicable Buyout Closing Date, Buyer will tender and pay to Seller a "**Buyout Price**" equal to the Fair Market Value of the Facility as of the last day of the Initial Term as determined in accordance with **Section 7.8**.

7.7 Early Buyout Option. Buyer, in its sole discretion, shall have the option (the "**Early Buyout Option**") to purchase and acquire from Seller on either the tenth anniversary of the Commercial Operation Date or the twentieth anniversary of the Commercial Operation Date, as Buyer elects, all of Seller's right, title and interest in and to Seller Assets, free and clear of all liens, mortgages, security interests, charges and other encumbrances of any kind, if at least 180 days prior to the intended date of early buyout – i.e., 180 days prior to the tenth anniversary of the Commercial Date if Buyer elects to purchase the Seller Assets on the tenth anniversary of the Commercial Operation Date or 180 days prior to twentieth anniversary of the Commercial Operation Date if Buyer elects to purchase the Seller Assets on the twentieth anniversary of the Commercial Operation Date (the "**Buyout Exercise Deadlines**"), Buyer delivers to Seller a written notice of Early Buyout Option exercise (also an "**Exercise Notice**"). In consideration of the transfer of the Facility upon exercise of the Early Buyout Option, on the applicable Buyout Closing

Date, Buyer will tender and pay to Seller a "**Buyout Price**" equal to the greater of: (A) the "**Fixed Buyout Price**" specified on **Appendix F**; and (B) the Fair Market Value of the Facility as of the last day of the Contract Year in which the Early Buyout Option is exercised, as determined in accordance with **Section 7.8**.

7.8 Determination of Fair Market Value.

(a) Upon exercise of the Early Buyout Option or the Final Buyout Option, the Fair Market Value of the Facility shall be determined by the mutual agreement of Buyer and Seller within 30 days after delivery of the applicable Exercise Notice.

(b) If Buyer and Seller cannot mutually agree to a Fair Market Value within thirty (30) days of Buyer's delivery of the Exercise Notice, then the Buyer and Seller shall each select and retain, at their own cost and expense, a nationally recognized independent appraiser with experience and expertise in appraising power generation facilities to determine separately the value of the Facility. Subject to the appraisers' execution and delivery to Seller of a suitable confidentiality agreement in a form reasonably acceptable to Seller, Seller shall provide both appraisers access to the Facility and its books and records during business hours and upon prior written notice. The appraisers shall act reasonably and in good faith to determine the Fair Market Value of the Facility and the Parties shall use their best efforts to cause the appraisers to complete such determination no later than two (2) months following delivery of the applicable Exercise Notice. If for any reason (other than failure by Seller to provide access hereunder to Buyer' appraiser), one of the appraisals is not completed within three (3) months following delivery of the applicable Exercise Notice, the results of the other completed appraisal shall be deemed the Fair Market Value of the Facility. Buyer and Seller may provide to both appraisers a list of factors which they suggest be taken into consideration when the appraisers generate their appraisals, consistent with this Agreement and industry standards prevailing at such time for appraising solar power generation facilities. Any information provided to an appraiser by the Seller or the Buyer shall be provided to the other appraiser and the other Party at the same time, it being the intent of the Parties that the appraisers have access to the same information. Buyer and Seller shall deliver the results of their respective appraisal to the other when completed. If so requested by either Buyer or Seller, the appraisals shall be exchanged simultaneously. After both appraisals are completed and exchanged, the parties and their appraisers promptly shall confer and attempt to agree upon the Fair Market Value of the Facility.

(c) If, within one (1) month after completion of both appraisals, the Buyer and Seller cannot agree on the fair market value of the Facility, and the values of the appraisals are within ten percent (10%) of each other, the Fair Market Value of the Facility shall be the simple average of the two appraisals. If the values of the two appraisals differ by ten percent (10%) or more, the first two appraisers shall choose a third independent appraiser experienced in appraising solar power generation assets. The third appraiser shall have access to the same information as was available to the two other appraisers. The Buyer and Seller shall direct the third appraiser to determine the fair market value of the Facility within two (2) months following his retention. The costs and expenses of such third appraiser shall be shared equally by the Buyer and Seller. Upon completion of the fair market value appraisal of the Facility by such appraiser, the Fair Market Value of the Facility will be the simple average of the three (3) appraisal values completed in accordance with this **Section 7.8**.

7.9 Consummation of Facility Transfer after Exercise of Buyout Option. The consummation of the transfer and sale of the Facility pursuant to the exercise of the Early Buyout Option or the Final Buyout Option, shall occur on the date (the "**Buyout Closing Date**") that is the later of: (A) the date that is 45 days after the final determination of the Facility's Fair Market Value pursuant to **Section 7.8** or (B) for an Early Buyout Option, the applicable Early Buyout Date or, for the Final Buyout Option, the last day of the Initial Term. On the applicable Buyout Closing Date, in consideration of the tender and payment to Seller of the applicable Buyout Price in immediately available funds, Seller shall sell, transfer, assign and convey to Buyer all of the Facility and all rights of Seller therein or relating thereto, free and clear of all liens (other than liens that are considered in the normal course to be "permitted liens" which would not have a detrimental impact on the continued operation of the Facility including liens for taxes not yet due but not mechanics liens), claims, encumbrances, or rights of others arising through the transfer date, including good and valid title to the Facility and Seller's rights in the Site. Buyer's acquisition shall be on an "as is, where is" basis, with no requirement that Seller provide representations and warranties with respect to the condition, useful life, enforceability, or fitness for purpose of the assets, real, personal or mixed, tangible and intangible. Accordingly, Buyer shall be provided with access to the Facility for pre-purchase inspections, and Seller shall provide information reasonably requested by Buyer with respect to the design, operation, maintenance, condition, and ownership of the Facility. Notwithstanding anything herein to the contrary, Seller shall complete and pay for any work-in-process prior to the Buyout Closing Date, or, if not practical, the Buyout Price shall be reduced by the cost to complete the work (and any potential mechanics liens for work-in-process shall be permitted upon receipt by Buyer of appropriate contractors' affidavits setting forth the amount owed or to be owed). In connection with such sale, transfer, assignment and conveyance, Seller shall, at no out of pocket cost or expense to Seller (i) assign or otherwise make available, to the extent permitted by Legal Requirements and not already assigned or otherwise transferred to Buyer, Seller's interest in all material Facility documents and licenses, permits, warranties, Governmental Approvals and consents of any Governmental Agencies or other Persons that are then in effect and that are utilized for the operation or maintenance of the Facility; (ii) cooperate with all reasonable requests of Buyer for purposes of obtaining or making, or enabling Buyer to obtain or make, any and all material licenses, permits, Governmental Approvals and consents of any Governmental Agencies or other Persons that are or will be required to be obtained by Buyer in connection with the use, occupancy, operation or maintenance of the Facility or the Site in compliance with Legal Requirements; (iii) provide Buyer copies of all documents, instruments, plans, maps, specifications, manuals, drawings and other documentary materials relating to the installation, maintenance, operation, construction, design, modification and repair of the Facility, as shall be in Seller's possession and shall be reasonably appropriate or necessary for the continued operation of the Facility. Notwithstanding the delivery of an Exercise Notice is delivered pursuant to this **Article 7**, the Parties shall continue to perform the Parties' respective obligations under this Agreement, including, without limitation, the purchase and sale of Net Output, through the Buyout Closing Date.

ARTICLE 8 ANCILLARY SERVICES

8.1 Availability of Ancillary Services. Buyer shall be entitled, at no additional cost, to all Ancillary Services as of the date of transfer of the related Net Output at the Points of Delivery; provided, however, that Seller shall not be required to operate the Facility to provide Ancillary Services if doing so would adversely affect the Electric Energy output of the Facility. Subject to the foregoing, Buyer will not pay for any required MVAR output or frequency regulation as required pursuant to the Interconnection Agreement and related NERC / FRCC requirements or FERC Orders.

ARTICLE 9 ASSIGNMENT AND PROJECT FINANCING

9.1 General Assignment**.** Except as set forth in this **Article 9**, neither Buyer nor Seller may assign its rights under this Agreement without the prior written consent of the other party which consent shall not be unreasonably withheld so long as among other things (i) the assignee assumes the transferring party's payment and performance obligations under this Agreement, (ii) the assignee agrees in writing to be bound by the terms and conditions hereof, (iii) the transferring party delivers evidence satisfactory to the non-transferring party of the proposed assignee's technical and financial capability to fulfill the assigning party's obligations hereunder and (iv) the transferring party delivers such tax and enforceability assurance as the other party may reasonably request. Notwithstanding the foregoing and except as provided in **Section 9.2**, consent shall not be required for an assignment of this Agreement where the assigning party remains subject to liability or obligation under this Agreement, to an Affiliate, as a result of a corporate reorganization; provided that (I) the assignee assumes the assigning party's payment and performance obligations under this Agreement, (II) the assignee agrees in writing to be bound by the terms and conditions of this Agreement, (III) the assigning party provides the other party hereto with at least thirty (30) days' prior written notice of the assignment, and (IV) the assignee party provides evidence reasonably acceptable to Buyer of assignee’s ability to satisfactorily perform the obligations of Seller under this Agreement in accordance with the minimum technical requirements set forth in the previously issued RFO for the Facility.

9.2 Consent to Assignment to Financing Parties**.** Seller may assign, mortgage, pledge, grant, or otherwise encumber this agreement to any Lender. Buyer acknowledges that Seller will obtain construction financing for the Facility from a third party and that Seller may obtain term financing secured by the Facility or sell or assign the Facility to a Lender or may arrange other financing accommodations from one or more financial institutions and may from time to time refinance, or exercise purchase options under, such transactions. Buyer acknowledges that in connection with such transactions Seller may secure Seller's obligations by, among other collateral, an assignment of this Agreement and a first security interest in the Facility. In order to facilitate such necessary sale, conveyance, or financing, and with respect to any Lender, as applicable, Buyer agrees as follows:

9.2.1 *Consent to Collateral Assignment.* Buyer consents to both of the sale of the Facility to a Lender and the collateral assignment to a Lender of the Seller's right, title and interest in and to this Agreement; and, upon the request of Seller, Buyer will execute and deliver to Seller and Seller's Lender(s) a consent to assignment substantially in the form of **Appendix D**.

9.2.2 *Rights of Lender.* Notwithstanding any contrary term of this Agreement:

(a) Step-In Rights. The Lender, as owner of the Facility, or as collateral assignee of this Agreement, shall be entitled to exercise, in the place and stead of Seller, any and all rights and remedies of Seller under this Agreement in accordance with the terms of this Agreement. The Lender shall also be entitled to exercise all rights and remedies of owners or secured parties, respectively, generally with respect to this Agreement and the Facility;

(b) Opportunity to Cure Default. The Lender shall have the right, but not the obligation, to pay all sums due under this Agreement and to perform any other act, duty or obligation required of Seller thereunder or cause to be cured any default of Seller thereunder in the time and manner provided by the terms of this Agreement. Nothing herein requires the Lender to cure any default of Seller under this Agreement or (unless the Lender has succeeded to Seller's interests under this Agreement) to perform any act, duty or obligation of Seller under this Agreement, but Buyer hereby gives it the option to do so;

(c) Exercise of Remedies. Upon the exercise of remedies, including any sale of the Facility by the Lender, whether by judicial proceeding or under any power of sale contained therein, or any conveyance from Seller to the Lender (or any assignee of the Lender as defined below) in lieu thereof, the Lender shall give notice to Buyer of the transferee or assignee of this Agreement. Any such exercise of remedies shall not constitute a default under this Agreement;

(d) Cure of Bankruptcy Rejection. Upon any rejection or other termination of this Agreement pursuant to any process undertaken with respect to Seller under the United States Bankruptcy Code, at the request of Lender made within ninety (90) days of such termination or rejection, Buyer shall enter into a new agreement with Lender or its assignee having substantially the same terms and conditions as this Agreement.

(e) Cure Period. Buyer will not exercise any right to terminate or suspend this Agreement unless it shall have given the Lender, if Buyer has been provided notice of such Lender, prior written notice of its intent to terminate or suspend this Agreement, as required by this Agreement, specifying the condition giving rise to such right, and the Lender shall not have caused to be cured the condition giving rise to the right of termination or suspension. The Parties' respective obligations will otherwise remain in effect during any cure period.

(f) Continuation of Agreement. If the Lender or its assignee (including any purchaser or transferee), pursuant to an exercise of remedies by the Lender, shall acquire title to or control of Seller's assets and shall, within the time periods described in **Section 9.2.2(e)** above, cure all defaults under this Agreement, then such Person shall no longer be in default under this Agreement, and this Agreement shall continue in full force and effect.

9.3 Notice of Change in Control**.** Except in connection with public market transactions of the equity interests or capital stock of Seller or Seller's affiliates, Seller shall provide Buyer with notice of any Change of Control of Seller (whether voluntary or by operation of law). A Change of Control shall be considered an assignment for the purposes of this Agreement.

9.4 Unauthorized Assignments. Any assignment of any interest in the Facility or in this Agreement made without fulfilling the requirements of this **Article 9** shall be null and void and shall constitute an Event of Default.

ARTICLE 10 DEFAULT, TERMINATION, DISPUTES, AND REMEDIES

10.1 Seller Event of Default. Subject to **Article 15**, the following shall constitute an Event of Default of Seller ("**Seller Event of Default**"):

(a) petition in bankruptcy has been filed against Seller (other than petitions that have been dismissed within 60 days after filing), and Seller or any of its constituent Persons have made an assignment for the benefit of creditors or taken advantage of any insolvency act for its benefit as a debtor;

(b) Seller's failure to cause the Facility to achieve the Commercial Operation Milestone within eight (8) months after the date of the Commercial Operation Milestone, subject to the provisions of **Section 3.3**;

(c) After the Commercial Operation Date, and except as a result of an event of Force Majeure, a Buyer Initiated Curtailment, or a Buyer Event of Default: (i) the Facility ceases to operate for one hundred eighty (180) days in any period of twelve (12) consecutive months; or (ii) the total Net Output of the Facility for any period of twelve (12) consecutive months is less than 40% of the Updated facility Output Estimate for such twelve (12) month period;

(d) The Lease is terminated due to the breach or default under the Lease by Seller;

(e) Seller fails to make any payment when due under this Agreement, if any, if the failure is not cured within ten (10) days after the Buyer gives the Seller written notice of the default;

(f) Any representation or warranty made by Seller in this Agreement shall be false or misleading in any material respect and such breach or misrepresentation is not cured within ten (10) days after Seller receives written notice of such default from Buyer;

(g) Other than to mitigate its damages in the event of a Buyer Event of Default, Seller sells Green Tags, Ancillary Services or Environmental Attributes from the Facility to a party other than Buyer;

(h) Seller assigns this Agreement or any of Seller's rights under the Agreement not in compliance with the provisions of **Article 9**;

(i) Seller otherwise fails to perform any other obligation of Seller under this Agreement for which no cure period is set forth above and such failure is not cured within 30 days after Seller receives written notice of the default from Buyer, which time period shall be extended if there is no ongoing risk of harm to persons or property present and Seller is making diligent efforts to cure such failure to perform, provided that such extended period shall not exceed an additional ninety (90) days, and further provided that the cure periods stated in this subparagraph shall not apply to a Seller breach or default under **Section 3.3(f)**; and

(j) Seller or its Affiliate fails to perform its obligations pursuant to the Interconnection Agreement or the Lease, after applicable cure periods under either such agreement.

10.2 Buyer Event of Default. Subject to **Article 15**, the following shall constitute an Event of Default of Buyer ("**Buyer Event of Default**"):

(a) A petition in bankruptcy has been filed against Buyer (other than petitions that have been dismissed within 60 days after filing), and Buyer or any of its constituent Persons have made an assignment for the benefit of creditors or taken advantage of any insolvency act for its benefit as a debtor;

(b) Buyer fails to make any payment when due under this Agreement, if any, if the failure is not cured within ten (10) days after the Buyer receives notice of the default from Seller;

(c) Any representation or warranty made by Buyer in this Agreement shall be false or misleading in any material respect and such breach or misrepresentation is not cured within ten (10) days after the Buyer receives written notice of such default from Seller.

(d) Buyer fails to perform any other obligation of Buyer under this Agreement and such failure is not cured within 30 days after Buyer receives written notice of the default from Seller, which time period shall be extended if Buyer is making diligent efforts to cure such failure to perform, provided that such extended period shall not exceed an additional 90 days; or

(e) Buyer or its Affiliate fails to perform its obligations pursuant to the Interconnection Agreement or the Lease, after applicable cure periods under either such agreement, and, in either case, such failure has a material adverse impact on the ability of the Seller to perform Seller's obligations under this Agreement.

10.3 Remedies.

10.3.1 Upon the occurrence and during the continuance of a Buyer Event of Default or a Seller Event of Default, the non-defaulting Party may at its discretion suspend performance hereunder or terminate this Agreement by delivering notice of termination to the defaulting Party, and, in the case of a termination of this Agreement due to a Seller Event of Default, Buyer may also terminate the Lease and Interconnection Agreement.

10.3.2 The non-defaulting Party may pursue all legal or equitable remedies provided by law, equity or this Agreement. The rights contemplated by this Section are cumulative such that the exercise of one or more rights shall not constitute a waiver of any other rights.

10.3.3

(a) If a Buyer Event of Default under **Section 10.2** has occurred and is continuing, Seller shall have the right to sell Electric Energy and Environmental Attributes from the Facility on a daily basis to third parties during the continuance of such Buyer Event of Default.

(b) If Seller terminates this Agreement as a result of a Buyer Event of Default, Buyer shall reimburse Seller, within thirty (30) days of any such termination, for the sum of (i) reasonable compensation, for the lost or recapture of the Investment Tax Credit and other favorable tax attributes, such as MACRS, which has been received or is intended to be received from the Facility; (ii) the net present value of the Contract Price from the termination through the last day of the Initial Term or, as applicable, the then-current Renewal Term, had such Term remained effective through expiration; and (iii) any and all amounts previously accrued under this Agreement and then owed by Buyer and Seller ("**Buyer's Termination Payment**"). Buyer's Termination Payment shall be in addition to, without duplication of, any other damages to which Seller shall be entitled at law or equity or otherwise under this Agreement.

(c) If a Buyer Event of Default occurs prior to the Commercial Operation Date and interferes with or prevents the achievement of the Commercial Operation Date by the Commercial Operation Milestone date under **Section 3.3** (assuming no extension as provided by **Section 3.3**), and if Seller does not terminate this Agreement as a result of such Buyer Event of Default, then: (i) Buyer shall pay Seller $5,000/day for each day such Buyer Event of Default continues through the "**Liquidated Damages Date**" set forth on the Schedule of Milestones; and (ii) if such Buyer Event of Default continues past or otherwise prevents or substantially interferes with the achievement of the Commercial Operation Milestone (assuming no extension as provided by **Section 3.3**) on or before the Liquidated Damages Date, then the Energy Rate shall be equitably increased to compensate Seller for the additional costs incurred by Seller due to the delay in achievement of the Commercial Operation Date, including, if applicable the loss of the Investment Tax Credit or other favorable tax attributes. In the event of a Buyer Event of Default covered by subsection (ii), Seller shall deliver to Buyer a written proposal for an Energy Rate increase; and, if the Parties cannot agree on the Energy Rate increase within 30 days after delivery of such notice to Buyer, the dispute about such increase to the Energy Rate shall be a "**Technical Dispute**" subject to **Section 10.4**. If a Technical Dispute is timely initiated pursuant to the preceding sentence and, despite following the requirements of **Section 10.4**, the Buyer and Seller are unable to resolve the Technical Dispute within 100 days after initiation of the Technical Dispute process, then, by written notice to Buyer, Seller shall have the right to terminate this Agreement effective no sooner than 90 days after the date of delivery of such notice, and, upon such termination, Buyer shall pay Seller the applicable Buyer's Termination Payment, without limiting any other remedy available to Seller.

10.3.4 Seller Event of Default.

(a) If Buyer terminates this Agreement prior to the date set forth for the Commercial Operation Milestone in the Schedule of Milestones as a result of a Seller Event of Default, then at the election of Buyer communicated in writing on or prior to the termination date, Seller shall reimburse Buyer, within thirty (30) days of any such termination, for all of Buyer's costs and expenses relating to this Agreement, including but not limited to, the cost of the Revenue Meter and all or any part of the Interconnection Facilities supplied by Buyer, plus a reasonable amount to compensate Buyer for the work of Buyer's engineers and other personnel in connection with the transactions contemplated by this Agreement, up to the total amount of the Estimate ("**Seller's Termination Payment**"). In addition, if Buyer terminates this Agreement as a result of a Seller Event of Default under **Section 10.1,** and Seller has not achieved the Commercial Operation Date by the date of termination, then, upon such termination and, in addition to any Seller's Termination Payment, as elected by Buyer under this Section, Seller shall pay Buyer $4,500,000.00. In no event shall the payments owed by Seller to Buyer for a termination prior to the Commercial Operation Date exceed this amount plus the amount of the outstanding Performance Assurance.

(b) If Buyer terminates this Agreement from or after the Commercial Operation Date as a result of a Seller Event of Default, Seller shall reimburse Buyer, within thirty (30) days of any such termination, for all of Buyer's costs and expenses relating to this Agreement, including but not limited to, the cost of the Revenue Meter and all or any part of the Interconnection Facilities supplied by Buyer, plus a reasonable amount to compensate Buyer for the work of Buyer's engineers and other personnel in connection with the transactions contemplated by this Agreement (also, a "**Seller's Termination Payment**").

10.4 Technical Disputes. Notwithstanding anything to the contrary in this Section, in the event of any dispute identified in this Agreement as a "**Technical Dispute**", the Buyer and Seller will endeavor in good faith to resolve the Technical Dispute through negotiation. Once at least 15 days have lapsed since the initiation of negotiation of a Technical Dispute, either Buyer or Seller may deliver to the other Party a written "**Technical Dispute Notice**" that identifies the Technical Dispute. No later than seven days after a Technical Dispute Notice is delivered, Seller will deliver to Buyer a list of at least three Persons that qualify as Independent Experts and that are capable, in Seller's good faith judgment, of understanding, and timely offering a resolution of, the Technical Dispute that is the subject of such Technical Dispute Notice. Within 15 days after the delivery of a Technical Dispute Notice, the Buyer shall select one Person from the list of Independent Experts offered by Seller, which Person shall be the Independent Expert charged with resolution of the Technical Dispute that is the subject of such Technical Dispute Notice. The Independent Expert so selected by Buyer will be appointed to review and analyze the Technical Dispute and offer a non-binding, written opinion on the matter. During the 30-day period following appointment of an Independent Expert, each of Buyer and Seller, at such Party's own cost, shall promptly provide to the Independent Expert and to the other Party such data and information as the providing party deems reasonably necessary to resolve the Technical Dispute. During such 30-day period, the Independent Expert may conduct telephone or other discussions with the Parties in joint sessions as part of the evaluation of the matter. All information and documents submitted to the Independent Expert shall be submitted/presented in good faith as if they were part of a mediation, arbitration, judicial, or other dispute process under applicable Legal Requirements. The Seller may designate information provided by Seller under this Section as confidential by clearly identifying and marking such information as such; and the confidentiality of such information shall be preserved by the Independent Expert and, subject to **Article 14,** the Buyer. The Independent Expert shall be charged with issuing a recommendation or opinion with respect to the Technical Dispute no later than 60 days after the appointment of such Independent Expert. The Buyer and the Seller shall be free to accept, reject, or modify the written opinion or recommendation of the Independent Expert in their discretion to attempt to resolve the Technical Dispute. If the Parties are not able to resolve the Technical Dispute through this process in its entirety, the submissions to, discussions involving, and written opinion or recommendation of, the Independent Expert shall remain confidential, subject to **Article 14** of this Agreement, and not be admissible in any court proceedings. All Technical Disputes shall be resolved on an accelerated basis. Seller and Buyer shall share the reasonable fees and charges of the Independent Expert retained with respect to a Technical Dispute on a 50/50 basis.

10.5 Governmental Approvals and Site Issues. If, at any time prior to the Development Milestone date, Seller is not in default under this Agreement, the Interconnection Agreement, or the Lease, and if, despite the exercise of commercially reasonable efforts, consistent with Good Utility Practice, Seller: (a) determines the Facility as contemplated by this Agreement cannot be constructed on the Site due to unforeseen conditions at the Site, such as subsurface geotechnical conditions, that reasonably could not have been anticipated by Seller as of the Effective Date, or (b) cannot substantially secure all Governmental Approvals required for the construction and operation of the Facility as contemplated by this Agreement, then, Seller shall have the unilateral right to terminate this Agreement by delivering a written termination notice to Buyer on or before the earlier of: (i) December 31, 2021, and (ii) the date identified in the Buyer Commencement Notice as the construction commencement date for Buyer's Interconnection Facilities so long as such construction commencement date does not precede a Development Milestone date established in a Milestone Notice. So long as, through termination of this Agreement under this **Section 10.5**, Buyer and Seller then are in compliance with their obligations under this Agreement, the Lease, and the Interconnection Agreement, upon such termination by Seller, neither Party will have any further liability or obligation to the other Party. Notwithstanding the foregoing, in the event that Buyer disputes Seller's determinations pursuant to the foregoing sentence and justification for terminating this Agreement, such dispute shall be a "**Technical Dispute**" subject to resolution under **Section 10.4**.

ARTICLE 11 REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties of Seller. As of the date of this Agreement, Seller hereby makes the following representations and warranties to Buyer:

11.1.1 Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, is authorized to transact business in the State of Florida and has the full corporate and legal power and authority to own and use its properties, to carry on its business as now being conducted and to enter into this Agreement and, subject to the receipt of applicable Governmental Approvals and other regulatory approvals, and the approval of its Board of Directors, to perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

11.1.2 The execution, delivery and performance by Seller of this Agreement does not and shall not violate any law; and this Agreement is a valid obligation of Seller, enforceable against Seller in accordance with its terms. Neither the execution and delivery of this Agreement by Seller nor the performance by Seller of any of its obligations under this Agreement conflicts with or will result in a breach or default under any agreement or obligation to which Seller is a party or by which Seller is bound.

11.2 Representations and Warranties of Buyer. Buyer hereby makes the following representations and warranties to Seller:

11.2.1 Buyer is a body politic and corporate duly organized, validly existing and in good standing under the laws of the State of Florida. Buyer has the legal power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and to perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement, subject to the approval of the Board of Directors of Buyer

11.2.2 The execution, delivery and performance by Buyer of this Agreement does not and shall not violate any law; and this Agreement is a valid obligation of Buyer, enforceable against Buyer in accordance with its terms. Neither the execution and delivery of this Agreement by Buyer nor the performance by Buyer of any of its obligations under this Agreement conflicts with or will result in a breach or default under any agreement or obligation to which Buyer is a party or by which Buyer is bound.

ARTICLE 12 INDEMNIFICATION

12.1 Indemnification**.** Seller shall hold harmless, defend and indemnify, JEA against any claim, action, loss, damage, injury, liability, cost and expense of whatsoever kind or nature (including, but not by way of limitation, reasonable attorney's fees and court costs) arising out of injury (whether mental or corporeal) to persons, including death, or damage to property, to the extent caused by the negligence, recklessness or intentional wrongful misconduct of Seller (and any person or entity used by Seller) in the performance of this Agreement. For purposes of this indemnification, the term "JEA" shall mean JEA as a body politic and corporate and shall include without limitation, its officers, directors, members, representatives, affiliates, agents and employees, successors and assigns (the "**Indemnified Parties**"). This indemnification shall survive the term of this Agreement. This indemnification shall be separate and apart from, and in addition to, any other indemnification provisions set forth elsewhere in this Agreement. It is the intent of the parties that this indemnification shall be in accord with Section 725.08, Florida Statutes.

Seller shall hold harmless, defend, and indemnify Indemnified Parties and will reimburse the Indemnified Parties from and against any and all claims, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities and expenses (including all costs of cleanup, containment or other remediation, and all costs for investigation and defense thereof including, but not limited to, court costs, reasonable expert witness fees and attorney fees) arising from or in connection with:

(a) the negligent, reckless or intentionally wrongful actions or activities of Seller, Seller's agents, Affiliates or employees ("**Seller Parties**") that result in a violation of Legal Requirement, including any environmental law, ordinance, rule, or regulation or that leads to an environmental claim or citation or to damages due to Seller's or other Seller Parties' negligent reckless or intentionally wrongful activities,

(b) any environmental, health and safety liabilities arising out of or relating to the negligent, reckless or intentionally wrongful operation or other negligent, reckless or intentionally wrongful activities performed in connection with this Agreement by Seller or any Seller Party at any time on or after the Effective Date of this Agreement, or

(c) any bodily injury (including illness, disability and death, regardless of when any such bodily injury occurred, was incurred or manifested itself), personal injury, property damage (including trespass, nuisance, wrongful eviction and deprivation of the use of real property) or other damage of or to any person in any way arising from any negligent, reckless or intentionally wrongful activity conducted by Seller or any Seller Party.

Seller's indemnification obligation under this **Section 12.1** shall not apply to the extent of the negligence or willful misconduct of Buyer or parties for whom Buyer is responsible.

This indemnification agreement is separate and apart from, and is in no way limited by, any insurance provided pursuant to this Agreement or otherwise. This section relating to indemnification shall continue during, and for claims or actions arising during the Term, shall survive for a period of two (2) years after the Term of this Agreement, including any Renewal Term, whether such Term expires naturally by the passage of time or is terminated earlier pursuant to the provisions of this Agreement.

12.2 Limitations on Remedies, Liability and Damages**.** EXCEPT AS MAY OTHERWISE BE EXPRESSLY PROVIDED IN THIS AGREEMENT, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED UNLESS EXPRESSLY HEREIN PROVIDED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. UNLESS EXPRESSLY HEREIN PROVIDED, AND SUBJECT TO THE PROVISIONS OF **SECTION 12.1** (INDEMNIFICATION), IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. NOTWITHSTANDING THE FOREGOING, THE LIMITATIONS SET FORTH IN THIS **SECTION 12.2** SHALL NOT APPLY TO LIABILITIES ARISING FROM A PARTY'S WILLFUL MISCONDUCT OR FRAUD.

ARTICLE 13 NOTICES

Unless otherwise provided in this Agreement, any notice, consent or other communication required to be made under this Agreement shall be in writing and shall be delivered to the address set forth below or such other address or Persons as the receiving Party may from time to time designate by written notice:

If to Buyer, to:

Steve McInall
Director Electric Production Resource Planning
JEA
21 W. Church Street, T-10
Jacksonville, FL 32202

with an additional copy to:
Heather Beard
Manager Procurement Contracts
JEA
21 W. Church Street, CC-6
Jacksonville, FL 32202

If to Seller, to:
[___________________________], LLC
c/o EDF Renewables Distributed Solutions, Inc.
5 Commerce Avenue
West Lebanon, NH 03784
Attn: Myles Burnsed, Vice President, Business Development

All notices shall be effective when received.

ARTICLE 14 CONFIDENTIALITY

Notwithstanding any provision herein to the contrary, the parties acknowledge and agree that Buyer is subject to Chapter 119, Florida Statutes, and related statutes known as the "Public Records Laws" and that this Agreement and all related documents are considered public records as defined therein. Any specific information that Seller deems to be confidential must be clearly identified and marked as such by Seller. If a request is made to view such confidential information, the Buyer will notify Seller of such request and the date that records relating to such confidential information will be released to the requester unless Seller obtains a court order enjoining such disclosure. If Seller fails to obtain that court order enjoining disclosure, Buyer will release the requested information on the date specified. Such release of any such confidential information shall be deemed to be made with Seller's consent and will not be deemed to be a violation of law or this Agreement.

ARTICLE 15 FORCE MAJEURE

15.1 Definition. For the purposes of this Agreement, "*Force Majeure Event*" means an event, condition or circumstance beyond the reasonable control of and without the fault or negligence of the Party affected (the "*Affected Party*") which, despite all reasonable efforts of the Affected Party to prevent it or mitigate its effects, prevents the performance by such Affected Party of its obligations hereunder. Subject to the foregoing, "Force Majeure Event" as to either Party, shall include:

15.1.1 explosion and fire (in either case to the extent not attributable to the fault or the negligence of the Affected Party);

15.1.2 lightning, flood, earthquake, landslide, tornado, hurricanes, unusually severe storms, or other natural calamity;

15.1.3 strike or other labor dispute, other than any labor dispute or strike by Seller's employees or the employees of any contractor or subcontractor employed by Seller or performing work with respect to the Facility, including Interconnection Facilities; or

15.1.4 war, insurrection, civil disturbance, sabotage, act of terrorism or riot; and

15.1.5 damage to long-lead time equipment such as the main power transformer.

15.2 Obligations under Force Majeure.

15.2.1 If either Party is rendered unable, wholly or in part, by a Force Majeure Event, to carry out some or all of its obligations under this Agreement (other than obligations to pay money) despite all reasonable efforts of such Party to prevent or mitigate its effects, then, during the continuance of such inability, the obligation of such Party to perform the obligations so affected shall be suspended, except as provided in this **Article 15**. The milestone dates for both Seller and Buyer set forth in the Schedule of Milestones, as may be adjusted by **Section 3.3**, shall be extended day for day for the duration of the effects of a Force Majeure Event.

15.2.2 A Party relying on a Force Majeure Event shall give written notice of such Force Majeure Event to the other Party promptly after such event occurs, which notice shall include information with respect to the nature, cause and date of commencement of the occurrence(s), and the anticipated scope and duration of the delay. Upon the conclusion of the Force Majeure Event, the Party heretofore relying on such Force Majeure Event shall, with all reasonable dispatch, take all steps reasonably necessary to resume the obligation(s) previously suspended.

15.2.3 Notwithstanding the foregoing, a Party shall not be excused under this **Article 15**:

(a) for any non-performance of its obligations under this Agreement having a greater scope or longer period than is justified by the Force Majeure Event,

(b) for the performance of obligations that arose and reasonably could have been performed prior to the Force Majeure Event, or

(c) to the extent absent the Force Majeure Event the Affected Party would nonetheless have been unable to perform its obligations under this Agreement.

15.3 Extended Force Majeure Event after Commercial Operation.

15.3.1 If an Affected Party reasonably believes that a Force Majeure Event that is preventing it from performing its obligations hereunder could result in a suspension of such performance for a period of one (1) month or longer, the Affected Party shall submit a plan reasonably acceptable to the other Party to overcome the Force Majeure Event. Such plan shall be submitted within thirty (30) Business Days of the start of the Force Majeure Event. The plan shall set forth a course of repairs, improvements, changes to operations or other actions which could reasonably be expected to permit the Affected Party to resume performance its obligations under this Agreement within a reasonable time frame projected in the plan. While such a plan is in effect, the Affected Party shall provide weekly status reports to the other Party notifying the other Party of the steps which have been taken to remedy the Force Majeure Event and the expected remaining duration of the Party's inability to perform its obligations. If the Force Majeure Event has not been overcome within five (5) months from its inception, the Parties shall meet to reassess the amount of time that is likely to pass before the Affected Party can reasonably be expected to resume performance under this Agreement, and the Affected Party shall have thirty (30) days to establish a revised plan acceptable to the Non-Affected Party to overcome the Force Majeure Event within twelve (12) months of its beginning. If at the end of such thirty (30) days one or both of the Parties reasonably concludes that the Force Majeure Event cannot reasonably be expected to be overcome within twelve (12) months of the beginning of the Force Majeure Event, the Party that is not the Affected Party may terminate this Agreement with five (5) days' notice to the Affected Party. Upon termination of this Agreement as provided in this **Section 15.3**, the Parties shall have no further liability or obligation to each other except for any obligation arising prior to the date of such termination and those that survive termination as listed in **Section 2.1**. In addition to the foregoing, the Party not prevented from performing its obligations due to the Force Majeure Event may terminate this Agreement upon ten (10) days prior written notice if:

(a) the Affected Party fails to provide a Force Majeure remedy plan as provided for in this **Section 15.3**,

(b) the Affected Party fails to carry out the Force Majeure remedy plans in a method reasonably designed to cause that Party to be able to perform it obligations hereunder within twelve (12) months of the Force Majeure Event occurring, or

(c) within five (5) Business Days after a request therefore fails to provide a weekly status report to the other Party.

The thirty (30) day time period within which the affected party has to submit its remedy plan shall be extended on a day-for-day basis to the extent that the Site cannot be accessed due to concerns with safety, security or environmental conditions.

15.3.2 No obligation of either Party that arose before the Force Majeure Event causing the suspension of performance or that arise after the cessation of the Force Majeure Event shall be excused by the Force Majeure Event. The suspension of performance shall be of no greater scope and of no longer duration that is required by the Force Majeure Event.

ARTICLE 16 INTERCONNECTION AND TRANSMISSION

16.1 Interconnection Agreement. Seller shall execute and deliver to Buyer an Interconnection Agreement substantially in the form attached to this Agreement as **Appendix E** (the "Interconnection Agreement"). Seller shall work diligently with Buyer in good faith to complete the information required in Attachments 2, 3, 4 and 6 of the Interconnection Agreement.

16.2 Facilities.

(a) Buyer shall own, operate, maintain and control during the Term at its sole cost and expense all Interconnection Facilities up to, and including, each Point of Delivery, which shall be the point of change of ownership in accordance with the terms and conditions of the Interconnection Agreement;

(b) Buyer shall pay all costs associated with interconnecting the Facility to JEA's Electric Power System, including, but not limited to, the JEA Interconnection Facilities and any facilities upgrades required by JEA (collectively, the "*Interconnection Upgrade Costs*") except as specifically described in the immediately following sentence;

(c) Seller, at its sole cost and expense, shall be responsible for conforming to the requirements contained in the Interconnection Agreement and the terms and conditions therein, which JEA may establish to interconnect with, and operate in parallel with, JEA's Electric Power System.

(d) Seller, at its sole cost and expense, shall comply with all related FERC Orders, NERC Alerts, Standards, Guidelines, and Recommendations and all FRCC Standards, Policies, and Procedures applicable to Facilities 20 MW and larger and applicable to the construction or operation of the Facility by Seller. Seller shall comply with all relevant documents listed above whether designated as Bulk Electric System (BES), as described in the NERC BES Definition, or not designated by the Florida Reliability Coordinating Council (FRCC).

ARTICLE 17 TAXES

17.1 Applicable Taxes**.** Subject to the provisions of **Section 17.2**, each Party shall be responsible for the payment of all Taxes imposed on its own income or net worth. Except as provided in this **Article 17**, Seller shall be responsible for the payment of all present or future federal, state, municipal or other lawful Taxes applicable by reason of the ownership of the Facility or assessable on Seller's property or income from the sale of Electric Energy under this Agreement. Buyer shall pay any sales, use, excise, and any other similar Taxes, if any, imposed or levied against Seller by a Governmental Agency on the generation, sale and use, delivery and consumption of Electric Energy sold and delivered under this Agreement. The Parties acknowledge that Buyer is a tax exempt entity.

17.2 Management of Taxes**.** Each Party shall use reasonable efforts to minimize all Taxes, so long as neither Party is materially adversely affected by such efforts. In the event Seller is required by law or regulation to remit or pay Taxes that are Buyer's responsibility hereunder, Buyer may deduct the amount of any such Taxes from the sums due to Seller under this Agreement. Nothing shall obligate or cause a Party to be liable to pay any Taxes for which it is exempt under the law. Each Party shall cooperate with the other Party in order to qualify for or take advantage of any available reduction in or exemption from such Taxes and to otherwise minimize the amount of such Taxes that must be paid under applicable law.

ARTICLE 18 MISCELLANEOUS PROVISIONS

18.1 Non-Waiver. The failure of either Party to insist in any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder, which shall remain in full force and effect.

18.2 Relationship of Parties. This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or to act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

18.3 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the Parties.

18.4 Governing Laws. This Agreement shall be construed in accordance with and governed by the laws of the State of Florida without regard to its conflicts of laws provisions.

18.5 Counterparts. This Agreement may be executed in more than one counterpart, each of which may be signed by fewer than all Parties, but all of which constitute the same Agreement.

18.6 Third Party Beneficiaries. This Agreement is intended solely for the benefit of the Parties hereto. Nothing in this Agreement shall be construed to create a duty to or standard of care with reference to, or any liability to, any Person not a Party to this Agreement.

18.7 Venue. Any legal action pertaining to this Agreement shall take place in the state courts located Duval County, Florida or the nearest Federal courts that may accept jurisdiction over a dispute between the Parties and the Parties.

18.8 Several Obligations. If Seller includes two or more parties, each such party shall be jointly and severally liable for Seller's obligations under this Agreement.

18.9 Partial Invalidity. In the event that any provision of this Agreement is found to be unenforceable under applicable law, the parties agree to replace such provision with a substitute provision that most nearly reflects the original intentions of the parties and is enforceable under applicable law, and the remainder of this Agreement shall continue in full force and effect.

18.10 Publicity and Advertising. Seller shall not make any announcements or release any information concerning this Agreement or the transactions contemplated hereby to any member of the public, press or official body unless prior written consent is obtained from JEA; provided, however, that this provision shall not restrict disclosures by Seller to the extent such disclosures are required to secure any Governmental Approval required for Seller's performance of this Agreement. JEA is governed by the Florida Public Records Laws so this Agreement and all related documents are available for public inspection. In addition, JEA is governed by Florida Sunshine Laws and as such, certain meetings are required to be open to the public.

ARTICLE 19 ENTIRE AGREEMENT AND AMENDMENTS

This Agreement supersedes all previous representations, understandings, negotiations and agreements either written or oral between the Parties hereto or their representatives with respect to the subject matter hereof and constitutes the entire agreement of the Parties with respect to the subject matter hereof. No amendments or changes to this Agreement shall be binding unless made in writing and duly executed by both Parties.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth at the beginning of this Agreement

BUYER: **JEA**

By:____
Mike Brost
VP/GM Electric Services
Date:_______________________________________

SELLER:

By:____
Name:______________________________________
Title:_______________________________________
Date:_______________________________________

TABLE OF APPENDICES

APPENDIX	DESCRIPTION
A	Description of Facility/JEA Facility Interconnection
B	Energy Rate Payment Schedule
C	Insurance Requirements
D	Form of Consent to Assignment
E	JEA Agreement for Generation Interconnection to Transmission System
F	Early Buyout Option – Price Floor
G	Estimate
H	Solar Land Lease
I	Final Buyout Option – Option Price
J	Output Estimate
K	Milestones
L	Independent Experts
M	Form of Guaranty
N	Form of Letter of Credit

APPENDIX A
DESCRIPTION OF FACILITY/INTERCONNECTION FACILITIES

When completed, the Facility, which is composed of two "Plants", will have a Nameplate Capacity Rating of approximately 50 MW AC; and each Plant will have a Nameplate Capacity Rating of approximately, but no more than, 25 MW AC. Each Plant will interconnect to JEA's Electric Power System through one of two dedicated 26.4 kV JEA designed, constructed, owned, and operated distribution feeders at the Sites. JEA will build two (2) dedicated feeders to specific location on the Site. Each feeder circuit will connect to a Plant at the Point of Interconnection located at the Site for such Plant. Dedicated feeders ______and the ______will be connected to the JEA [____] substation located at [____]. The Point of Interconnection of each such JEA express feeder circuit at the Site will be at or on the low (Plant) side of the "Point of Delivery" between JEA and the Seller, and JEA will take delivery of the Electric Energy produced by the Facility at the Point of Delivery. A JEA overhead revenue grade primary "Revenue Meter" along with an overhead manually operated GOAB group switch and a JEA overhead recloser will be installed at the Point of Delivery on each dedicated feeder. The Seller is responsible for designing, procuring, installing and programming relay protection equipment to protect each Plant starting at the Point of Interconnection line of demarcation. JEA is responsible for designing, procuring, installing and programming relay protection equipment starting at the JEA side of the Point of Interconnection for each Plant, including the Plant Revenue Meter, the JEA express feeder, and the JEA substation.

Each Seller-owned Plant is comprised of solar modules that convert sunlight to electricity and the required electrical infrastructure to deliver the solar-generated electricity to JEA's Electric Power System at 26.4 kV AC. The MW and lagging/leading MVAR output from the Seller-owned Plant will be delivered to the Point of Delivery which is considered the high-side of the Seller-owned Plant transformer/switchgear. The electrical infrastructure for each Plant shall include but not limited to: a DC cabling collection system, circuit protection in the form of a recloser, circuit breakers, disconnect switch(es), relaying, inverters to invert the DC electricity to AC electricity, an AC cabling collection system, transformers to increase the AC voltage, a grounding system and a monitoring system. Each Seller owned Plant is also comprised of the support structures to hold the solar modules and Site improvements such as foundations, roads, fences and drainage features for storm water management. JEA shall have 24/7/365 access to all JEA Interconnection Facilities at the Site up to the Point of Interconnection.

Seller shall include, in each Plant, a JEA approved utility-grade protection, relay, and communication related equipment, step-up transformers (26.4 kV High-side wye grounded 3-phase transformer), switches, isolation equipment, and all associated equipment to interconnect to JEA's 26.4 kV distribution system. The Facility shall utilize utility-grade relays (such as Schweitzer Engineering Laboratories [SEL], GE, Beckwith, ABB, etc.), relays for the main protective interconnecting relay/interface to JEA's Electric Power System to provide backup protection in-regards to JEA's interconnected electric system.

Buyer shall extend the Buyer's fiber optic bundle to the Seller's data concentrator/RTU system. The Buyer is responsible for all JEA data communication fiber optic equipment from the Seller's data concentrator/RTU back to the JEA communication head end equipment. Seller shall be responsible for the operations, maintenance, troubleshooting, and upkeep of the data concentrator/RTU and related equipment. Seller shall provide JEA DNP Point map (serial) and provide timely coordination with Buyer in designing interfacing protection and communication systems.

The Interconnection Facilities, which are more particularly described in the Interconnection Agreement shall be sufficient to distribute the entire output of the Facility to Buyer.

Seller and Buyer agree that this Appendix A will be updated from time to time as mutually agreed upon by Seller and Buyer.

APPENDIX A cont.
50 MW CENTRAL STATION PHOTOVOLTAIC (SOLAR) GENERATION PERFORMANCE SPECIFICATION

1. The Seller shall be responsible to interconnect to JEA at 26.4 kV (phase to phase) at a Point of Interconnection(s) at a location designated by JEA that is in close proximity to a designated substation and near road for JEA crews requiring 24/7/365 access.
2. The Facility shall be capable of delivering rated MW at a power factor of +/- 0.95 pu (~17 MVAR) , as measured at the Point of Delivery, at any time as requested by JEA System Operations Control Center (SOCC), subject to the provisions of the Power Purchase Agreement between JEA and the Seller relating to the Facility. While producing real power, the Facility shall be able to generate or to absorb MVAR's, up to the power factor requirements, at any time.
3. Subject to the provisions of the Power Purchase Agreement between JEA and the Seller relating to the Facility, JEA reserves the right to curtail output, specify a voltage or reactive schedule and specify whether the Facility is on voltage control or not for reliability as JEA distribution system conditions dictate, support prudent distribution system operations and to ensure distribution system reliability.
4. The Facility to operate in the specific control mode, such as Volt-Var, as notified by JEA.
5. SOCC shall contact the Facility control operator(s) 24/7/365 via phone or other mutually agreeable means to issue control changes (No JEA SCADA MW and MVAR direct control) for immediate control. The Facility shall have the provisions to implement these changes in real-time.
6. SOCC to convey voltage or reactive schedules for each Plant subject to the provisions of the Power Purchase Agreement between JEA and the Seller relating to the Facility.
7. JEA requires facility read-only telemetry via fiber optic communication and [Seller]RTU for each Plant. Points to be determined by SOCC and subject to any JEA and/or FRCC and/or FERC operational or compliance requirements. Options include: output from power plant controller (PPC), automatic voltage controller (AVR), MW, MVAR, & voltage as measured at the Plant Point of Delivery, Seller circuit breaker(s) status, etc.
8. The Facility shall incorporate sync check relays in design. Each Plant shall synchronize to the JEA distribution system.
9. The Seller/Operator is responsible for furnishing and installing the equipment necessary to send required data to SOCC.
10. Prior to Facility energization, the Seller shall develop an inspection and test plan for pre-energization and energization testing. This plan shall include provisions for testing protective equipment that complies with NERC and FRCC Standards. JEA will review and must approve the test plan prior to testing. JEA may require additional tests. The testing shall be at the Seller's expense.
11. Prior to the Facility's Commercial Operation, the Seller shall develop a test plan for stability model validation per NERC and FRCC requirements. JEA will review and must approve the validation plan prior to implementation. JEA may require additional tests. The testing shall be at the Seller's expense.
12. Periodic testing of real and reactive power shall be conducted in accordance with applicable NERC Reliability Standards and reported to JEA.
13. The Facility may be deemed a Generator Owner ("GO") and/or Generator Operator ("GOP") and subject to all applicable NERC and FRCC requirements.

14. Variable resource and inverter based generation owners/operators must familiarize themselves with the intent and purpose of applicable NERC Reliability Standards such as Modeling, Data and Analysis (MOD), Protection and Control (PRC), etc.
15. All Facility inverters shall comply with any/all NERC requirements & recommendations and FRCC policies/procedures. Also, all inverters shall be capable of operating as defined by the enhanced features and functionality consistent with the most current technical recommendations of the California Rule 21 Smart Inverter Working Group.
16. It is the Seller's responsibility to work with the vendors/suppliers to provide JEA with timely required data, such as three phase equivalence and standard inverter models, to complete interconnection studies, including load flow, short-circuit, and dynamic stability studies in Siemens PTI PSS/E format. PSS/E models shall be standard PSS/E models that will be shared with FRCC and Multiregional Modeling Working Group (MMWG). Other "black box" models or user-defined models may be requested for PSS/E or PSCAD for additional stability studies as needed.
17. The Facility will be studied by JEA, with coordination with other possible affected parties, and approved via the FRCC GISR process during the System Impact Study (SIS) process phase. Each SIS / FRCC GISR study phase may take up to 6 months after the Seller submits all required and validated data to JEA.
18. The Facility will be compliant with latest approved IEEE Standard 519 when measuring harmonics at Point of Interconnection. Seller will submit report prior to COD showing the Plant's compliance with IEEE 519 standards up to the 50th harmonic.
19. The Seller shall provide, install, operate, and maintain a phasor measurement unit (PMU) at each plant. Data to be recorded and made available to JEA for the latest 30 calendar days.

APPENDIX A cont.
JEA FACILITY INTERCONNECTION REQUIREMENTS

See attached.

APPENDIX B
ENERGY RATE PAYMENT SCHEDULE

The Energy Rate shall be the "Annual Fixed Price" below per MWh AC of Electric Energy provided:

Contract Year	Annual Fixed Price (per MWh AC)
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
1st Renewal Term	
2nd Renewal Term	

For each Renewal Term, except as otherwise agreed by Buyer and Seller, the Annual Fixed Price will be the same as the Annual Fixed Price as of the last day of the Initial Term.

APPENDIX C
INSURANCE REQUIREMENTS

During the Term of this Agreement and without further limiting its liability under the Agreement, Seller shall procure and maintain at its sole expense, insurance of the types and in the minimum amounts stated below:

Workers' Compensation

Florida Statutory coverage and Employer's Liability (including appropriate Federal Acts); Insurance Limits: Statutory Limits (Workers' Compensation) $500,000 each accident (Employer's Liability).

Commercial General Liability

Premises-Operations, Products-Completed Operations, Contractual Liability, Independent Contractors, Broad Form Property Damage, Explosion, Collapse and Underground, Hazards (XCU Coverage) as appropriate; Insurance Limits: $1,000,000 each occurrence, $2,000,000 annual aggregate for bodily injury and property damage, combined single limit.

Automobile Liability

All autos-owned, hired, or non-owned; Insurance Limits: $1,000,000 each occurrence, combined single limit.

Excess or Umbrella Liability: $5,000,000 each occurrence and annual aggregate. This is additional coverage and limits above the following primary insurance: Employer's Liability, Commercial General Liability, and Automobile Liability.

All Risk Property Damage

(Seller's Insurable Assets pertaining to this Agreement)

The Indemnification provisions in this Agreement are separate, and Seller's liability is not limited by the type of insurance or insurance amounts indicated above.

Seller shall specify JEA as an additional insured for all coverage except Workers' Compensation, Employer's Liability, and All Risk Property Damage. Such insurance shall be primary to any and all other insurance or self-insurance maintained by JEA. Seller shall include a Waiver of Subrogation on all required insurance in favor of JEA, its board members, officers, directors, members, representatives, affiliates, employees, agents, successors and assigns.

Such insurance shall be written by a company or companies licensed to do business in the State of Florida and satisfactory to JEA. Immediately after execution of this Agreement, certificates evidencing the maintenance of Seller's insurance shall be provided to JEA for approval. Seller's Certificates of Insurance shall be mailed to:

JEA
(Attn.: Procurement Services)
21 West Church Street
Customer Care Center, 6th Floor
Jacksonville, FL 32202-3139

Seller's certificates of insurance shall provide that no material alteration or cancellation, including expiration and non-renewal, shall be effective until thirty (30) days after receipt of written notice by JEA.

APPENDIX D
Form of Consent to Assignment

CONSENT AND AGREEMENT

This Consent and Agreement ("Consent and Agreement") is entered into as of ______________, 20___, between JEA, a body politic and corporate ("JEA") and , as collateral agent (in such capacity, "Financing Provider"), for the benefit of various financial institutions (collectively, the "Secured Parties") providing financing to [ ] ("Seller"). JEA, Seller, and the Financing Provider shall each individually be referred to as a "Party" and collectively as the "Parties".

Recitals

A. Pursuant to that certain Power Purchase Agreement dated as of ______________, 20___, (as amended, modified, supplemented or restated from the time to time, as including all related agreements, instruments and documents, collectively, the "Assigned Agreement") between JEA and Seller, JEA has agreed to purchase energy from Seller.

B. The Secured Parties have provided, or have agreed to provide, to Seller financing pursuant to one or more agreements (the "Financing Documents") and require that Financing Provider be provided certain rights with respect to the "Assigned Agreement" and the "Assigned Agreement Accounts," each as defined below, in connection with such financing.

C. In consideration for the execution and delivery of the Assigned Agreement, JEA has agreed to enter into this Consent and Agreement for the benefit of Seller.

1. Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

2. Consent. Subject to the terms and conditions below, JEA consents to and approves the pledge and assignment by Seller to Financing Provider of (a) the Assigned Agreement, and (b) the accounts, revenues and proceeds of the Assigned Agreement (collectively, the "Assigned Agreement Accounts").

3. Limitations on Assignment. Financing Provider acknowledges that the assignment of the Assigned Agreement and the Assigned Agreement Accounts is for security purposes only and that Financing Provider has no rights under the Assigned Agreement or the Assigned Agreement Accounts to enforce the provisions of the Assigned Agreement or the Assigned Agreement Accounts unless and until an event of default has occurred and is continuing under the Financing Documents between Seller and Financing Provider (a "Financing Default"), in which case Financing Provider shall be entitled to all of the rights and benefits and subject to all of the obligations which Seller then has or may have under the Assigned Agreement to the same extent and in the same manner as if Financing Provider were an original party to the Assigned Agreement.

4. Cure Rights.

   (a) Notice to Financing Provider by JEA. JEA shall, concurrently with the delivery of any notice of an event of default under the Assigned Agreement (each, an "Event of Default") to Seller (a "Default Notice"), provide a copy of such Default Notice to Financing Provider pursuant to Section 9(a) of this Consent and Agreement. In addition, Seller shall provide a copy of the Default Notice to Financing Provider the next business day after receipt from JEA, independent of any agreement JEA to deliver such Default Notice.

(b) Cure Period Available to Financing Provider Prior to Any Termination by JEA. Upon the occurrence of an Event of Default, subject to (i) the expiration of the relevant cure periods provided to Seller under the Assigned Agreement, and (ii) Section 4(a) above, JEA shall not terminate the Assigned Agreement unless it or Seller provides Financing Provider with notice of the Event of Default and affords Financing Provider an Additional Cure Period (as defined below) to cure such Event of Default. For purposes of this Agreement "Additional Cure Period" means (i) with respect to a monetary default, ten (10) days in addition to the cure period (if any) provided to Seller in the Assigned Agreement, and (ii) with respect to a non-monetary default, thirty (30) days in addition to the cure period (if any) provided to Seller in the Assigned Agreement.

(c) Failure by JEA to Deliver Default Notice. If neither JEA nor Seller delivers a Default Notice to Financing Provider as provided in Section 4(a), the Financing Provider's applicable cure period shall begin on the date on which notice of an Event of Default is delivered to Financing Provider by either JEA or Seller; provided, however, that the Financing Provider's cure period entitlement shall in no event exceed the applicable cure period under the Assigned Agreement plus the Additional Cure Period. Except for a delay in the commencement of the cure period for Financing Provider and a delay in JEA's ability to terminate the Assigned Agreement (in each case only if both JEA and Seller fail to deliver notice of an Event of Default to Financing Provider), failure of JEA to deliver any Default Notice shall not waive JEA's right to take any action under the Assigned Agreement and will not subject JEA to any damages or liability for failure to provide such notice.

(d) Extension for Foreclosure Proceedings. If possession of the Project (as defined in the Assigned Agreement) is necessary for Financing Provider to cure an Event of Default and Financing Provider commences foreclosure proceedings against Seller within thirty (30) days of receiving notice of an Event of Default from JEA or Seller, whichever is received first, Financing Provider shall be allowed a reasonable additional period to complete such foreclosure proceedings, such period not to exceed ninety (90) days from Financing Provider's receipt of the notice of the Event of Default; provided, however, that Financing Provider shall provide a written notice to JEA that it intends to commence foreclosure proceedings with respect to Seller within ten (10) business days of receiving a notice of such Event of Default from JEA or Seller, whichever is received first.

5. Setoffs and Deductions. Each of Seller and Financing Provider agrees that JEA shall have the right to set off or deduct from payments due to Seller each and every amount due JEA from Seller whether or not arising out of or in connection with the Assigned Agreement. Financing Provider further agrees that it takes the assignment for security purposes of the Assigned Agreement and the Assigned Agreement Accounts subject to any defenses or causes of action JEA may have against Seller.

6. No Representation or Warranty. Seller and Financing Provider each recognizes and acknowledges that JEA makes no representation or warranty, express or implied, that Seller has any right, title, or interest in the Assigned Agreement or as to the priority of the assignment for security purposes of the Assigned Agreement or the Assigned Agreement Accounts. Financing Provider is responsible for satisfying itself as to the existence and extent of Seller's right, title, and interest in the Assigned Agreement, and Financing

Provider releases JEA from any liability resulting from the assignment for security purposes of the Assigned Agreement and the Assigned Agreement Accounts.

7. Amendment to Assigned Agreement. Financing Provider acknowledges and agrees that JEA may agree with Seller to modify or amend the Assigned Agreement, and that JEA is not obligated to notify Financing Provider of any such amendment or modification to the Assigned Agreement. Financing Provider hereby releases JEA from all liability arising out of or in connection with the making of any amendment or modification to the Assigned Agreement.

8. Payments under Assigned Agreement. JEA shall make all payments due to Seller under the Assigned Agreement from and after the date hereof to [ ], as depositary agent, to ABA No. [ ], Account No. [ ], and Seller hereby irrevocably consents to any and all such payments being made in such manner. Each of Seller, JEA and Financing Provider agrees that each such payment by JEA to such depositary agent amounts due to Seller from JEA under the Assigned Agreement shall satisfy JEA's corresponding payment obligation under the Assigned Agreement.

9. Miscellaneous.

(a) Notices. All notices hereunder shall be in writing and shall be deemed received (i) at the close of business of the date of receipt, if delivered by hand or by facsimile or other electronic means, or (ii) when signed for by recipient, if sent registered or certified mail, postage prepaid, provided such notice was properly addressed to the appropriate address indicated on the signature page hereof or to such other address as a party may designate by prior written notice to the other parties, at the address set forth below:

If to Financing Provider:	______________________
Name:	______________________
Address:	______________________
	______________________
Attn:	______________________
Telephone:	______________________
Facsimile:	______________________
Email:	______________________

If to JEA:	______________________
Name:	______________________
Address:	______________________
	______________________
Attn:	______________________
Telephone:	______________________
Facsimile:	______________________
Email:	______________________

(b) No Assignment. This Consent and Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of JEA, and shall be binding on and inure to the benefit of the Financing Provider, the Secured Parties and their respective successors and permitted transferees and assigns under the loan agreement and/or security agreement.

(c) No Modification. This Consent and Agreement is neither a modification of nor an amendment to the Assigned Agreement.

(d) Choice of Law and Venue. The parties hereto agree that this Consent and Agreement shall be construed and interpreted in accordance with the laws of the State of Florida, excluding any choice of law rules which may direct the application of the laws of another jurisdiction. Any legal action pertaining to this Agreement should be originated in Duval County, Florida

(e) No Waiver. No term, covenant or condition hereof shall be deemed waived and no breach excused unless such waiver or excuse shall be in writing and signed by the party claimed to have so waived or excused.

(f) Counterparts. This Consent and Agreement may be executed in one or more duplicate counterparts, and when executed and delivered by all the parties listed below, shall constitute a single binding agreement.

(g) No Third Party Beneficiaries. There are no third party beneficiaries to this Consent and Agreement.

(h) Severability. The invalidity or unenforceability of any provision of this Consent and Agreement shall not affect the validity or enforceability of any other provision of this Consent and Agreement, which shall remain in full force and effect.

(i) Amendments. This Consent and Agreement may be modified, amended, or rescinded only by writing expressly referring to this Consent and Agreement and signed by all parties hereto.

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APPENDIX E
JEA Agreement for Generator Interconnection to Transmission System
)
Based on the FERC LGIP and LGIA documents.

See attached.

APPENDIX F
EARLY BUYOUT OPTION – BUYOUT PRICE

Where the Early Buyout Date is the 10th anniversary of the Commercial Operation Date (subject to delay due to delay in the determination of Fair Market Value) the Fixed Buyout Price will be **$33,200,000.00**.

Where the Early Buyout Date is the 20th anniversary of the Commercial Operation Date (subject to delay due to delay in the determination of Fair Market Value) the Fixed Buyout Price will be **$27,400,000.00**.

APPENDIX G
ESTIMATE

Buyer represents and warrants in good faith that the "Estimate" equals $____________________.

APPENDIX H
SOLAR LAND LEASE

See attached.

APPENDIX I
RESERVED

APPENDIX J
FACILITY OUTPUT

Contract Year	Expected Facility Output
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
1st Extension Term (if any)	
2045	
2046	
2047	
2048	
2049	
2nd Extension Term (if any)	
2050	
2051	
2052	
2053	
2054	

APPENDIX K
DEVELOPMENT MILESTONES

1. Notwithstanding the ability of Seller to adjust the Commercial Operation Milestone date as of achievement of the Development Milestone pursuant to Agreement Section 3.3, the earliest Commercial Operation Milestone for the Facility and for each Sister Project shall be as set forth in the table below in the column "Earliest Commercial Operation Milestone Date"; and the construction window within which the Interconnection Facility Milestone must be achieved shall be as set forth in the table below in the column "Interconnection Facility Period":

Facility or Sister Project:	**Seller Name:**	**Earliest Commercial Operation Milestone Date**	**"Interconnection Facility Period"** (***in months after the Development Milestone date***)	**"Earliest Inter-connection Notice Date"**
Sister Project	Beaver St. Solar Partners, LLC	12/31/2020	8 Months	04/30/2020
Sister Project	Cecil Commerce Solar Partners, LLC	12/31/2019	6	06/30/2019
Facility	Forest Trail Solar Partners, LLC	12/31/2020	12	12/31/2019
Sister Project	Westlake Solar Partners, LLC	12/31/2020	6	06/30/2020
Sister Project	Deep Creek Solar Partners, LLC	12/31/2020	6	06/30/2020

Notwithstanding the foregoing, Buyer may reject having more than three (3) projects achieving their Commercial Operation Milestone dates within forty-five (45) days of each other, and, in such event, by written notice to Seller, Buyer may elect to push back the Commercial Operation Milestone Date (and related commencement of the Interconnection Facility Period) for a rejected project to the next forty-five (45) day period to achieve this spacing; provided, however, that Buyer's right to adjust the Commercial Operation Date pursuant to this provision shall not extend any Commercial Operation Date beyond December 31, 2022 (except to the extent this date is extended as a result of an Event of Force Majeure or a Buyer Event of Default.

[continued on following pages]

2. Below is the "**Schedule of Milestones**", which is subject to adjustment as provided in the foregoing Agreement, subject to the limitations set forth in Section 1 of this Appendix K.

Scheduled Milestone Date *Subject to revision pursuant to Agreement Section 3.3(e) and the express provisions of this Appendix*	**Milestone**	**Requirements to Achieve Milestone**
April 1, 2022	Development Milestone	The "Development Milestone" shall be achieved when Seller has: (i) obtained substantially all Governmental Approvals required pursuant to any Legal Requirement to be obtained by Seller to install or operate the Facility as contemplated by this Agreement (it being understood that certain Governmental Approvals may be adjusted through construction, and will not be closed out until after construction of the Facility), and (ii) completed all tasks required to be performed (in Seller's discretion, consistent with Good Utility Practice) prior to commencement of construction of the Facility on the Site. Without limitation, Seller shall be deemed to have obtained substantially all Governmental Approvals to install or operate the Facility as contemplated by this Agreement upon issuance of an Environmental Resource Permit for the Facility.
The last day of the "Interconnection Facility Period" (specified in the Table above) following achievement of the Development Milestone and delivery of the Milestone Notice	Interconnection Facility Milestone	Substantial completion of the Interconnection Facilities, such that Seller may achieve the Commercial Operation Milestone. If Buyer has failed to achieve the Interconnection Facility Milestone by the date for meeting the Interconnection Facility Milestone, the day for completing the Interconnection Facility Milestone shall be extended for up to 60 days if Buyer is making reasonably diligent efforts to cure such failure to perform.

Three (3) months after the Interconnection Facility Milestone	Commercial Operation Milestone	"Commercial Operation" means, as to the Facility, the satisfaction of each of the following conditions: (a) Start-Up Testing of the Solar Units comprising the Facility shall have been completed in accordance with Section 3.6 hereof; (b) Seller has satisfied all requirements of the Interconnection Agreement; and (c) The Solar Units comprising the Facility have been energized and are generating Electric Energy in a safe and reliable manner. Seller shall have the right to achieve the Commercial Operation Milestone by achieving Commercial Operation with installed capacity of ninety percent (90%) or more of the Nameplate Capacity Rating.
December 31, 2023	Liquidated Damages Date	

APPENDIX L
INDEPENDENT EXPERTS

APPENDIX M
FORM OF GUARANTY

APPENDIX N
FORM OF LETTER OF CREDIT

Resolution 2018-23

A RESOLUTION APPROVING THE PARTICIPATION, EXECUTION, DELIVERY AND PERFORMANCE OF GAS SUPPLY AGREEMENTS ASSOCIATED WITH PREPAYMENT PROJECTS OFFERED BY MUNICIPAL SUPPLIERS; DELEGATE AUTHORITY TO EXECUTE SUCH GAS SUPPLY AGREEMENTS AND ALL OTHER TRANSACTIONAL DOCUMENTS TO THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

WHEREAS, JEA has a need for natural gas supplies to serve JEA electric generation facilities; and

WHEREAS, certain municipal gas suppliers ("Gas Supplier") have been created for the purposes of acquiring, financing, and managing secure and economically priced supplies of natural gas for sale to its members, municipal governments, and others; and

WHEREAS, a Gas Supplier plans, develops and funds projects to acquire long-term gas supplies from certain suppliers on a prepaid discount basis to meet the needs of the Gas Supplier's members and customers, all of which are governmental entities ("Prepayment Projects"); and

WHEREAS, JEA may have the opportunity from time to time to secure natural gas supply from a Gas Supplier at advantageous prices; and

WHEREAS, JEA staff comes now to seek the approval of the JEA Board for approval to participate in gas supply agreements ("Gas Supply Agreement") associated with Prepayment Projects under the following terms: the term of the gas supply agreement shall not exceed 30 years; there must be a minimum savings of no less than 20 cents for all prepaid gas supply agreements in excess of 5 years; a maximum volume committed beyond 12 months will not exceed 50% of total estimated annual natural gas throughput; JEA has no responsibility or liability respecting debt service on any issued Bonds of the Gas Supplier and JEA shall be obligated only if and as such natural gas supplies are delivered; and

WHEREAS, the JEA Charter, Section 21.10, provides that the JEA Board may delegate the authority to an officer, agent or employee of JEA by resolution to execute documents.

BE IT RESOLVED by the JEA Board of Directors that:

1. The Board hereby approves of the participation, execution, delivery and performance of Gas Supply Agreements associated with Prepayment Projects offered and negotiated with a Gas Supplier under the following terms: the term of the gas supply agreement shall not exceed 30 years; there must be a minimum savings of no less than 20 cents per MMBtu for all Gas Supply Agreements in excess of 5 years; a maximum volume committed beyond 12 months will not exceed 50% of total estimated annual natural gas throughput; JEA has no responsibility or liability respecting debt service on any issued Bonds of the Gas Supplier and JEA shall be obligated only if and as such natural gas supplies are delivered.
2. The Board hereby delegates to the Managing Director/Chief Executive Officer the authority to execute Gas Supply Agreements and any associated documents, and future amendments thereto.

Dated this ____ day of December, 2018.

JEA

By: ______________________________

G. Alan Howard, Chair

Attest:

____

Reverend Frederick Newbill, Secretary

Approved as to form:

____

Jody Brooks, Chief Legal Officer

III. D.

Fuel Strategy – Pricing Policy Modifications

Return to Agenda

III. D.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 27, 2018

SUBJECT:	**FUEL STRATEGY - PRICING POLICY MODIFICATIONS**

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

Issue: The Pricing Policy is intended to provide broad guidance and to facilitate the management, control and oversight of JEA's pricing structure. Its primary goal is to establish revenue requirements to fully recover the costs necessary to operate and maintain the utility, consistent with its mission, through fair and equitable pricing. The attached Pricing Policy has been updated to reflect a recommended change in the Fuel Stabilization Fund target.

Significance: High.

Effect: The language has been revised from "*The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost*" to "*The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum **fiscal year fuel cost in the preceding five fiscal years** or (ii) the projected **fiscal year** fuel cost*".

Cost or Benefit: This revision will adjust the Fuel Stabilization Fund target from $95 million to approximately $75 million.

Recommended Board action: Staff recommends the Board approve the Pricing Policy revisions and adopt the updated policy document.

For additional information, contact: Ryan Wannemacher, Chief Financial Officer 665-7223

Submitted by: AFZ/ RFW/ JEC

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III. D.
12/11/2018

Building Community

INTER-OFFICE MEMORANDUM
November 27, 2018

SUBJECT:	**FUEL STRATEGY - PRICING POLICY MODIFICATIONS**
FROM:	Aaron F. Zahn, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:

JEA's Pricing Policy (originally called the Pricing Philosophy) was established in November 2005 to provide broad guidance and facilitate the management, control and oversight of JEA's revenue requirements and pricing structure, and was last updated with approval in August 2016.

DISCUSSION:

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

The attached Pricing Policy has been updated to reflect a recommended change in the Fuel Stabilization Fund target. This revision not only accounts for the fundamental change in JEA's portfolio since the highest 12-month fuel cost was achieved (FY11), it also reflects the proactive steps being taken to mitigate fuel market volatility. This includes the current hedging program, the proposed gas prepay agreements, and the most recent solar purchased power agreements.

The language has been revised from "*The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost*" to "*The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum **fiscal year fuel cost in the preceding five fiscal years** or (ii) the projected **fiscal year** fuel cost*".

This revision will adjust the Fuel Stabilization Fund target from $95 million to approximately $75 million. The updates in this Pricing Policy are fully aligned with JEA's guiding principles, and do not include any specific rate actions or any new revenue concepts. This Policy will become effective January 1, 2019.

RECOMMENDATION:

Staff recommends the Board approve the Pricing Policy revisions and adopt the updated policy document.

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/JEC

Ver 2.2 02/01/2014

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~~August 2016~~December 2018

Pricing Policy

I. Scope

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

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

II. Goal and Objectives

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

III. Responsibility for Pricing Policy

The overall Pricing Policy is approved by the JEA Board of Directors and implemented by the Chief Executive Officer, Chief Financial Officer and staff. Annually, during the development of the Five Year Financial Projection that is provided to the credit rating agencies, the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Customer Officer (CCO), Vice President/General Manager Water Wastewater Systems, and Vice

President/General Manager Electric Systems will meet to develop strategy and review pricing and financial performance. JEA's Financial Planning and Rates department will develop and manage processes to implement and administer this Policy. Based on this review, any changes to pricing such that JEA continues to have rates based on cost of service and sufficient to maintain each System's financial integrity will be recommended to the Board for approval.

IV. Authorization

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

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

V. Electric System

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

Base Rate

Structure

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

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

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

Pricing

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

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

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

Gains realized from coordinated dispatch agreements will be allocated to base revenue, unless otherwise directed by the Board.

Fuel Charge

Structure

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

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

Pricing

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

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

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

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

Environmental Charge

Structure

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

Pricing

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

VI. Water and Sewer System

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

Base Rate

Structure

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

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

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

Pricing

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

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

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

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

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

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

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

Environmental Charge

Structure

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

Pricing

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

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

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

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

VII. Five Year Projection

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

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

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

VIII. Stabilization Funds

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

Fuel Stabilization Fund

Target Balance

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

Funding and Authorization

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

Allowable Uses

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

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

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

Excess Funds

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

Customer Benefit Stabilization Fund

Funding and Authorization

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

Allowable Uses

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

Excess Funds

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

Electric System Environmental Stabilization Fund

Funding and Authorization

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

Allowable Uses

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

Excess Funds

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

Water and Sewer System Environmental Stabilization Fund

Funding and Authorization

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

Allowable Uses

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

Excess Funds

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

Debt Management Strategy Stabilization Fund

Funding and Authorization

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

Allowable Uses

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

Excess Funds

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

Non-Fuel Purchased Power (NFPP) Stabilization Fund

Target Balance

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

Funding and Authorization

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

Allowable Uses

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

Excess Funds

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

Health Self-Insurance Reserve

Target Balance

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

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

Funding and Authorization

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

Allowable Uses:

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

Excess Funds

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

IX. Policy Exceptions

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

X. Effective Date

This Pricing Policy became effective October 1, 2005 (originally called "Pricing Philosophy"). This revision will become effective on the date on which it is adopted by the full Board effective ~~October~~ January 1, 2019~~4~~.

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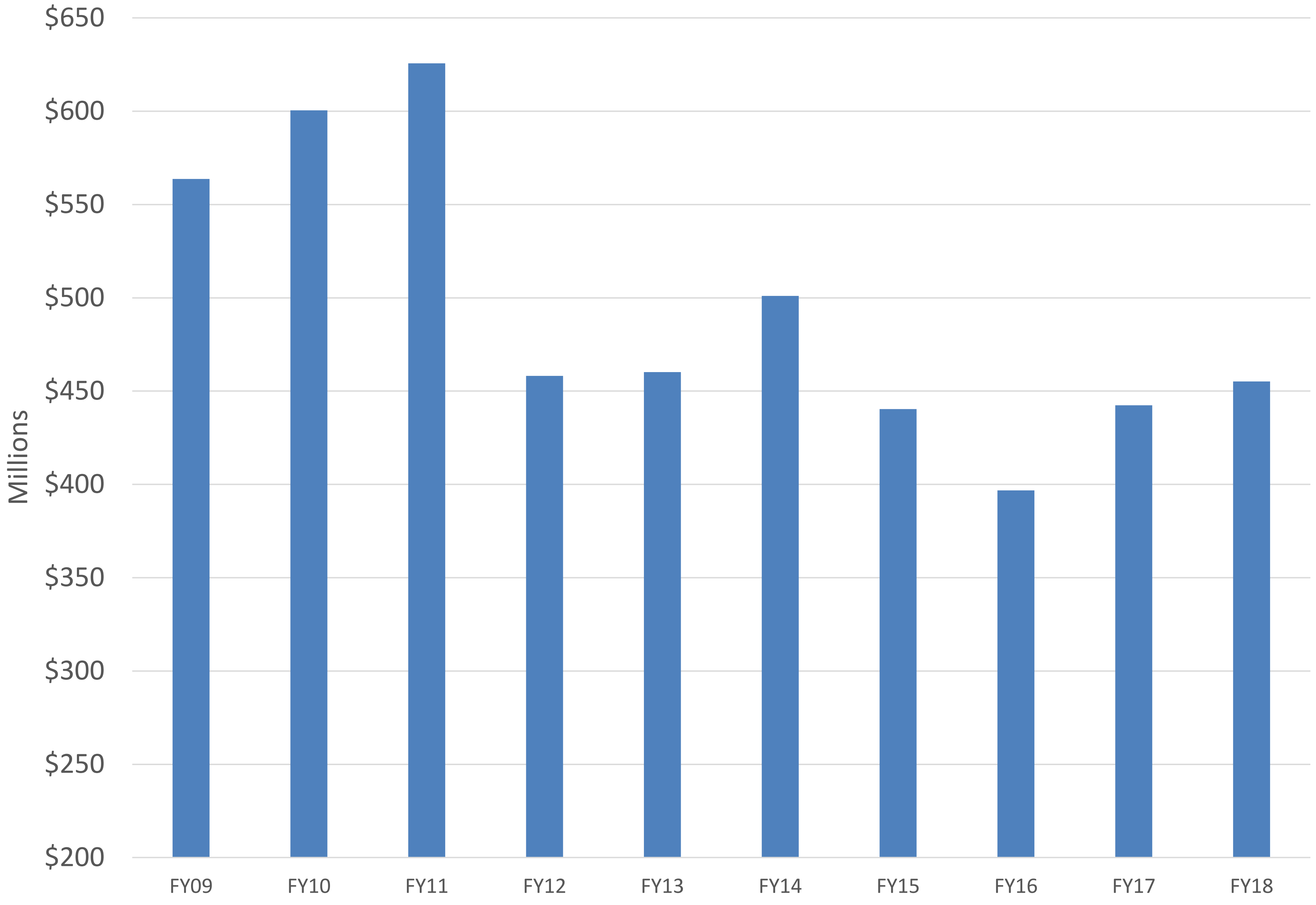
ANNUAL FUEL EXPENSE HISTORY

The maximum fiscal year fuel cost in the preceding 5 fiscal years is $501 million compare to the maximum 12-month historical fuel cost of $630 million



DECEMBER 2018

FUEL STRATEGY

III. E.

Strategic & Timely Asset Realignment Plan

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Building Community

III. E.
12/11/2018

AGENDA ITEM SUMMARY

November 27, 2018

SUBJECT:	**STRATEGIC & TIMELY ASSET REALIGNMENT PLAN**

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

Issue: At the October 16, 2018 Board meeting, staff presented a plan that will augment the financial strength of JEA while achieving the objective of increasing operating efficiency and reducing corporate risk while maintaining a solid AA financial credit rating. Staff is requesting Board approval of the revisions called Strategic & Timely Asset Realignment Plan.

Significance: High. A significant amount of debt will be paid down early while investing $1.9 billion in the JEA systems over the next 5 years with no new debt and no base rate increases.

Effect: The plan is intended to increase operating efficiency and reduce corporate risk while maintaining a solid AA financial credit rating.

Cost or Benefit: The optimization of JEA assets and liabilities include retiring approximately $635 million in debt early in the next 5 years. The JEA balance sheet will be well positioned for a strategic pivot by the business to respond to changing market conditions in the near future.

Recommended Board action: JEA staff is recommending that the Board approve the Strategic & Timely Asset Realignment Plan that will provide the Managing Director/CEO the authorization to execute the early debt defeasances within the stated phases.

For additional information, contact: Ryan Wannemacher, Chief Financial Officer

Submitted by: AFZ/RFW/JEC

Commitments to Action

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

Return to Agenda

III. E.
12/11/2018

Building Community

INTER-OFFICE MEMORANDUM
November 27, 2018

SUBJECT:	**STRATEGIC & TIMELY ASSET REALIGNMENT PLAN**
FROM:	Aaron Zahn, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
At the October 16, 2018 Board meeting, staff presented a plan that will augment the financial strength of JEA while achieving the objective of increasing operating efficiency and reducing corporate risk while maintaining a solid AA financial credit rating. At the direction of the Board, staff has refined the plan to pay down a significant amount of debt early while investing $1.9 billion in the JEA systems over the next 5 years with no new debt and no base rate increases.

DISCUSSION:
The optimization of JEA assets and liabilities include retiring approximately $635 million in debt early in the following phases:

FY19 (Qtr.2)

Utilize cash from the Operations Fund and Renewal & Replacement Fund to defease approximately $195 million of debt

FY19 (Qtr.4)

Utilize cash from Debt Management Strategy Fund, Environmental Fund, and Renewal and replacement Fund to defease approximately $110 million of debt, specific amount to be evaluated at fiscal year end

FY20 – FY23

Currently, the plan allows for $330 million of early debt retirement in years 2020-2023. This amount is subject to change. However, staff will continue to evaluate defeasance opportunities and monitor capital expenditures to achieve optimal asset deployment.

Implementing this execution plan improves the financial value of JEA. Based on conservative sales forecasts, this realignment accelerates reduction of debt outstanding and bolsters free cash flow to invest in the Electric and Water/Wastewater systems. The JEA balance sheet will be well positioned for a strategic pivot by the business to respond to changing market conditions in the near future.

RECOMMENDATION:
JEA staff is recommending that the Board approve the Strategic & Timely Asset Realignment Plan that will provide the Managing Director/CEO the authorization to execute the early debt defeasances within the stated phases.

Aaron Zahn, Managing Director/CEO

III. E.
12/11/2018

JEA®

Strategic & Timely Asset Realignment (STAR)

☆Strategic & Timely Asset Realignment (STAR) Plan

JEA's Financial Strength Revised

Proposed "Plan" that increases operating efficiency and reduces corporate risk includes:

- Increased revolver by $200 million at same pricing / terms and conditions ✓
- Negotiated a contribution agreement extension providing stability through 2023 ✓
- Maintaining solid AA financial credit metrics ✓
- Increase cash flow by an average of ~$80 million annually through 2023
- Pay off ~$1 billion of debt by 2023 – all debt maturing before 2028
- Cash funding ~$1.6 billion in CAPEX for next 4 years
- Increase CAPEX by over 40% over the next 5 years vs. the last 5 years
- No projected base rate increases necessary to execute on plan

The following is the proposed execution plan for Board of Directors' Approval

☆Strategic & Timely Asset Realignment Projections

Repay over $480 million in debt in 2019 and over $1 billion over the next 5 years between both systems

Continue to invest $1.9 billion in the system over the next 5 years with no new debt and no base rate increases

Electric debt to capitalization drops to 49% and water debt to capitalization drops to 31%

Increase operating efficiency of the company

Demonstrate ability and willingness to pay

Maintain solid AA financial credit metrics

($ millions)	2018	2019	2020	2021	2022	2023
Electric Debt Acceleration	$0	$148	$41	$163	$107	$61
Water Debt Acceleration	$0	$157	$0	$0	$0	$0
Cumulative Debt Acceleration	$0	$305	$346	$509	$616	$676
Levered FCF before CAPEX	$402	$522	$556	$609	$540	$498
CAPEX	$373	$511	$446	$353	$323	$337
Electric Debt Remaining	$1,954	$1,672	$1,566	$1,402	$1,285	$1,216
Water Debt Remaining	$1,378	$1,198	$1,144	$1,096	$1,045	$996
Total Debt	$3,332	$2,870	$2,710	$2,498	$2,330	$2,212
Debt to Capitalization (E/WWW)	65%/44%	58%/40%	55%/38%	51%/36%	49%/33%	49%/31%
Days Liquidity (E/WWW)	315/527	301/183	302/183	288/203	274/216	267/244
Base Rate Changes	0%	0%	0%	0%	0%	0%

☆Strategic & Timely Asset Realignment Plan

Early Debt Retirement Phases

Sources

Uses

Next Quarter

Sources: **~$205m**

Operations Fund
Renewal and replacement Fund

Uses: **~$100m** Electric

~$95m Water/Wastewater

- Treasury will execute plan in February
- Defeasance candidates are subject to change based on PFM Review

End of Fiscal Year

Sources: **~$121m**

Renewal and replacement Fund
Debt Management Strategy Fund
Environmental Fund

Uses: **~$48m** in Electric

~$62 in Water/Wastewater

- Board Approval needed to realign Pricing Policy with the overall corporate strategy

End of Calendar Year

Sources: Remaining Cash from SJRPP remediation

Uses: Additional Debt in Electric /SJRPP

- After Early Defeasance, close SJRPP System by refunding its remaining debt in the JEA Electric System

Execution Plan

Future

Sources: **~$340m**

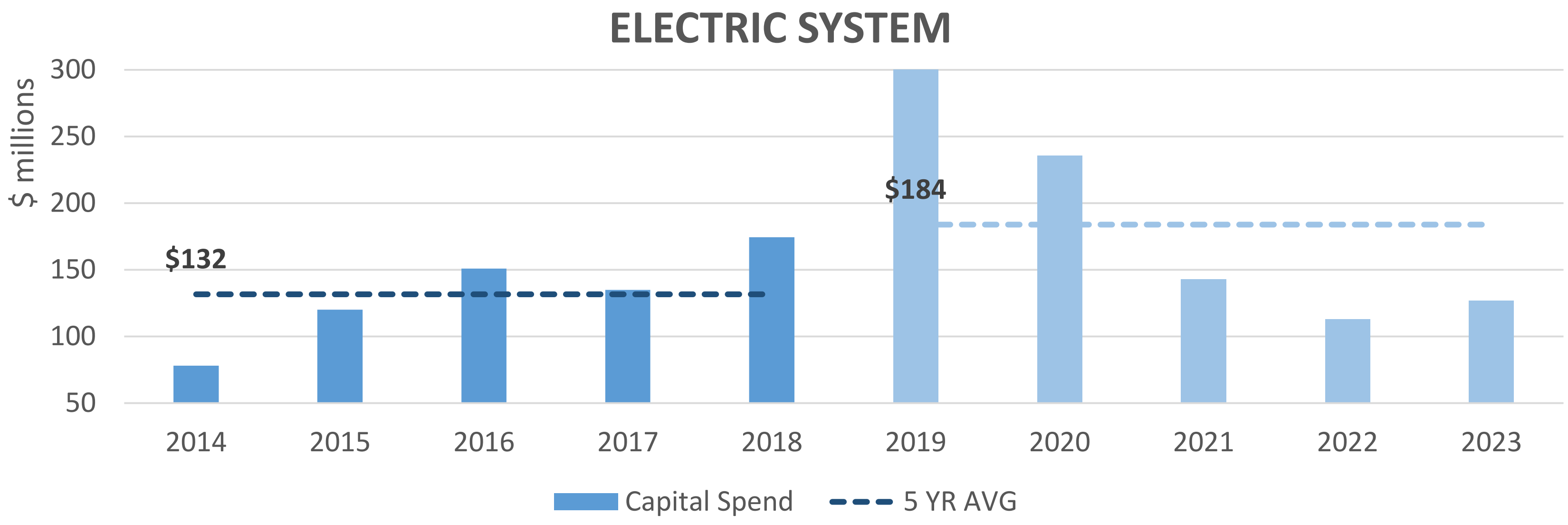
Renewal and replacement Fund

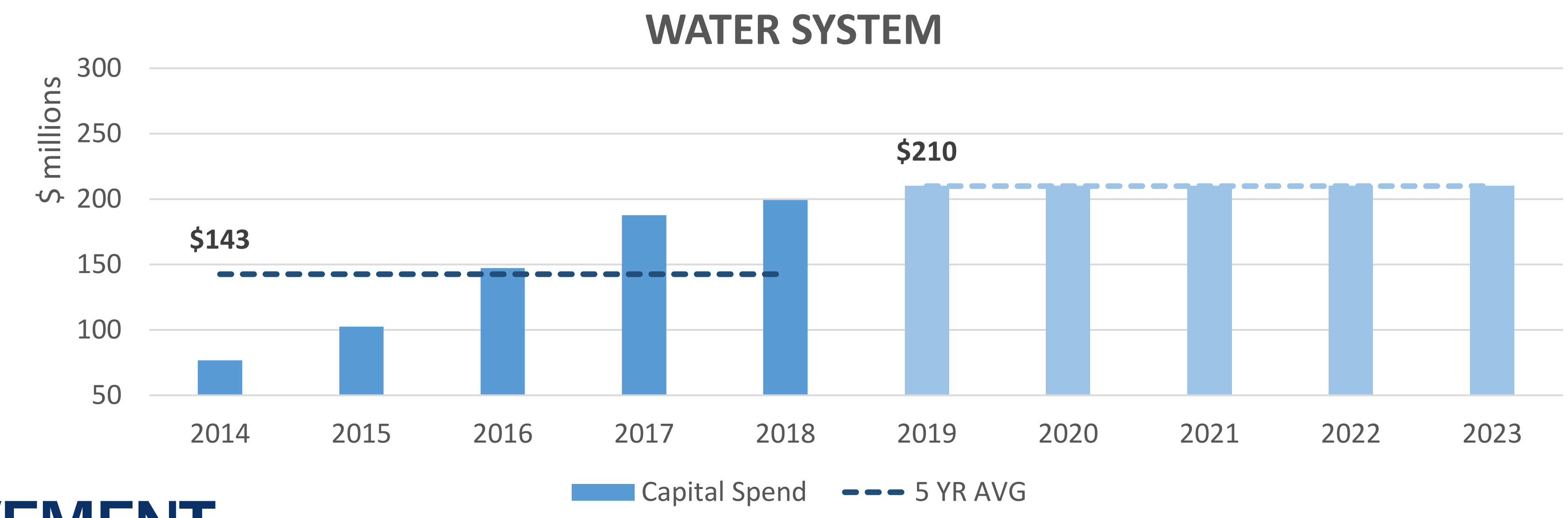
Uses: **~$332m** in Electric

- Continue to aggressively pursue early debt retirements

Estimated Future Plan

43% increase in 5 year average CapEx plan in next 5 years verse last 5 year period



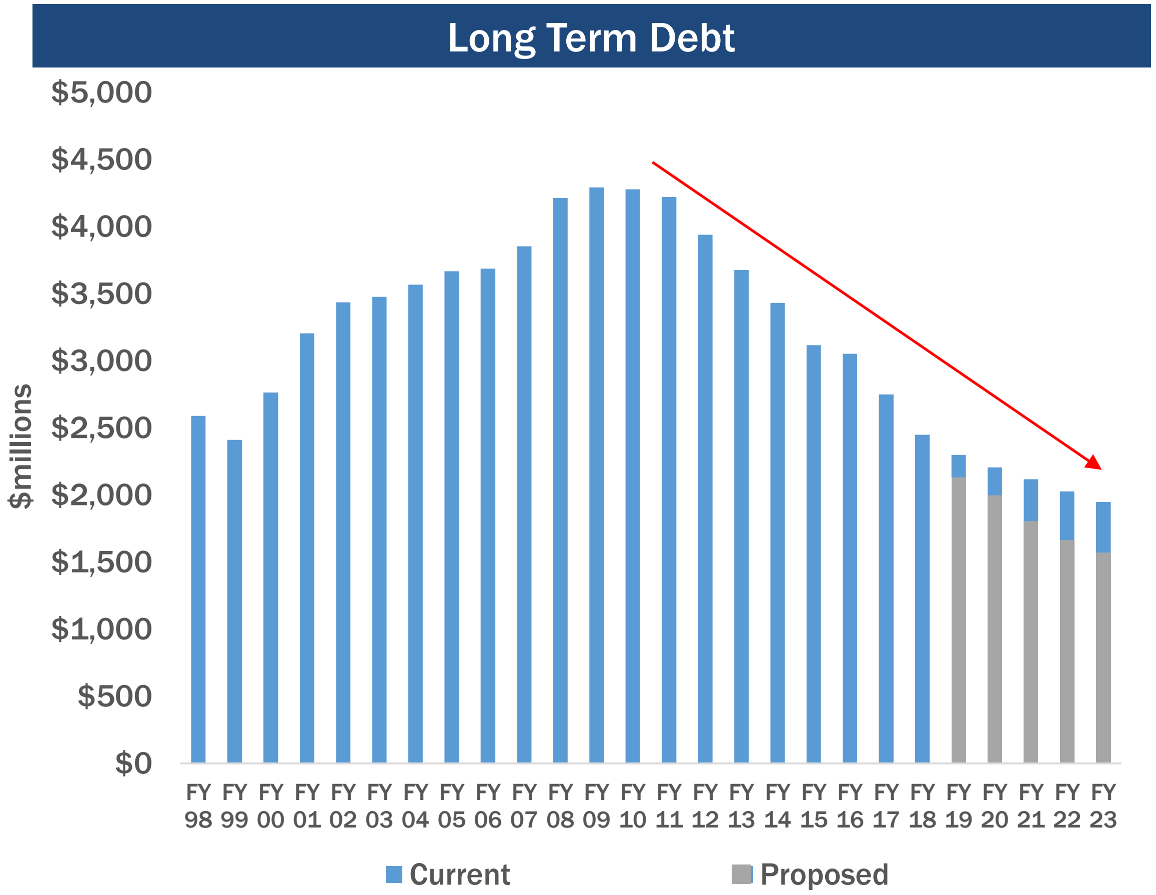


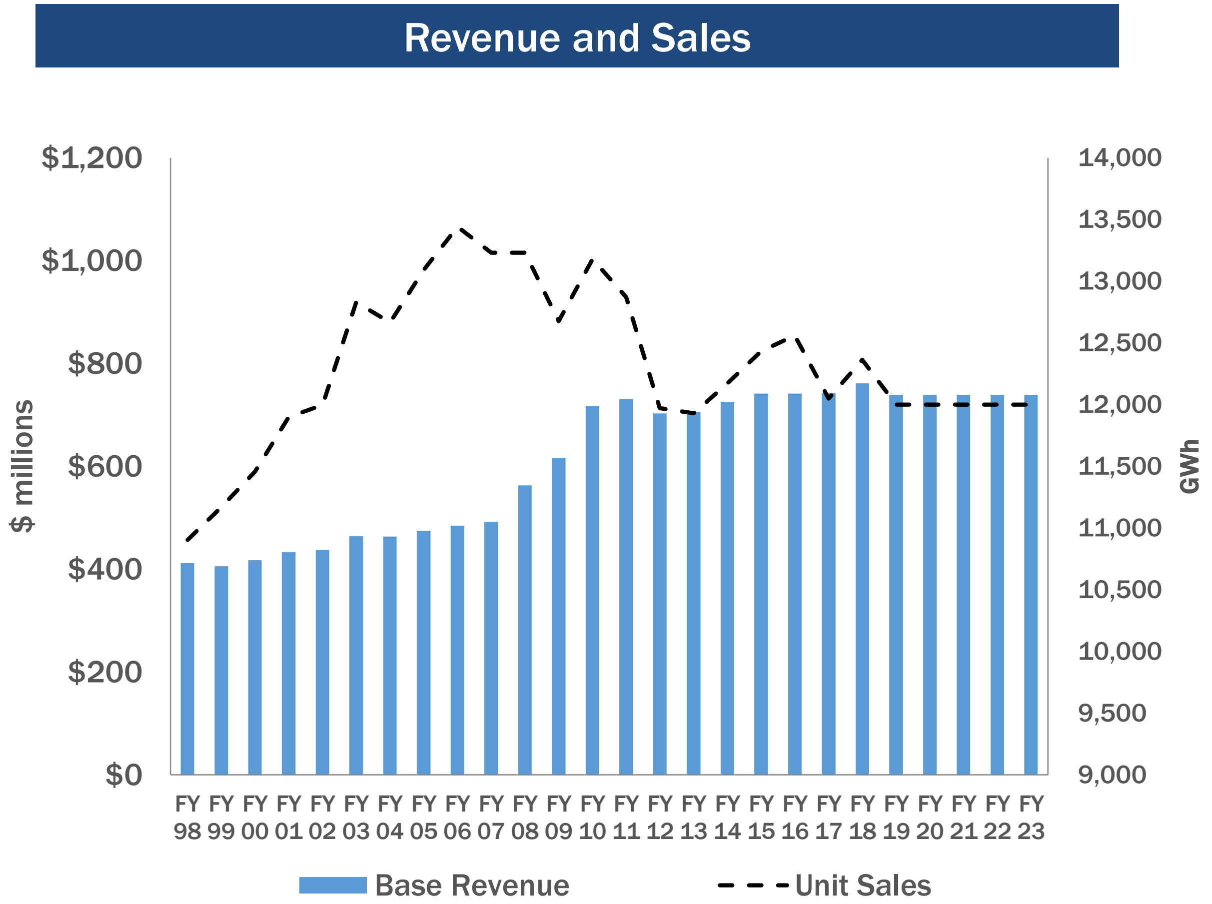
DECEMBER 2018

CAPITAL IMPROVEMENT PLAN

☆Strategic & Timely Asset Realignment Plan Details

ELECTRIC SYSTEM – DECEMBER 2018



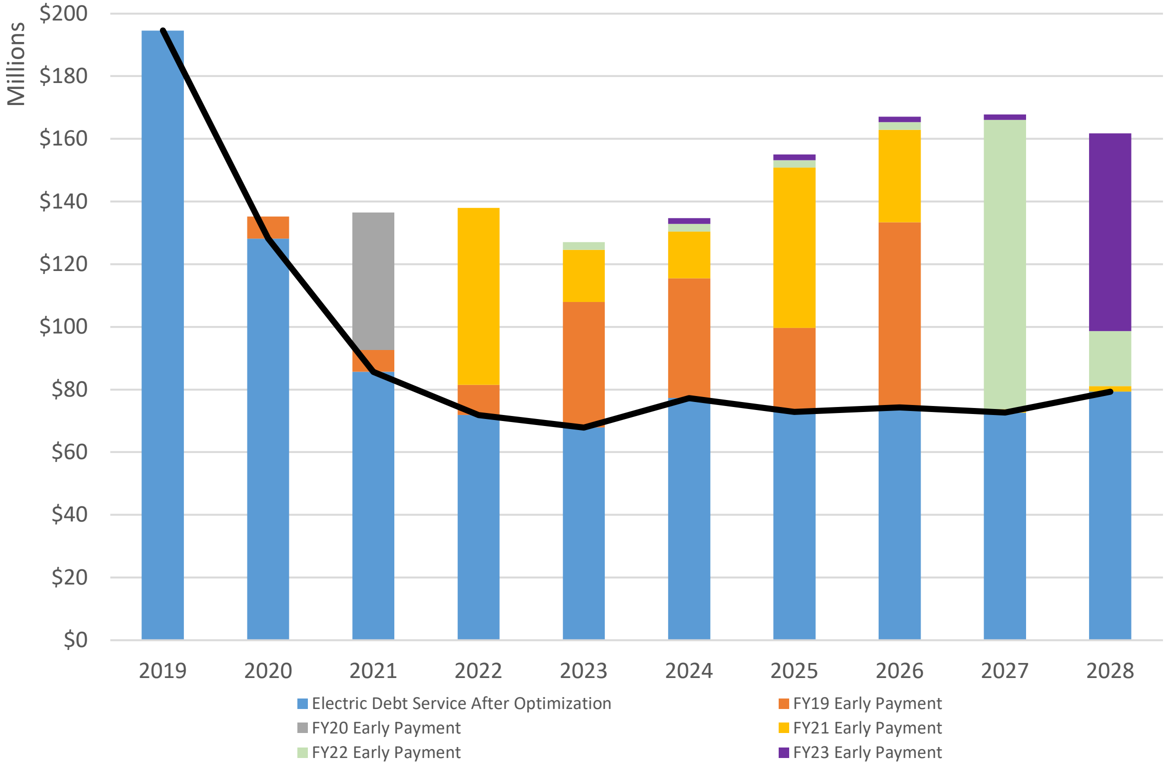


In five years, total debt will be lowest in almost 40 years.
JEA balance sheet will be well positioned for a strategic pivot by reducing fixed obligations through 2028.

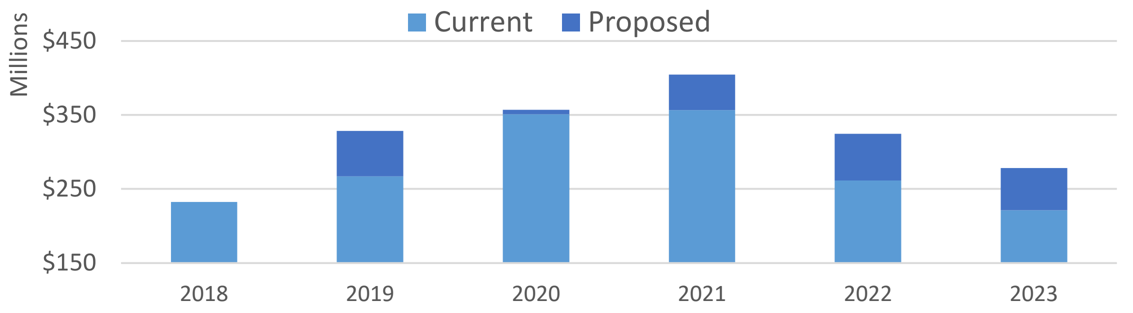
DECEMBER 2018

ELECTRIC DEBT AND REVENUE HISTORY AND PROPOSAL

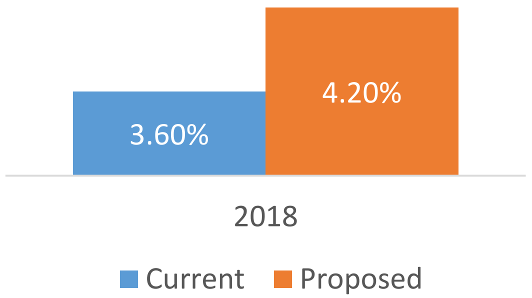
Debt Payment Schedule



Operating Cash Flow



Return on Net Assets



Plan increases RONA by 60 bps

Increases Operating Free Cash Flow by almost ~$240m over the next 5 years (~$48 million per year)

☆Strategic & Timely Asset Realignment

Electric Financial Metrics

Metrics	FY18	Phase 1 ∆ vs FY18	Qtr 2	Phase 2 ∆ vs FY18	End of FY19	Phase 3 ∆ vs FY18	End of FY23
Debt Service Coverage	2.3x	*+0.5x*	2.8x	*+0.5x*	2.8x	*3.5x*	5.8x
Fixed Charge Coverage	1.7x	*+0.4x*	2.1x	*+0.4x*	2.1x	*0.2x*	1.9x
Days of Cash	218	*-85*	133	*-108*	110	*-123*	95
Days of Liquidity	315	*+9*	324	*-14*	301	*-48*	267
Debt to Capitalization	65%	*-6%*	59%	*-7%*	58%	*-16%*	49%
Return on Equity	15.2%	*+4.2%*	19.4%	*+3.8%*	19.0%	*-13.1%*	2.1%
Return on Net Assets	5.2%	*+2.3%*	7.5%	*+2.2%*	7.4%	*-4.2%*	1.0%

Main Drivers:
- Vogtle
- Increased operating expenses
- No rate increases
- Flat sales

Balance Sheet ($millions)	FY18	Phase 1 ∆ vs FY18	Qtr 2	Phase 2 ∆ vs FY18	End of FY19	Phase 3 ∆ vs FY18	End of FY23
Total Assets	$4,233	*($204)*	$4,029	*($258)*	$3,975	*($804)*	$3,429
Total Debt Outstanding	$2,019	*($100)*	$1,919	*($270)*	$1,749	*($755)*	$1,264
Total Other Liabilities	$1,162	*($242)*	$920	*($138)*	$1,024	*($282)*	$880
Total Net Position	**$1,052**	***$138***	**$1,190**	***$150***	**$1,202**	***$233***	**$1,285**

Need to execute on STAR now to prepare for 2023

☆Strategic & Timely Asset Realignment

Electric Sources and Uses of Funds

SOURCES ($millions)	Phase 1	Phase 2	Total
Cash Flow from Operations	$0	$122	$122
Operation Fund	$35	$0	$35
Renewal & Replacement Fund	$70	$0	$70
Debt Management Fund	$0	$30	$30
Environmental Fund	$0	$23	$23
Total Funds	**$105**	**$175**	**$280**

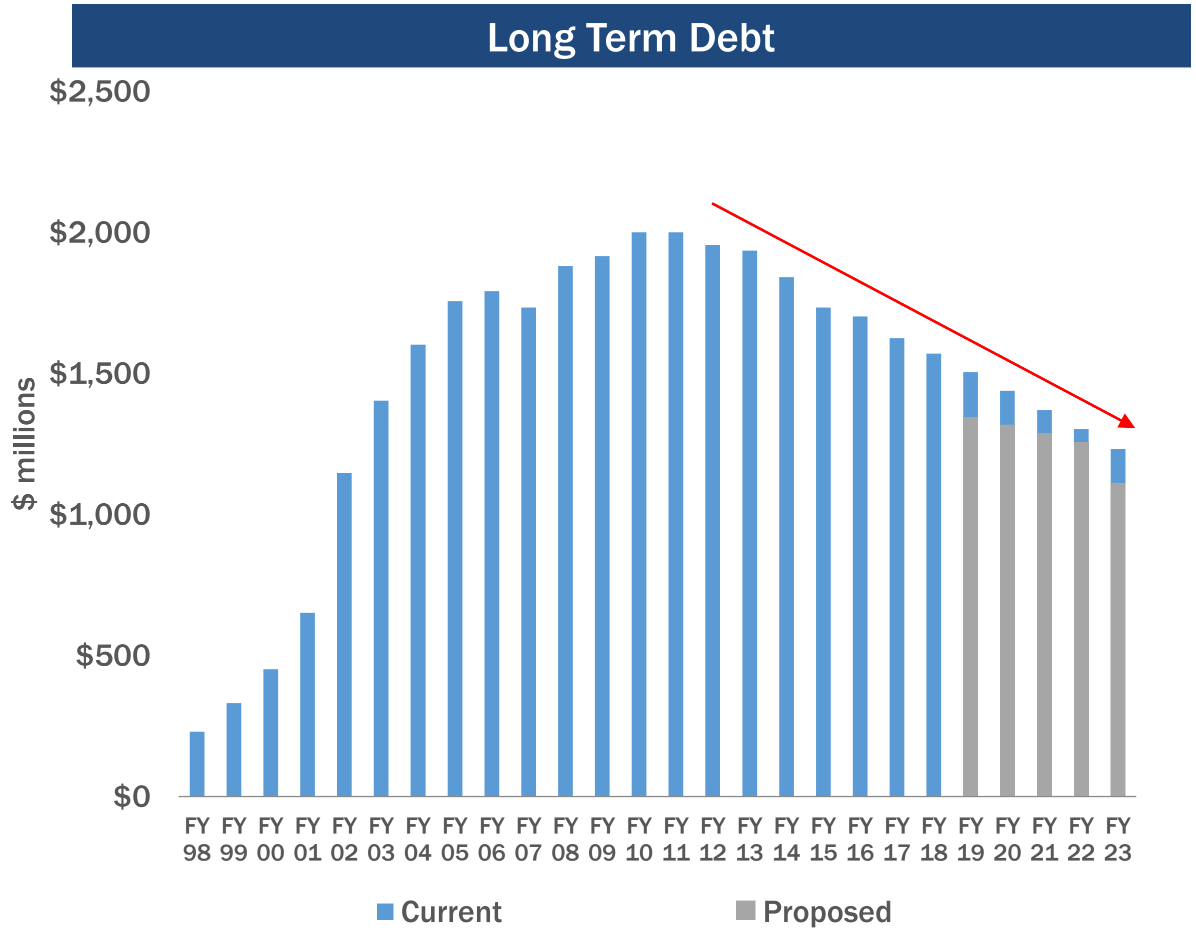
USES ($millions)	Phase 1	Phase 2	Total
Principal Scheduled Defeased	$0	$122	$122
Principal Early Defeased	$100	$48	$148
Escrow Cost*	$5	$5	$10
Total Escrow	**$105**	**$175**	**$280**

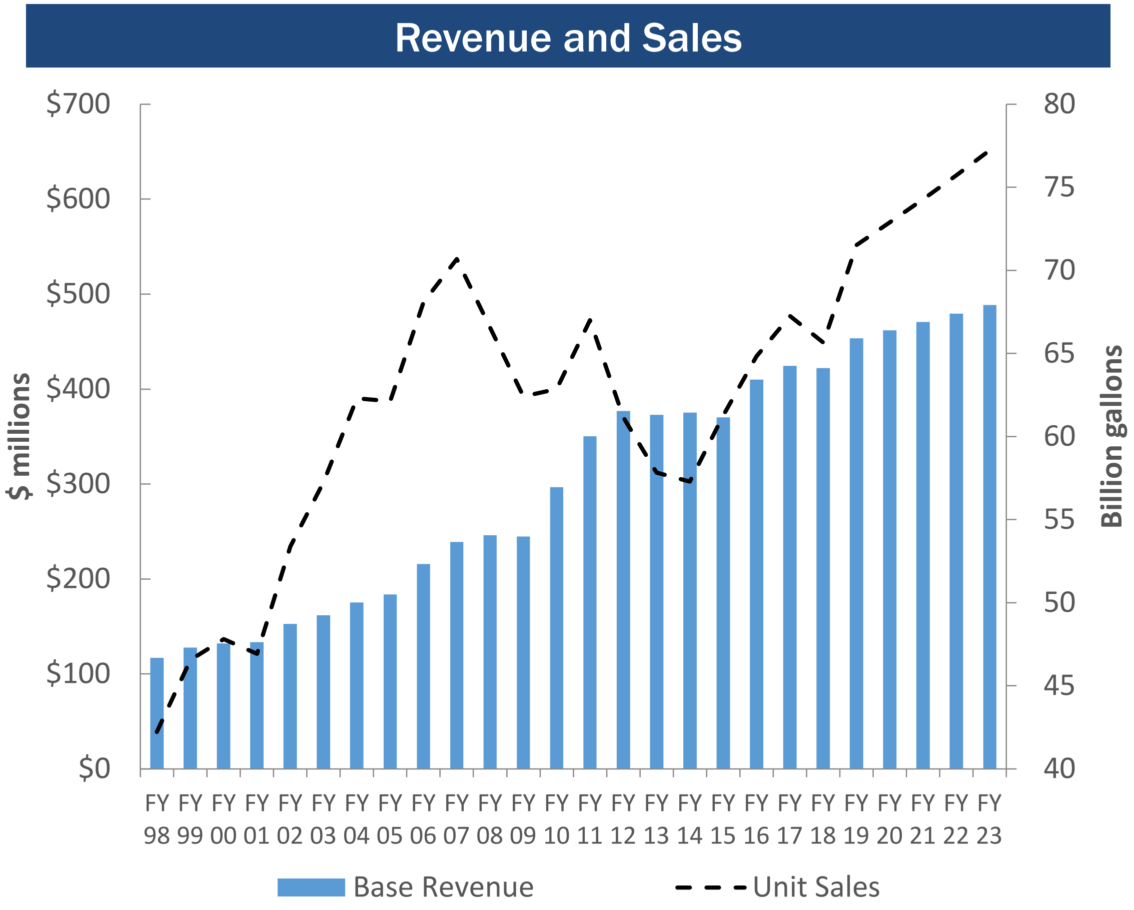
*Costs are subject to change due to fluctuations in future market conditions

☆Strategic & Timely Asset Realignment Plan Details

JEA®

WATER SYSTEM – DECEMBER 2018



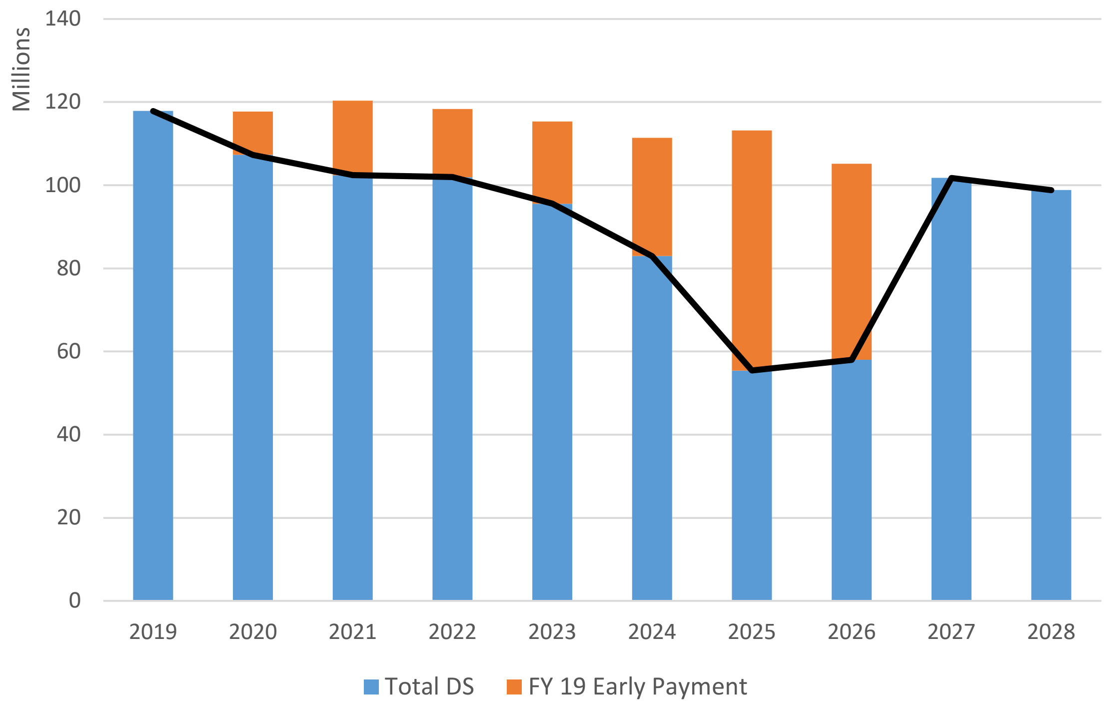


DECEMBER 2018

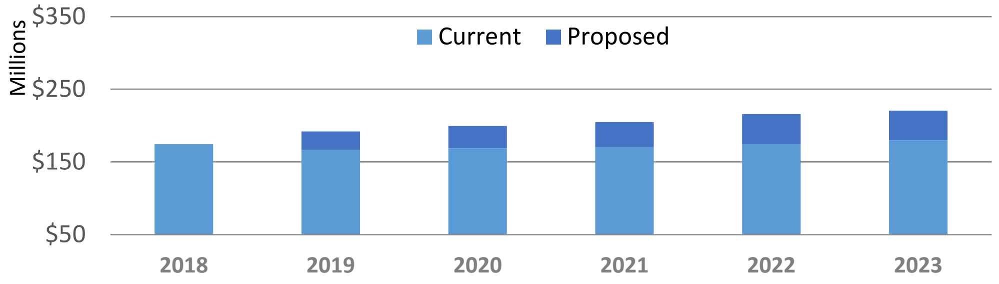
In five years the total debt will be the lowest in 20 years

WATER/WASTEWATER DEBT AND REVENUE HISTORY AND PROPOSAL

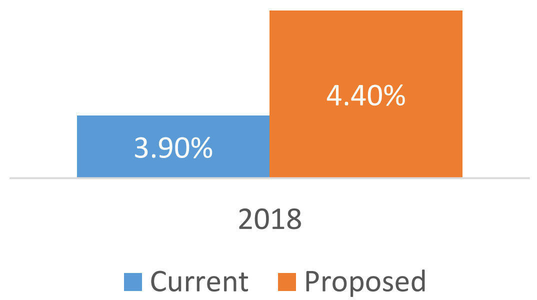
Debt Payment Schedule



Operating Cash Flow



Return on Net Assets



Plan increases RONA by 50 bps

Increases Operating Free Cash Flow by over $157m over the next 5 years (~$31 million per year)

DECEMBER 2018

WATER/WASTEWATER RESTRUCTURING IMPACTS

☆Strategic & Timely Asset Realignment

Water/Wastewater Financial Metrics

Metrics	FY18	Phase 1 Δ vs FY18	Qtr 2	Phase 2 Δ vs FY18	End of FY19	Phase 3 Δ vs FY18	End of FY23
Debt Service Coverage	2.8x	*+0.3*	3.1x	*+0.3*	3.1x	*+0.9*	3.7x
Fixed Charge Coverage	2.6x	*+0.1*	2.7x	*+0.1*	2.7x	*+0.8*	3.4x
Days of Cash	434	*-218*	216	*-335*	99	*-273*	161
Days of Liquidity	527	*-227*	300	*-344*	183	*-283*	244
Debt to Capitalization	44%	*-3%*	41%	*-4%*	40%	*-13%*	31%
Return on Equity	5.1%	*+0.7%*	5.8%	*+0.3%*	5.4%	*+0.1%*	5.2%
Return on Net Assets	2.9%	*+0.5%*	3.4%	*+0.3%*	3.2%	*+0.7%*	3.6%

Balance Sheet ($millions)	FY18	Phase 1 Δ vs FY18	Qtr 2	Phase 2 Δ vs FY18	End of FY19	Phase 3 Δ vs FY18	End of FY23
Total Assets	$3,580	*($97)*	$3,483	*($165)*	$3,415	*($12)*	$3,568
Total Debt Outstanding	$1,477	*($95)*	$1,382	*($212)*	$1,265	*($409)*	$1,068
Total Other Liabilities	$517	*($84)*	$433	*($28)*	$489	*($87)*	$430
Total Net Position	$1,586	***$82***	$1,668	***$75***	$1,661	***$484***	$2,070

By 2023, JEA Water/Wastewater Net Position will be greater than JEA Electric

☆Strategic & Timely Asset Realignment

Water/Wastewater Sources and Uses of Funds

SOURCES ($millions)	Phase 1	Phase 2	Total
Cash Flow from Operations	$0	$55	$55
Operation Fund	$0	$0	$0
Renewal & Replacement Fund	$100	$41	$141
Debt Management Fund	$0	$14	$14
Environmental Fund	$0	$13	$13
Total Funds	**$100**	**$123**	**$223**

USES ($millions)	Phase 1	Phase 2	Total
Principal Scheduled Defeased	$0	$55	$55
Principal Early Defeased	$95	$62	$157
Escrow Cost*	$5	$6	$11
Total Escrow	**$100**	**$123**	**$223**

*Costs are subject to change due to fluctuations in future market conditions

Questions?

III. F.

Electric Advance Agreement between JEA and the Energy Authority (TEA)

Return to Agenda

III. F.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 27, 2018

SUBJECT:	**ELECTRIC ADVANCE AGREEMENT BETWEEN JEA AND THE ENERGY AUTHORITY (TEA)**

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

Issues: (1) The Energy Authority (TEA) was organized to perform the electric and natural gas wholesale marketing functions for its founding members, including JEA. The members of TEA provide the credit support necessary for TEA's electric trading business. The last advance agreements were executed in March, 2018. The new revised agreements, dated January 1, 2019 are necessary due to change in membership of TEA. (2) Currently, the Managing Director/CEO has the authority to approve guaranties and amended natural gas agreements on behalf of JEA; however, due to a scrivener's error in the Board item in October 2000, does not have the same authority for electric advance agreements.

Significance: The Electric Advance agreements must be executed prior to January 1, 2019, to allow TEA to continue to provide the marketing functions for JEA. Additionally, the Managing Director/CEO will have the same authority to execute future electric agreements as for the natural gas agreements.

Effect: N/A

Cost or Benefit: The Managing Director/CEO would have the benefit of transacting normal business transactions related to our guaranty liabilities.

Recommended Board action: Staff recommends that the Board 1) ratify guaranties given under the Electric Advance Agreement and authorize the Managing Director/CEO to execute the attached agreements in substantially the form attached and to make non-substantive changes to these documents, such changes to be approved by JEA's Chief Legal Officer, and 2) authorize the Managing Director/CEO to execute from time to time an amended Electric Advance Agreement and related guaranties in substantially similar form, with approval of JEA's Chief Legal Officer, so long as the total advance is no greater than $34,286,000, plus attorneys' fees.

For additional information, contact: Jody Brooks, 904-665-6383

Submitted by: AFZ/MD/JB

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Building Community

INTER-OFFICE MEMORANDUM
November 26, 2018

SUBJECT:	**ELECTRIC ADVANCE AGREEMENT BETWEEN JEA AND THE ENERGY AUTHORITY (TEA)**
FROM:	Aaron F. Zahn, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
The Energy Authority (TEA) was organized in 1997 to perform the electric wholesale marketing function for its founding members, including JEA. The members of TEA provide the credit support necessary for TEA's electric trading business. Generally, JEA's guaranty obligations for electric would arise if TEA did not make the required payment for energy, capacity or transmission which was delivered or if TEA failed to deliver or provide energy, capacity or transmission as required under a contract. No claim has ever been made on any guaranty JEA has given related to TEA. JEA is a party to the Restated and Amended Electric Advance Agreement among TEA, JEA and the other members of TEA, dated as of March 1, 2018. This contingent liability of JEA has been disclosed in its Annual Disclosure Report and audited financial statements for over a decade.

DISCUSSION:
In October 2000, the JEA Board authorized the Managing Director/CEO to annually execute and amend the Gas Advance Agreement and the guaranties issued thereunder. At that time, the intent was to provide the same type of authorization for the Electric Advance Agreement. However, due to a scrivener's error, this did not occur. The purpose of this item is to rectify this error, ratify guaranties given under the Electric Advance Agreement and authorize the Managing Director/CEO to periodically execute guaranties of up to $34,286,000 in the aggregate (plus attorneys' fees), and related documentation, required to be issued under the Electric Advance Agreement.

Included with this package are:

1. Trade Guaranty Agreement dated January 1, 2019
2. Miso Addendum to Trade Guaranty Agreement dated January 1, 2019
3. Unconditional Guaranty (Electric) dated January 1, 2019
4. SPP Guaranty Agreement dated January 1, 2019

RECOMMENDATION:
Staff recommends that the Board 1) ratify guaranties given under the Electric Advance Agreement and authorize the Managing Director/CEO to execute the attached agreements in substantially the form attached and to make non-substantive changes to these documents, such changes to be approved by JEA's Chief Legal Officer, and 2) authorize the Managing Director/CEO to execute from time to time an amended Electric Advance Agreement and related guaranties in substantially similar form, with approval of JEA's Chief Legal Officer, so long as the total advance is no greater than $34,286,000, plus attorneys' fees.

Aaron F. Zahn, Managing Director/CEO

AFZ/MD/JB

original to Randy Boswell 10/17/00 CB

III. F.
12/11/2018

II E-3
10-17-00

JEA

INTER-OFFICE CORRESPONDENCE
October 9, 2000

SUBJECT: **ADVANCE AGREEMENT BETWEEN JEA AND THE ENERGY AUTHORITY**

FROM: Walt Bussells, Managing Director/CEO

TO: JEA Production Committee

Jim England, Chairman
Ernie Isaac, Vice Chairman
Dr. Leroy Polite, Member

APPROVED BY THE JEA
AT ITS MEETING ON 10-17-00
AGENDA ITEMS # II E-3

BACKGROUND:
The Energy Authority (TEA) was organized in 1997 to perform the electric wholesale marketing function for its founding members. Three new members have since joined TEA. The members of TEA have also entered into a Restated and Amended Operating Agreement that provides for TEA aggregating the natural gas purchasing for and on behalf of the members. The JEA Board approved this agreement at its July 18, 2000 meeting.

DISCUSSION:
Electric Advance Agreement -
The Electric Advance Agreement has been revised to account for the addition of new members, and to specify that credit under this agreement will be solely for electric transactions. The amount of the advance is unchanged for large members such as JEA ($15M) and establishes a $5M level for medium-sized members.

Natural Gas Advance Agreement -
Not all members of TEA use natural gas as a fuel for electric generation. A Natural Gas Advance Agreement has been developed which provides credit support to TEA for gas transactions on behalf of members who use natural gas. The types of credit support are identical to that used for electric trading (cash, trade guarantee, bank guarantee) and in addition, a member letter of credit may be used. Unlike electric, where the guarantee amounts are equal within a membership class, the gas guarantee amounts are prorated based upon projected member annual volumes. Annually, TEA members will forecast natural gas use and revised advance limits will be determined. For calendar 2001, the JEA advance limit is set to $31,900,000, of which at most $4,200,000 will be in the form of cash. It is not anticipated at this time that the advance amount will exceed $50,000,000 for any year, or the cash portion exceed $6,000,000.

Included with this package are:

1. Restated and Amended Electric Advance Agreement
2. Natural Gas Advance Agreement
3. Opinion of Tax Counsel (Orrick Herrington & Sutcliff)

The Office of General Counsel has reviewed and approved these agreements.

RECOMMENDATION:

That the Board (1) approve the attached Electric and Gas Advance Agreements; and the guarantees referenced therein, (2) authorize the Managing Director to execute these agreements in substantially the form attached and to make non-substantive changes to these documents, such changes to be approved by the Office of General Counsel, and (3) authorize the Managing Director to annually execute an amended Gas Advance Agreement in substantially similar form, with approval of General Counsel, so long as the total advance is less than $50,000,000 and cash less than $6,000,000.

Walt Bussells, Managing Director/CEO

WB/RJB/kdp

TRADE GUARANTY AGREEMENT

This Trade Guaranty Agreement (this "Guaranty") is dated as of January 1, 2019 by JEA, Municipal Electric Authority of Georgia ("MEAG Power"), South Carolina Public Service Authority ("Santee Cooper"), Nebraska Public Power District ("NPPD"), American Municipal Power, Inc. ("AMP"), City of Gainesville, Florida doing business as Gainesville Regional Utilities ("GRU"), City Utilities of Springfield, Missouri ("City Utilities"), and all future members of The Energy Authority, Inc., a Georgia nonprofit corporation ("TEA") which become guarantors hereunder through a Guaranty Addendum as described herein (collectively, the "Guarantors") in favor of the beneficiaries designated from time to time as indicated below or their successors and assigns (the "Counterparties"). This Guaranty amends and restates, and upon execution, supersedes, that certain Trade Guaranty Agreement dated as of March 1, 2018 of the Guarantors and of Public Utility District No. 1 of Cowlitz County, Washington.

In consideration of the premises and the Counterparties' from time to time entering into certain contracts with TEA, the Guarantors agree as follows:

1. **GUARANTY**. Subject to the provisions hereof, Guarantors hereby severally, and not jointly, irrevocably and unconditionally guarantee the payment obligations of TEA when due, whether accruing prior to the date hereof or hereafter (the "Obligations") under the contract (the "Contract") designated on the Beneficiary Designation Schedule in the form attached hereto as Exhibit A which is completed and executed by TEA, but only to the extent of the respective guaranty amount for each Guarantor (the "Guaranty Amount") set out therein. The Guarantors acknowledge and agree that all payment obligations outstanding or having accrued as of the date hereof shall be included within the Obligations and shall be expressly guaranteed hereunder by the Guarantors. The Guarantors shall be bound by the Beneficiary Designation Schedules executed by an authorized officer of TEA, but in no case shall the aggregate amount guaranteed from time to time under this Guaranty exceed $17,428,571.43 each in the case of AMP, JEA, MEAG Power, NPPD and Santee Cooper, $5,809,523.81 each in the case of GRU and City Utilities or such other amounts relating to any future Guarantors as may be indicated on any Guaranty Addendum described below (the "Guaranty Limit"). If TEA shall at any time fail or refuse to pay any Obligations to the Counterparty when due, the Guarantor will make such payment, to the extent of the Guaranty Amount and to the extent of the Guaranty Limit. If TEA shall at any time fail to deliver capacity or energy as required by the Contract, the Guarantors shall not be obligated to deliver such capacity or energy, but will be obligated to pay the Obligations to the extent of the Guaranty Amount and to the extent of the Guaranty Limit. The guaranty granted hereunder shall constitute a guaranty of payment and not of collection. In no event shall the Guarantors be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive, tort, or any other damages, costs, or (except to the extent recoverable under the Contract) attorney's fees.

2. **DEMANDS AND NOTICE**. If TEA fails or refuses to pay any Obligations, the Counterparty shall notify the Guarantors in writing specifying the manner in which TEA has failed to pay, including the details of the computation of the amount due, demanding that payment be made by the Guarantors and including the address or wire transfer instructions to which payment should be sent. Payment by the Guarantors to the extent of the Guaranty Amount shall be made within five (5) business days of receipt from the Counterparty of such

written demand for payment hereunder. Such demands for payment shall be sent to the Guarantors at the addresses identified in the Beneficiary Designation Schedule. Notice shall be effective upon actual receipt. Notices from TEA hereunder to the Counterparty shall be delivered as provided in the Contract.

3. **REPRESENTATIONS AND WARRANTIES**. Guarantors each represent and warrant (but only as to itself) as follows:

(a) JEA is a public body corporate and politic created under the laws of the State of Florida; Municipal Electric Authority of Georgia is a public corporation and instrumentality of the State of Georgia; South Carolina Public Service Authority is a body corporate and politic created by the laws of the State of South Carolina; Nebraska Public Power District is a public corporation and political subdivision of the State of Nebraska; American Municipal Power, Inc. is a non-profit corporation organized under the laws of the State of Ohio; the City of Gainesville, Florida, doing business as Gainesville Regional Utilities is a Florida municipal corporation; and City Utilities of Springfield, Missouri is a component unit of the City of Springfield, Missouri. Any future member of TEA which becomes a Guarantor shall make a similar representation and warranty in the Guaranty Addendum;

(b) The execution, delivery and performance of this Guaranty has been and remains duly authorized by all necessary governmental and board action and does not contravene any provision of the Guarantor's organizational or governing documents or any law, regulation or contractual restriction binding on it or its assets;

(c) No authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over the Guarantor is required on the part of the Guarantor for the execution and delivery of this Guaranty, other than those which have been obtained;

(d) This Guaranty constitutes a valid and legally binding agreement of the Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

4. **SETOFF AND COUNTERCLAIMS**. Without limiting a Guarantor's own defenses and rights hereunder, each Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which TEA is or may be entitled to arising from or out of the Contract or otherwise, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of TEA.

5. **AMENDMENT OF GUARANTY**. No term or provision of this Guaranty may be amended, modified, altered, waived or supplemented except in a writing signed by the parties hereto; except that additional Guarantors may be added and the Guaranty Amount of any existing Guarantor shall be adjusted accordingly (so long as the aggregate Guaranty Amount from all Guarantors is not reduced) by a Guaranty Addendum and a new Beneficiary Designation Schedule, without the written consent of the Counterparty and without the need for the written consent of any existing Guarantor; provided that if the Counterparty objects to the addition of

any Guarantor and the adjustment of Guaranty Amounts of existing Guarantors, it shall, by written notice to TEA received by TEA within five (5) business days after receipt by the Counterparty of the Guaranty Addendum, assert such objection, in which case this Guaranty shall be deemed terminated as to such Counterparty as of the date of receipt by TEA of such objection as to all future transactions not yet entered into under the Contract.

6. **WAIVERS**. Each Guarantor hereby waives (i) notice of acceptance of this Guaranty; (ii) diligence, presentment, protest, notice of dishonor and demand concerning the liabilities of the Guarantors, except as expressly hereinabove set forth; and (iii) any right to require that any action or proceeding be brought against TEA or any other person, or to require that Counterparty seek enforcement of any performance against TEA or any other person, prior to any action against Guarantors under the terms hereof.

Except as to applicable statutes of limitation, no delay of a Counterparty in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights or a release of the Guarantors from any obligation hereunder.

The Guarantors consent to the renewal, compromise, extension, acceleration or other changes in the time of payment of or other changes in the terms of the Obligations or any part thereof or any changes or modifications to the terms of the Contract.

If at any time payment under the Contract is rescinded or must be otherwise restored or returned by the Counterparty upon the insolvency, bankruptcy or reorganization of TEA or any Guarantor or otherwise, Guarantors' obligations hereunder with respect to such payments shall be reinstated upon such restoration or return being made by the Counterparty.

7. **DURATION OF GUARANTY**. The Guarantors (or any of them) or TEA may terminate this Guaranty by providing written notice of such termination to the Counterparty; and upon the effectiveness of such termination, the Guarantors shall have no further liability hereunder, except as provided in the last sentence of this paragraph. No such termination shall be effective until five (5) business days after receipt by the Counterparty of such termination notice, except as provided in paragraph 5 above. No such termination shall affect the Guarantors' liability with respect to any transaction under the Contract which transaction was entered into prior to the time the termination is effective, which transaction shall remain guaranteed pursuant to the terms of this Guaranty.

8. **GUARANTY ADDENDA**. As new members are admitted to TEA, such new members shall agree that this Guaranty is its legal, valid and binding obligation as if it had executed the Guaranty as of the date hereof by executing the form of Guaranty Addendum attached hereto as Exhibit B, specifying the Guaranty Limit applicable to it and stating the representation and warranty similar to that contained in Section 3(a) hereof.

9. **ABSOLUTE GUARANTY**. The obligations of the Guarantors under this Guaranty will be absolute and unconditional, and will not be affected, modified, impaired, reduced or abated as to the Guarantor upon the happening of any event, including, without limitation, any of the following:

(a) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment, composition with creditors or readjustment of, or other similar proceedings, affecting TEA; or

(b) any default or failure of any Guarantor of the same debt to perform fully its obligations; or

(c) the invalidity or unenforceability of the Contract, or any contest of the validity of the Contract; or

(d) the release or discharge of any Guarantor of the same debt; or

(e) any change in the corporate existence, structure or ownership of TEA;

provided that the specific enumeration of the above-mentioned events, matters or conditions shall not be deemed to exclude any other events, matters or conditions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the obligations of the Guarantor shall be absolute and unconditional. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

10. **BINDING EFFECT**. This Guaranty shall be binding upon the successors of the Guarantors. The obligation of the Guarantors may not be assigned without the consent of the Counterparties.

11. **GOVERNING LAW**. This Guaranty shall be interpreted and construed according to the laws of the State of Florida, without regard to its principles of conflicts of laws.

12. **SEVERABILITY**. Should any one or more of the provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions, nevertheless, shall remain effective and binding on the Guarantors.

EXECUTED as of the day and year first above written.

JEA

By:________________________________
Aaron F. Zahn
Managing Director and Chief Executive Officer

Approved as to Form

____
Jody Brooks
Chief Legal Officer

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

By:________________________________
James E. Fuller
President and Chief Executive Officer

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By:________________________________
James E. Brogdon, Jr.
Interim President and Chief Executive Officer

NEBRASKA PUBLIC POWER DISTRICT

By:________________________________
Patrick L. Pope
President and Chief Executive Officer

AMERICAN MUNICIPAL POWER, INC.

By:________________________________
Marc S. Gerken
President

Approved as to Form:

By: _________________________
Rachel Gerrick
Senior Vice President and General
Counsel for Corporate Affairs

CITY OF GAINESVILLE, FLORIDA

By:________________________________
Edward J. Bielarski, Jr.
General Manager for Utilities

Approved as to Form and
Legality:

____
Keino Young
Utilities Attorney

CITY UTILITIES OF SPRINGFIELD, MISSOURI

By:________________________________
Scott A. Miller
General Manager

Approved as to Form

____
Dwayne Fulk
General Counsel

EXHIBIT A

BENEFICIARY DESIGNATION SCHEDULE

This Beneficiary Designation Schedule No._____ refers to that certain Trade Guaranty Agreement dated as of January 1, 2019 from JEA, Municipal Electric Authority of Georgia, South Carolina Public Service Authority, Nebraska Public Power District, American Municipal Power, Inc., City of Gainesville, Florida doing business as Gainesville Regional Utilities, City Utilities of Springfield, Missouri and any future guarantors[, as amended by that certain MISO Addendum to Trade Guaranty Agreement dated as of March 1, 2018]. Capitalized terms used herein and not defined are used as defined in such Guaranty Agreement.

Counterparty:

	Guaranty Amount	Guaranty Limit
JEA	$	$17,428,571.43
MEAG Power		17,428,571.43
Santee Cooper		17,428,571.43
NPPD		17,428,571.43
AMP		17,428,571.43
GRU		5,809,523.81
City Utilities	__________	5,809,523.81
Total Guaranty Amount of all Guarantors	$	

Identification of contract (include date, name of contract and other identifying information):

The aggregate amount severally guaranteed by each of JEA, MEAG Power, Santee Cooper, NPPD, AMP, GRU and City Utilities on this date under such Guaranty does not exceed the respective Guaranty Limits set out above; and The Energy Authority, Inc. will not execute Beneficiary Designation Schedules relating to the above-described Guaranty which in the aggregate at any time in force exceed such respective Guaranty Limits for each such entity, unless the Guaranty Limit as described in such Guaranty shall have been increased.

Notice Addresses:

JEA 21 West Church Street, Suite 1600 Jacksonville, FL 32202-3139 Attn: Chief Financial Officer	American Municipal Power, Inc. 1111 Schrock Road Columbus, OH 43229 Attn: President
Municipal Electric Authority of Georgia 1470 Riveredge Parkway Atlanta, GA 30328 Attn: Chief Executive Officer	Gainesville Regional Utilities 301 SE 4th Avenue Gainesville, Florida 32601 Attn: General Manager for Utilities
South Carolina Public Service Authority One Riverwood Drive Moncks Corner, SC 29461-2901 Attn: General Counsel	City Utilities of Springfield, Missouri 301 E. Central Springfield, Missouri 65802 Attn: General Manager
Nebraska Public Power District 1414 15th Street Columbus, NE 68601 Attn: Chief Executive Officer	

Executed this _____ day of ___________, 20__.

THE ENERGY AUTHORITY, INC.

By:___________________________

Title:___________________________

EXHIBIT B
GUARANTY ADDENDUM NO.____

Reference is made to that certain Trade Guaranty Agreement dated as of January 1, 2019 (the "Trade Guaranty"), and that certain MISO Addendum to Trade Guaranty Agreement (together with the Trade Guaranty, the "Guaranty"), each of which are executed by JEA, Municipal Electric Authority of Georgia, South Carolina Public Service Authority, Nebraska Public Power District, American Municipal Power, Inc., City of Gainesville, Florida doing business as Gainesville Regional Utilities, City Utilities of Springfield, Missouri and all future members of The Energy Authority, Inc. ("TEA") which become guarantors thereunder through a Guaranty Addendum in favor of beneficiaries designated from time to time. The undersigned hereby agrees to become a Guarantor within the meaning of the Guaranty and shall have all rights thereunder and be bound by all obligations thereunder ascribed to Guarantors. The undersigned hereby restates the representations and warranties contained in the Guaranty and represents and warrants that it is **[*describe representation similar to that contained in Section 3(a)*].**

Guaranty Limit: $___________

Executed this ___ day of ____________, ____.

[NAME OF NEW GUARANTOR]

By:________________________
Title:

[Need to issue new Beneficiary Designation Schedule to specify different Guaranty Amounts for each Guarantor]

MISO ADDENDUM TO TRADE GUARANTY AGREEMENT

Reference is made to that certain Trade Guaranty Agreement dated as of January 1, 2019 by JEA, Municipal Electric Authority of Georgia, South Carolina Public Service Authority, Nebraska Public Power District, American Municipal Power, Inc., City of Gainesville, Florida doing business as Gainesville Regional Utilities, City Utilities of Springfield, Missouri, and all future members of The Energy Authority, Inc., a Georgia nonprofit corporation which become guarantors thereunder through a Guaranty Addendum as described therein (collectively, the "Guarantors") in favor of the beneficiaries designated from time to time as provided therein (the "Guaranty"). This MISO Addendum to Trade Guaranty (the "Addendum") upon execution by all parties, supersedes that certain MISO Addendum to Trade Guaranty Agreement dated as of March 1, 2018.

The Guarantors hereby agree to amend the Guaranty, such amendments to be solely for the benefit of the Midcontinent Independent System Operator, Inc. ("MISO") and shall not apply to any Counterparty (as defined in the Guaranty) other than MISO or MISO's successors or assigns, who for purposes of this Addendum is also referred to herein as the "Counterparty." Any references to MISO, Counterparties or Counterparty in the Guaranty or this Addendum shall be deemed to mean Midcontinent Independent System Operator, Inc. or its successors or assigns. Except as amended hereby for the benefit of MISO, the Guaranty shall remain in full force and effect.

1. Paragraph 1 of the Guaranty is hereby amended by (i) revising the last sentence thereof and (ii) adding two additional sentences, each to read as follows:

   > In no event shall the Guarantors be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive, tort, or any other damages or costs. Each Guarantor shall pay all reasonable attorney fees and other costs incurred by the Counterparty to enforce this Guaranty against such Guarantor. The Contract designated on the Beneficiary Designation Schedule shall be MISO's Transmission and Energy Market Tariff on file with the Federal Energy Regulatory Commission, as may be amended and supplemented from time to time, together with all schedules and attachments thereto and any replacements or substitutes (the "Tariff"), any agreements entered into by TEA under, pursuant to or in connection with the Tariff and/or any agreements to which Counterparty and TEA are parties, as may be amended or supplemented from time to time whether now existing or hereafter arising in accordance with their respective terms.

2. Paragraph 4 of the Guaranty is hereby amended by deleting the present provisions thereof and inserting in lieu thereof the following provisions:

   > 4. **DEFENSES**. Without limiting a Guarantor's own defenses and rights hereunder, each Guarantor reserves to itself all rights and defenses to which TEA is or may be entitled arising

from or solely out of the Contract, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of TEA.

3. Paragraph 5 of the Guaranty is hereby amended by deleting the present provisions thereof and inserting in lieu thereof the following provisions:

5. **AMENDMENT OF GUARANTY**. No term or provision of this Guaranty may be amended, modified, altered, waived or supplemented except in a writing signed by the parties hereto and consented to in writing by the Counterparty; except that additional Guarantors may be added and the Guaranty Amount of any existing Guarantor or Guarantors shall be adjusted accordingly (so long as (i) the aggregate Guaranty Amount from all Guarantors including the additional Guarantor is not reduced and (ii) the Guaranty Amount of any existing Guarantor is not increased) by a Guaranty Addendum and a new Beneficiary Designation Schedule, without the written consent of the Counterparty and without the need for the written consent of any existing Guarantor; *provided*, that if the Counterparty objects to the addition of any Guarantor and the adjustment of Guaranty Amounts of existing Guarantors, it shall, by written notice to TEA, received by TEA, assert such objection within 10 business days after receipt by the Counterparty of the last of (i) the proposed Guaranty Addendum, (ii) the proposed Beneficiary Designation Schedule and (iii) all information required by Counterparty in Attachment L entitled "Credit Policy" as in effect from time to time (the "Credit Policy") to the Tariff, to complete its analysis of such additional Guarantor. If such objection has been asserted within such period, the proposed additional guarantor shall not be added to this Guaranty as a guarantor and this Guaranty shall remain in effect and the Guaranty Amounts for each existing Guarantor shall remain at their existing levels, except that this Guaranty may be terminated in the manner and with the effect as provided in Paragraph 7 hereof. Under no circumstance shall any such proposed additional guarantor be added as a Guarantor hereunder until either (a) the Counterparty completes its review of such party's creditworthiness and the Counterparty acknowledges, in writing, its acceptance of, or states that it has no objection to, such party as an additional Guarantor, or (b) the Counterparty fails to object to the addition of such proposed additional guarantor within the time frame prescribed herein.

In the event one or more of the Guarantors becomes uncreditworthy at any time, in the Counterparty's reasonable judgment in a manner consistent with the Credit Policy, the Counterparty shall furnish written notification thereof to TEA, in response to which, TEA shall, within two Business Days (as defined in the Tariff) of receipt of such written notification (three Business Days if such notification occurs after noon Indianapolis Time) provide other Financial Security (as defined in the Tariff) (*e.g.*, a letter of credit in the form attached to the Credit Policy from time to time), as provided in the Credit Policy, to secure the full amount of the obligations guaranteed by the particular Guarantor or Guarantors determined to be uncreditworthy by the Counterparty as provided hereinabove. Should TEA fail to timely provide such Financial Security, TEA's later provision of such Financial Security and TEA otherwise being in compliance with the Credit Policy and all other terms and conditions of the Tariff shall entitle TEA to resume participation in MISO's energy markets and in MISO's transmission and/or market service.

4. Paragraph 7 of the Guaranty is hereby amended by deleting the present provisions thereof and inserting in lieu thereof the following provisions:

7. **DURATION OF GUARANTY**. The Guarantors or TEA may request the withdrawal of this Guaranty as provided in the Credit Policy; *provided*, this Guaranty shall not terminate until MISO has approved such withdrawal or termination, in writing, which will not be approved unless and until the conditions therefor, as set forth in the Credit Policy, have been satisfied. MISO will return this Guaranty within five business days of MISO's written approval of the withdrawal or termination of this Guaranty. If one or more of the Guarantors requests the withdrawal of the obligation of such Guarantor(s) under this Guaranty and other Financial Security complying with the Credit Policy (including a letter of credit complying with the Credit Policy) is provided to the Counterparty which, together with any remaining amount under this Guaranty, secures the full amount of the obligations guaranteed by the Guarantors prior to such request for withdrawal (including all obligations incurred prior to the release or withdrawal of the Guaranty), MISO will approve the release or withdrawal as provided in the Credit Policy.

5. Paragraph 8 of the Guaranty entitled "Guaranty Addenda" shall be deleted in its entirety and the following is hereby inserted in lieu thereof:

8. **GUARANTY ADDENDA**. As new members are admitted to TEA, each such new member shall agree that this Guaranty is its legal, valid and binding obligations as if it had executed the Guaranty as of the date hereof by executing the form of Guaranty Addendum attached hereto as Exhibit B, specifying the Guaranty Limit applicable to it and stating the representation and warranty similar to that contained in Paragraph 3(a) hereof; *provided*, neither the addition of a new member to TEA nor

execution by such new member of a Guaranty Addendum shall permit such new member to become a party to the Beneficiary Designation Schedule executed in favor of the Counterparty other than as provided in Paragraph 5 hereof.

6. Paragraph 11 of the Guaranty is hereby amended by deleting the phrase "State of Florida" and inserting in lieu thereof "State of Indiana".

7. A new paragraph 13 is inserted to the Guaranty as follows:

13. **WAIVER OF JURY TRIAL**. GUARANTORS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY COURT AND IN ANY SUIT, ACTION OR PROCEEDING OR ANY OTHER MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTIONS COVERED BY THIS GUARANTY.

8. A new paragraph 14 is hereby inserted into the Guaranty as follows:

14. **FINANCIAL REPORTING**. The Guarantors shall each submit all information and documents as, and when, required of Applicants and/or Participants under the Credit Policy (in effect from time to time), including, without limitation, providing Rating Agency reports, current financial statements and information and disclosing any Material Change (as defined in the Tariff) in its financial condition as required in such Credit Policy.

EXECUTED as of the 1st day of January, 2019.

Approved as to Form:	**AMERICAN MUNICIPAL POWER, INC.**
By ______________________________ Rachel Gerrick Senior Vice President and General Counsel for Corporate Affairs	By ______________________________ Marc S. Gerken President
Approved as to form	**JEA**
By ______________________________ Chief Legal Officer	By ______________________________ Aaron F. Zahn Managing Director and Chief Executive Officer
	MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA
	By ______________________________ James E. Fuller

President and Chief Executive Officer

Approved as to form

By ___________________________

Dwayne Fulk
General Counsel

CITY UTILITIES OF SPRINGFIELD, MISSOURI

By ______________________________________

Scott Miller
General Manager

NEBRASKA PUBLIC POWER DISTRICT

By ______________________________________

Patrick L. Pope
President and Chief Executive Officer

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By ______________________________________

James E. Brogdon, Jr.
Interim President & Chief Executive Officer

Approved as to Form and Legality:

By _______________________________

Keino Young
Utilities Attorney

CITY OF GAINESVILLE, FLORIDA

By ______________________________________

Edward J. Bielarski, Jr.
General Manager for Utilities

SPP GUARANTY AGREEMENT

This Guaranty Agreement (the "Guaranty") is made by JEA, Municipal Electric Authority of Georgia ("MEAG Power"), South Carolina Public Service Authority ("Santee Cooper"), Nebraska Public Power District ("NPPD"), American Municipal Power, Inc. ("AMP"), City of Gainesville, Florida doing business as Gainesville Regional Utilities ("GRU"), City Utilities of Springfield, Missouri ("City Utilities"), and all future members of The Energy Authority, Inc., a Georgia nonprofit corporation ("TEA") which become guarantors hereunder through an amendment hereto (referred to individually as "Guarantor" and collectively as the "Guarantors"), in favor of Southwest Power Pool, Inc. ("Creditor"), an Arkansas nonprofit corporation.

WHEREAS, Guarantors are each members of TEA and TEA and Creditor are parties to certain agreements pursuant to, or in connection with, the Creditor's Open Access Transmission Tariff, whether now existing or hereafter arising in accordance with their respective terms (each referred to individually as "Agreement" and collectively as "Agreements");

WHEREAS, Guarantors will receive substantial and direct benefits from the extensions of credit contemplated by the Agreements and have agreed to enter into this Guaranty to provide assurance for the performance of TEA's obligations in connection with the Agreements and to induce Creditor to enter into the Agreements; and

WHEREAS, the execution and delivery of this Guaranty is a condition to Creditor's further performance of its obligations under the terms of the Agreements;

NOW, THEREFORE, in consideration of the promises and other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, Guarantors hereby agree as follows:

1. **Guaranty.** Guarantors each hereby unconditionally and absolutely guarantee the punctual payment as and when due of TEA's payment obligations arising under any Agreement, as such Agreement may be amended or modified from time to time, together with any interest thereon (collectively, the "Guaranteed Obligations"). Guarantors' obligations and liability under this Guaranty shall be limited to payment obligations only; and Guarantors shall have no obligation otherwise to perform under any Agreement, including, without limitation, to sell, deliver, purchase, receive or transmit any electrical energy product or service. Each Guarantor's aggregate amount guaranteed from time to time under this Guaranty and the Trade Guaranty Agreement dated as of March 1, 2018 from the Guarantors relating to TEA shall not exceed $17,428,571.43 each in the case of JEA, MEAG Power, Santee Cooper, NPPD and AMP, $5,809,523.81 each in the case of GRU and City Utilities or such other amounts relating to any future Guarantors (the "Trade Guaranty Limit"). Furthermore, the respective guaranty amount for each Guarantor with respect to this Guaranty shall be limited to the respective amount set forth in Schedule 1 attached hereto (the "Guaranty Amount").

2. **Guaranty Absolute.** The liability of Guarantors under this Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of or defect or deficiency in any Agreement or any other documents executed in connection with any Agreement;

(b) any modification, extension or waiver of any of the terms of any Agreement;

(c) any change in the time, manner, terms or place of payment of or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from any Agreement or any other agreement or instrument executed in connection therewith;

(d) any sale, exchange, release or non-perfection of any property standing as security for the liabilities hereby guaranteed, or any liabilities incurred directly or indirectly hereunder or any setoff against any of said liabilities, or any release or amendment or waiver of or consent to departure from this Guaranty or any other guaranty, for all or any of the Guaranteed Obligations;

(e) except as to applicable statutes of limitation, failure, omission, delay, waiver or refusal by Creditor to exercise, in whole or in part, any right or remedy held by Creditor with respect to any Agreement or any transaction under any Agreement;

(f) any change in the existence, structure or ownership of Guarantors or TEA, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting TEA or its assets; or

(g) any other circumstance that might otherwise constitute a defense available to, or a discharge of, TEA under any Agreement, or any other agreement or instrument (including any Guarantor) in respect of the Guaranteed Obligations, other than payment in full of the Guaranteed Obligations.

The obligations of Guarantors hereunder are several from TEA or any other person, and are primary obligations concerning which the Guarantors are each the principal obligor. There are no conditions precedent to the enforcement of this Guaranty, except as expressly contained herein. It shall not be necessary for Creditor, in order to enforce payment by Guarantors under this Guaranty, to show any proof of TEA's default, to exhaust its remedies against TEA, any other Guarantor, or any other person liable for the payment or performance of the Guaranteed Obligations. Creditor shall not be required to mitigate damages or take any other action to reduce, collect, or enforce the Guaranteed Obligations. Nonetheless, payment by any Guarantor of any of the Guaranteed Obligations shall, to the extent of the amount of such payment, absolve the remaining Guarantors of any liability to pay such amount of the Guaranteed Obligations.

The liability of the Guarantors under this Guaranty with respect to the aggregate principal amount of Guaranteed Obligations shall not exceed the lesser of the principal amount of obligations outstanding or the aggregate "Guaranty Amount" in Schedule 1, and Creditor shall limit TEA's obligations to such amount.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations are annulled, set aside, invalidated, declared to be fraudulent or preferential, rescinded or must otherwise be returned, refunded or repaid by Creditor upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of TEA or any other Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, TEA or any other Guarantor or any substantial part of its property or otherwise, all as though such payment or payments had not been made.

3. **Waiver.** This is a guaranty of payment and not of collection. Guarantors hereby waive:

(a) notice of acceptance of this Guaranty, of the creation or existence of any of the Guaranteed Obligations and of any action by Creditor in reliance hereon or in connection herewith;

(b) notice of the entry into any Agreement between TEA and Creditor and of any amendments, supplements or modifications thereto; or any waiver of consent under any Agreement, including waivers of the payment and performance of the obligations thereunder;

(c) notice of any increase, reduction or rearrangement of TEA's obligations under any Agreement or any extension of time for the payment of any sums due and payable to Creditor under any Agreement;

(d) except as expressly set forth herein, presentment, demand for payment, notice of dishonor or nonpayment, protest and notice of protest or any other notice of any other kind with respect to the Guaranteed Obligations; and

(e) any requirement that suit be brought against, or any other action by Creditor be taken against, or any notice of default or other notice be given to, or any demand be made on, TEA or any other person, or that any other action be taken or not taken as a condition to Guarantors' liability for the Guaranteed Obligations under this Guaranty or as a condition to the enforcement of this Guaranty against Guarantors.

4. **Expenses.** Notwithstanding and in addition to the limit on Guarantors' liability hereunder set forth in Section 1, Guarantors agree to pay on demand any and all costs, including reasonable legal fees and expenses, and other expenses incurred by Creditor in enforcing Guarantors' payment obligations under this Guaranty; provided that Guarantors shall not be liable for any expenses of Creditor if no payment under this Guaranty is due.

5. **Subrogation.** Guarantors shall be subrogated to all rights of Creditor against TEA in respect of any amounts paid by Guarantors pursuant to this Guaranty; provided that Guarantors waive any rights it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. § 509, or otherwise), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of Creditor against TEA or any collateral which Creditor now has or acquires, until all of the Guaranteed Obligations shall have been irrevocably paid to Creditor in full. If any amount shall be paid to the Guarantors on account of such subrogation rights at any time when all the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of Creditor and shall forthwith be paid to Creditor to be applied to the Guaranteed Obligations. If (a) Guarantors shall perform and shall make payment to Creditor of all or any part of the Guaranteed Obligations and (b) all the Guaranteed Obligations shall have been paid in full, Creditor shall, at Guarantors' request, execute and deliver to the Guarantors appropriate documents necessary to evidence the transfer by subrogation to the Guarantors of any interest in the Guaranteed Obligations resulting from such payment by Guarantors.

6. **Setoff.** Creditor is hereby authorized at any time, to the fullest extent permitted by law, to set off and apply any deposits (general or special, time or demand, provisional or final) and other indebtedness owing by Creditor to or for the account of Guarantors against any and all of the obligations of Guarantors under this Guaranty, irrespective of whether or not Creditor shall have made any demand under this Guaranty or such Agreement and although such obligations may be contingent and unmatured. Creditor agrees promptly to notify Guarantors after any such set-off and application made by Creditor; provided that the failure to give such notice shall not affect the validity of such set-off and application.

7. **Notices.** All demands, notices and other communications provided for hereunder shall, unless otherwise specifically provided herein, (a) be in writing addressed to the party receiving the notice at the address set forth below or at such other address as may be designated by written notice, from time to time, to the other party, and (b) be effective upon delivery, when mailed by U.S. mail, registered or certified, return receipt requested, postage prepaid, by express courier with traceable receipt, by facsimile, or personally delivered. Notices shall be sent to the following addresses:

If to Creditor:
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223-4936
Attention: Credit and Risk Management Department

If to Guarantors:
(A) To JEA:

JEA

21 West Church Street
Suite 1600
Jacksonville, Florida 32202-3139
Attn: Managing Director and Chief Executive Officer

With a copy, which shall not constitute notice, to:

JEA
21 West Church Street
Suite 1600
Jacksonville, Florida 32202-3139
Attention: Chief Legal Officer

(B) To MEAG Power:

Municipal Electric Authority of Georgia
1470 Riveredge Parkway
Atlanta, Georgia 30328
Attention: Chief Executive Officer

(C) To Santee Cooper:

Santee Cooper
One Riverwood Drive
Moncks Comer, South Carolina 29461-2901
Attention: General Counsel

(D) To NPPD:

Nebraska Public Power District
1414 15th Street
Columbus, Nebraska 68601
Attn: President and Chief Executive Officer

With a copy, which shall not constitute notice, to:

Nebraska Public Power District
1414 15th Street
Columbus, Nebraska 68601
Attn: General Counsel

(E) To AMP:

American Municipal Power, Inc.
1111 Schrock Road
Suite 100
Columbus, Ohio 43229
Attn: President

With a copy, which shall not constitute notice, to:

American Municipal Power, Inc.
1111 Schrock Road
Suite 100
Columbus, Ohio 43229
Attn: General Counsel

(F) To GRU:

City of Gainesville, Florida
301 SE 4th Avenue
Gainesville, Florida 32601
Attn: General Manager for Utilities *(for overnight courier or hand delivery)*

City of Gainesville, Florida
P.O. Box 147117, Station A134
Gainesville, Florida 32614-7117
Attn: General Manager for Utilities *(for U.S. mail)*

With a copy, which shall not constitute notice, to:

City of Gainesville, Florida
301 SE 4th Avenue
Gainesville, Florida 32601
Attn: Utilities Attorney *(for overnight courier or hand delivery)*

City of Gainesville, Florida
P.O. Box 147117, Station A138
Gainesville, Florida 32614-7117
Attn: Utilities Attorney *(for U.S. mail)*

(G) To City Utilities:

City Utilities of Springfield, Missouri
301 E. Central
Springfield, Missouri 65802
Attention: General Manager *(for courier delivery)*

City Utilities of Springfield, Missouri
P.O. Box 551
Springfield, Missouri 65801-0551
Attention: General Manager *(for U.S. Mail)*

With a copy, which shall not constitute notice, to:

Dwayne Fulk, Esq.
City Utilities of Springfield, Missouri

301 East Central
Springfield, Missouri 65801-0551

8. **Demand and Payment.** Any demand by Creditor for payment hereunder shall be in writing, signed by a duly authorized officer of Creditor and delivered to Guarantors pursuant to Section 7 hereof, and shall (a) reference this Guaranty, (b) specifically identify TEA, the Guaranteed Obligations to be paid and the amount of such Guaranteed Obligations, and (c) set forth payment instructions. There are no other requirements of notice, presentment or demand. Guarantors shall pay, or cause to be paid, such Guaranteed Obligations within two (2) business days of receipt of such demand.

9. **No Waiver; Remedies.** Except as to applicable statutes of limitation, no failure on the part of Creditor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10. **Term; Termination.** This Guaranty shall continue in full force and effect for the term of the Agreements. Notwithstanding the foregoing, this Guaranty may be terminated at any time by Guarantors by providing at least sixty (60) days' prior written notice to Creditor; provided, however, upon termination hereof, Guarantors agree that the obligations and liabilities hereunder shall continue in full force and effect with respect to any obligations incurred prior to the termination date, and any fees and costs of enforcement in connection herewith.

11. **Assignment; Successors and Assigns.** Creditor may, upon notice to Guarantors, assign its rights hereunder without the consent of Guarantors. Each Guarantor may assign its rights hereunder with the prior written consent of Creditor, which consent shall not be unreasonably withheld. Subject to the foregoing, this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, and legal representatives.

12. **Amendments, Etc.** A written amendment executed by Guarantors only may (a) increase the guaranty limit specified in Section 1 and/or (b) extend the termination date of this Guaranty. No other amendment of this Guaranty shall be effective unless in writing and signed by Guarantors and Creditor. No waiver of any provision of this Guaranty nor consent to any departure by Guarantors therefrom shall in any event be effective unless such waiver shall be in writing and signed by Creditor. Any such waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

13. **Captions.** The captions in this Guaranty have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Guaranty.

14. **Representation and Warranties.**

Each Guarantor represents and warrants (but only as to itself) as follows:

(a) JEA is a public body corporate and politic created under the laws of the State of Florida; MEAG Power is a public corporation and instrumentality of the State of Georgia; Santee Cooper is a body corporate and politic created by the laws of the State of South Carolina; NPPD is a public corporation and political subdivision of the State of Nebraska; AMP is a non-profit corporation organized under the laws of the State of Ohio; GRU is a Florida municipal corporation; and City Utilities is a component unit of the City of Springfield, Missouri. Each Guarantor has full corporate power to execute, deliver and perform this Guaranty. This representation is evidenced by a copy of the resolution(s) of the governing body of each Guarantor authorizing this Guaranty, which is attached to and made a part of this Guaranty. Any future member of TEA which becomes a Guarantor shall make a similar representation and warranty in an amendment hereto;

(b) the execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary governmental action and do not contravene Guarantor's organizational or governing documents or any contractual restriction binding on Guarantor or its assets;

(c) this Guaranty is not in violation of other undertakings or requirements applicable to Guarantor, and is enforceable against Guarantor in accordance with these terms;

(d) this Guaranty constitutes the legal, valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting Creditor's rights and to general equity principles; and

(e) the audited financial statements of Guarantor for the most recent fiscal year and (if applicable) the unaudited financial statements of Guarantor for the most recent quarter (the "Financial Statements"), heretofore delivered to Creditor by Guarantor present fairly the financial condition and results of operations of Guarantor as of the dates and for the period specified therein in conformity with United States generally accepted accounting principles, and, except as otherwise expressly stated therein, consistently applied. Except as expressly stated to Creditor in writing, there has been no Material Adverse Change in the financial condition of Guarantor and its consolidated subsidiaries since the dates of the Financial Statements.

15. **Limitation by Law.** All rights, remedies and powers provided in this Guaranty may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Guaranty are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they will not render this Guaranty invalid, unenforceable, in

whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

16. **<u>GOVERNING LAW; SUBMISSION TO EXCLUSIVE JURISDICTION</u>. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ARKANSAS AND ANY APPLICABLE FEDERAL LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF ANY ARKANSAS STATE COURT SITTING IN PULASKI COUNTY, ARKANSAS, OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES HEREBY WAIVE ANY OBJECTION TO VENUE IN PULASKI COUNTY, ARKANSAS, AND ANY OBJECTION TO ANY ACTION OR PROCEEDING ON THE BASIS OF FORUM NON CONVENIENS.**

IN WITNESS WHEREOF, Guarantors has caused this Guaranty to be duly executed and delivered by its duly authorized officer effective as of this 1st day of January, 2019 ("Effective Date").

Approved as to form

By________________________________
Chief Legal Officer

JEA

By________________________________
Aaron F. Zahn
Managing Director and Chief Executive Officer

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

By________________________________
James E. Fuller
President and Chief Executive Officer

NEBRASKA PUBLIC POWER DISTRICT

By________________________________
Patrick L. Pope
President and Chief Executive Officer

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By____________________________________
James E. Brogdon, Jr.
Interim President & Chief Executive Officer

AMERICAN MUNICIPAL POWER, INC.

Approved as to Form:

By: ________________________
Rachel Gerrick
Senior Vice President and General Counsel for Corporate Affairs

By____________________________________
Marc S. Gerken
President

CITY OF GAINESVILLE, FLORIDA

Approved as to Form and Legality:

By________________________________
Keino Young
Utilities Attorney

By____________________________________
Edward J. Bielarski, Jr.
General Manager for Utilities

CITY UTILITIES OF SPRINGFIELD, MISSOURI

Approved as to Form

____
Dwayne Fulk
General Counsel

By____________________________________
Scott A. Miller
General Manager

SCHEDULE 1

BENEFICIARY DESIGNATION SCHEDULE

This Beneficiary Designation Schedule No. _________, refers to that certain Guaranty Agreement dated as of January 1, 2019 from JEA, MEAG Power, Santee Cooper, NPPD, AMP, GRU, City Utilities and any future guarantors in favor of Southwest Power Pool, Inc. (the "Guaranty"). Capitalized terms used herein and not defined are used as defined in the Guaranty attached hereto.

	Guaranty Amount	Trade Guaranty Limit
JEA	$____________	$17,428,571.43
MEAG Power	____________	17,428,571.43
Santee Cooper	____________	17,428,571.43
NPPD	____________	17,428,571.43
AMP	____________	17,428,571.43
GRU	____________	5,809,523.81
City Utilities	____________	5,809,523.81
Total Guaranty Amount of all Guarantors:	___________ $____________	

The aggregate amount severally guaranteed by each of JEA, MEAG Power, Santee Cooper, NPPD, AMP, GRU and City Utilities on this date under the Guaranty does not exceed the respective Trade Guaranty Limits set out above as specified in the Guaranty; and The Energy Authority, Inc. will not execute Beneficiary Designation Schedules relating to the Guaranty and the Trade Guaranty Agreement which in the aggregate at any time in force exceed such respective Guaranty Limits for each such entity, unless the Trade Guaranty Limit as described in the Guaranty shall have been increased in the Guaranty and the Trade Guaranty Agreement.

Notice Addresses under this Schedule 1:

JEA
21 West Church Street, Suite 1600
Jacksonville, FL 32202-3139
Attn: Chief Financial Officer

American Municipal Power, Inc.
1111 Schrock Road
Suite 100
Columbus, OH 43229
Attn: President

Municipal Electric Authority of Georgia
1470 Riveredge Parkway
Atlanta, GA 30328
Attn: Chief Executive Officer

Gainesville Regional Utilities
301 SE 4th Avenue
Gainesville, FL 32601
Attn: General Manager for Utilities

South Carolina Public Service Authority
One Riverwood Drive
Moncks Corner, SC 29461-2901
Attn: General Counsel

City Utilities of Springfield, Missouri
301 E. Central
Springfield, MO 65802
Attn: General Manager

Nebraska Public Power District
1414 15th Street
Columbus, NE 68601
Attn: Chief Executive Officer

Executed this __ day of ____________, 2019.

THE ENERGY AUTHORITY, INC.

By: ____

Malinda Prudencio
VP, Risk Control and Chief Risk Officer

Unconditional Guaranty (Electric)

Dated: January 1, 2019

THE ENERGY AUTHORITY, INC.
301 West Bay Street
Suite 2600
Jacksonville, FL 32202
(the "Borrower")

JEA
21 West Church Street, Suite 1600
Jacksonville, FL 32202-3139
(the "Guarantor" and together with
other Members executing a guaranty
in favor of the Bank, called the "Guarantors")

PNC BANK, NATIONAL ASSOCIATION
420 South Orange Avenue, Suite 300
Orlando, FL 32801
Attention: Financial Services Group
(hereinafter referred to as the "Bank")

Recitations of Fact

A. The Guarantor is a member ("Member") of the Borrower and party to a Restated and Amended Operating Agreement dated as of October 3, 2017, among the Borrower, the Guarantor and other Members (as it may be amended from time to time, "Operating Agreement") and a Restated and Amended Electric Advance Agreement among the Borrower, the Guarantor and the other Members dated as of March 1, 2018 (as it may be amended from time to time, the "Advance Agreement" and together with the Operating Agreement, collectively called the "Operating Instruments"). Capitalized terms used herein and not defined are used as defined in the Advance Agreement.

B. The Borrower will enter into from time to time various contracts for the purchase or sale of electric capacity or energy or related transmission.

C. Certain of such contracts will need to be secured by a letter of credit issued by a financial institution.

D. The Borrower may desire to borrow from time to time funds from the Bank for certain working capital needs.

E. The Borrower and the Bank have entered into a Letter of Credit and Loan Agreement dated as of March 1, 2018, (as it may be amended, the "Loan Agreement") providing for the issuance of letters of credit ("Letters of Credit") by the Bank for the account of the

Borrower and for the reimbursement of all amounts disbursed by the Bank under such Letters of Credit and providing for a revolving line of credit (the “Revolving Line”) with the obligations of the Borrower thereunder evidenced by a Revolving Promissory Note (the “Promissory Note”).

F. The Bank is only willing (i) to issue Letters of Credit under the Loan Agreement and (ii) to advance funds under the Revolving Line if the reimbursement, repayment and other obligations of the Borrower are guaranteed or security otherwise provided by the Members, including the Guarantor, on a several, but not joint, basis.

Agreement

IN CONSIDERATION OF the mutual agreements contained herein and to induce the Bank to issue Letters of Credit and to make advances under the Revolving Line, the Guarantor hereby absolutely, irrevocably and unconditionally guarantees to the Bank and its successors, assigns and affiliates the timely payment and performance of the Guarantor Share of all existing and future due and unpaid liabilities and obligations of the Borrower to the Bank and its affiliates under the Loan Agreement, including, but not limited to, all amounts payable to the Bank on account of draws under Letters of Credit or on account of amounts due under the Promissory Note, all fees and commissions, all indemnity amounts and all other obligations of the Borrower now existing or hereafter arising under the Loan Agreement and all modifications, extensions or renewals thereof, including without limitation all principal, interest, charges, and costs and expenses incurred thereunder (including reasonable attorneys’ fees and other costs of collection incurred, regardless of whether suit is commenced) (collectively, the “Guaranteed Obligations”). No payment by any other Guarantor (as defined in the Loan Agreement) shall be deemed to reduce the Guaranteed Obligations for purposes of determining the amount payable by the Guarantor hereunder.

The term “Guarantor Share” means (a) with respect to each Guarantor that is a LPPS Member of the Borrower, the fraction

$$\frac{3}{3(NA) + NB}$$

and (b) with respect to each Guarantor that is a MPPS Member of the Borrower, the fraction

$$\frac{1}{3(NA) + NB}$$

where “NA” equal the total number of Approved LPPS Members and “NB” equals the total number of Approved MPPS Members. The term “Approved LPPS Members” means American Municipal Power, Inc., JEA, Municipal Electric Authority of Georgia, Nebraska Public Power District, South Carolina Public Service Authority and such other Guarantors as are approved in writing by the Bank from time to time as Approved LPPS Members. The term “Approved MPPS Members” means the City of Gainesville, Florida doing business as Gainesville Regional Utilities, City Utilities of Springfield, Missouri and such other Guarantors as are approved in writing by Bank from time to time as Approved MPPS Members. Approval shall be evidenced by the Bank’s acceptance of a new Member’s Guaranty. No change from one class of membership to another shall be effective for purposes of this Guaranty without the prior written consent of Bank, to be given or withheld in its discretion. Bank may require the written consent of all Guarantors as a condition to consent. The Guarantor Share shall remain fixed until reduced as a result of the Bank's written approval of an additional Approved LPPS Member or Approved MPPS Member or until otherwise modified by written agreement between the Bank and Guarantor. Neither termination nor notice of termination of this Guaranty shall affect the Guarantor Share of the Guarantor unless the Bank shall have approved such modification in writing.

The Guarantor further covenants and agrees:

GUARANTOR'S LIABILITY. This Guaranty is a continuing and unconditional guaranty of payment and not of collection. This Guaranty does not impose any obligation on the Bank to extend or continue to extend credit or otherwise deal with the Borrower at any subsequent time. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the Guaranteed Obligations is rescinded, avoided or for any other reason must be returned by the Bank, and the returned payment shall remain payable as part of the Guaranteed Obligations, all as though such payment had not been made. Except to the extent the provisions of this Guaranty give the Bank additional rights, this Guaranty shall not be deemed to supersede or replace any other guaranties given to the Bank by the Guarantor; and the obligations guaranteed hereby shall be in addition to any other obligations guaranteed by the Guarantor pursuant to any other agreement of guaranty given to the Bank and other guaranties of the Guaranteed Obligations. Notwithstanding the foregoing, this Guaranty shall supersede and supplant the Unconditional Guaranty from the Guarantor to the Bank dated March 1, 2018.

TERMINATION OF GUARANTY. The Guarantor may terminate this Guaranty by written notice in the form attached as Exhibit B hereto, delivered personally to or received by certified or registered United States mail by an authorized officer of the Bank at the address for notices provided herein. Such termination shall be effective (the "Effective Date") on the later of (a) the effective date stated in the Notice or (b) the 15th day following the date such written notice is received by said Bank officer. The Guarantor may not terminate this Guaranty as to Guaranteed Obligations (including any subsequent extensions, modifications or compromises of the Guaranteed Obligations) existing on the Effective Date, or as to Guaranteed Obligations arising subsequent to the Effective Date if such Guaranteed Obligations (including expenses relating to enforcement actions) arise under Letters of Credit issued on or before the Effective Date, or arise as the result of advances which are necessary for the Bank to protect its collateral or otherwise preserve its interests with respect to Letters of Credit issued before the Effective Date.

APPLICATION OF PAYMENTS. Monies received from any source by the Bank for application toward payment of the Guaranteed Obligations may be applied to such Guaranteed Obligations in such order as to principal, interest and expenses deemed appropriate by the Bank.

CONSENT TO MODIFICATIONS. The Guarantor consents and agrees that the Bank may from time to time, in its sole discretion (but with the consent or agreement of the Borrower if required by the Loan Agreement), without affecting, impairing, lessening or releasing the obligations of the Guarantor hereunder (a) extend the time or modify the manner, place or terms of payment or performance and/or otherwise change or modify the credit terms of the Guaranteed Obligations; (b) increase, renew or enter into a novation of the Guaranteed

Obligations; (c) waive or consent to the departure from terms of the Guaranteed Obligations; (d) permit any change in the business or other dealings and relations of the Borrower or any other guarantor with the Bank; (e) proceed against, exchange, realize upon, or otherwise deal with in any manner any collateral that is or may be held by the Bank in connection with the Guaranteed Obligations or any liabilities or obligations of the Guarantor; and (f) proceed against, settle, or compromise with the Borrower, any insurance carrier, or any other person or entity liable as to any part of the Guaranteed Obligations, or subordinate the payment of any part of the Guaranteed Obligations to the payment of any other obligations, which may at any time be due or owing to the Bank; all in such manner and upon such terms as the Bank may deem appropriate, and without notice to or further consent from the Guarantor. No invalidity, irregularity, discharge or unenforceability of, or action or omission by the Bank relating to any part of, the Guaranteed Obligations or any security therefor shall affect or impair this Guaranty. Notwithstanding the preceding language, the Guaranteed Obligations shall be limited to $65,166,666.66 and for all purposes of determining the Guaranteed Obligations there shall be excluded the excess, if any, of (a) the sum of (i) the Outstanding Amount (as defined in the Loan Agreement) of Letters of Credit plus (ii) the amounts of any draws under Letters of Credit paid by the Guarantors to the Bank after demand and not reimbursed by the Borrower over (b) $65,166,666.66 without the written consent of the Guarantor.

WAIVERS AND ACKNOWLEDGMENTS. The Guarantor waives and releases the following rights, demands, and defenses the Guarantor may have with respect to the Bank and collection of the Guaranteed Obligations (a) promptness and diligence in collection of any of the Guaranteed Obligations from the Borrower or any other person liable thereon, and in foreclosure of any security interest and sale of any property serving as collateral for the Guaranteed Obligations; (b) any law or statute that requires that the Bank make demand upon, assert claims against, or collect from the Borrower or other persons or entities, foreclose any security interest, sell collateral, exhaust any remedies, or take any other action against the Borrower or other persons or entities prior to making demand upon, collecting from or taking action against the Guarantor with respect to the Guaranteed Obligations; (c) any law or statute that requires that the Borrower or any other person be joined in, notified of or made part of any action against the Guarantor; (d) that the Bank preserve, insure or perfect any security interest in collateral or sell or dispose of collateral in a particular manner or at a particular time; (e) notice of extensions, modifications, renewals, or novations of the Guaranteed Obligations, of any new transactions or other relationships between the Bank, the Borrower and/or any Guarantor, and of changes in the financial condition of, ownership of, or business structure of the Borrower or any other guarantor; (f) acceptance, presentment, protest, notice of dishonor, notice of default, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale, and all other notices of any kind whatsoever; (g) the right to assert against the Bank any defense (legal or equitable), set-off, counterclaim, or claim that the Guarantor may have at any time against the Borrower or any other party liable to the Bank; (h) all defenses relating to invalidity, insufficiency, unenforceability, enforcement, release or impairment of the Bank's lien on any collateral, of the Loan Agreement, or of any other guaranties held by the Bank; (i) any claim or defense that acceleration of maturity of the Guaranteed Obligations is stayed against the Guarantor because of the stay of assertion or of acceleration of claims against any other person or entity for any reason including the bankruptcy or insolvency of that person or entity; and (j) the benefit of any exemption claimed by the Guarantor. The Guarantor acknowledges and represents that it has relied upon its own due diligence in making its own independent appraisal of the Borrower, the Borrower's business affairs and financial condition, and any collateral; the Guarantor will continue to be responsible for making its own independent appraisal of such matters; and the Guarantor has not relied upon and will not hereafter rely upon the Bank for information regarding the Borrower or any collateral.

FINANCIAL CONDITION. The Guarantor warrants, represents and covenants to the Bank that on the date hereof and on each date on which a letter of credit is issued by the Bank for the account of the Borrower and on each date on which an advance is made by the Bank under the Revolving Line (except as otherwise set forth on Exhibit A hereto or subsequently disclosed in writing to the Bank prior to such date), (a) the Guarantor's audited financial statement balance sheet shows the Guarantor's assets exceeds its liabilities, the Guarantor is meeting its current liabilities as they mature, and the Guarantor is and shall remain solvent; (b) all financial statements of the Guarantor furnished to the Bank are correct in all material respects and accurately reflect the financial condition of the Guarantor as of the respective dates thereof; (c) since the date of the latest such financial statements delivered to the Bank, there has not occurred a material adverse change in the financial condition of the Guarantor; and (d) there are not now any undischarged judgments against the Guarantor exceeding $5,000,000, and no federal or state tax liens have been filed or threatened against the Guarantor that have not been previously disclosed to the Bank as of the date of this Guaranty and the Guarantor is not in default or claimed default under any obligation exceeding $5,000,000.

INTEREST. Regardless of any other provision of this Guaranty or the Loan Agreement, if for any reason the effective interest on any of the Guaranteed Obligations should exceed the maximum lawful interest, the effective interest shall be deemed reduced to and shall be such maximum lawful interest, and any sums of interest which have been collected in excess of such maximum lawful interest shall be applied as a credit against the unpaid principal balance of the Guaranteed Obligations.

DEFAULT. If any of the following events occur, a default ("Default") under this Guaranty shall exist: (a) failure of timely payment or performance of the Guaranteed Obligations by the Guarantor; (b) a breach of any agreement or representation contained or referred to in this Guaranty; (c) dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, the Guarantor; (d) the entry of any monetary judgment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against the Guarantor or any property of or debts due the Guarantor exceeding $50,000,000 in the aggregate in any fiscal year of the Guarantor; provided, however, that such circumstance shall not be a Default if the Guarantor is appealing or contesting such obligation diligently and enforcement of such obligation is effectively stayed; provided further, however, that should any final appeal or contest be adjudicated against the Guarantor, such circumstances shall not be a Default if the Guarantor pays or otherwise satisfies the amount of the judgement, lien, garnishment or attachment within 30 days of the entry of the decision on such final appeal or contest and that will not result in material adverse change in the financial condition of the Guarantor or (e) the Guarantor shall terminate or give notice of termination of this Guaranty other than in the manner described herein or shall repudiate the obligation hereunder.

ATTORNEYS' FEES AND OTHER COSTS OF COLLECTION. The Guarantor shall pay all of the Bank's reasonable expenses incurred to enforce or collect any of the obligations of the Guarantor hereunder, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any suit, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

SUBORDINATION OF OTHER DEBTS. The Guarantor agrees (a) to subordinate the obligations now or hereafter owed by the Borrower to the Guarantor ("Subordinated Debt") to any and all Guaranteed Obligations; provided however that the Guarantor may receive payments on the Subordinated Debt so long as (i) all sums due and payable by the Borrower to the Bank as Guaranteed Obligations have been paid in full on or prior to such date, and (ii) no event or condition which constitutes or which with notice or the lapse or time would constitute an event of default with respect to the Guaranteed Obligations, shall be continuing on or as of the payment date; (b) a conspicuous notation of subordination is made on the face of any instrument evidencing any part of the Subordinated Debt; and (c) except as permitted by the proviso in clause (a) of this paragraph, the Guarantor will not request or accept payment of or any security for any part of the Subordinated Debt, and any proceeds of the Subordinated Debt paid to the Guarantor, through error or otherwise, shall immediately be forwarded to the Bank by the Guarantor, properly endorsed to the order of the Bank, to apply to the Guaranteed Obligations.

OPERATING INSTRUMENTS. Without the written consent of the Bank, the Guarantor agrees not to terminate or agree to terminate any of the Operating Instruments or modify or agree to modify any of the Operating Instruments if such modification would materially alter the type or nature of the business of the Borrower (such business being in the area of power and natural gas marketing and power-related and natural gas-related matters).

SUBORDINATION OF SUBROGATION. Unless or until all Guaranteed Obligations have been paid in full, the Guarantor hereby subordinates and postpones any rights or claims that it may have against the Borrower or other guarantors for subrogation, contribution or reimbursement on account of payments made by the Guarantor; provided that unless an Event of Default, or condition which with notice or lapse of time or both would constitute an Event of Default, should exist under the Loan Agreement or would result from such enforcement, the Guarantor may enforce claims for subrogation, contribution or reimbursement.

AUTHORITY. The Guarantor represents and warrants that the execution and delivery of, and performance of its obligations under, this Guaranty comply with all applicable constitutional and legal limitations applicable to the Guarantor, have been duly authorized by all necessary actions under law and the charter or governing instrument of the Guarantor and that the Guaranty constitutes the valid and binding obligation of the Guarantor enforceable in accordance with its terms, except to the extent that enforceability may be limited (i) by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting the availability or enforcement of creditors' rights generally or (ii) by application of general principles of equity limiting the availability of certain remedies, including but not limited to the remedy of specific performance. The Guarantor shall provide a legal opinion satisfactory to the Bank as to such matters and such other matters as the Bank may reasonably require.

MISCELLANEOUS. (a) **Assignment**. This Guaranty shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. The Bank's interests in and rights under this Guaranty and the Loan Agreement are freely assignable, in whole or in part, by the Bank. Any assignment shall not release the Guarantor from the Guaranteed Obligations. (b) **Applicable Law; Conflict Between Documents**. This Guaranty shall be governed by and construed under the laws of the State of Florida without regard to that state's conflict of laws principles. (c) **Jurisdiction**. The Guarantor irrevocably agrees to non-exclusive personal jurisdiction in the state in which the office of the Bank first shown above is located. (d) **Severability**. If any provision of this Guaranty or of the Loan Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty or other document. (e) **Notices**. Any notices to the Guarantor shall be sufficiently given, if in writing and mailed or delivered to the Guarantor's address shown above or such other address as provided hereunder, and to the Bank, if in writing and mailed or delivered to the Bank's office address shown above or such other address as the Bank may specify in writing from time to time, with a copy as shown above. In the event that the Guarantor changes the Guarantor's address at any time prior to the date the Guaranteed Obligations are paid in full, the Guarantor agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. (f) **Plural; Captions**. All references in the Loan Agreement to borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Agreement are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Agreement. (g) **Binding Contract**. The Guarantor by execution of and the Bank by acceptance of this Guaranty agree that each party is bound to all terms and provisions of this Guaranty. (h) **Amendments, Waivers and Remedies**. No waivers, amendments or modifications of this Guaranty and the Loan Agreement shall be valid unless in writing and signed by an officer of the Bank. No waiver by the Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of the Bank in exercising any right, power, or privilege granted pursuant to this Guaranty and the Loan Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege. All remedies available to the Bank with respect to this Guaranty and the Loan Agreement and remedies available at law or in equity shall be cumulative and may be pursued concurrently or successively. (i) **Partnerships**. If the Guarantor is a partnership, the obligations, liabilities and agreements on the part of the Guarantor shall remain in full force and effect and fully applicable notwithstanding any changes in the individuals comprising the partnership.

FINANCIAL AND OTHER INFORMATION. The Guarantor shall deliver to the Bank such information as the Bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to the Guarantor's financial condition, including, without limitation, annual audited financial statements within 180 days of the Guarantor's fiscal year end and quarterly financial statements for the first three fiscal quarters of each fiscal year within 45 days after the end of each such fiscal quarter. Such information shall be true, complete, and accurate. The Guarantor shall give written notice to the Bank (i) within three business days of the occurrence of any Default or (ii) within 30 days of the commencement of any litigation or government proceeding against the Guarantor involving (when combined with any other pending matters) potential uninsured liability or loss on the part of the Guarantor in excess of $5,000,000.

WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR BY EXECUTION HEREOF AND THE BANK BY ACCEPTANCE HEREOF, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS GUARANTY, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION WITH THIS GUARANTY, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY WITH RESPECT HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO ACCEPT THIS GUARANTY.

THE GUARANTOR AND THE BANK AGREE THAT THEY SHALL NOT HAVE A REMEDY OF PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER IN ANY DISPUTE AND HEREBY WAIVE ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY HAVE NOW OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY DISPUTE WHETHER THE DISPUTE IS RESOLVED BY ARBITRATION OR JUDICIALLY.

IN WITNESS WHEREOF, the Guarantor, on the day and year first written above, has caused this Unconditional Guaranty to be executed under seal.

JEA

By:________________________________
Aaron F. Zahn
Managing Director and Chief Executive Officer

Approved as to Form

____
Jody Brooks
Chief Legal Officer

EXHIBIT A

None.

EXHIBIT B

Notice of Termination

The undersigned Guarantor hereby notifies [Name of Bank] (the "Bank") that it is terminating its Unconditional Guaranty dated January 1, 2019 (the "Guaranty") effective at the end of the day on _______________, _____, [which date shall be no earlier than the 15th day following receipt of this notice by the Bank officer described in the Guaranty] (the "Effective Date"). The undersigned acknowledges and confirms that it will remain liable for its Guarantor Share of Guaranteed Obligations arising on or before the Effective Date (including those arising out of Letters of Credit issued on or before the Effective Date) as described in the Guaranty under the heading "Termination of Guaranty" and the Bank may rely upon this continuing liability in issuing Letters of Credit after receipt of this notice and on or before the Effective Date.

The capitalized terms used herein shall have the meanings set forth in the Guaranty unless otherwise defined.

JEA

Date: ___________________________

By ___________________________________

Its _____________________________

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IV. A.

Corporate Headquarters

Campus Update

Return to Agenda

IV. A.
12/11/2018

JEA
Building Community

AGENDA ITEM SUMMARY

December 2, 2018

SUBJECT:	**CORPORATE HEADQUARTERS - CAMPUS UPDATE**

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

Issue: JEA released a solicitation on October 15 for its corporate headquarters. This new campus is needed to address business continuity risks while meeting our headquarters needs in a cost-efficient manner. The Board provided input on qualitative selection criteria at the July and August 2018 Board meetings that will be used to score options received through a competitive solicitation.

Significance: The goal is to provide the best solution for JEA's current and future business needs, including hurricane readiness, and continue to allow JEA to attract and retain an engaged workforce. An Invitation to Negotiate (ITN) was released on October 15, 2018 through CBRE. A pre-bid meeting was held on November 7 for interested parties and was well attended. JEA is issuing supplemental information and answers to questions from prospective respondents through a series of addenda to the ITN. Responses are due January 8, 2019.

Effect: Respondents to the ITN are required to provide a site or building, conceptual design and site fit, a delivery team, financing terms (lease with purchase options in out years) and demonstrate experience and financial capabilities to develop a project of this size.

Cost or Benefit: JEA and CBRE will evaluate responses against the criteria developed by the Board and provide a quantitative and qualitative analysis of the solutions submitted. The proposed schedule for shortlist and final selections is included in the agenda item for discussion by the Board. Once a selection has been approved by the Board, CBRE and JEA will negotiate full terms with the selected respondent for presentation of a final contract in the spring.

Recommended Board action: This item is being presented for update purposes with input on schedule and revised weighting for quantitative scoring. Staff will continue to update the Board throughout the process.

For additional information, contact: Melissa Dykes 665-7054 or Nancy Veasey 509-0521

Submitted by: AFZ/MHD/NKV

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Return to Agenda

IV. A.
12/11/2018

Building Community

INTER-OFFICE MEMORANDUM
December 2, 2018

SUBJECT:	**CORPORATE HEADQUARTERS – CAMPUS UPDATE**
FROM:	Aaron F. Zahn, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:

JEA released a solicitation on October 15, 2018 for its corporate headquarters. This new campus is needed to address business continuity risks while meeting our headquarters needs in a cost-efficient manner. The Board provided input on qualitative selection criteria at the July and August 2018 Board meetings that will be used to score options received through a competitive solicitation.

The goal is to provide the best solution for JEA's current and future business needs, including hurricane readiness, and continue to allow JEA to attract and retain an engaged workforce.

DISCUSSION:

An Invitation to Negotiate (ITN) was released on October 15, 2018 through CBRE. A pre-bid meeting was held on November 7 for interested parties and was well attended. JEA is issuing supplemental information and answers to questions from prospective respondents through a series of addenda to the ITN. The following is a proposed schedule, including Board participation, for the remainder of the process:

January 8 – Responses due. JEA and CBRE will evaluate responses against the criteria developed by the Board and provide a quantitative and qualitative analysis of the solutions submitted and will develop a recommended short list of top ranked respondents.

January 22 – Shortlist announced at the regularly-scheduled JEA Board meeting.

On or around February 6 – Recommended special meeting of the JEA Board to make the final selection, pending negotiation of full terms and conditions. At this special meeting, Board members will be provided with staff's summary analysis of the responses, CBRE's financial analysis, and presentations directly from the respondents. Board members will then add points specifically allocated to the Board for award based on the materials and presentation from this special meeting to staff's evaluation to produce the final result and ranking.

Spring 2019 – Final contract presented to the Board for approval. Respondents to the ITN are required to provide a site or building, conceptual design and site fit, a delivery team, financing terms (lease with purchase options in out years) and demonstrate experience and financial capabilities to develop a project of this size. Once a selection has been approved by the Board, CBRE and JEA will negotiate full terms with the selected respondent for presentation of a final contract in the spring.

All respondents have been requested to provide a 15 year lease scenario for comparison purposes. Accordingly, CBRE and staff are recommending that the allocation of quantitative scoring be modified to 30% weight for total annualized costs and 70% for life cycle costs to better reflect that lease comparison.

RECOMMENDATION:

This item is being presented for update purposes with input on schedule and revised weighting for quantitative scoring. Staff will continue to update the Board throughout the process.

Aaron F. Zahn, Managing Director/CEO

AFZ/MHD

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Agenda

JEA CAMPUS CRITERIA SUMMARY

QUALITATIVE SUMMARY (2/3 Total Score)	% WEIGHT
Customer engagement/customer value	5
Building program accommodation (flexibility on campus program elements)	30
Workforce engagement/culture change opportunity	20
Development schedule (business continuity consideration)	20
Beneficial to economic development/downtown development	10
Timing and risk to contract (site control)	15
Percentage qualitative	100
QUANTITATIVE SUMMARY (1/3 Total Score)	**% WEIGHT**
Total or annualized cost	30
Life cycle costs	70
Percentage quantitative	100

PROJECT TIMELINE

Direction	Inform	Inform	Inform	Inform	Action	Inform	Action

Board Involvement

Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr

Phase 1

Finalize option evaluation criteria with Board input

Phase 2

Solicit additional solutions in market through transparent solicitation process

Phase 3

Staff/CBRE evaluation of solicitation responses and final clarifications

Phase 4

Board evaluation and approval of staff recommendation

Phase 5

Define critical path items and milestones

Phase 6

Negotiate commercial terms and finalize contracting / program development

Phase 7

Final Board Approval

Phase 8

April 2019 to TBD

Planning, Design, Project Management, Construction, Relocation, Etc.

Potential Risk Areas

1) Schedule slip due to complexity, delays in project control and developer approvals

2) Finalizing scope allocation and subsequent capital spend estimates during planning & negotiations

IV. B.

Governance – Delegation of Authority

Return to Agenda

JEA
Building Community

IV. B.
12/11/2018

AGENDA ITEM SUMMARY

December 4, 2018

SUBJECT:	**GOVERNANCE - DELEGATION OF AUTHORITY**

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

Issue: The Board has the authority to delegate any act authorized by the JEA Charter to any officer, employee or agent of JEA as it may deem necessary or desirable for prudent management of JEA (JEA Charter, sect. 21.04(s)). Additionally, Policy 4.2 of the JEA Board Policy Manual indicates that the Board would establish a Board-Management Delegation Policy that would specify how JEA's enumerated Chartered powers are delegated. The Board has historically delegated certain powers and responsibilities to the Managing Director/CEO and other staff members through specified actions brought before the Board. The various delegated responsibilities have been captured in numerous management directives and Board documents, but have not been captured in one overall document or policy. The Board should consider the review, creation and adoption of a Board & Management Governance Guideline and Delegation of Authority Policy that would capture all the historical delegations and make adjustments where warranted. Attached is a brief overview of the path forward and current set of Governance and Policy documents.

Significance: High.

Effect: Have one Board-Management Delegation Policy that specifies the delegated powers of the Board and the levels within the organization that has the delegated responsibility.

Cost or Benefit: The Board & Management Governance and Delegation Policy will provide organizational clarity necessary for the day-to-day management of the organization. Additionally, Board-Management Delegation Policy will address succession and/or emergency planning.

Recommended Board action: This agenda item is provided for information only. Staff requests the Board's feedback and direction. The final Delegation of Authority document will be brought to the Board for action at the February 26, 2019 JEA Board Meeting. Staff will bring a revised draft of the Delegation of Authority for Board review at the January 22, 2019 JEA Board Meeting.

For additional information, contact: Jody Brooks, 665-6383

Submitted by: AFZ/MHD/JLB

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
- Growth²
- Accountability
- Integrity

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Return to Agenda

Rationale: To simplify, complete and operationalize JEA's Governance.

Item	Current State	Future State
Legislative Doctrine	JEA Charter (1967) as amended	JEA Charter (1967) as amended
Governance & Policy Doctrine	By Laws of JEA (2002) & BOD Policy (2010)	JEA Governance Guidelines (2019) [New to be drafted]
Authority Delegation	N/A	JEA Delegation of Authority (2019) [New to be drafted]
Management Directive(s)	>12 separate management directives (1968-2018)	JEA Delegation of Authority (2019) & High Level Directives like P-Code and Fuel Code

GOVERNANCE PLAN

Goal(s):

1) January – First Draft / BOD Input
2) February – Final Draft / BOD Input or Approval
3) March (if needed)– Final Draft / Approval

For information only – not for consideration

- JEA Charter
- JEA By Laws
- JEA Board Policy Manual
- JEA Procurement Code
- Miscellaneous management directives

Exhibit A – Current JEA Governance Documentation

ARTICLE 21. - JEA

Section 21.01. - JEA created and continued.

There is hereby created and established a body politic and corporate to be known as JEA, which is authorized to own, manage and operate a utilities system within and without the City of Jacksonville. JEA is created for the express purpose of acquiring, constructing, operating, financing and otherwise having plenary authority with respect to electric, water, sewer, natural gas and such other utility systems as may be under its control now or in the future. Such utilities may be owned, operated or managed by JEA separately or in such combined or consolidated manner as JEA may determine and JEA may use such name or names in the conduct of its business in connection therewith as it may determine. It is the specific purpose of this article 21 to repose in JEA all powers with respect to electric, water, sewer, natural gas and such other utilities which are now, in the future could be, or could have been but for this article, exercised by the City of Jacksonville. JEA created and established by this article is the same Jacksonville Electric Authority previously created and established by chapter 67-1569, Laws of Florida, as amended, (including as added to Chapter 67-1320, Laws of Florida by Chapter 78-538, Laws of Florida and, as amended and readopted by Chapters 80-515, and 92-341, Laws of Florida) and, except as otherwise provided or authorized by this article, JEA shall continue to function under this article the same as it previously functioned under chapter 67-1569, Laws of Florida, as amended (including as added to Chapter 67-1320, Laws of Florida by Chapter 78-538, Laws of Florida and, as amended and readopted by Chapters 80-515 and 92-341, Laws of Florida).

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1)

Section 21.02. - Definitions.

In the interpretation of this article, unless the context otherwise requires:

(a) The term "utilities systems" means the electric utility system and the water and sewer utility system now operated by JEA which shall include, except where inconsistent with Chapter 80-513, Laws of Florida, as amended, or where the context otherwise requires, any "system" or "project" authorized pursuant to the provisions of Chapter 80-513, Laws of Florida, as amended and any natural gas utility system to be operated in the future by JEA together with any other additional utility systems as may be hereafter designated as a part of the utilities systems operated by JEA as provided in section 21.04(v) herein.

(b) The term "member" means a member of JEA.

(c) The term "managing director" means the managing director of JEA.

(d) The term "utility system" shall mean any of the separate utility systems operated by JEA such as its electric utility system, its water utility system, its wastewater utility system or its natural gas utility system.

(e) The terms "sewer utility system" and "wastewater utility system" shall each have the same meaning as the other and these terms shall be interpreted as meaning the same.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1; Ord. 2015-764-E , § 2)

Section 21.03. - Composition; compensation; officers; meetings.

(a) The governing body of JEA shall consist of 7 members, appointed by the mayor, subject to confirmation by the council, for a term of 4 years or until such member's successor has been appointed and has qualified. Each member of JEA shall have been a resident and elector of the city for at least 6 consecutive months prior to such member's appointment. No member of JEA shall hold any other public office or position. If at any time during a member's tenure on JEA, such member shall cease to possess the qualifications required for membership on JEA, such member shall cease to be a member and a vacancy shall exist on JEA. Any vacancy on JEA, however created, shall be filled for the unexpired term in the same manner as the position was originally filled, and the person filling the vacancy shall have and retain all the qualifications prescribed for membership on JEA. Any member appointed to JEA for 2 consecutive full terms shall not be eligible for the succeeding term. The members may be removed by the mayor at any time with or without cause, but a removal must be approved by a two-thirds vote of the council.

(b) The members of JEA shall not be entitled to compensation, pension, or other retirement benefits on account of service on JEA, but members and employees shall be entitled to payment of reasonable expenses as provided by the council. Members of JEA shall be subject to the provisions of s. 286.012, Florida Statutes, relating to voting at meetings of JEA, and to the provisions of ss. 112.311 through 112.3175, inclusive, Florida Statutes, as from time to time amended, relating to financial disclosure and conflicts of interest.

(c) JEA shall elect a chairperson, vice-chairperson and secretary and may elect one or more assistant secretaries, each of whom shall serve for one year or until such officer's successor is chosen. JEA may meet at such times and places designated by it but shall hold regular meetings as necessary, and generally once a month. Special meetings may be held upon the call of the chairperson or any 3 members of JEA. A majority of the membership shall constitute a quorum for the purpose of meeting and transacting business. Each member of JEA shall have one vote. JEA may adopt bylaws and make rules and regulations not inconsistent with this article or general law.

(Laws of Fla., Ch. 75-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 83-693-582, § 1; Ord. 84-1307-754, § 25; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 98-253-E, § 1; Ord. 2016-764-E , § 2)

Section 21.04. - Powers.

JEA shall have the following powers, in addition to powers otherwise conferred:

(a) To construct, own, acquire, establish, improve, extend, enlarge, reconstruct, reequip, maintain, repair, finance, manage, operate and promote the utilities system.

(b) To acquire for the use of the utilities system by grant, purchase, gift, devise, condemnation by eminent domain proceedings, exchange, lease or in any other manner, all property, real or personal, or any estate or interest therein, including without limitation, property used:

   (1) In connection with the generation, transmission and distribution of electric power and energy,

   (2) In connection with the collection, storage, treatment, processing, disposal, transmission and distribution of water and wastewater including, but not limited to, raw water, potable water, non-potable water, chilled water and reused water; however, JEA shall have no power or authority for the function of stormwater runoff and drainage management.

   (3) In connection with the production, procurement, extraction, manufacture, transmission, transportation, distribution, and storage of natural gas.

   (4) In connection with the production of steam, the mining, extraction, development, production, manufacture, procurement, transportation, handling, storage, processing or reprocessing of fuel of any kind, to likewise acquire any facility or rights with respect to the supply of water, any rights with respect to minerals, including but not limited to coal, petroleum coke, natural gas and oil and bio-mass facilities for the processing of by-products derived from the

operation of the utilities system, solid waste disposal and environmental protection facilities, communication and computer facilities, and any other property, equipment, facilities or property rights whatsoever determined by JEA to be necessary or convenient in connection with the operation, promotion, financing, construction, management, improvement, extension, enlargement, reconstruction, re-equipment, maintenance, repair, decommissioning or disposal of the utilities system or any part thereof, and to sell, lease or otherwise transfer, with or without consideration, any such property when in JEA's discretion it is no longer needed or useful, or such sale, lease or transfer otherwise is in the best interest of JEA, all upon such terms and conditions as JEA shall by resolution fix and determine.

The right of eminent domain conferred herein shall be exercised by JEA in the manner provided by law. If JEA leases any real property to another agency, firm, corporation, or individual, it shall cause said lease or leases to be recorded with the clerk of the circuit court as a matter of public record. JEA shall not sell real property for less than the appraised value as recorded by the property appraiser for Duval County, unless approved by the council. If there is no recorded appraised value, then JEA shall request the property appraiser for Duval County to provide an appraisal prior to the sale of the real property.

(c) To furnish electricity, water, sanitary sewer service, natural gas and other utility services as authorized herein to any person or entity, public or private, within or without the city and for said purposes shall have the right to construct and maintain electric lines, pipelines, water and sewer mains, natural gas lines and related facilities in and along all public highways and streets within or without the city.

(d) To sell power and energy, water, sanitary sewer service, natural gas and other utility services as authorized herein at wholesale and retail and/or to provide transmission or other services of any kind to any person or entity, public or private, within or without the State of Florida, directly by JEA, indirectly through other entities and jointly through associations with other utilities or entities engaged in these activities.

(e) To enter into contracts with any person or entity, public or private, deemed necessary or desirable by JEA in connection with carrying out its powers and duties.

(f) To fix, pledge to establish or establish, levy, regulate, impose and collect rates, assessments, fees and charges for the use or benefit of the utilities system and to alter and amend same from time to time, which rates, assessments, fees and charges shall result in JEA receiving or possessing an amount which, together with accumulated balances from prior years available therefore is not less than is required to operate and maintain a self-liquidating or self-sustaining utilities system. When establishing or altering rates, assessments, fees or charges for retail service, JEA shall first give notice of and hold a public hearing in the City of Jacksonville. The notice shall be published not less than one (1) week in advance in at least one (1) newspaper of general circulation in the city. Said notice shall be at least one-fourth page in size, inviting the public to be present and heard. JEA shall have the power to impose sanctions to enforce compliance with any rule or regulation which JEA may adopt in the management and operation of, or the sale or use of any utility service provided by JEA from the utilities system including, without limitation, electricity, water, sewer and natural gas services. The city and other public bodies shall be required to pay for any utility services provided by JEA upon the same basis as other users.

(g) To sue and be sued, implead and be impleaded, complain and defend in all courts, to adopt and use a corporate seal, to apply for, hold and own patents and copyrights, to sell or license patents, copyrights, patented or copyrighted materials to other public or private entities. Prices or fees for such sales or licensing may be based upon market considerations. JEA may designate how proceeds from such sales or licensing shall be used. Prices or fees for the sale of copyrighted data processing software, as defined in section 119.083, Florida Statutes, shall be established pursuant to section 119.083, Florida Statutes.

(h) To make or cause to be made such surveys, investigations, studies, borings, maps, drawings and estimates of cost and revenues as it may deem necessary, and to prepare and adopt a comprehensive plan or plans for the location, relocation, construction, improvement, revision and development of the utilities system.

(i) (1) To issue revenue bonds or revenue certificates of JEA for the purpose of financing or refinancing the utilities system, including without limitation the financing of any one or more enlargements, expansions, developments, replacements, acquisitions or modernization of the utilities system, any expenses of the utilities system, any reserves deemed necessary or desirable by JEA and any other purpose not otherwise prohibited by law, and retiring any bond, note or revenue certificate issued under this article, or any bond, note or revenue certificate issued by or on behalf of the city to finance the water and sewer utilities previously owned or operated by the city, and for any combination of one or more such purposes in any single issue of revenue bonds or revenue certificates. At the discretion of JEA, such bonds or revenue certificates may be issued for any one or more of the several utility systems of JEA (or any combination thereof).

(2) The bonds or revenue certificates of each issue shall be authorized by resolution of JEA, which resolution shall contain such provisions relating to the protection and security of the holders of the bonds or revenue certificates, including their rights and remedies, and the rights, powers, privileges, duties and obligations of JEA with respect to the same. Such resolution may also contain provisions providing for the pledge of all or any part of the revenues of the utilities system, to which may, at JEA's discretion, be limited to the revenues of one or more of the several utility systems, to secure the payment of the bonds or revenue certificates of any issue and may provide for the pledge of other funds and accounts of JEA. Such resolution also shall determine the timing and manner of sale, which may be public or private; maturities; rate or rates of interest, which may be fixed or may vary at such time or times as provided or in accordance with a specified formula or method of determination (subject to any legal limitations on interest, as established by s. 215.84, Florida Statutes, or according to said section as it may from time to time be amended); and other terms and conditions of the bonds or revenue certificates, provided that JEA may delegate to the chairperson, managing director or other officer or employee of JEA designated by JEA the power to determine any such terms or conditions. However, the amounts and maturities of such bonds or revenue certificates and the interest rate or rates of such bonds or revenue certificates shall be within the limits prescribed by JEA and its resolution delegating to the chairperson, managing director or such other officer or employee of JEA the power to authorize the issuance and sale of such bonds or revenue certificates, and, in the case of the total aggregate amount of bonds or revenue certificates issued by JEA, within the limits prescribed by ordinance of the council. In case any officer whose signature or facsimile of whose signature shall appear on any bonds or revenue certificates shall cease to be such officer before the delivery of such bonds or revenue certificates, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. All bonds and revenue certificates issued under the provisions of this article shall have and are hereby declared to have all the qualities and incidents of negotiable instruments under the negotiable instruments law of the state. The issuance of such bonds and revenue certificates shall not be subject to any limitations or conditions contained in any other law.

(3) Bonds or revenue certificates and refunding bonds or refunding revenue certificates issued pursuant to this article if sold by bid shall be sold to the bidder whose bid produces the lowest true interest cost to JEA. JEA may restrict the bidders in any sale by pre-qualification or otherwise and may reserve the right to reject any or all bids. Prior to any sale by bid of bonds or revenue certificates JEA shall cause notice to be given in such manner and at such time as JEA shall determine. Said notice shall specify such matters relating to the bonds or revenue certificates offered for sale as JEA shall determine and shall state the manner in which bids shall be given. JEA may reserve the right to waive any informalities or irregularities if JEA determines that such actions are in its best interest. In no event shall

said bonds or revenue certificates be sold at a net interest cost to JEA in excess of the legal limit, as established by s. 215.84, Florida Statutes, or according to said section as it may from time to time be amended.

(4) In no event shall general obligation bonds be issued hereunder.

(5) Bonds or revenue certificates may be issued by resolution of JEA, subject only to the approval by ordinance of the council of the aggregate principal amount of such bonds or revenue certificates.

(j) To borrow money and to issue notes for any purpose or purposes for which bonds or revenue certificates may be issued under the provisions of this article, in accordance with the provisions of this article relating to the issuance of bonds or revenue certificates, and to refund the same and to issue notes in anticipation of the receipt of the proceeds of the sale of any such bonds or revenue certificates.

(k) To borrow money from the city, for any period not to exceed one year, to provide JEA with working capital to meet routine or emergency cash requirements and to maintain adequate inventories, at such interest rates and upon such conditions concerning the method of borrowing, the time and manner of payment and the maximum amount that may be on loan at any time, as are determined by ordinance of the council; to lend money from one of its utilities operations to another of its utilities operations for such period, at such interest rates and upon such other conditions concerning the method of borrowing, the time and manner of payment and the maximum amount that may be on loan at any time, all as determined by JEA; and to borrow money from lending institutions, including, without limitation, borrowing as part of a commercial paper or other short-term note financing program which may include provision for payment upon demand by the purchaser or purchasers, as authorized by resolution of JEA. When authorized by resolution of JEA, such notes, including renewals thereof, may be sold or placed by officers of JEA at public or private sale and delivered by such officers to the purchaser or purchasers thereof within the limitations and restrictions contained in such resolution. Such loans between utility systems and such borrowings from lending institutions, or between one or more of the utility systems, including borrowing as part of a commercial paper or other short-term note financing program, will not require the approval of the council.

(l) To enter into contracts determined by JEA to be necessary or desirable for the prudent management of JEA's funds, debt or fuels, and any and all other commodities used for the several utility systems including, without limitation, interest rate swaps, option contracts, futures contracts, contracts for the future delivery or price management of power, energy, natural gas or other related commodities, hedging contracts, other risk management techniques, securities lending agreements and forward purchase contracts.

(m) To invest money of JEA not required for immediate use, including proceeds from the sale of any bonds, revenue certificates or notes, in such obligations, securities, and other investments as JEA shall deem prudent, subject to any agreement with bondholders, revenue certificate holders or note holders.

(n) To enter into joint project agreements as provided by part II of chapter 361, Florida Statutes, for the purpose of implementing a project, as such term is defined in Part II of Chapter 361, Florida Statutes. A copy of all such joint project agreements shall be filed with the council and the mayor at least thirty days prior to the effective date of the agreement. Anything in this provision to the contrary notwithstanding, (i) any joint project agreement that involves a transfer of any function or operation that comprises more than ten percent of the total of the utilities system by sale, lease or otherwise to any other utility, public or private, or (ii) any joint project agreement that involves the issuance of debt not previously authorized by s. 21.04(i)(2), shall require prior approval of the council.

(o) To enter into agreements with one or more other electric utilities, public or private, and related contracts with respect to joint electric power projects as provided in section 2 of chapter 80-513, Laws of Florida, as amended. The provisions of said chapter 80-513 shall govern and control JEA in all respects in the carrying out of a joint electric power project authorized thereunder notwithstanding any provision of the charter or of the Ordinance Code of the City of Jacksonville which may be in conflict therewith.

(p) To transfer, sell, finance, lease or otherwise provide services or products, or by-products, developed or used by JEA incident to the exercise of the powers conferred by this article, including but not limited to, energy performance contracting, water, sewer and natural gas (and any other utility service hereafter provided by JEA) contracting, power marketing services, the testing and maintenance of customer-owned facilities such as transformers, capacitors, lighting, HVAC systems, water cooling and heating systems, energy management systems, etc.; the temporary leasing of JEA facilities such as oil storage tanks; the supply of steam or other thermal energy; the provision of specially conditioned power on the premises of customers and the provision of services or products to build, transfer, lease, finance, operate or sell cogeneration facilities, small power production facilities, specially conditioned power, energy conservation, energy efficiency and dispersed generation to other electric utilities both within and without the state or to any wholesale or retail customers of JEA, upon such terms and conditions as JEA shall by resolution fix and determine; and to transfer, sell, finance, lease or otherwise provide services, products or by-products developed or used by JEA incident to the exercise of the powers conferred by this article, in the delivery of water, wastewater and natural gas services, including but not limited to the financing, testing, maintenance and operation of customer owned facilities used in water, wastewater and natural gas functions; provided, however, that JEA will not enter into any activity pursuant to this section in addition to those activities listed herein without first providing written notice of such activities to the council auditor no less than 30 days before the commencement of such activity. Nothing in this article shall authorize or be construed to authorize JEA to transfer any function or operation which comprises more than ten percent of the total of the utilities system by sale, lease or otherwise to any other utility, public or private without approval of the council. So long as there are outstanding any of the city's "Capital Project Revenue Bonds" as originally authorized pursuant to Ordinance 97-1054-E, the council may approve only such transfer which does not materially adversely affect future receipts of JEA contributions as defined therein.

(q) (1) To collect from customers and ratepayers monthly or one-time voluntary contributions to be deposited into an elderly and/or handicapped or low income customer emergency trust fund administered by JEA. The proceeds of such trust fund may be expended periodically by JEA for the purpose of providing financial assistance to elderly and/or handicapped or otherwise needy low income residents living within the service area of JEA for the payment of their utilities needs. The method of administration of such trust fund, including the collection and distribution thereof, shall be as provided by ordinance of the council.

(2) Upon the unanimous approval of the Board, and a two-thirds vote of the City Council, to collect monthly or one-time voluntary contributions from customers and ratepayers, for a charitable, scholastic, or public service community giving program. - Contributions from any such program shall be passed through to an appropriate non-profit entity for administration and distribution and shall not be administered by JEA. The results of such giving program shall be reported annually each July 1st to the Council.

(3) Upon approval of the Board, to collect monthly or one-time voluntary contributions from customers, ratepayers or other contributors for other customer assistance programs directly related to services or utilities provided by JEA. The results of such giving program(s) shall be reported annually each July 1st to the Council. Contributions from any such program shall be passed through to an appropriate non-profit entity for administration and distribution and shall not be administered by JEA.

(r) To jointly or separately plan, finance, operate, use, share costs of, sponsor, publicize or otherwise participate in projects, systems, programs or measures to promote or implement electric and natural gas energy, electrotechnologies, water, wastewater and natural gas conservation and efficiency, power conditioning and load management, including, but not limited to, energy, water and wastewater conservation, energy efficiency and conditioning or load reducing or load shaping modifications to the maintenance and operating procedures and facilities of a building or facility or in the installation therein; energy, water and wastewater conserving and energy efficiency modifications to windows and doors, pipes, pumps and motors; caulking and weatherstripping; insulation; automatic energy control systems; load management systems; hot water systems; replacements or modifications of lighting fixtures; and energy recovery and recycling systems; and research and development relating thereto within or without the state.

(s) To delegate any act authorized pursuant to this article to any officer, employee or agent of JEA as it may deem necessary or desirable for the prudent management of JEA.

(t) To do all acts and deeds necessary, convenient or desirable, incidental to the exercise and performance of the powers and duties granted to JEA in this article.

(u) Express authority is given JEA to enter into any contracts, leases or other agreements with other governmental bodies (either local, state or federal) for the purpose of carrying out any of the provisions, powers or purposes of this article. JEA is expressly prohibited from appropriating or expending any of its funds for payments, contributions or transfer to any non-profit organization or any other group, association or entity other than those whose primary purpose directly involves the electric, water, wastewater and natural gas utility, (or any other utility which may, in the future, be operated by JEA) industries, or electric energy, water, wastewater and natural gas (or any other utility which may, in the future, be operated by JEA) related matters.

(v) If JEA determines that it is necessary or appropriate for it to provide, operate or maintain any other utility system or function other than electric, water wastewater and natural gas, JEA shall by resolution identify such additional utility system or systems or function or functions and indicate its desire to provide such utility service or services or function or functions to the council. The JEA resolution to be provided to council for adoption and approval shall address relative real property tax treatment of JEA providing, operating or maintaining the additional utility system. Upon the adoption and approval of this resolution by JEA and the council, voting as separate entities, JEA, with respect to the specified system or systems, shall be vested with all powers set forth herein or in general law that would, but for the provisions of this article, apply to such specified utility system or systems.

(w) To exercise all powers granted to the city with regard to sewage collection and disposal and to water supply pursuant to chapters 170 and 180, Florida Statutes, including the issuance of bonds or notes in anticipation thereof payable from special assessments under said chapter 170, Florida Statutes.

(x) To coordinate carefully with the Department of Public Works of the City of Jacksonville and the Jacksonville Transportation Authority the planning and execution of engineering and construction projects involving underground work and streets and highways to seek to minimize the total cost of such projects and to reduce disruption to the citizens of the city to the maximum extent possible.

(y) To expend JEA funds up to one and one-half (1.5) percent of the prior year's gross revenues to promote the efficient use of JEA's services through public education including exhibits, conferences, displays, tours and other events customary to the utilities industry and also to publicize, advertise and promote the objects of this article and to promote the objectives of JEA in the manner set forth by resolution of JEA. Accordingly, JEA may expend its funds to make known to the users, potential users and public in general the advantages, facilities, resources, products, attractions and attributes of the services provided by JEA and to further create a favorable climate of opinion concerning the activities and projects authorized and indicated by this article. JEA may also, to the extent permitted by the laws of the State of Florida, expend funds in cooperative efforts to and with other agencies, both public and private, in accomplishing the purposes enumerated and indicated by this article; and in furtherance thereof. JEA may also authorize expenditures for any and all of the purposes herein enumerated, including but not limited to, meals, hospitality and entertainment of persons in the interest of promoting and engendering good will toward the activities and projects herein authorized. Whenever an expenditure of funds for any of the foregoing purposes is made by a member or employee of JEA, JEA may reimburse such member or employee therefor, but only after such expenditures have been duly authorized by JEA or its managing director if so delegated to do so. JEA will provide a list of proposed promotional expenditures each year to the council auditors.

(z) To allocate costs between the electric, water, sewer, natural gas and any other utility system operated now or in the future by JEA on a cost accounted basis.

(aa) To assist the City of Jacksonville and any of its departments and independent agencies in the development of joint financing programs for the purpose of financing capital improvement programs for the City of Jacksonville and any of its departments and independent agencies.

(bb) To enter into such interlocal agreements authorized by, and to become a member of such separate legal entity or entities created pursuant to chapter 163, Florida Statutes, as JEA shall determine by resolution are necessary or desirable to accomplish the purposes enumerated and indicated by this article; and, to the extent permitted by the laws of the State of Florida, to enter into such joint ventures, partnerships, joint ownership arrangements, or other similar arrangements with other persons or entities, public or private, as JEA shall determine by resolution are necessary or desirable to accomplish the purposes enumerated and indicated by this article.

(cc) To allocate and allot the sums appropriated by the council in JEA's annual budget for more specific purposes and to transfer from time to time during the fiscal year, without further council approval, appropriated funds including capital outlay funds from one of the purposes for which funds are appropriated to another of such purposes, if, in the discretion of JEA, such transfer is necessary to carry out all of the purposes for which funds were appropriated, subject to applicable law; provided however, nothing in this section shall authorize JEA to transfer appropriated funds from its operating budget to its capital outlay budget or vice versa, without prior approval of the council. This includes the financing of power conditioning and energy conservation equipment for both residential and nonresidential customers providing that the receivables at any point in time will not exceed ten (10) percent of the prior year's utilities system's revenues. A written summary of all budget transfers shall be provided to the council auditor at the end of each quarter.

(dd) To the extent permitted by the laws of the State of Florida, to have ownership and membership in separate organization entities, including but not limited to corporations, to conduct utility related activities and functions. A copy of all such ownership agreements shall be filed with the council and the mayor at least thirty (30) days prior to the effective date of the agreement.

(ee) (1) To shut off and discontinue the supplying of services of one utility system, to any and all users of the utilities system, for the nonpayment, when due, of the rates, assessments, fees or charges, for facilities or services of that particular utility system, or for facilities or services of any other utility system.

(2) To deny any application for services of one utility system, to any and all users or potential users of the utilities system for the nonpayment, when due, of rates, assessments, fees or charges for facilities or services of that particular utility system, or for facilities or services of any other utility system.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Laws of Fla., Ch. 82-312, § 15; Ord. 84-1307-754, § 25; Ord. 86-164-454, § 1; Ord. 86-1458-879, § 1; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 94-1268-757, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1; Ord. 2005-1032, § 1; Ord. 2015-764-E , § 2)

Section 21.05. - Construction.

The powers of JEA shall be construed liberally in favor of JEA. No listing of powers included in this article is intended to be exclusive or restrictive and the specific mention of, or failure to mention, particular powers in this article shall not be construed as limiting in any way the general powers of JEA as stated in Section 21.04. It is the intent of this article to grant to JEA full power and right to exercise all authority necessary for the effective operation and conduct of JEA. It is further intended that JEA should have all implied powers necessary or incidental to carrying out the expressed powers and the expressed purposes for which JEA is created. The fact that this article specifically states that JEA possesses a certain power does not mean that JEA must exercise such power unless this article specifically so requires. JEA's power to levy special assessments shall not be deemed to be the power to levy taxes.

(Ord. 93-82-1385, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1)

Section 21.06. - Bonds and revenue certificates eligible for legal investments.

Notwithstanding any provisions of any other law or laws to the contrary, all revenue bonds and revenue certificates including refunding bonds and refunding revenue certificates, issued pursuant to this article shall constitute legal investments for savings banks, trust companies, executors, administrators, trustees, guardians, and other fiduciaries, and for any board, body, agency or instrumentality of the State of Florida, or of any county, municipality, or other political subdivision of the State of Florida; and shall be eligible as security for deposits of state, county, municipal and other public funds.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25; Ord. 93-82-1385, § 1)

Editor's note— Former § 21.06, relative to transfer of property by the city, was deleted by § 1 of Ord. 93-82-1385, and former § 21.05 was subsequently renumbered as s. 21.06. The provisions of former § 21.06 derived from Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25 and Laws of Fla., Ch. 92-341, § 1.

Section 21.07. - Fiscal and budgetary functions.

JEA shall have fiscal and budgetary functions, subject to the limitations herein expressed:

(a) The fiscal year of JEA shall commence on October 1 of each year and end on the following September 30.

(b) JEA shall prepare and submit its budget for the ensuing year to the city on or before July 1 of each year, setting forth its estimated gross revenues and other available funds, and estimated requirements for operations and maintenance expenses, capital outlay, debt service, and depreciation and reserve account. The council and the mayor shall approve or disapprove such budget in the manner provided in article 14 for budgets of independent agencies.

(c) As consideration for the unique relationship between the City of Jacksonville and JEA, as a tax-exempt entity within the consolidated government, and in recognition of the shared attributes with the consolidated City of Jacksonville in connection with its electric, water, and sewer distribution systems, there shall be assessed upon JEA in each fiscal year, for the uses and purposes of the city, from the revenues of the electric system and the water and sewer system operated by JEA available after the payment of all costs and expenses incurred by JEA in connection with the operation of such electric system and water and sewer system (including, without limitation, all costs of operation and maintenance, debt service on all obligations issued by JEA in connection with such electric system and water and sewer system and required reserves therefore and the annual deposit to the depreciation and reserve account required pursuant to section 21.07(g)), an amount as provided herein. Effective October 1, 2016, consistent with the provisions of this section 21.07(c), JEA shall pay the city combined assessment for the electric system and the water and sewer system. The combined assessment for the electric system and the water and sewer system shall equal, but not exceed the greater of (A) the sum of (i) the amount calculated by multiplying 7.468 mills by the gross kilowatt-hours delivered by JEA to retail users of electricity in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year (other than sales of energy to Florida Power and Light Company from JEA's St. Johns River Power Park System) during the twelve-month period ending on April 30 of the fiscal year immediately preceding the fiscal year for which such assessment is applicable plus (ii) the amount calculated by multiplying 389.20 mills by the number of K-Gals (1=1000 gallons) potable water and sewer service, excluding reclaimed water service, provided to consumers during the twelve-month period ending on April 30 of the fiscal year immediately preceding the fiscal year for which such assessment is applicable or (B) a minimum calculated amount which increases by 1% per year from fiscal year 2016-2017 through fiscal year 2020-2021 using the fiscal year 2015-16 combined assessment of $114,187,538 as the base year. The amounts applicable to clause (B) above are: for fiscal year 2016-2017 - $115,329,413; for fiscal year 2017-2018 - $116,482,708; for fiscal year 2018-2019 - $117,647,535; for fiscal year 2019-2020 - $118,824,010; and for fiscal year 2020-2021 - $120,012,250.

(d) The assessment calculations for the electric system and the water and sewer system shall be in effect until September 30, 2021. The council may reconsider the assessment calculations after October 1, 2020 and changes, if any, shall become effective October 1, 2021. The council may change the assessment calculations by ordinance within the provisions of this section 21.07. Should the council not reconsider the assessment calculations, the assessments shall be calculated using the existing formulas specified in Section 21.07(c), including a minimum calculated amount in clause (B) therein, which increases by one percent per year for each fiscal year computed as provided in Section 21.07(c). In addition to the annual assessment as calculated in Section 21.07(c), JEA pursuant to the terms of an Interagency Agreement with the City, agreed to provide total nitrogen water quality credit to the City to assist the City in meeting its Basin Management Action Plan load reduction goal (BMAP Credit). If JEA cannot provide the BMAP Credit pursuant to the terms of the Interagency Agreement, council and JEA shall work cooperatively to address the BMAP Credit shortfall or council may reconsider the assessment calculations.

(e) The council shall have the power to appropriate annually a portion of the available revenues of each utility system (other than the electric, water and sewer systems) operated by JEA for the uses and purposes of the city. This appropriation shall be based on a formula to be agreed upon by JEA and the council. Any covenants or pledges to lenders associated with such proposed additional utility system which impair council's ability to appropriate revenues from that additional utility system, other than a pledge of gross revenues to bondholders, shall be included in the JEA resolution required in s. 21.04(v) or any future resolution allowing for financing of activities associated with that additional utility system.

(f) JEA shall pay over to the city (i) the amounts assessed upon JEA pursuant to section 21.07(c) and (ii) such portions of the funds actually appropriated by the council pursuant to section 21.07(e) at such time as the council may request, but not in advance of collection. Although the calculation for (i) the amounts assessed upon JEA pursuant to section 21.07(c) and (ii) the annual transfer of available revenue from JEA to the city pursuant to section 21.07(e) is based upon formulas that are applied specifically to the respective utility systems operated by JEA, JEA, in its sole discretion, may utilize any of its revenues regardless of source to satisfy its total annual obligation to the city mandated by said sections 21.07(c)and (e).

(g) JEA shall be required to set aside each year in a depreciation and reserve account established for each utility system it operates, an amount equal to not less than 10 percent of its annual net revenues for the previous year attributable to each such system. For such purpose, "annual net revenue" shall mean annual gross revenues derived by JEA from the operation of such system reduced by expenses for operation and maintenance allocable to such system and debt service allocable to such system. Funds set aside in each such depreciation and reserve account shall be used exclusively for enlargements, extensions, improvements and replacements of capital assets of the utility system for which such account was established or to pay or provide for the payment of JEA's bonds, notes or revenue certificates relating specifically to such system; provided, however, that if JEA by resolution determines that it is in the best interests of JEA to use all or any portion of the funds set aside in the depreciation and reserve account established with respect to a particular utility system for the purposes of another utility system, then such funds may be so applied.

(h) JEA shall not be required to utilize the personnel, motorpool, purchasing, communication or information systems services of the city. By mutual agreement of JEA and the city such services may be provided from one party to the other but only on a cost-accounted basis. JEA shall be required to use the legal services of the city on a cost-accounted basis except in those cases when the chief legal officer of the city determines that the city legal staff cannot or should not provide legal services in the required legal area. JEA shall appropriate the funds necessary to meet the obligations for outside legal services as determined by the chief legal officer of the city. Such chief legal officer shall consult with JEA before he or she selects outside counsel.

(i) Unless otherwise determined by JEA, all revenues and service charges receivable by JEA as payment for the sale of utilities services shall be collected and received by the tax collector. The tax collector shall deposit to the account of or otherwise turn over to JEA such funds at such times and in such manner as JEA may from time to time designate by resolution. JEA may provide for the collection of such revenues and service charges directly by JEA, provided that the council auditor shall be notified in writing of any proposed change from the current collection process utilizing the Tax Collector and that such change shall not take place until the next fiscal year after such notice is given.

(j) JEA shall employ and fix the compensation of the managing director, who shall manage the affairs of the utilities system under the supervision of JEA. The entire working time of such managing director shall be devoted to the performance of the duties of such office and the managing director shall have no outside employment or business. The managing director shall be a graduate of an accredited college or university, or have at least ten years' managerial experience in a consumer-oriented industry or comparable enterprise. JEA may appoint and fix the compensation of 48 staff assistants to the managing director, to serve at the pleasure of JEA. JEA shall employ and fix the compensation of the department heads, deputy directors of departments, division chiefs and assistant division chiefs of the utilities system. JEA may adopt position titles different from those recited herein, consistent with utility industry practice. The managing director, department heads, deputy directors of departments, staff assistants, division chiefs and assistant division chiefs shall not be included within the civil service system of the city. JEA may employ such certified public accountants, consultants and other employees for special purposes, not within the civil service system, as it may require, and fix and pay their compensation. Whenever used in this s. 21.07(i), "compensation" shall mean both salary and benefits, exclusive of city pension benefits. All personnel appointed by JEA pursuant to this s. 21.07(i) shall participate in the City of Jacksonville pension plan in the same manner as other employees of JEA who participate in such plan. However JEA shall have the option to establish an employee deferred compensation program separate from the city's employee deferred compensation program.

(k) JEA is authorized to pay over to other local governmental units outside the city annually a portion of available revenues derived from operations in such local governmental units' territories, for the uses and purposes of such local governmental units, an amount not to exceed that which would be calculated using the procedures in Sections 21.07(c)and (e), but only to the extent that JEA is able to, and does, include in the rates imposed only upon the customers in such local governmental units' territories the total amounts in respect of such payments.

(l) In addition to all other sums paid by JEA to the City of Jacksonville, JEA shall pay to the City of Jacksonville a franchise fee in an amount equal to three percent (3%) of the revenues of the electric system and the water and sewer system as set forth in Section 21.07(c) herein. The franchise fee will commence for revenues derived effective April 1, 2008 and shall be paid monthly with the first payment payable on June 1, 2008. The franchise fee shall be limited to (1) revenues derived within Duval County not including Urban Service Districts 2-5, and (2) per customer, total water and sewer rate revenues, and (3) up to a per customer maximum of $2,400,000 per fiscal year of electric rate revenues. The franchise fee shall be calculated each month by multiplying three percent (3%) by the sum of JEA's base rate electric revenues, fuel rate revenues, water rate revenues and sewer rate revenues for that month excluding unbilled revenues and uncollectible accounts. The franchise fee shall be calculated on revenues derived from the sale of gross kilowatt-hours and number of cubic feet of potable water and cubic feet of sewer service as set forth in Section 21.07(c). Notwithstanding the foregoing, no franchise fee shall be paid on franchise fees, state utility taxes, fuel related interchange sales, sales for resale, City of Jacksonville accounts, JEA accounts, investment income and other revenues. JEA shall be authorized to pass-through the amount of the franchise fees set forth herein and associated charges resulting from the stated three percent (3%) franchise fee calculation on rate revenues notwithstanding the $2,400,000 limit set forth herein to the customers of JEA, in accordance with the customers' proportionate share of rate revenues as calculated above. This franchise fee is in consideration of the administrative costs incurred by the City to coordinate functions and services with JEA, for the exclusive right to serve electric, water and sewer customers, for use by JEA of the public rights-of-way used by it in connection with its electric distribution system and its water and sewer distribution and collection system, and in further consideration of the unique relationship of JEA and the City, in which JEA is a wholly owned public utility, and such other good and valuable consideration that has been agreed to between JEA and the City of Jacksonville. The gross franchise fee and the amount of the pass-through set forth herein may be increased by ordinance, initiated by the Mayor and approved by two-thirds supermajority of the City Council, but the franchise fee shall not exceed six percent (6%) of the gross utility revenues as calculated above. The JEA and the City shall enter into a Franchise Fee Agreement for the administration of the Franchise Fee.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 81-921-490, § 1; Ord. 84-1307-754, § 25; Ord. 89-1001-632, § 1; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1; Ord. 2003-1320-E, § 1; Ord. 2007-838-E, § 1; Ord. 2007-1132-E, § 1; Ord. 2015-764-E , § 2)

Section 21.08. - Employees.

All employees of the utilities system shall be employees of JEA and shall be subject to articles 16 and 17 unless otherwise provided by the council, which shall be and continue to be the legislative body as provided in section 447.203(10), Florida Statutes. JEA shall be fully responsible for the administration and operation of all utility services as set out in this article and in order to meet its administrative and operational responsibilities, JEA shall have full and independent authority to hire, transfer, promote, discipline, terminate and evaluate employees engaged to provide any and all of the utilities services for which it is responsible and accordingly, consistent with the provisions of article 17, JEA may establish employment policies relating to hiring, promotion, discipline and termination, and other terms and conditions of employment, and enter into negotiations with employee organizations with respect to wages, hours and terms and conditions of employment and take such other employment related action as needed to assure effective and efficient administration and operation of the utilities system. In order to effectively implement the foregoing, JEA shall perform all functions with regard to its own employees that are performed by the City department or division which oversees city employees in regard to personnel matters. JEA, at its expense, shall provide accidental death benefits for all employees engaged in hazardous duty as determined by JEA, in the amount of $50,000 payable to the beneficiary named by the employee, or as otherwise provided, in the event said employee dies as a result of an accident occurring to any employee in the course of his/her employment. Nothing contained in this section 21.08 shall be construed to supersede or repeal any provision of section 12 of Chapter 80-513, Laws of Florida, as amended.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25; Ord. 87-203-345, § 1; Laws of Fla., Ch. 92-341, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1; Ord. 2011-732-E; Ord. 2015-764-E , § 3)

Editor's note— Ordinance 2007-839-E, § 18, authorized updated department/division names pursuant to reorganization.

Section 21.09. - Awards of contracts.

(a) JEA shall not be subject to the provisions of Chapter 126, Ordinance Code of the City of Jacksonville, as the same may be amended from time to time, however, JEA in entering into any contracts relating to the construction, reconstruction, repair, operation or maintenance of the utilities system or the purchase of supplies, equipment, machinery and materials for the utilities system or the contracting or otherwise purchasing for any advisory, professional or any other services may establish such rules, regulations or procedures as it may deem desirable or necessary in connection therewith. In the absence of such specific authority, rules, regulations or procedures, JEA shall follow the provisions of Chapter 126 of the Ordinance Code of the City of Jacksonville, as the same may be amended from time to time. JEA shall have the right to reject any and all bids, in whole or in part, in the best interests of JEA. Nothing in this chapter shall be construed to limit the power of JEA to construct, repair, or improve the utilities system, or any part thereof, or any addition, betterment or extension thereto, directly by the officers, agents, and employees of JEA, or otherwise by contract. JEA is authorized to implement and to take all actions necessary to administer a purchasing and procurement program directed to Minority Business Enterprises including, but not limited to, prime contractors, subcontractors, consultants, subconsultants, and suppliers. Any such Minority Business Enterprise program shall be implemented by JEA to remedy discrimination or the present effects of past discrimination, if any, suffered by Minority Business Enterprises in the business community in the area served by JEA. For purposes of this chapter, the term "Minority Business Enterprise" shall be defined by JEA and shall include, at a minimum, those business entities that are legitimately owned, operated and controlled by persons who have been shown to have been discriminated against or who suffer from the present effects of past discriminations, if any, in the business community in the area served by JEA. Such program shall be used to redress and remedy discrimination or the present effects of past discrimination, if any, as may be determined by JEA, and which are shown to have been suffered by Minority Business Enterprises, in the business community in the area served by JEA.

(b) No member of JEA or officer or employee thereof shall either directly or indirectly be a party to, or be in any manner interested in, any contract or agreement with JEA for any matter, cause or thing whatsoever in which such member shall have a financial interest or by reason whereof any liability or indebtedness shall in any way be created against JEA. If any contract or agreement shall be made in violation of the provisions of this section the same shall be null and void and no action shall be maintained thereon against JEA.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 80-113-169, § 1; Ord. 81-921-490, § 2; Ord. 84-1307-754, § 25; Ord. 84-229-307, § 1; Ord. 86-1475-875, § 1; Ord. 88-989-705, § 1; Ord. 91-678-447, § 1; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1)

Section 21.10. - Execution of instruments; examination of claims; funding through revenue bonds or revenue certificates.

All instruments in writing necessary to be signed by JEA shall be executed by the chairperson and secretary or assistant secretary, or by such officer, agent or employee of JEA as it may by resolution designate. JEA shall provide for the examination of all payrolls, bills, and other claims and demands against JEA to determine before the same are paid that they are duly authorized, in proper form, correctly computed, legally due and payable, and that JEA has funds on hand to make payment. Funds on hand to make payment shall be deemed to have been provided when revenue bonds or revenue certificates of JEA (or notes issued in anticipation thereof) to finance the acquisition and construction of plants and facilities for the production and/or transmission of electricity, the production and transmission of water, the transmission and treatment of wastewater and the transmission of natural gas, costing in excess of $10,000,000.00 have been duly authorized as provided in this article whereupon JEA may enter into instruments in writing for the acquisition and construction of such plants and facilities and may sell such revenue bonds or revenue certificates (or notes issued in anticipation thereof) in the manner provided in this article in installments to provide funds as obligations of JEA under such instruments in writing become due.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25; Laws of Fla., Ch. 92-341, § 1; Ord. 93-82-1385, § 1; Ord. 97-12-E, § 2; Ord. 98-253-E, § 1)

Section 21.11. - Legislative authority of council.

Notwithstanding any provision of this charter to the contrary, the council may repeal or amend any portion of this article, by two-thirds vote of the membership of the council. A public hearing on the adoption of the ordinance shall be advertised in substantially the same manner as the council is required to advertise its intention pursuant to s. 200.065, Florida Statutes, and held not earlier than 30 days after the introduction of the ordinance into the council. The council shall take final action on the ordinance only after the expiration of 60 days after the advertised public hearing, and no ordinance shall be enacted except by a two-thirds vote of the entire council. If the mayor disapproves the ordinance, the council may enact it notwithstanding such disapproval only by a four-fifths vote of the entire council.

(Laws of Fla., Ch. 78-538, § 1; Laws of Fla., Ch. 80-515, § 1; Ord. 84-1307-754, § 25; Laws of Fla., Ch. 92-341, § 1)

Section 21.12. - Severability.

If any provisions of this article or the application thereof to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications of this article which can be given effect without the invalid provision or application, and to this end the provisions of this article are declared to be severable.

(Ord. 93-82-1385, § 1)

BY-LAWS
OF
JEA

ARTICLE 1
OFFICES

The principal office of JEA shall be located in Jacksonville, Florida. Branch offices of JEA may be established at such places as JEA may designate from time to time.

ARTICLE II
MEMBERS OF JEA GOVERNING BODY

Section 1. General Powers. The affairs of JEA shall be managed by the JEA governing body ("Board") as provided in Article 21, Charter of the City of Jacksonville, as amended, and other applicable laws.

Section 2. Appointment, Number, Tenure, and Expense Reimbursement. The membership of the JEA Board shall be constituted in number, qualifications, manner of appointment and tenure as provided in Article 21, Charter of the City of Jacksonville, as amended. Members of the JEA Board shall receive reimbursement for all expenses incurred which are reimbursable by law.

ARTICLE III
OFFICERS

Section 1. Elections. The Officers of the JEA Board shall be a Chair, Vice-Chair, and a Secretary who shall be elected by the members and who shall serve as such officers for one year or until a successor is chosen. The Chair may serve for two consecutive one-year terms, which shall not include any period served as replacement Chair during the unexpired portion of the predecessor's term. Elections of Officers shall be conducted at the first regular meeting in March which may be preceded by a meeting of the nominating committee composed of the JEA Board acting as a whole or such other membership as the Chair may designate.

Section 2. Vacancies. A vacancy in any office because of death, illness, removal or otherwise, may be filled by the remaining members for the unexpired term.

Section 3. Chair. The Chair shall preside at all meetings of the JEA Board unless the Chair delegates otherwise. The Chair shall designate from time to time such special committees as the Chair deems appropriate and shall designate the subject matter assigned to each committee for consideration. In the event of the Chair's prolonged absence or disability, the Vice-Chair shall exercise all functions of the Chair for a period of up to thirty (30) days, at the expiration of which a special election shall be conducted by the JEA Board and a permanent Chair elected.

Section 4. **Vice-Chair.** The Vice-Chair shall perform such duties as are assigned by the Chair in addition to the functions for which the Vice-Chair is responsible under Section 3 above.

Section 5. **Secretary.** The Secretary shall cause the minutes to be kept of each meeting of the members in the Minute Book designated for that purpose. In the event of the Secretary's absence or disability, the Chair shall designate another member to be responsible for keeping of minutes during the Secretary's absence and for their inclusion in the Minute Book. When so directed by the Chair, the Secretary shall cause all notices to be given in accordance with these By-Laws and other applicable laws; the Secretary shall be responsible for the proper care and custody of all records pertaining to JEA affairs and for custody of the Seal of JEA. The Secretary shall be responsible for the Register of the address of each Board member and of such other persons as may be designated by the Chair or by the Executive Committee. The Secretary shall perform such other duties as from time to time may be assigned by the Chair or by the Executive Committee.

ARTICLE IV
COMMITTEES

Section 1. **Executive Committee.** There shall be an Executive Committee comprised of as many members of the JEA Board as may be determined by the Chair. The Executive Committee shall function for and on behalf of the seven (7) members of the JEA Board to the extent that such action may be lawfully delegated; however, the designation of the Executive Committee and delegation thereto of authority to act in proper circumstances for the full membership of the JEA Board shall not operate to relieve the members of any responsibility imposed upon them individually or collectively by law. The Chair of the JEA Board shall preside at meetings of the Executive Committee, and it shall meet from time to time at such times and places as the Chair may designate.

Section 2. **Ordinary Committees.**

(a) **Standing Committees.** The Chair may appoint standing committees from time to time which shall be composed of as many members of the JEA Board as determined by the Chair. The Chair shall name one of the committee members as committee chair and one as committee vice-chair. A standing committee shall continue until such time as it is terminated by the Chair.

(b) **Special Committees.** The Chair may appoint special committees from time to time, and the Chair may specify that one or more individuals who are not members of the JEA Board shall work with and assist the special committee. The Chair shall name one of the committee members as committee chair and one as committee vice-chair; both positions must be filled by current members of the JEA Board. When a special committee has fulfilled its function or when the best interests of JEA have been served, the committee shall be terminated without formal action.

Section 3. Term of Committee Members. Each member of a committee shall serve until the expiration of his/her term of office as a JEA Board member, until that member's successor is appointed and has accepted such appointment, or until the committee is terminated.

Section 4. Powers of the Committee and the Committee Chair. The committee chair, or vice-chair in the absence of the chair, shall have the power and authority to call meetings of the committee upon reasonable verbal or written notice to the members, and to set the date, time and place of such meetings. This function may also be performed by a majority of the remaining members of the committee upon inaction by the chair. A committee secretary may be designated by the committee chair. A committee may submit reports to the Chair and members of the JEA Board in writing as determined by the committee chair. Committee reports shall contain both majority and minority reports of committee members. A committee may by motion recommend to the JEA Board that action be taken on matters under consideration by the committee. Matters under consideration by the committee may include resolutions or other proposed actions presented to the committee by the JEA Managing Director.

Section 5. Committee Vacancies. The Chair shall fill vacancies in the membership of any committee. Should the Chair of the JEA Board fail to fill a vacancy within a reasonable length of time after such a vacancy occurs, then such vacancy may be filled by a majority of the members of the JEA Board acting in any regular or special meeting.

Section 6. Conduct of Committee Business. A majority of the entire membership of the committee shall constitute a quorum, and an act of the majority of the committee present at any meeting shall constitute the act of the committee. Should a quorum not be present at a scheduled meeting, the committee chair, or vice-chair in the absence of the chair, may appoint as many JEA Board members as necessary to constitute a quorum. Such appointment is for the purpose of that meeting only. All JEA Board members may attend and participate in any committee meeting, but only committee members have the right to make motions and to vote. Except as provided otherwise herein, Roberts Rules of Order shall govern the conduct of committee business, unless the majority of the committee present at such meeting shall elect to utilize other rules or procedures consistent with applicable law and these By-Laws.

ARTICLE V
CONDUCT OF AUTHORITY BUSINESS

Section 1. Regular Meetings. Regular meetings shall be held at least monthly at the principal offices of JEA in the City of Jacksonville, or at such other public place within the City of Jacksonville as may be determined by the Chair, and at such times as the Chair or a majority of the members may designate. More frequent regular meetings may be held at the pleasure of a majority of the members.

Section 2. Special Meetings. Special meetings of the members may be called by the Chair or by any three (3) members and shall be held at the principal offices of JEA in the

City of Jacksonville, or at such other public place within the City of Jacksonville as may be determined by the Chair.

Section 3. <u>**Notice of Special Meetings and Purpose.**</u> Notice of each special meeting of the members shall be given by the Chair or by the three (3) members who may have called such special meeting. Such notice shall be in writing and shall be provided to every member not less than two (2) working days before the meeting and shall state the purpose, time and place of the special meeting. Attendance by a member at a special meeting shall constitute waiver of notice. A member may, however, appear at a meeting for the sole purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called without losing the right to object to improper notice. No business shall be transacted at any special meeting other than the purpose specified in the notice unless a majority of the members in attendance at such special meeting agree to transact other business.

Section 4. <u>**Teleconference or Videoconference Meetings.**</u> The Chair may allow Board member(s) to attend a regular or special meeting by teleconference or videoconference, provided that all JEA Board members attending the meeting and all other persons participating in the meeting may hear (or if by videoconference, see and hear) each other at the same time. Whenever any Board member attends a meeting by teleconference or videoconference, the Chair shall conduct the meeting in a manner so as to allow, to the fullest extent possible, simultaneous communication. A Board member or other person wishing to speak must first identify himself/herself to the Chair and request recognition from the Chair before speaking. Visual presentations shall be described in detail for any Board member attending by teleconference who is unable to view the presentation. It is the Board's preference that meetings be held with a quorum physically present except, on occasion, when the Board needs to transact business for a special matter typically conducted at a special meeting.

Section 5. <u>**Quorum and Votes Required for Action.**</u> The majority of the Board members shall constitute a quorum for the purpose of meeting and transacting business. Four (4) affirmative votes shall be required to accomplish an act of business. Pursuant to Chapter 286, Florida Statutes, no member who is present at any Board meeting may abstain from voting except when there is, or appears to be, a possible conflict of interest. In such case, the abstaining Board member shall comply with the disclosure requirements of Chapter 112, Florida Statutes.

Section 6. <u>**Vacancies.**</u> Any vacancy occurring in the office of a member of the JEA Board shall be filled for the unexpired term in the manner provided in Article 21, Charter of the City of Jacksonville, as amended.

Section 7. <u>**Rules and Procedures.**</u> Except as provided otherwise herein, <u>Robert's Rules of Order</u> shall govern the conduct of the JEA Board business, unless the majority of members shall elect to utilize other rules or procedures consistent with applicable law and these By-Laws.

ARTICLE VI
AMENDMENTS TO BY-LAWS

These By-Laws may be amended, repealed or altered, in whole or in part, by the affirmative votes of four (4) members at any regular or special meeting, provided such subject has been included in an agenda item.

ARTICLE VII
EFFECT OF BY-LAWS

Noncompliance with these By-Laws shall not operate to invalidate any JEA Board action otherwise valid under applicable law.

APPROVED BY THE BOARD

Date: 7-16-02

Form Approved :

Office of General Counsel

JEA
Board Policy Manual

Adopted in its entirety by the JEA Board on February 16, 2010: ____________________
Board Secretary

JEA Board Policy Manual

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Adopted in its entirety by the JEA Board on February 16, 2010.

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Appendix

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

Record of Amendments:

Policy #	Title	Date Approved by Board

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.0 **POLICY TITLE: *GLOBAL ENDS***

JEA exists to provide clean, safe, reliable, and reasonably priced electric, water and sewer services to the citizens of Jacksonville and portions of surrounding counties while remaining environmentally sound and financially strong while providing revenue for the City of Jacksonville.

1.1 **Quality of Electric Service:** Provide clean, safe and reliable electric service to all prescribed consumers.

1.2 **Quality of Water Service:** Provide clean, safe and reliable water service to all prescribed consumers.

1.3 **Quality of Sewer Services:** Provide clean, safe and reliable sewer services to all prescribed consumers.

1.4 **Cost of Service:** Provide all utility services at a reasonable and accurate cost.

1.5 **Environmentally Sound:** Provide all utility services in a manner that is environmentally sound and sustainable.

1.6 **Informative Communication:** Effectively communicate with consumers and other stakeholders.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.1 **POLICY TITLE: *QUALITY OF ELECTRIC SERVICE***

Provide clean, safe and reliable electric service to all prescribed consumers.

1.1.1 Annually update an Electric Integrated Resource Supply Plan (IRP) to ensure consumers' future electricity supply needs are met at the lowest evaluated total lifecycle cost while maintaining fuel diversity.

   a. Develop resources or agreements to ensure that JEA's electric energy supply is 10% nuclear by 2017.

1.1.2 Minimize the frequency of electric distribution system outages and report status through the System Average Interruption Frequency Index (SAIFI-2).

1.1.3 Minimize the frequency of electric distribution system voltage sags and report status through the System Average Root Mean Square Frequency Index (SARFI-80).

1.1.4 Minimize the duration of electric distribution system outages and report status through the System Average Interruption Duration Index (SAIDI).

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.2 **POLICY TITLE: *QUALITY OF WATER SERVICE***

Provide clean, safe and reliable water service to all prescribed consumers.

1.2.1 Annually update a Total Water Management Plan (TWMP) to ensure consumers' future water supply needs are met at the lowest evaluated cost while also ensuring water resources are available for future generations.

a. The TWMP is to include evaluation of water supply alternatives.

1.2.2 Minimize the duration of water distribution system low pressure events and report status of the number of cumulative minutes water pressure drops below 30 pounds per square inch (psi) for all existing water distribution system pressure monitoring points.

1.2.3 Conduct water testing in accordance with the standards of the Florida Department of Environmental Protection (FDEP) and the Environmental Protection Agency (EPA) and report testing results to all water consumers and stakeholders.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.3 **POLICY TITLE: *QUALITY OF SEWER SERVICE***

Provide clean, safe and reliable sewer service to all prescribed consumers.

1.3.1 Minimize the frequency of sewer back-ups and overflows and report status by

a. the number of Sanitary Sewer Overflows (SSO's) per 100 miles of existing sewer pipe

b. the total number of sewer system cave-ins

1.3.2 Limit the total amount of nutrients discharged into the St. John's River from all wastewater treatment facilities.

a. Reduce the total nutrient discharge into the St. John's River to meet JEA's Florida Department of Environmental Protection (FDEP) Total Maximum Daily Load (TMDL) allocation.

b. Increase the amount of reclaimed water produced and distributed.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.4 **POLICY TITLE:** ***COST OF SERVICE***

Provide all utility services at a reasonable and accurate cost.

1.4.1 All utility services are to be reasonably priced.

a. Pricing for all utility services is to be frequently benchmarked against other state and regional utilities to demonstrate competitiveness.

b. Pricing for each utility service for all classes of consumers is to be based on the cost to serve each consumer class. Cost of service studies are to be conducted in no more than five year intervals.

1.4.2 Minimize the number of consumer bills that are inaccurate, are estimated due to the lack of a current meter reading, or are untimely. The expectation is 99.9% accurate and timely.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.5 **POLICY TITLE: ENVIRONMENTALLY SOUND**

Provide all utility services in a manner that is environmentally sound and sustainable.

1.5.1 The CEO is expected to comply with all existing environmental regulations that apply.

1.5.2 Conservation: Pursue all options to communicate and incentivize customer conservation and efficiency while avoiding excessive customer cost.

a. Electric System: Establish an electric conservation fund by collecting an additional one cent per kwh for every kwh over 2750 on monthly residential consumption and by allocating 50 cents per mwh of base rate revenues (a total of approximately 0.5% of electric gross revenues.) The funds are to be spent for customer conservation initiatives and incentives only.

1.5.3 Renewable Energy Supply: Explore all options for renewable electric energy supply while avoiding excessive customer cost since a state or federal Renewable Electricity Standard (RES) is yet to be established and the timing for setting a standard remains uncertain.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: ENDS

POLICY 1.6 **POLICY TITLE: INFORMATIVE COMMUNICATION**

Effectively communicate with consumers and other stakeholders.

1.6.1 To influence consumer paradigms of utility expectations.

1.6.2 To influence public dialogue on local, state and national energy and water and sewer issues.

1.6.3 To inform consumers of as well as the reasons for significant potential or pending changes to utility services or charges.

1.6.4 To inform consumers of conservation incentives and other activities that if implemented would reduce their consumption and, therefore, result in higher or lower utility cost than if the incentives or activities were not employed.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.0 **POLICY TITLE: *GENERAL EXECUTIVE CONSTRAINT***

The CEO shall not cause or allow any organizational practice, activity, decision, or circumstance that is either unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices.

2.1 **Treatment of Consumers:** With respect to interactions with consumers or those applying to be consumers, the CEO shall not cause or allow conditions, procedures, or decisions that are unsafe, untimely, undignified, or unnecessarily intrusive.

2.2 **Treatment of Staff:** With respect to the treatment of staff, the CEO may not cause or allow conditions that are unfair, unsafe, undignified, disorganized, or unclear.

2.3 **Financial Planning/Budgeting**: The CEO shall not cause or allow financial planning for any fiscal year or the remaining part of any fiscal year to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

2.4 **Financial Condition and Activities**: With respect to the actual, ongoing financial conditions and activities, the CEO shall not cause or allow the development of financial jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

2.5 **Workforce Readiness and Succession Planning:** The CEO shall not allow the workforce to be unprepared to meet current or future business demands.

2.6 **Asset Protection:** The CEO shall not cause or allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.

2.7 **Compensation and Benefits**: With respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image.

2.8 **Communication and Support to Board:** The CEO shall not cause or allow the Board to be uninformed or unsupported in its work.

2.9 **Regulatory/Legislative Requirements:** The CEO will not fail to effect regulatory and legislative action favorable to the organization.

2.10 **Enterprise Risk Management:** The CEO shall not cause or allow conditions, procedures or decisions which fail to identify, measure, monitor and manage, within established risk tolerances, potential events that may affect achievement of the Ends.

2.11 **Procurement Activities:** The CEO shall not fail to develop procurement policies and procedures that adhere to all applicable federal, state and local laws and ordinances and provide for increased public confidence in the procurement activities of JEA.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.1 **POLICY TITLE:** ***TREATMENT OF CONSUMERS***

With respect to interactions with consumers or those applying to be consumers, the CEO shall not cause or allow conditions, procedures, or decisions that are unsafe, untimely, undignified, or unnecessarily intrusive.

Accordingly, the CEO will not:

2.1.1 Elicit information for which there is no clear necessity.

2.1.2 Use methods of collecting, reviewing, transmitting, or storing client information that fail to protect against improper access.

2.1.3 Fail to operate facilities with appropriate accessibility and privacy.

2.1.4 Fail to establish with consumers a clear understanding of what may be expected and what may not be expected from service offered.

2.1.5 Fail to operate without clearly established and updated Customer Service procedures and published rules and regulations for service.

2.1.6 Fail to operate without mechanisms for collecting consumer complaints that provide for resolution at the lowest staff level and also include prompt response when warranted.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.2 **POLICY TITLE: *TREATMENT OF STAFF***

With respect to the treatment of paid and volunteer staff, the CEO may not cause or allow conditions that are unfair, unsafe, undignified, disorganized, or unclear.

Accordingly, the CEO will not:

2.2.1 Operate without written personnel rules and regulations that

a. clarify rules for staff

b. provide for effective handling of grievances

c. protect against wrongful conditions such as nepotism and grossly preferential treatment for personal reasons.

d. allow for volunteerism in the community

e require high ethical standards

f. recognize the need for work/life balance

2.2.2 Operate without written job descriptions and performance requirements and reviews that

a. characterize the nature of work to be performed

b. identify technical, behavioral and physical skills required

c. identify clear standards of accountability

2.2.3 Fail to provide a safe work environment.

2.2.4 Fail to identify and provide training necessary to accomplish the quality of work expected.

2.2.5 Allow discrimination or retaliation against any staff member for non-disruptive expression of dissent.

2.2.6 Fail to acquaint staff with the CEO's interpretation of their protections under this policy.

2.2.7 Allow staff to be under prepared to deal with emergency situations.

2.2.8 Fail to insure that the company's Core Values are routinely communicated and reinforced to all employees.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.3 **POLICY TITLE: *FINANCIAL PLANNING/BUDGETING***

The CEO shall not cause or allow financial planning for any fiscal year or the remaining part of any fiscal year to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

Accordingly, the CEO will not:

2.3.1 Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."

2.3.2 Fail to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning and budgeting assumptions.

2.3.3 Fail to identify the source for capital expenditures (e.g. internally generated cash, new debt, carry over funds from previous fiscal year).

2.3.4 Fail to adhere to approved tariff rates and fees.

2.3.5 Fail to set and follow an annual budgeting process that results in a final budget submittal to City Council by July 1 proceeding the budgeted fiscal year.

2.3.6 Provide less for Board prerogatives during the year than is set forth in the "Cost of Governance" policy.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.4 **POLICY TITLE:** ***FINANCIAL CONDITION AND ACTIVITIES***

With respect to the actual, ongoing financial conditions and activities, the CEO shall not cause or allow the development of financial jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, the CEO will not:

2.4.1 Fail to operate within the budget established for the fiscal year.

2.4.2 Make budget transfers in excess of $5,000,000 without Board approval.

2.4.3 Fail to inform the Board in monitoring reports when reserves are required to meet current expenditures.

2.4.4 Fail to maintain financial and accounting separation between electric, water and wastewater, and District Energy funds as required by regulatory agencies and bond covenants.

2.4.5 Fail to operate within established financial parameters nor fail to engage the board when established parameters are considered inadequate to affect a desired bond rating.

Current financial parameters:

a. Debt Service Coverage

b. Fixed Charge coverage

c. Cash on Hand

d. Working Capital

e. Line of Credit

f. Fuel Rate Reserve

2.4.6 Operate in violation of JEA's Debt Management Policies.

2.4.7 Fail to settle payroll and debts in a timely manner.

2.4.8 Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

2.4.9 Fail to establish reasonable security measures to protect against loss of receivables.

2.4.10 Fail to aggressively pursue receivables after a reasonable grace period.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.5 **POLICY TITLE: *WORKFORCE READINESS AND SUCCESSION PLANNING***

The CEO shall not allow the workforce to be unprepared to meet current or future business demands.

Accordingly, the CEO will not

2.5.1 Permit there to be fewer than two other executives sufficiently familiar with Board and CEO issues and processes to enable either to take over with reasonable proficiency as an interim successor to protect the Board from sudden loss of CEO services.

2.5.2 Fail to prepare for long term CEO succession.

2.5.3 Fail to prepare for Executive Team succession.

2.5.4 Operate without strategic and tactical plans to have and maintain the right people, in the right place, with the right talent, skills and knowledge.

2.5.5 Fail to develop a workforce that recognizes the value of cultural diversity in internal operations and in serving customers.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.6 **POLICY TITLE: *ASSET PROTECTION***

The CEO shall not cause or allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.

Accordingly, the CEO will not:

2.6.1 Fail to insure adequately against theft and casualty and against liability and losses to Board members, staff, and the organization itself.

2.6.2 Allow unbonded personnel access to material amounts of funds.

2.6.3 Subject facilities and equipment to improper wear and tear or insufficient maintenance.

2.6.4 Unnecessarily expose the organization, the Board, or its staff to claims of liability.

2.6.5 Operate without written claims policies that address fair treatment of claimants, legal liability, ratepayer costs and sound business practices.

2.6.6 Fail to protect corporate assets including, but not limited to, property rights, corporate image, physical assets, intangible assets, intellectual property, information, and files from loss or significant damage.

2.6.7 Receive, process, or disburse funds without sufficient controls.

2.6.8 Invest funds in violation of JEA's Investment Policies.

2.6.9 Fail to ensure that all employees and outsourced contract service providers understand their responsibility to comply with all applicable laws and regulations and JEA's Code of Ethics.

Adopted in its entirety by the JEA Board on February 16, 2010.

Revisions Approved by the Board of Directors o[n] June 17, 2014

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.7 **POLICY TITLE:** ***COMPENSATION AND BENEFITS***

With respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image.

Accordingly, the CEO will not:

2.7.1 Change the CEO's own compensation and benefits, except as those benefits are consistent with a package for other appointed employees.

2.7.2 Promise or imply unconditional permanent or guaranteed employment.

2.7.3 ~~Administer compensation and benefits that fail to address individual accountability, motivate and reward for knowledge and skills, encourage organizational flexibility and responsiveness or are inconsistent with the geographic and professional market for the skills employed.~~

Promote a compensation philosophy that is contradictory to JEA's compensation philosophy of providing a total rewards package that encompasses salary/wages, retirement benefits, incentives, and health and welfare benefits. Salary/wages will meet the market (50% percentile), which is where the majority of companies in the geographic area reside. The 50th percentile pays competitively for behavior that meets expectations. Additional consideration will be given to behaviors that exceed expectations which are typically rewarded at the 75th percentile. Internal equity will be achieved by evaluating differences in skill, effort, responsibility, and working conditions among jobs

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.8 **POLICY TITLE: *COMMUNICATION AND SUPPORT TO BOARD***

The CEO shall not cause or allow the Board to be uninformed or unsupported in its work.

Accordingly, the CEO will not:

2.8.1 Neglect to submit monitoring data required by the Board in Board-Management Delegation policy "Monitoring CEO Performance" in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored, and including CEO interpretations consistent with Board-Management Delegation policy "Delegation to the CEO," as well as relevant data.

2.8.2 Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy of the Board regardless of the Board's monitoring schedule.

2.8.3 Allow the Board to be without decision information required periodically by the Board or let the Board be unaware of relevant trends.

2.8.4 Let the Board be unaware of any significant incidental information it requires including anticipated media coverage, threatened or pending lawsuits, and material internal and external changes.

2.8.5 Allow the Board to be unaware that, in the CEO's opinion, the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the CEO.

2.8.6 Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.

2.8.7 Allow the Board to be without a workable mechanism for official Board, officer, or committee communications.

2.8.8 Deal with the Board in a way that favors or privileges certain Board members over others, except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.

2.8.9 Fail to submit to the Board a consent agenda containing items delegated to the CEO yet required by law, regulation, or contract to be Board-approved, along with applicable monitoring information.

2.8.10 Fail to provide a process to retain relevant background information on previous Board policy decisions.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.9 **POLICY TITLE:** ***REGULATORY/LEGISLATIVE REQUIREMENTS***

The CEO will not fail to effect regulatory and legislative action favorable to the organization.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.10 **POLICY TITLE: *ENTERPRISE RISK MANAGEMENT***

The CEO shall not cause or allow conditions, procedures or decisions which fail to identify, measure, monitor and manage, within established risk tolerances, potential events that may affect achievement of the Ends.

Accordingly, the CEO will not

2.10.1 Fail to establish and maintain a written Enterprise Risk Management (ERM) Plan and an ERM program that includes management-level policies, procedures and process controls to help ensure that the enterprise-wide business risk exposures are properly identified, managed and, when appropriate, reported to the Board.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.11 **POLICY TITLE: *PROCUREMENT ACTIVITIES***

The CEO shall not fail to develop procurement policies and procedures that adhere to all applicable federal, state and local laws and ordinances and provide for increased public confidence in the procurement activities of JEA.

Accordingly, the CEO will not

2.11.1 Fail to develop and disseminate simple, clear and up-to-date rules for all procurement.

2.11.2 Fail to ensure the fair and equitable treatment of all persons who deal with the JEA procurement system.

2.11.3 Fail to provide increased economy in all procurement activities and to maximize to the fullest extent practicable the purchasing value of JEA funds.

2.11.4 Fail to foster effective, broad-based competition within the free enterprise system

2.11.5 Fail to provide safeguards for the maintenance of the procurement system quality and integrity.

2.11.6 Fail to provide a clear and timely administrative remedy process to all those aggrieved during any phase of the procurement process.

2.11.7 Fail to provide effective access for Small and Emerging Local Businesses

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: BOARD MANAGEMENT DELEGATION

POLICY 3.0 **POLICY TITLE:** ***GLOBAL BOARD-MANAGEMENT DELEGATION***

The Board's sole official connection to the operational organization, its achievements, and conduct will be through a chief executive officer titled Managing Director / CEO, referred to within this document simply as CEO.

3.1 **Unity of Control:** Only officially passed motions of the Board are binding on the CEO.

3.2 **Accountability of the CEO:** The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

3.3 **Delegation to the CEO:** The Board will instruct the CEO through written policies that prescribe the organizational Ends to be achieved and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

3.4 **Monitoring CEO Performance:** Systematic monitoring of CEO job performance will be solely against the only expected CEO job achievements: organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations.

3.5 **CEO Remuneration:** Salary and benefits and other terms of employment for the CEO will be determined by contract.

3.6 **Core Competencies:** Executive Core Competencies are included in the Appendix.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: BOARD MANAGEMENT DELEGATION

POLICY 3.1 **POLICY TITLE:** ***UNITY OF CONTROL***

Only officially passed motions of the Board are binding on the CEO.

Accordingly,

3.1.1 Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO.

3.1.2 In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds, or are disruptive. The CEO shall promptly inform the Board if requests from Board members or committees are refused.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: BOARD MANAGEMENT DELEGATION

POLICY 3.2 **POLICY TITLE:** ***ACCOUNTABILITY OF CEO***

The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

Accordingly,

3.2.1 The Board as a body and individual board members will never give instructions to persons who report directly or indirectly to the CEO.

3.2.2 The Board will not evaluate, either formally or informally, any staff other than the CEO. However, the CEO will discuss his evaluation with the Board of the executives identified as potential interim CEO successors (refer to 2.5.1)

3.2.3 The Board will view CEO performance as identical to organizational performance so that organizational accomplishment of Board-stated Ends and avoidance of Board-described means will be viewed as successful CEO performance.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: BOARD MANAGEMENT DELEGATION

POLICY 3.3 **POLICY TITLE: *DELEGATION TO THE CEO***

The Board will instruct the CEO through written policies that prescribe the organizational Ends to be achieved and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly,

3.3.1 The Board will develop policies instructing the CEO to achieve specified results, for specified recipients, at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels and will be called Ends policies. All issues that are not ends issues as defined here are means issues.

3.3.2 The Board will develop policies that limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, activities, decisions and circumstances that would be unacceptable to the Board even if they were to be effective. Policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.

3.3.3 As long as the CEO uses *any reasonable interpretation* of the Board's Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and pursue all activities. Such decisions of the CEO shall have full force and authority as if decided by the Board.

3.3.4 The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. However, as long as any particular delegation is in place, the Board will respect and support the CEO's choices.

3.3.5 Should the CEO violate a Board policy, he or she shall promptly inform the Board. Informing is simply to guarantee no violation may be intentionally kept from the Board, not to request approval. Board response, either approving or disapproving, does not exempt the CEO from subsequent Board judgment of the action nor does it curtail any executive decision.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: BOARD MANAGEMENT DELEGATION

POLICY 3.4 **POLICY TITLE: *MONITORING CEO PERFORMANCE***

Systematic monitoring of CEO performance will be solely against the only expected CEO job achievements: organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations.

Accordingly,

3.4.1 Monitoring is simply to determine the degree to which Board policies are being met. Data or information that does not do this will not be considered to be monitoring information.

3.4.2 The Board will acquire monitoring information by one or more of these methods:

a. By internal report, in which the CEO discloses interpretations and compliance information to the Board.

b. By external report, in which an external, disinterested and independent third party selected by the Board assesses compliance with Board policies (e.g. external financial audit).

c. By direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.

3.4.3 In every case, the Board will judge (a) the reasonableness of the CEO's interpretation and (b) whether data demonstrate accomplishment of the interpretation.

3.4.4 The standard of compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness.

3.4.5 All policies that instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule:

[Example of monitoring schedule] – (final schedule will be set after policies are developed)

Policy	Method	Frequency	Schedule
Ends	Internal	Annually	
Treatment of Customers	Internal	Annually	
Treatment of Staff	Internal	Annually	
Financial Planning/Budgeting	Internal	Quarterly	End of Qtr.
Financial Condition & Activities	Internal External	Quarterly Annually	End of Qtr. Close of Yr.
Asset Protection	Internal	Annually	
Emergency CEO Succession	Internal	Annually	
Communication and Support to Board	Internal	Annually	

Adopted in its entirety by the JEA Board on February 16, 2010.

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Compensation and Benefits	Internal	Annually	

In addition to the monitoring reports above, the Board must receive the following information each month. It is understood that this data is supplemental, not monitoring:

Financial Report	Internal	Monthly	End of Month
Operating Report	Internal	Monthly	End of Month

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: BOARD MANAGEMENT DELEGATION

POLICY 3.5 **POLICY TITLE: *CEO REMUNERATION***

Salary and benefits and others terms of employment for the CEO will be determined by contract.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.0 **POLICY TITLE: *GLOBAL GOVERNANCE PROCESS***

The purpose of the Board, on behalf of the owners of JEA, the citizens of Duval County, is to see to it that JEA (a) achieves appropriate results for appropriate persons for an appropriate cost (as specified in Board Ends policies) and (b) avoids unacceptable actions and situations (as prohibited in Board Executive Limitations policies).

4.1 **Governing Style:** The Board will govern in accordance with legal requirements, observing the principles of the Policy Governance model, with an emphasis on (a) outward vision rather than internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and chief executive roles, (e) collective rather than individual decisions, (f) future more so than past or present, and (g) proactivity rather than reactivity.

4.2 **Board Job Description:** Specific responsibilities of the Board as an informed agent of the ownership are those that ensure appropriate organizational performance.

4.3 **Agenda Planning:** To accomplish its responsibilities with a governance style consistent with Board policies, the Board will follow an annual agenda that (a) completes a re-exploration of Ends policies at least annually and (b) continually improves Board performance through education and deliberation.

4.4 **Board Officers:** Board officers assure the integrity of the Board's process and record's. Board officers are: Chairman, Vice-Chairman, Secretary & Assistant Secretary.

4.5 **Rules of Order:** Board meetings will be conducted in an orderly and fair process consistent with the requirements of Florida law, Ordinances of the City of Jacksonville, the JEA Charter, Bylaws and these governance policies. Meetings will be led by the Chairman, or, in the absence of the Chairman, the Vice-Chairman, or, in the absence of both, by the Chairman's designee.

4.6 **Board Member's Code of Conduct:** The Board commits itself to lawful, ethical and businesslike conduct, following all requirements of Florida Law, Ordinances of the City of Jacksonville, and the JEA Charter including proper use of its authority and appropriate decorum when acting as Board members.

4.7 **Board Member's Individual Responsibility:** The leadership success of the Board is a direct result of the individual and collegial participation of its members.

4.8 **Board Committee Principles:** Board committees, when used, will be assigned so as to reinforce the wholeness of the Board's job and not to interfere with delegation from the Board to the CEO.

4.9 **Board Committee Structure:** A committee is a Board committee only if its existence and charge come from the Board, regardless of whether Board members sit on the committee. The only Board committees are those which are set forth in the Bylaws or in this policy. Unless otherwise stated, a committee ceases to exist as soon as its task is complete. The CEO will attend meetings of each committee, but shall not have a vote.

4.10 **Cost of Governance:** The Board will invest in continuous improvement of its governance capacity.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.1 **POLICY TITLE: *GOVERNING STYLE***

The Board will govern in accordance with legal requirements, observing the principles of the Policy Governance model, with an emphasis on (a) outward vision rather than internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and chief executive roles, (e) collective rather than individual decisions, (f) future more so than past or present, and (g) proactivity rather than reactivity.

Accordingly,

4.1.1 Unique Requirements of Florida Law for Public Boards: In conducting its duties as a Board in Florida, the Board is required to comply with the Florida Sunshine Law, which prohibits any two or more members of the Board from meeting unless the meeting has been properly noticed and conducted in accordance with the legal requirements. In addition, Florida Law contains requirements regarding Public Records, conflicts of interest and voting which must be followed in the conduct of the Board's business.

4.1.2 The Board will cultivate a sense of group responsibility and will be a proactive Board versus a reactive Board. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board will use the expertise of individual members to enhance the ability of the Board as a body rather than to substitute the individual judgments for the Board's values.

4.1.3 The Board will direct, control, and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts outside the staff organization, not on the administrative or programmatic means of attaining those effects.

4.1.4 The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability. Although the Board can change its Governance Process policies at any time, it will diligently observe those currently in force.

4.1.5 Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of governance process improvement.

4.1.6 The Board will allow no officer, individual, or committee of the Board to hinder or serve as an excuse for the Board not fulfilling its commitments.

4.1.7 Each member of the Board will respect the final determination of the Board concerning any particular matter, regardless of the member's personal position concerning such matter.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.2 **POLICY TITLE: *BOARD JOB DESCRIPTION***

Specific responsibilities of the Board are those that ensure appropriate organizational performance.

Accordingly,

4.2.1 The Board is the authoritative link between the organization and the ownership.

4.2.2 The Board will provide governing policies that realistically address the broadest levels of all organizational decisions and situations:

a. Ends: The organizational outcomes to its recipients including the relative worth of such outcomes in cost or priority. (What good for which recipients at what cost)

b. Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place.

c. Board-Management Delegation: Specification of how power is delegated and its proper use monitored; clarity on the CEO's role, authority, and accountability.

d. Governance Process: Specification of how the Board develops, carries out, and monitors its own responsibilities.

4.2.3 The Board will measure the CEO's performance against its Ends and Executive Limitations Policies.

4.2.4 The Board will measure its own performance against its Governance Process and Board-Management Delegation Policies quarterly.

4.2.5 Board members will respect their fiduciary responsibilities to protect and enhance the value of JEA as a citizen-owned enterprise with due diligence using sound business judgment consistent with JEA's legislative charter.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.3 **POLICY TITLE:** ***AGENDA PLANNING***

To accomplish its responsibilities with a governance style consistent with Board policies, the Board will follow an annual agenda that (a) completes a re-exploration of Ends policies at least annually and (b) continually improves Board performance through education and deliberation.

Accordingly,

4.3.1 The Board will establish its annual agenda during an annual retreat to be scheduled around March of each year.

a. The Board will review and re-establish its Ends policies as often as necessary with review always taking place at least during the annual retreat.

b. Consultations with selected groups in the ownership, or other methods of gaining ownership input, will be scheduled as part of the annual agenda.

c. Governance education and education related to Ends determination (presentations by futurist, demographers, advocacy groups, staff, etc.) will be scheduled as part of the annual agenda.

4.3.2 The agenda for the Board's monthly meeting will be established through consultation with the Chair and the CEO.

a. The agenda along with supporting item documentation will be made available to Board members seven days prior to monthly Board meetings.

b. The Board will attend to consent agenda items as expeditiously as possible.

c. A Board member may bring up new business at the appropriate time on the agenda during any meeting, however, if a formal response or presentation is necessary, a request should be made to the CEO no later than two weeks before the Board meeting to allow others on the Board to receive information in advance.

d. CEO monitoring will be on the agenda if reports have been received since the previous meeting, if plans must be made for direct inspection monitoring, or if arrangements for third-party monitoring must be prepared.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.4 **POLICY TITLE: *BOARD OFFICERS***

Board officers assure the integrity of the Board's process and record's. Board officers are: Chairman, Vice-Chairman, Secretary & Assistant Secretary.

Accordingly,

4.4.1 The Chairman, a specially empowered member of the Board, ensures the integrity of the Board's process and, secondarily, occasionally represents the Board to outside parties.

a. The Chairman's role is to see that the Board behaves consistently within its own rules and those rules and regulations imposed upon it from outside the organization.

(1) Meeting discussion content will consist of issues that clearly belong to the Board to decide or to monitor according to Board policy.

(2) Information that is neither for monitoring performance nor for Board decisions will be avoided or minimized and always noted as such.

(3) Deliberation will be fair, open, and thorough but also timely, orderly, and kept to the point.

b. The authority of the Chairman consists in making decisions that fall within topics covered by Board policies on Governance Process and Board-Management Delegation, with the exception of (a) employment or termination of the CEO and (b) areas where the Board specifically delegates portions of this authority to others. The Chairman is authorized to use any reasonable interpretation of provisions in these policies.

(1) The Chairman is empowered to chair Board meetings with all the commonly accepted powers of that position, such as ruling and recognizing.

(2) The Chairman has no authority to make decisions about policies created by the Board within Ends and Executive Limitations policy areas.

(3) The Chairman may represent the Board to outside parties in announcing Board-stated positions and in stating Chairman decisions and interpretations within the area delegated to that role.

(4) The Chairman may delegate this authority but remains accountable for its use.

(5) The Chairman may appoint members and a Chairman for each Board committee, unless otherwise stipulated by Board policies or the organization's Bylaws.

c. Expected Traits for chairman: *(Does the Board want to include some basic core traits for the chair?)*

4.4.2 The Vice-Chairman or, in the absence of the Vice-Chairman, the immediate Past-Chairman will serve as Chair in the absence of the Chairman.

4.4.3 The Board Secretary is an officer of the Board whose purpose is to ensure the integrity of the Board's documents.

Adopted in its entirety by the JEA Board on February 16, 2010.

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a. The Secretary's role is to see to it that all Board documents and records are accurate and timely.

(1) Policies will be current in their reflection of Board decisions. Decisions upon which no subsequent decisions are to be based, such as consent agenda decisions, motions to adjourn, and staff or Board member recognitions, need not be placed in policy.

(2) Policy Governance principles will be followed in policy development.

(3) Board policies and By-laws are to be consistent with the legal requirements of Florida Law, Ordinances of the City of Jacksonville and the JEA Charter and are to be known by the Board.

(4) Board expectations for format, brevity, and accuracy of Board minutes will be known to the CEO.

b. The authority of the secretary is access to and control over Board documents and records.

4.4.4 The Assistant Secretary will serve as Secretary in the absence of the Secretary.

4.4.5 All Board officers are accountable to the Chairman unless otherwise determined by Board policy.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.5 **POLICY TITLE: *RULES OF ORDER***

Board meetings will be conducted in an orderly and fair process consistent with the requirements of Florida Law, Ordinances of the City of Jacksonville, the JEA Charter, Bylaws and these governance policies. Meetings will be led by the Chairman, or, in the absence of the Chairman, the Vice-Chairman, or, in the absence of both, by the Chairman's designee.

Accordingly,

4.5.1 Board meetings will be conducted with punctuality and order.

a. Board meetings shall be called to order at the time specified in the notice of meeting and upon satisfaction of a quorum.

b. Meeting order shall be maintained and all members treated with dignity, respect, courtesy, and fairness during discussion and debate and in all other respects.

c. Board members must keep their comments relevant to the issue under consideration.

d. In order to conduct business, a quorum of four (4) board members must be present. Four affirmative votes are required to decide all motions before the Board regardless of number in attendance.

4.5.2 Board meetings will be conducted at a level of informality considered appropriate by the Chairman yet with predictable discipline.

a. Discussion of a matter not on the previously distributed agenda may occur only after Board consent that the matter be heard.

b. Proposals that the Board take action, or decide a particular matter, shall (unless otherwise agreed to by unanimous consent) be made by main motion of a Board member, discussed, and then voted on. Motions require a second to proceed to discussion and subsequent vote.

c. The Chair may not make motions but can engage in debate and is required to vote.

d. A motion to amend a main motion may be amended but third level amendments are not to be heard.

e. A motion to refer to a committee, postpone, or table, may be made with respect to a pending main motion, shall take precedence over the pending motion and, if carried, shall set the main motion (the initial proposal) aside accordingly.

f. Board members may speak to a pending motion on as many occasions, and at such length, as the Chair may reasonably allow.

g. A vote on a motion shall be taken when discussion ends, but any Board member may, during the course of debate, move for an immediate vote (close debate or call the question) which, if carried, shall end discussion and the vote on the main motion shall then be taken. Votes may be made by voice vote or by roll call. All members of the Board are required to vote unless a conflict of interest is declared.

Adopted in its entirety by the JEA Board on February 16, 2010.

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g. A motion to adjourn a Board meeting may be offered by any Board member or, on the conclusion of all business, adjournment of the meeting may be declared by the Chair.

4.5.3 When further rules of order are to be developed by the Board, the Board will consider the Standard Code of Parliamentary Procedure (Robert's Rules of Order) as a resource guide. The representative from the Office of General Council may serve the Board as a resource on Parliamentary Procedure.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.6 **POLICY TITLE:** ***BOARD MEMBER'S CODE OF CONDUCT***

The Board commits itself to lawful, ethical and businesslike conduct, following all requirements of Florida Law, Ordinances of the City of Jacksonville, and the JEA Charter including proper use of its authority and appropriate decorum when acting as Board members.

Accordingly,

4.6.1 Members are expected to represent the interests of the ownership. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Board member acting as a consumer of the organization's services.

4.6.2 Members must avoid conflict of interest with respect to their fiduciary responsibility. Such conflicts of interest include but are not limited to the following:

a. There will be no self-dealing or business by a member with the organization. Members will annually disclose their involvements with other organizations or with vendors and any associations that might be reasonably seen as representing a conflict of interest.

b. When the Board is to decide upon an issue about which a member has an unavoidable conflict of interest, that member shall announce and declare publicly any conflict of interest and withdraw without comment not only from the vote but also from the deliberation.

c. Board members will not use their Board position to obtain employment in the organization for themselves, family members, or close associates. Any such existing relationship is expected to be disclosed to the Board. A Board member who applies for employment must first resign from the Board.

4.6.3 Members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.

a. Members' interaction with the CEO or with staff must recognize the lack of authority vested in individuals except when explicitly authorized by the Board.

b. Members' interaction with the public, the press, or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions.

c. Except for participation in Board deliberation about whether the CEO has achieved any reasonable interpretation of Board policy, members will not express individual judgments of negative performance of employees or the CEO.

4.6.4 Members will respect the confidentiality appropriate to issues of a sensitive nature.

4.6.5 Members will be properly prepared for Board deliberation.

4.6.6 Members are expected to support the legitimacy and authority of the final determination of the Board on any matter, without regard to the member's personal position on the issue.

4.6.7 Members who have any question about the appropriateness of their conduct should consult with the Office of General counsel or appropriate Ethics offices for information.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.7 **POLICY TITLE: *DIRECTORS' INDIVIDUAL RESPONSIBILITY***

The leadership success of the Board is a direct result of the individual and collegial participation of its members.

Therefore, each Board member is expected to participate in the following ways:

4.7.1 Time Investment to Accomplish Board Responsibilities - As Board contemplation, deliberation and decision-making are processes which require wholeness, collaboration and participation, attendance at Board meetings is expected of Board members.

a. Expected Commitments:

(1) Monthly Board Meetings

(2) Annual Team Building

(3) Quarterly Review

(4) Bond Rating Agency Trip, 3 days (Board Chair is expected to attend. However, full participation is highly encouraged.)

b. Optional Involvement:

(1) Internal educational meetings with staff upon request

(2) Industry related seminars and conferences

(3) Visit other utilities and related industries

4.7.2 Preparation and Participation - Board members will prepare for Board and committee meetings and will participate productively in discussions, always within the boundaries of discipline established by the Board. Each member will contribute his or her own knowledge, skills and expertise to the Board's efforts to fulfill its responsibilities.

4.7.3 Members as Individuals - The CEO is accountable only to the Board as an organization, and not to individual Board members. Accordingly, the relationship between the CEO and individual members of the Board, including the Chairman, is collegial, not hierarchical.

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.8 **POLICY TITLE: *BOARD COMMITTEE PRINCIPLES***

Board committees, when used, will be assigned so as to reinforce the wholeness of the Board's job and not to interfere with delegation from the Board to the CEO.

Accordingly,

4.8.1 Board committees are to help the Board accomplish its responsibilities and are not assigned to perform staff functions. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. In keeping with the Board's broader focus, Board committees will normally not have direct dealings with current staff operations unless specifically outlined in committee objectives.

4.8.2 Board committees may not speak or act for the Board except when formally given such authority for specific purposes. Expectations and authority will be carefully stated in order to prevent conflict with authority delegated to the CEO.

4.8.3 Board committees cannot exercise authority over staff. The CEO works for the full Board, and will therefore not be required to obtain the approval of a Board committee before an executive action.

4.8.4 Committees will be formed for a specific purpose only. Its purpose and function will be documented in a written charge. All committees are accountable to the Board as a whole.

4.8.5 This policy applies to any group that is formed by Board action, whether or not it is called a committee and regardless of whether the group includes Board members, it does not apply to committees formed under the authority of the CEO.

Adopted in its entirety by the JEA Board on February 16, 2010.

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POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.9 **POLICY TITLE: *BOARD COMMITTEE STRUCTURE***

A committee is a Board committee only if its existence and charge come from the Board, regardless of whether Board members sit on the committee. The only standing Board committees are those which are set forth in the Bylaws or in this policy. Unless otherwise stated, a committee ceases to exist as soon as its task is complete. The CEO will attend meetings of each committee, but shall not have a vote.

Accordingly,

4.9.1 Nominating Committee: The purpose of the Nominating committee is to recommend Board officers for election by the Board as a whole.

a. The Nominating Committee will be comprised of three members. The current Chairman (which shall serve as chair of the committee) and the two most immediate past Chairman still remaining on the Board will constitute the committee. If one or more past chairman is no longer serving on the Board, the Chairman shall select Board members to fill out a committee of three.

b. The Nominating Committee shall be formed no later than January of each year and will make its recommendation to the Board for action at its March meeting.

4.9.2 Finance and Audit Committee: The purpose of the Finance and Audit committee is to assist the Board in fulfilling its oversight responsibilities by reviewing financial information, systems of internal controls, and audit process, including a high level review of the operating and capital budgets. The committee will provide an open avenue of communication between the Board, Management, Audit Services, and external auditors.

a. The Finance and Audit committee will be comprised of three members appointed annually by the chair and confirmed by the Board. Two members will constitute a quorum.

b. The committee will meet at least four times per year. A schedule of regular meetings will be established by the committee annually. Special meetings may be called by any committee member. Meeting dates, times and location will be announced to the entire Board.

c. The committee shall oversee:

(1) Internal controls and risk assessment

(2) Internal Audit Services

(3) Compliance with laws, regulations and code of conduct

(4) Financial Reporting

d. The committee will oversee the External Auditor

4.9.3 Other Committees may be established as designated by the Chair.

Adopted in its entirety by the JEA Board on February 16, 2010.

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POLICY TYPE: GOVERNANCE PROCESS

POLICY 4.10 **POLICY TITLE: *COST OF GOVERNANCE***

The Board will invest in continuous improvement in its governance capacity.

Accordingly,

4.10.1 The Board will use appropriate methods to improve its governing skills.

a. Training and retraining will be used liberally to orient new members as well as to maintain and increase existing members' skills and understandings.

b. Outside monitoring assistance will be arranged so that the Board can exercise confident control over organizational performance. This includes but is not limited to a financial audit.

c. Outreach mechanisms will be used as needed to ensure the Board's ability to listen to owner viewpoints and values.

d. Knowledgeable industry experts will be made available to the Board in various ways to continuously improve the Board's awareness of emerging utility industry issues.

4.10.2 Costs for appropriate Board governance will be included during annual budget preparations. Any expenditure required will be in accordance with JEA procurement policies. Items may include but not be limited to the following as annually decided by the Board:

a. training

b. attendance at conferences, industry site visits and Rating Agency presentations

c. audit and other third-party monitoring of organizational performance

d. surveys, focus groups, opinion analysis, and meeting costs.

Adopted in its entirety by the JEA Board on February 16, 2010.

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APPENDIX

Adopted in its entirety by the JEA Board on February 16, 2010.

JEA Board Policy Manual

Executive Core Competencies

Models Integrity

- Demonstrates high ethical standards and models important values for others to follow.
- Behaves and expresses oneself in an open and honest manner; is consistent in word and deed
- Is a fair person who does not manipulate or take advantage of others
- Tells the truth even when it is difficult
- Utilizes values and principles to guide his/her decisions
- Builds respect and trust from others by following through on commitments
- Represents information accurately and completely
- Assumes responsibility for own behavior; admits to mistakes

Makes Quality Decisions

- Examines and integrates data from a variety of sources to make quality decisions
- Prioritizes decisions and initiatives in ways that ensures the highest value for the organization
- Makes educated and effective decisions in a timely manner, even when data is limited
- Makes high-quality strategic decisions for the organization even when the consequences may be controversial
- Seeks the input of others to ensure that decisions made will be best for the organization and will minimize conflict with other initiatives
- Takes appropriate risks that weighs the positive and negative impact of each decision on the organization

Takes Initiative

- Assumes full ownership and accountability for own performance
- Takes on challenging work, even in the face of obstacles
- Initiates action on projects without being pressured from others to do so
- Reacts quickly to address problems that threaten organizational objectives
- Seeks out opportunities to extend or expand upon the organization's position in the market place
- Is passionate, highly engaged and highly energetic

Communicates Effectively

- Listens actively to ensure understanding of each person's point of view
- Clearly articulates (through speech or in writing) own knowledge and ideas so they are easily understood and applied to others
- Communicates through appropriate channels

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- Identifies sources of motivation and appeals directly to co-workers in a language meaningful to them
- Is engaging with others and demonstrates professionalism through body language, including eye-contact, confidence, and focus
- Addresses difficult problems and perceptions that, if left untreated, could undermine the success of the organization
- Ensures regular, consistent, and meaningful communication throughout the organization

Drives Results

- Seeks to achieve improved or even unprecedented results and demonstrates personal accountability for outcomes
- Creates a positive environment in which results flow from a desire to achieve
- Sets strategic goals and measurable performance expectations for defining success
- Drives execution with speed and discipline, and delivers on personal and organizational commitments
- Demonstrates ownership for performance of entire organization, and holds self and organization accountable for decisions and results
- Assesses financial implications of initiatives; allocates resources to improve results while maintaining financial discipline
- Actively monitors performance of self and others relative to performance objectives

Focuses on the Customer

- Places high priority on identifying and meeting internal and external customer needs
- Provides high quality, valuable and consistent service to customers
- Ensures that customers understand and receive the fullest value possible from the products and services of the organization
- Assures that products and services meet customer needs and expectations
- Adapts and personalizes services to meet individual customer needs
- Anticipates changing customer needs and develops ways to meet or exceed those needs
- Utilizes follow-up procedures to ensure consistency and determine where improvements can be made to maintain high customer satisfaction

Fosters Teamwork

- Shares relevant expertise and knowledge to ensure team members have adequate information to make decisions and achieve objectives
- Identifies and removes barriers that interfere with the team's success and provides suggestions to enhance team effectiveness
- Contributes to inclusive culture by valuing others' viewpoints, encouraging others to share ideas, and treating others in an accepting, respectful manner

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- Recognizes and capitalizes on the strengths of others to accomplish organizational objectives
- Exhibits willingness to listen to others' views even if not same as own
- Does not take conflicts personally; handles conflict in a positive manner and seeks mutual understanding
- Directly confronts behaviors that undermine team effectiveness

Manages and Supports Change

- Effectively copes with changing environments, tasks and responsibilities
- Facilitates the acceptance and implementation of change to enhance the organization
- Encourages others to embrace change and use it as an opportunity to be creative and improve performance
- Identifies the changes necessary to move the organization forward
- Embraces and promotes change initiatives with a positive and enthusiastic attitude
- Ensures that change initiatives are aligned with strategic initiatives, values, and mission of the organization
- Leads change initiatives with frequent and consistent two-way communication
- Leverages resources to promote and sustain change efforts

Visionary Strategist

- Develops the strategies and actions needed to accomplish desired organizational objectives
- Communicates the organization's vision in a way that is meaningful and actionable for employees
- Researches and analyzes marketplace, political, economic, and other external influences to formulate vision and strategy, and position the organization in the marketplace
- Collaborates with Executive Team and Board of Directors to determine vision and strategy, and ensures support throughout the organization
- Reviews the planning, organization, and direction of initiatives to ensure support of the mission statement and values
- Considers both short and long-term implications of a strategy
- Accurately anticipates the implications of events or decisions for various stakeholders in the organization and plans strategy accordingly

Manages Performance

- Motivates others to achieve results through both respect and holding them accountable
- Provides others with constructive feedback, guidance, and coaching for improving performance
- Sets clear performance expectations and strategic goals, regularly monitors performance, and provides accurate evaluations

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- Encourages the use of development activities (e.g., workshops, mentoring), to improve performance and achieve desired results for the organization
- Identifies and provides important assignments to facilitate the development of key personnel
- Balances levels of support, direction, and autonomy based on employee needs and level of experience

Delegates to Others

- Plans delegated assignments to ensure an optimal match between value of task and value of the resource attached to it
- Determines when to assign responsibilities to others and clarifies expectations to ensure effectiveness
- Provides others with the resources, authority, and support to complete delegated tasks successfully
- Develops employees for assuming additional responsibilities; anticipates talent gaps and accelerates development plans to fill gaps
- Recognizes individuals who are successful in completing delegated assignments

Maintains Positive Public Relations

- Seeks and builds relationships with external constituencies (e.g., elected officials, government agencies, other utility leaders, trustees, investment bankers) to strengthen the organization's impact and reputation in the community
- Treats others outside the organization in an accepting, respectful manner
- Understands the needs of the cities, board members and the community, and leverages this information to shape policies and initiatives
- Represents the organization with credibility to print and media sources (includes providing information, clarifying facts, etc.)
- Researches constituencies to determine the best way to communicate to them
- Ensures that customers experience and understand the full value they derive from the organization

Actively Supports Board of Directors

- Keeps Board of Directors informed on progress towards implementing strategic initiatives and other important information
- Updates the board on large-scale progress of the organization towards its objectives
- Shows an appreciation for the unique role of a board member
- Maintains a cordial, productive relationship with each board member
- Educates the Board on the strategies and priorities that balance the needs of customers with operational needs
- Keeps board members informed on important issues – "no surprises"

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Leads Others Effectively

- Develops and communicates compelling rationales that build commitment and support for one's perspectives, strategies, and initiatives
- Builds diverse, high-performing teams that accomplish organizational changes, goals, and priorities
- Listens to the diverse ideas, perspectives, and contributions of others across the organization
- Builds trusting, collaborative relationships across organizational boundaries to achieve goals
- Leads with integrity and values, and a focus at all times on the mission of the organization
- Challenges and motivates others in a way that is inclusive, tactful, empowering, and maximizes performance
- Leads with a vision that inspires others to adopt the goals of the organization as their own
- Ability to interact and get along with employees at all levels

Leverages Industry Acumen

- Monitors and analyzes financial data and key cost drivers (e.g., personnel) to evaluate options and make decisions
- Understands overall financial and operational performance of an organization in order to effectively position it in the marketplace
- Establishes and maintains realistic budgets in accordance with the organizations policies
- Follows appropriate legal and fiduciary requirements when reconciling and reporting financial transactions
- Considers multiple options for reducing costs and keeping the organization as efficient as possible
- Seeks to develop financial acumen and understand key financial related issues
- Grows continuously in business knowledge and experience

Plans for the Future

- Identifies and balances risks and benefits when developing plans
- Assesses financial implications of projects and initiatives; allocates resources to improve results while maintaining financial discipline
- Provides the information, resources, implementation time, and talent needed to make plans and their implementation successful
- Identifies need for and ensures contingency plans are developed
- Assigns or directly monitors and evaluates the external environment when developing plans
- Aligns and allocates resources and time according to strategic priorities and company interests

Embraces Diversity

- Promotes the active recruiting of diverse individuals

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- Communicates and clarifies the link between diversity and achieving the organization's strategic goals
- Demonstrates visible support for programs that remove barriers (e.g., stereotypes) between diverse individuals
- Actively monitors organization to ensure equality and fairness for all members; objectively allocates compensation, rewards, and opportunities
- Promotes an inclusive culture where different viewpoints are valued and encouraged

Negotiates Collaboratively

- Strives to understand each party's position by asking in-depth questions and probing for specific needs and issues
- Defines and evaluates specific points of agreement and disagreement
- Seeks win-win solutions that meet the underlying interests of all parties
- Discloses appropriate and important information to establish openness and trust
- Keeps arguments or disputes issue-oriented rather than personal
- Maintains flexibility in negotiating style, adapting style to the specific needs of a given situation

Manages Politics

- Accurately discerns unspoken feelings and motivations, and leverages to determine what to say or how to proceed
- Adapts dress and demeanor as appropriate to a situation
- Appropriately manages impressions of oneself, one's department and the organization
- Keenly aware of and adheres to the norms and practices of the organization's culture
- Leverages appropriate channels of influence to more efficiently gain resources and accomplish goals
- Creates and maintains both formal and informal networks within the organization that facilitate the achievement of goals
- Chooses battles wisely and matches urgency to the importance of the concerns under discussion

JEA Procurement Code

Original Effective Date – February 1, 1996
Revision(s):
1997
2004
2011
2015

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DEFINITIONS

Award is the written approval of the JEA Awards Committee that the Formal Procurement action was in accordance with the JEA Procurement Code and Florida Statutes. Once an Award is approved, JEA will either issue a Purchase Order or execute a Contract with the successful Company.

Awards Committee is the body composed of appointed personnel that approves Procurement actions as defined in this Code.

Best and Final Offer is a Company's final offer following the conclusion of contract negotiations.

Bond Insurance means an agreement supplied by an insurance company in conjunction with a debt issue that provides for the guarantee of payment of principal and interest to the debt holder.

Cap means an agreement obligating the seller of the Cap to make payments to the buyer of the Cap, each payment under which is based on the amount, if any, by which a reference price or level or the performance or value of one or more underlying interests exceeds a predetermined number, sometimes called the strike/Cap rate or price.

Change Order means a written order issued by the JEA Project Manager, after the execution of the Contract authorizing, including but not limited to, additions, deletions, or revisions of the Supplies or Services, or an adjustment in the Contract Price, the Contract Term, or Contract performance. The JEA Project Manager may issue a Change Order without the consent of the Company. A revised Purchase Order shall be issued to the Company after a Changer Order is issued. Additionally, a Contract Amendment may be issued to formalize the material changes to the Contract.

Chief Procurement Officer means the person holding the position created in Section 2-203 (Designation and Qualifications of the Chief Procurement Officer) as the head of the central Procurement office of JEA.

Code means the JEA Procurement Code.

Collar means an agreement to receive payments as the buyer of an Option, Cap, or Floor, and to make payments as the seller of the Collar of a different Option, Cap, or Floor.

Company means any person or legal entity that provides or desires to provide Supplies or Services to JEA.

Construction means the process of building, altering, repairing, improving, or demolishing any structure or building, or other improvements of any kind to any real property. It does not include the routine operation, routine repair, or routine maintenance of existing structures, buildings, or real property.

Contract means all types of JEA agreements for the Procurement of Supplies or Services, regardless of what these agreements may be called.

Contract Amendment means any written amendment issued by the Chief Procurement Officer or Designee, after the execution of the Contract formalizing any material revisions to the Contract, including but not limited to, additions, deletions, or revisions to the Supplies or Services, or an adjustment in the Contract Price, the Contract Term, or Contract performance.

Collaborative Procurement means Procurement by, or on behalf of, more than one public entity or Utility Industry Partner and may include Procurements resulting from unsolicited offers.

Cost-Reimbursement Contract means a Contract under which a Company is reimbursed for costs that are allowable and allocable in accordance with the Contract terms and the provision of this Code, and a fee, if any.

Data means recorded information, regardless of form or characteristic.

Design-Build Contract means a single Contract with a Design-Build Firm for the design and Construction of a Construction project.

Design-Build Firm means a Company that:

(a) Is certified under Sec. 489.119 F.S. to engage in contracting through a certified or registered general contractor or a certified or registered building contractor as the qualifying agent; or

(b) Is certified under Sec. 471.023 F.S. to practice or to offer to practice engineering; or

(c) Is certified under Sec. 481.219 F.S. to practice or to offer to practice architecture; or

(d) Is certified under Sec. 481.319 F.S. to practice or to offer to practice landscape architecture.

Design Criteria Package means concise, performance-oriented drawings or Specifications of a JEA Construction project.

Design Criteria Professional means a Company that holds a current certificate of registration under Chapter 481 F.S. to practice architecture or landscape architecture or a Company that holds a current certificate as a registered engineer under Chapter 471 F.S. to practice engineering and who is employed by or under contract to JEA for the providing of professional architect services, landscape architect services, or engineering services in connection with the preparation of a Design Criteria Package.

Designee means a duly authorized representative of a person holding a position of authority.

Determination means a finding or decision made in the course of the Procurement process required by the Code.

Emergency means a reasonably unforeseen breakdown in machinery, a threatened termination of an essential service, the development of a dangerous condition, the development of a circumstance causing curtailment or diminution of an essential service or the opportunity to secure significant financial gain, to avoid delays to any governmental entity, or avoid significant financial loss, through immediate or timely action.

Employee means an individual drawing a salary from JEA, whether appointed or not.

Ex Parte Communication means any oral or written communication relative to a Solicitation, evaluation, Award or Contract controversy that occurs outside of an advertised public meeting pursuant to Section 286.011 F.S.

Floor means an agreement obligating the seller of the Floor to make payments to the buyer of the Floor, each payment under which is based on the amount, if any, that a predetermined number, sometimes called the strike/Floor rate or price, exceeds a reference price, level, performance or value of one or more underlying interests.

Forward Supply Agreement means a supplier has agreed to supply or cause to be supplied appropriate investments in appropriate amounts and for appropriate periods and to pay consideration to an entity either over time or up-front in an amount determined by bid or negotiation for the right to supply such investments to the escrow holder or other recipient identified by the entity.

Hedge means any transaction which is entered into and maintained to reduce the risk of a change in the value, yield, price, cash flow, or quantity of, or the degree of exposure with respect to, assets or liabilities which the buyer has acquired or incurred, or anticipates acquiring or incurring.

Industry Association means a voluntary association of firms having membership in a not-for-profit corporation with specified common interests.

COMMENTARY:

Examples of Industry Associations are American Public Power Association, Large Public Power Council, Florida Municipal Electric Association, Southern Electric Reliability Council, National Electric Reliability Council, Electric Power Research Institute and the Edison Electric Institute.

Informal Purchases means purchases of Supplies or Services of $300,000 or less; or electrical Services of $75,000 or less; or architectural or engineering Services of less than $35,000.

Invitation for Bids means all documents, regardless of medium, whether attached to or incorporated by reference in Solicitations for bids.

JEA means that independent agency of the City of Jacksonville as defined in Article 21 of the JEA Charter.

JEA Board means the members of the JEA appointed to serve as provided by Section 21.03 of the JEA Charter.

JEA Charter means Article 21 of Chapter 92-341, Laws of Florida, as amended from time to time.

Letter of Credit means a commitment, usually made by a commercial bank, to honor demands for payment of an obligation upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment.

Liquidity Support means lines of credit, usually made by a commercial bank, provided to a debt issuer to pay the principal amount of debt either upon maturity or upon demand by the debt holder for payment in conjunction with the issuance of debt, often in the form of commercial paper, in the event that the remarketing agent or the dealer is unable to remarket the debt.

Office of General Counsel means the General Counsel, City of Jacksonville or Designee.

Operational Procedures means the Chief Procurement Officer's written instructions applicable to JEA Procurements and Procurement activities that have been promulgated in accordance with this Code.

Option means an agreement giving the buyer the right to buy or receive, sell or deliver, enter into, extend or terminate, or effect a cash settlement based on the actual or expected price, level, performance, or value of, one or more underlying interests.

Organizational Element means any subdivision of JEA —team, area, activity, department, group, business unit, etc.-- that utilizes any Supplies or Services procured under this Code.

Procurement means purchasing, renting, leasing, or otherwise acquiring; or selling, renting, leasing or otherwise disposing of any Supplies or Services. It also includes all functions that pertain to the acquisition or disposal of any Supplies or Services, including description of requirements, selection and solicitation of sources, preparation and Award of Contract.

Procurement Appeals Board means the body comprised of appointed personnel as designated in this Code to hear appeals regarding Procurement issues as designated in this Code.

Procurement Officer means the person designated by the Chief Executive Officer to procure Supplies, Services or Real Estate as set forth in this Code.

Professional Services means Services the value of which are substantially measured by the professional competence of the Company performing them and which are not susceptible to realistic competition by cost of Services alone. Professional Services shall include, but are not limited to, Services customarily rendered by attorneys; certified public accountants; and insurance agents, financial advisors, personnel consultants, systems consultants, and management consultants. For purposes of this Code, Professional Services shall not include Services customarily rendered by architects, landscape architects, professional engineers and registered surveyors.

Project Manager means the JEA Employee assigned responsibility for the successful management of a particular Construction project or Architect-Engineer and Land Surveying Services project. The duties of the Project Manager include Contract administration and making written Determinations with respect thereto.

Public Partner means any state or territory of the United States, or any county, city, town or other subdivision of any state or territory of the United States, or any public agency, public authority, educational, health, or other institution of such subdivision.

Purchase Description means the words used in a Solicitation to describe the Supplies or Services to be purchased, and includes Specifications attached to or made a part of the Solicitation.

Qualified Proposers List means the list of Qualified Proposers for design, engineering, architecture, surveying and other similar work as maintained by Procurement.

Real Estate means land, including buildings and improvements, its natural assets, easements or a permanent interest therein.

Repurchase Agreement means a transaction in which one party (seller) agrees to transfer to the other party (buyer) securities against the transfer of funds by the buyer with a simultaneous agreement by the buyer to transfer to the seller such securities at a date certain or upon demand against the transfer of funds by the seller.

Request for Proposals means all documents, regardless of medium, whether attached to or incorporated by reference in Solicitations for proposals.

Request for Qualifications and Statement of Interest means all documents, regardless of medium, whether attached or incorporated by reference, utilized for soliciting information to determine most qualified Design-Build Firms.

Responsible Bidder means a Company that has the business judgment, experience, facilities and capability in all respects to perform fully the Solicitation requirements, and the integrity and reliability that will assure good faith performance.

Responsible Bidder's List means the list of Responsible Bidders for Construction, reconstruction, repair, maintenance and other similar work as maintained by Procurement.

Responsive Bidder means a Company that has submitted a response that conforms in all material respects to a Solicitation.

Securities Lending means an activity in which securities are loaned to a dealer or financial institution by a lending party in exchange for a fee and collateral comprising securities with a market value greater than the loaned securities. Loaned securities are due upon demand by the lending party.

Services mean the furnishing of labor, time or effort by a Company. This term includes work performed on Construction projects and the receipt, delivery and transmission of electric power, fuel, by-products or thermal energy. This term shall not include employment agreements or collective bargaining agreements.

COMMENTARY:

This definition of Services is very general and includes both Professional Services and other services such as personal, administrative or technical services.

Sole Source means the one justifiable Company that can provide the Supplies or Services.

Solicitation means the document (which may be electronic) issued by the JEA Procurement Department for the Procurement of Supplies or Services.

Solicitation Review Team is the group of JEA staff as further defined in this Code that reviews proposed Solicitations prior to release to the public.

Specifications mean any description of the physical or functional characteristics, or of the nature of an item of Supply or Service. It may include a description of any requirement for inspecting or testing an item of Supply or Service, or preparing such item for delivery. Also commonly referred to as Technical Specifications.

Supplemental Work Allowance (SWA) means funds established prior to Award of a Contract to be used for revisions to Contract terms, existing work, anticipated unknown work or unanticipated work. The SWA shall be expended through a Contract Amendment approved by the CPO if the SWA results in the increase of the Contract Price.

Supplies mean all property, including but not limited to, equipment, materials, repair parts, consumables, tools, printing, and leases of real property, excluding Real Estate.

Swap (Interest Rate or Commodity) means an agreement to exchange, or net, payments at one or more times based on the actual or expected price, level, performance, or value of one or more underlying interests.

Tri-party Repurchase Agreement means an agreement between the buyer, seller and custodian whereby the custodian is not affiliated with either the buyer or the seller, and the custodian is the safekeeping agent for securities involved in a Repurchase Agreement transaction.

Useful Life Cycle of Supplies means that time beginning with the purchase of the item and ending when the item is no longer of significant use to the JEA.

Utility Industry Partner means a company, approved by the Chief Procurement Officer, with whom JEA may legally engage in at least one of the Collaborative Procurement practices or joint ventures set forth in this Article for a specific Procurement or project.

COMMENTARY:

(1) In order to be a Utility Industry Partner for a given project, the firm must be approved by the Chief Procurement Officer after consultation with the Office of General Counsel for that Procurement or project. The determination that the firm is a Utility Industry Partner for one project does not mean that the firm shall be a Utility Industry Partner on any other Procurement or project.

(2) Florida Power and Light Company and the Southern Company are now Utility Industry Partners for the St. Johns River Power Park and Plant Scherer projects, respectively. Examples of prospective Utility Industry Partners include, but are not limited to: publicly-owned or privately-owned utilities; utility industry trade associations; exempt wholesale generators; cogenerators or small power producers; other entities whose business purpose is the generation or transmission or distribution or the promotion of the efficient use of electricity or water.

(3) Utility Industry Partners may also include Companies that provide JEA Supplies, Services or Real Estate who have contractual relationships with other firms that JEA may use to secure Supplies or Services at prices determined by the Awards Committee to be advantageous and desirable to JEA.

ARTICLE 1- GENERAL PROVISIONS

1-101 Purposes, Rules of Construction

(1) *Interpretation.* This Code shall be construed liberally and applied to promote its underlying purposes and policies.

(2) *Purposes and Policies.* The underlying purposes and policies of this Code are:

(a) to simplify, clarify, and modernize the rules governing Procurement by JEA;

(b) to permit the continued development of this Code and Operational Procedures for flexibility and execution of JEA's value chain activities;

(c) to provide for increased public confidence and consistency in the procedures followed in JEA Procurement;

(d) to ensure the fair and equitable treatment of all persons who deal with the JEA Procurement system;

(e) to provide increased economy in JEA Procurement activities and to maximize, to the fullest extent practicable, the purchasing value of JEA funds;

(f) to foster effective, broad-based competition within the free enterprise system;

(g) to provide safeguards for the maintenance of Procurement system quality and integrity, and

(h) to ensure JEA's Procurement activities comply with Florida Statutes.

(3) *Singular-Plural and Gender Rules.* In this Code, unless the context requires otherwise:

(a) words in the singular number include the plural, and those in the plural include the singular; and

(b) words of a particular gender include any gender and the neuter, and when the sense so indicates, words of the neuter gender may refer to any gender.

(4) *Use of Capitals in Text.* This Code comprises numerous defined terms and position titles. The following convention regarding capitalization of the first letter of each word constituting these terms in the text of the Code has been adopted to aid the reader. In general:

(a) the first letter of the first word of a defined term, position title or Organizational Element is capitalized if it begins a sentence;

(b) the first letter of each word of a defined term is capitalized in its definition;

(c) the terms *Authority*, *Code*, *City Charter*, *JEA*, *JEA Board, Office of General Counsel* are capitalized as presented here; and

(d) names of committees, other boards, state offices, laws and solicitation documents are capitalized.

(5) *Job Titles.* This Code includes JEA job titles that may be changed in the future due to JEA organizational changes. It is intended that the appropriate successor job titles shall be substituted in the Code by the Chief Executive Officer when appropriate.

(6) *Interpretation*: Where the word "shall" is used, it connotes a mandatory requirement. Where the word "may" is used, it connotes a permissive.

1-102 Application of this Code

(1) *General Application.* This Code applies only to Contracts and Contract Amendments solicited or entered into after the effective date of this Code.

COMMENTARY:
This Code would not retroactively affect rights and remedies under existing Contracts. The Code will affect rights and remedies under existing Contracts that are amended, extended or renewed after the effective date of this Code.

(2) Application *to JEA Procurement.* This Code shall apply to expenditures of public funds under Contract by JEA, irrespective of their source. It shall also apply to the sale or other disposal of JEA property and Supplies. Nothing in this Code or in Operational Procedures promulgated hereunder shall prevent JEA from complying with the terms and conditions of any grant, gift, bequest, or collaborative agreement.

(3) Application *to St. Johns River Power Park Procurement.* Unless otherwise prohibited by the Agreement for Joint Ownership, Construction and Operation of St. Johns River Power Park Coal Units #1 and #2, as amended, and St. Johns River Power Park Procurement policies and procedures, this Code shall apply to St. Johns River Power Park Procurements to the extent adopted by the St. Johns River Power Park Executive Committee.

COMMENTARY:
The last sentence of subsection (2) enables JEA to comply with conditions contained in grants, gifts, bequests, or agreements between JEA and a public or private party (for example, a lessee) specifying requirements for the design, location, construction, or utilization of facilities, including industrial development facilities.

1-103 Effective Date

(1) *Effective Date.* This Code became effective February 1, 1996, when the Procurement organization set forth in Article 2 was established and functioning.

1-104 Determinations

Written Determinations required by this Code shall be retained in the appropriate official Contract file maintained in accordance with Operational Procedures promulgated by the Chief Procurement Officer.

1-105 Definitions of Terms Used in this Code have been listed alphabetically in the "Definitions" Section.

1-106 Policy of Continuous Improvement

(1) *Suggestions for Improvements.* The JEA Board has delegated the authority to promulgate this Code to the Chief Executive Officer. The Chief Executive Officer intends for this Code to be a dynamic document comprising the best available public sector Procurement practices. To this end, the Chief Executive Officer encourages JEA Employees and others who deal with the JEA Procurement system to submit to the Chief Procurement Officer any ideas or suggestions for improvements to the Code.

(2) *Revisions to the Code.* The Chief Executive Officer may approve revisions to the Code provided the revisions are consistent with applicable law, and in keeping with the JEA Board Governance Policy Manual.

1-107 Public Access to Procurement Information

Procurement information shall be a public record to the extent provided in the Florida Public Records Law and the rules and regulations promulgated by the Division of Library and Information Services of the Department of State.

COMMENTARY:
The purpose of this provision is to achieve maximum public access to Procurement information consistent with Florida Statutes. The Florida Public Records Law is codified in Chapter 119 F.S.

1-108 Small and Disadvantaged Businesses

JEA desires to follow the small and/or disadvantaged business ordinances approved by the City of Jacksonville. Jacksonville Ordinance 2004-602 with revised Chapter 126 was approved and enacted August 10, 2004. Any definitions and policies described in any City of Jacksonville ordinances pertaining to small and/or disadvantaged business programs shall be incorporated into this Code. JEA shall adopt and adhere to any such program developed by the City, as currently exists and as may be amended in the future, unless exempted by the proper authority.

1-109 Office of General Counsel of the City of Jacksonville

(1) *Legal Services.* The Office of General Counsel shall serve as legal counsel and provide necessary legal Services to the JEA Board, the Chief Procurement Officer, the Solicitation Review Team, the Awards Committee, the Procurement Appeals Board and Procurement Officers regarding Procurement matters.

(2) *Contracted Legal Services.* Contracts for outside legal counsel must be awarded and approved pursuant to the provisions of Section 21.07(e) of the JEA Charter and in accordance with Section 2-202 (Procurements Exempted from Competitive Solicitation) of the Code.

COMMENTARY:
The Office of General Counsel should serve as the legal counsel to advise and assist JEA on legal matters. Such legal counsel should designate such assistants as may be deemed necessary to act as advisors to personnel in JEA. In addition, the legal counsel or assistant should provide prompt legal advice to their clients as each occasion demands, so that the Procurement process, where speed is so often necessary, can move ahead promptly.

1-110 Ex Parte Communication Prohibited

(1) *Policy.* Ex Parte Communication denies any Company submitting a bid or proposal fair, open and impartial consideration. Adherence to procedures that ensure fairness is essential to the maintenance of public confidence in the value and soundness of the important process of public Procurement. Therefore, any Ex Parte Communication between a Company (or its employees, agents or representatives) and JEA (its members, Employees, agents, or representatives, other than the Chief Procurement Officer or Designee or JEA's legal counsel) is strictly prohibited.

(2) *Periods.* Ex Parte Communication is prohibited during the following periods:

(a) from the advertisement of a Solicitation through the award of a Contract; and

(b) from the initiation of a protest of an Award or Contract through resolution of such protest.

(3) *Exclusions.* This requirement shall not prohibit:

(a) public meetings called or requested by JEA and attended by bidders or proposers for the purpose of discussing a Solicitation, evaluation or selection process including, but not limited to, substantive aspects of the Solicitation document. Such meetings may include, but are not limited to, pre-bid or pre-proposal meetings, site visits to JEA's, bidders' or proposers' facilities, interviews/negotiation sessions as part of the selection process, and other presentations by bidders or proposers, all of which are requested by JEA. Such authorized meetings shall be limited to topics specified by JEA.

(b) the addressing of the Awards Committee and the Procurement Appeals Board at public meetings advertised and conducted pursuant to Section 286.011 F.S.;

(c) the filing and prosecution of a written protest to any proposed Award to be made pursuant to the Solicitation, evaluation and selection process, which filing and prosecution shall give notice to all bidders or proposers. Protest proceedings shall be limited to open public meetings, with no Ex Parte Communications outside those meetings;

(d) contact by Company currently under Contract with JEA, but only in regard to any work performed on projects unrelated to the Solicitation and which are currently in process;

(e) communications between Company and Chief Procurement Officer or Designee, or JEA Legal Counsel in accordance with the requirements of any administrative remedies process;

(f) questions to the JEA Purchasing Agent, referenced in the Solicitation, regarding matters pertaining to a Solicitation during the time period allotted for Solicitation questions.

1-111 Retention of Procurement Records

All Procurement records shall be retained, made available and disposed of in accordance with the requirements of the Florida Public Records Law and the rules and regulations promulgated by the Division of Library and Information Services of the Department of State.

1-112 Collection of Data Concerning JEA Procurement

(1) *Chief Procurement Officer*. The Chief Procurement Officer shall prepare and maintain statistical Data concerning the Procurement, usage, and disposition of all Supplies and Services, except for Procurements by Procurement Officers in accordance with the requirements of Section 2-201 (Procurement Code Exemptions) and shall employ such trained personnel as may be necessary to carry out this function. Organizational Element managers shall furnish such reports as the Chief Procurement Officer may require concerning usage and needs, and the Chief Procurement Officer shall have authority to prescribe forms to be used in requisitioning, ordering, and reporting of Supplies and Services.

(2) *Procurement Officers*. As directed by the Chief Executive Officer, Procurement Officers operating under the requirements of Section 2-201 (Procurement Code Exemptions) shall prepare and maintain statistical Data concerning the Procurement, usage, and disposition of all Supplies and Services procured and shall employ such trained personnel as may be necessary to carry out this function.

COMMENTARY:
The Chief Procurement Officer and Procurement Officers should endeavor to perform assigned duties in a manner that will ensure that the Supplies and Services procured meet the requirements of JEA. To achieve this goal, the Chief Procurement Officer, Procurement Officers and Organizational Element managers should be free to make recommendations to each other. A close and cooperative relationship should be maintained.

1-113 Record of Procurement Actions Taken Under Section 3-111 (Sole Source Procurements) and Section 3-113 (Emergency Procurements)

(1) *Contents of Records*. The Chief Procurement Officer shall maintain a record listing all Formal Purchases made under Section 3-111 (Sole Source Procurements) and Section 3-113 (Emergency Procurements). The record shall contain:

(a) each Company's name;
(b) the amount and type of each Contract;
(c) a listing of the Supplies and Services procured under each Contract; and
(d) the reason or justification for the Procurement.

(2) *Submission to JEA Board.* A copy of such records listing all Formal Purchases made under Section 3-111 (Sole Source Procurements) and Section 3-113 (Emergency Procurements) shall be submitted to the JEA Board on a quarterly basis.

1-114 Record of Procurement Appeals Board Decisions Taken Under Section 5-301 (The Procurement Appeals Board)

(1) *Submission to JEA Board.* Procurement Appeal Board decisions made under Section 5-301 (The Procurement Appeals Board) shall be submitted to the JEA Board on a quarterly basis.

ARTICLE 2 - PROCUREMENT AUTHORITY, DESIGNATIONS, AND COMMITTEES

2-101 JEA Procurement Policy

Pursuant to the authority granted to the JEA Board under Section 21.09 of the JEA Charter, the JEA Board has authorized the Chief Executive Officer to promulgate the JEA Procurement Code, as long as the Code is in keeping with all laws, and in compliance with the JEA Board Governance Manual.

COMMENTARY:
The JEA Board passed the JEA Board Governance Manual on February 16, 2010, which, in policy 2.11, authorized the Chief Executive Officer to develop procurement policies and procedures.

2-102 Procurement Authority and Duties of the JEA Board

The JEA Board has authorized the Chief Executive Officer to promulgate this JEA Procurement Code. The JEA Board shall consider and decide matters of policy regarding the overall Procurement practices for JEA, as set forth in Policy 2.11 of the Board Governance Manual, which was adopted by the Board on February 16, 2010. The JEA Board shall have the power to audit and monitor the implementation of the requirements of this Code, but shall not exercise authority over the Award or administration of any particular Contract, or over any dispute, claim, or litigation. The JEA Board shall have the same authority over litigation relating to procurement matters as it would have over any other type of litigation.

2-103 Centralization of Procurement Authority

In accordance with the provisions of the JEA Charter and the JEA Board Governance Manual, all rights, powers, duties, and authority relating to the Procurement of Supplies and Services and Real Estate, and the management, control, sale and other disposal of Supplies and Services and Real Estate, are vested in the Chief Executive Officer or the Chief Procurement Officer, as provided in this Code.

2-201 Procurement Code Exemptions

(1) *Types of Procurements.* The following Supplies and Services need not be procured through the Chief Procurement Officer, but shall nevertheless be purchased, leased, sold or otherwise disposed of by the appropriate Organizational Element manager subject to the requirements of Subsections (2) and (3) below:

(a) Generation Fuels, Emission Allowances, and Associated Transport;
(b) Byproducts;
(c) Purchase or Sale of Electric Energy, Electric Generation Capacity, Electric Transmission Capacity and Transmission Services – Short and Long Term Transactions;
(d) Sale of JEA Owned Transmission and Ancillary Services, including applicable Enabling Agreements;
(e) Environmental Allowances;
(f) Real Estate, including easements;
(g) Community Outreach Procurements.

(2) *Procurements by Managers of Organizational Elements.* Prior to Procurement of Supplies or Services or Real Estate by a manager of an Organizational Element:

(a) the Chief Executive Officer shall approve both the directives governing the Procurement, and shall designate the Procurement Officer responsible for a specific area of Procurement.

(3) *Procurement Through the Chief Procurement Officer.* In the absence of a Procurement Officer designated by the Chief Executive Officer and Procurement Directives, the Supplies and Services listed in this section shall be procured through the Chief Procurement Officer in accordance with this Code and Operational Procedures.

(4) *Actions by the Chief Executive Officer.* The Chief Executive Officer may exempt other types of Procurement or may revoke the exempted status of any type of Procurement. The Chief Procurement Officer shall maintain a current list of the types of Procurements that are exempted.

2-202 Procurements Exempted from Competitive Solicitation

The following Services and/or Supplies are exempt from the Code's bidding requirements and may be awarded without competition:

(1) Procurement of attorney and legal related services, which shall include, but not be limited to, court reporters, consultants, and Real Estate property appraisers. Procurement of attorney and legal related services shall be conducted by the Office of General Counsel pursuant to the JEA Charter.

(2) Procurement of Professional Services, as defined in Florida Statute 287.055 for a project where the basic construction cost of which is not in excess of the threshold amount provided in Florida Statute 287.017 for CATEGORY FIVE, which is currently $325,000.00, or for a planning or study activity

when the fee for Professional Services is not in excess of the threshold amount provided in Florida Statute 287.017 for CATEGORY TWO which is currently $35,000.00.

(3) Procurements of authorized investments, investment management firms, trustee, actuarial, advisory, and custody services that are approved by the St. John River Power Park Pension Committee.

(4) Procurements under $200,000 or less and fall under the JEA Cost Participation Policy.

(5) Property and casualty insurance, and Human Resource Benefits may be Awarded through the broker/consultant for those services with ultimate approval by the Awards Committee.

2-203 Designation and Qualifications of the Chief Procurement Officer

The Chief Executive Officer shall designate a Chief Procurement Officer. The Chief Procurement Officer shall be a full-time, appointed JEA Employee with demonstrated executive and organizational ability.

2-204 Authority of the Chief Procurement Officer

(1) *Central Procurement Officer of JEA.* The Chief Procurement Officer shall serve as the central point of contact for JEA Procurement Actions.

(2) *Power to Promulgate Operational Procedures.* Consistent with the provisions of this Code, the Chief Procurement Officer shall promulgate Operational Procedures governing JEA Procurement activities. Whenever practicable, the Operational Procedures shall be updated to incorporate the use of new technologies, best practices, and streamlined procedures for continuous improvement of JEA's Procurement activities. Material revisions to the Operational Procedures shall be approved by the Office of General Counsel prior to the revisions becoming effective.

(3) *Effect of Operational Procedures on Existing Contracts Rights.* Operational Procedures shall apply to Contract Amendments (including extensions and renewals) entered into after the effective date of this Code. No Operational Procedure shall change any commitment, right, or obligation of JEA or a Company under a Contract in existence on the effective date of such Operational Procedure.

(4) *Duties.* Except as otherwise specifically provided in this Code, the Chief Procurement Officer duties shall include but are not limited to:

(a) supervise and coordinate the procurement of all Supplies and Services as needed by JEA;

(b) make Determinations as to what constitutes a minor irregularity in bids and when bids or proposal should be rejected;

(c) conduct or coordinate training as needed;

(d) develop and maintain the standard contract language for procurements in consultation with the Office of General Counsel.

2-205 Delegation of Authority by the Chief Procurement Officer

The Chief Procurement Officer may delegate authority in writing to Designees.

2-301 Creation of the Solicitation Review Team

The Chief Procurement Officer shall create a Solicitation Review Team to ensure all Formal Solicitations are reviewed to ensure, at a minimum, that the following items are properly defined and included in Solicitation:

(1) Price and Payments;
(2) Performance requirements;
(3) Warranties, insurance, and indemnification;
(4) Term and Termination;
(5) Scope of Work;
(6) Audit Requirements;
(7) Minimum Qualifications; and
(8) JSEB Requirements.

2-302 Solicitation Review Team Procedures

The Chief Procurement Officer shall promulgate Operational Procedures that, to the fullest extent possible, will provide for the thorough consideration and expeditious discharge of the Solicitation Review Team's duties. The Solicitation Review Team shall not take votes or recommend policy for JEA. To ensure competitive fairness, its meetings shall not be open to the public.

2-401 Creation of the Awards Committee

(1) There is hereby created an Awards Committee composed of:

(a) any three to five Vice Presidents/General Managers, or Chief Officers who the Chief Executive Officer may appoint as voting members to perform the duties of the Awards Committee;

(b) the Chief Procurement Officer as a non-voting member shall be the chair of the Awards Committee meeting and will present the Procurement items at the meeting after obtaining approval from the Budget Organizational Element;

(c) a representative from the Budget Organizational Element, designated by the Chief Executive Officer, shall serve as a non-voting member of the Awards Committee with the primary role of providing information to and answering inquiries from the public and any Awards Committee members related to the Budget endorsement of the Award amount and other related financial matters; and

(d) a representative from the Office of General Counsel as a non-voting member who shall serve as counsel to the Awards Committee.

(2) *Quorum*. The presence of at least three (3) voting members of the Awards Committee at a meeting shall constitute a quorum. If the Chief Procurement Officer or his/her designee, the Budget Organizational Element representative or his/her designee, or a representative from the Office of General Counsel cannot be in attendance, the meeting shall be cancelled.

COMMENTARY:

The members of the Awards Committee may designate alternates upon permission of the Chief Procurement Officer. The Chief Procurement Officer may also designate an alternate to appear at the meeting in the event of the Chief Procurement Officer's unavailability.

Although the Chief Procurement Officer is a nonvoting member of the Awards Committee, the Chief Procurement Officer is responsible for approving the method of source selection for all items prior to their presentation to the Awards Committee.

2-402 Terms and Qualifications of Members of the Awards Committee

Members of the Awards Committee shall be appointed personnel of JEA and shall serve indefinite terms at the pleasure of the Chief Executive Officer.

2-403 Awards Committee Procedures

(1) The Awards Committee is subject to the Florida Sunshine Law, and all meetings of the Awards Committee shall be properly noticed, and minutes shall be taken. In addition, the voting members of the Awards Committee shall not discuss any matter which foreseeably could come before the Awards Committee with another member unless in a duly noticed meeting.

(2) Each voting member of the Awards Committee shall have one vote. It shall take a majority of the voting members of the Awards Committee for an item to be approved.

2-404 Duties of the Awards Committee

(1) *Scope of Review*. The Awards Committee shall review each Award item presented for compliance with the Code, and it shall consider whether the proposed action on the item is in the best interest of JEA.

(2) *Actions*. The Awards Committee shall, subject to Chief Executive Officer approval, make recommendations to approve, modify or reject Awards items. An Award items are required for the following:

(a) approving new Contracts;

(b) rescinding Solicitations after bids have been received;

(c) rejection of all bids;

(d) rescinding Awards previously approved by the Awards Committee;

(e) terminating Contracts previously approved by the Awards Committee;

(f) approving and authorizing Contract Amendments, Change Orders, contract renewals that exceed 10% of the previous Awarded total contract amount;

(g) approving Change Orders exceeding $1,000,000;

(h) approving Change Orders to Informal purchases that increase the contract amount above the approved Informal threshold;

(i) approving sales agreements that exceed the Informal purchase threshold;

(j) approving procurement actions when required for exempted procurement items in accordance with procurement directives (Section 2-201(2) Procurement Code Exemptions);

(k) ratifying procurement actions both Formal and Informal purchases; or

(l) approving all Sole Source (Section 3-111) and Emergency (Section 3-113) procurements

(3) *Concurrence of Chief Executive Officer.* The actions of the Awards Committee shall be implemented upon the written concurrence of the Chief Executive Officer. JEA shall not execute contracts where the intended expenditures for a specific fiscal period exceed the budget authorization for that period, nor shall JEA execute contracts that in the aggregate exceed the budget authorizations and projections for the same aggregate period.

COMMENTARY:

(1) The requirement for written concurrence includes concurrence by electronic means.

Additionally, procurement actions that combine the procuring of services and the selling of JEA surplus items, (e.g., demolition of excess power generation assets), shall also require Awards Committee approval when the Transaction Value is greater than Informal Purchases threshold. The Transaction Value is defined as the value of the demolition services and the surplus material.

(4) *Procurement Actions which are Exempted from Awards Committee Review.*

(a) Procurement actions set forth in Section 3-102 (Informal Purchases)

(5) *Exemptions by Directives.* The directives developed under the provisions of Section 2-201(2) (Procurement Code Exemptions) may exempt Procurement actions from Awards Committee review and approval.

(6) *Availability of Funding for Procurement Items.* Prior to presentation to the Awards Committee, each Award item shall be reviewed and approved by either the JEA or SJRPP Budget Organizational Element to determine whether sufficient funding is available for the Contract or Agreement. If the Budget Organizational Element is able to validate that sufficient funds are, or are expected to be available for the Award item, they will provide the JEA Budget endorsement at the Awards Committee meeting. If the Budget Organizational Element is unable to validate that sufficient funds are available, the operational Vice President/ General Manager or Chief Officer may certify by signature on the Award document that sufficient funding is or is expected to be available in the appropriate Departmental Budget for the expenses. In these cases, the Award Item may then be presented to the Awards Committee for consideration and the operational Vice President/ General Manager or Chief Officer's endorsement will

serve as the approval in place of the Budget Organizational Element approval pursuant to Article 2-401(1)(c).

(7) *Effect of Approval.* Once the items are reviewed and approved by the Awards Committee and the Chief Executive Officer, JEA is authorized to proceed with required actions to finalize the procurement of the Supplies or Services, including but not limited to, execution of Contracts, issuance of Purchase Orders and notices to proceed, and acceptance of delivery of Supplies and Services, subject to lawfully appropriated funds.

2-501 Creation of the Procurement Appeals Board

There is hereby established a Procurement Appeals Board composed of a chairperson and at least two other members. All members shall be designated by the Chief Executive Officer. A representative from the Office of General Counsel shall serve as counsel to the Procurement Appeals Board.

COMMENTARY:
The Procurement Appeals Board can provide expeditious and inexpensive procedures for the resolution of controversies.

2-502 Terms and Qualifications of Members of the Procurement Appeals Board

Members of the Procurement Appeals Board shall be a JEA Vice President/ General Manager or Chief Officer and shall serve indefinite terms at the pleasure of the Chief Executive Officer. At the discretion of the Chief Executive Officer, the Procurement Appeals Board may be a standing or *ad hoc* committee.

2-503 Procurement Appeals Board Procedures

(1) The Chief Procurement Officer shall promulgate Operational Procedures that, to the fullest extent possible, will provide for the expeditious resolution of controversies. The Procurement Appeals Board is subject to the Florida Sunshine Law, and all meetings of the Procurement Appeals Board shall be properly noticed, and minutes shall be taken. In addition, the voting members of the Procurement Appeals Board shall not discuss any matter which foreseeably could come before the Procurement Appeals Board with another member unless the discussion occurs in a duly noticed meeting.

(2) Each voting member of the Procurement Appeals Board shall have one vote. It shall take a majority of the voting members of the Procurement Appeals Board for an action to be approved.

2-504 Duties of the Procurement Appeals Board

The duties and operation of the Procurement Appeals Board are set forth in Article 5, Administrative Remedies and procedure provided in Appendix A.

ARTICLE 3 – SOURCE SELECTION AND CONTRACT FORMATION

3-101 Formal Purchases

(1) *Formal Purchase.* A Formal Purchase is the procurement of Supplies or Services where the estimated costs or fees exceed the following thresholds:

(a) Construction Services – $300,000 as required under Section 255.20, F.S.;

(b) Electrical Services – $75,000 as required under Section 255.20, F.S.;

(c) Architectural, Engineering, Landscape Architectural, or Surveying and Mapping Services:

i. Where the estimated cost for the basic construction of a project exceeds Section 287.017, Florida Statutes, for CATEGORY FIVE, which is currently $325,000.00; or

ii. Where the estimated fees for a planning or study activity exceeds Section 287.017, Florida Statutes, for CATEGORY TWO, which is currently $35,000.00; and

(d) All other Supplies and Services – $300,000 (to be consistent with Section 3-101(a)(i) of this Code).

(2) If a purchase is determined to be a Formal Purchase, specific procedures which are further detailed in the JEA Operational Procedures.

3-102 Informal Purchases

(1) *Conditions for Use.* Informal Purchases may be made in accordance with Operational Procedures. Procurement requirements shall not be artificially divided so as to constitute an Informal Purchase under this Section.

(2) *Competitive Pricing.* Unless the Procurement is otherwise exempted by this Code, the Operational Procedures for Informal Purchases shall require, at a minimum, the following kind and number of quotations from prospective suppliers:

a. one properly documented quotation for Procurements of $10,000 or less; or
b. three written or properly documented quotations for Procurements exceeding $10,000 but not exceeding the Formal Purchase threshold amounts stated in 3-101 (Formal Purchases).

(3) If the purchase is over $50,000 it shall be publicly advertised for 7 to 10 days.

3-103 Methods of Pre-Source Selection

If found to be in the best interest of JEA, the Chief Procurement Officer or Designee shall authorize the use of Pre-Source Selection methods which are as follows:

(1) *Request for Information (RFI).* A Request for Information (RFI) may request written information about the capabilities of bidders and prepare interested parties for participation in future Solicitations. The publication of a RFI notice does not obligate JEA to make the purchases referred to in the RFI.

(2) *Intent to Bid.* An Intent to Bid is intended to provide information to all bidders of JEA's intent to solicit a bid for Supplies or Services. The Intent to Bid may request a response from Bidders confirming their intent to submit a bid in response to a future JEA Solicitation. The publication of an Intent to Bid notice does not obligate JEA to make the purchases referred to in the Intent to Bid.

3-104 Methods of Source Selection

All JEA Contracts shall be awarded through a competitive sealed bidding process, pursuant to Section 3-105 (Invitation for Bids), unless otherwise provided in the following Section(s):

(a) Procurement Directives issued pursuant to Section 2-201(2) (Procurement Code Exemptions);
(b) Section 3-109 (Multi-Step Competitive Bidding);
(c) Section 3-106 (Request for Proposals);
(d) Section 3-107 (Procurements subject to the Consultant's Competitive Negotiation Act);
(e) Section 3-108 (Competitive Selection Procedures for Design-Build Services);
(f) Section 3-110 (Invitation to Negotiate);
(g) Section 3-102 (Informal Purchases);
(h) Section 3-111 (Sole Source Procurements);
(i) Section 3-112 (Procurement of Standard, Proprietary and Original Equipment Manufacturer Items);
(j) Section 3-113 (Emergency Procurements);
(k) Section 2-202 (Procurements Exempted from Competitive Solicitation);
(l) Article 4 (Procurement of Financial Instruments and Services);
(m) Article 3-114 (Public Private Ventures);
(n). Article 3-115 (Collaborative Procurement Agreements);
(o) Article 3-116 (Joint Projects); or
(p) Article 3-117 (Use of Publicly Procured Contracts).

3-105 Invitation For Bids (IFB)

(1) *Conditions for Use.* An IFB is the preferred method for acquiring Supplies and Services. Contracts awarded using this methodology shall be awarded based on price through a competitive sealed bidding process except as otherwise provided in Section 3-104 (Methods of Source Selection). An IFB shall be used when JEA is capable of precisely defining the Specifications for a Supply or Service. An

Award of Contract is based solely on the dollar amount of the Bid and does not include discussions or negotiations of material terms and conditions with the bidders.

COMMENTARY:
(1) IFBs are used when JEA is seeking the lowest price.

3-106 Request for Proposals (RFP)

(1) *Conditions for Use.* This bidding methodology shall be utilized if the Chief Procurement Officer or Designee determines that it is advantageous to JEA. JEA may use a RFP when (i) the evaluation criteria include quality measures in addition to price, or (ii) the Specifications cannot be precisely defined. Various combinations or versions of Supplies or Services may be proposed by a Company to meet the Specifications of the RFP document.

(2) This Section does not apply to the procurement of professional architectural, engineering, landscape architectural or surveying and mapping services. These types of services shall be obtained in accordance with Section 3-107 (Procurements subject to the Consultant's Competitive Negotiation Act) of this Code.

COMMENTARY:
(1) RFP Awards are based on quality and price, and allow greater flexibility in negotiating contract terms and conditions.

3-107 Consultant's Competitive Negotiation Act (CCNA) (Architectural, Engineering, Landscape Architectural, Or Surveying & Mapping Services)

(1) *Conditions for Use.* Professional architectural, engineering, landscape architectural, or surveying and mapping services shall be obtained in accordance with Florida Statutes 287.055, entitled "Consultant's Competitive Negotiation Act"(CCNA).

COMMENTARY:
(1) The CCNA process is required for these types of services and selection is based on quality measures only.

3-108 Competitive Selection Procedures for Design-Build Services

(1) *Conditions for Use.* JEA shall Award a Design-Build Contract in accordance with Section 287.055(9), Florida Statutes, or the Operational Procedures. The Operational Procedures allow the Award of a Design-Build Contract by the use of a competitive proposal selection process.

COMMENTARY:
(1) Design-Build is used in cases where the general design and construction requirements are known, but the detailed design and engineering is not completed, and this approach has been determined to be in the best interest of JEA.

3-109 Multi-Step Competitive Bidding

(1) *Conditions for Use.* Multi-Step Bidding involves a two phase process in which bidders first submit proposed revisions to both the commercial and technical terms of the Solicitation. During the second phase, the bidder shall submit a bid price based on a revised Solicitation. An Award is based solely on the price of the bid and does not include additional discussions or negotiations of material terms and conditions with bidders after the Award is approved.

COMMENTARY:

(1) Multi-Step Competitive Bidding provides flexibility for JEA to define commercial and technical terms after vendor feedback is obtained during the first step of the Solicitation process.

3-110 Invitation to Negotiate

(1) *Conditions for Use.* The Invitation to Negotiate is a Solicitation which in which JEA identifies one or more responsive Companies with whom JEA may request revised bids or responses, culminating in a Best and Final Offer, from which JEA will make its Award decision. The procedures for conducting an Invitation to Negotiate shall be described in the Operational Procedures.

COMMENTARY:

(1) This sourcing method provides added flexibility for JEA to directly negotiate with vendors during the IFB or RFP process to obtain the best overall pricing and service levels.

3-111 Sole Source Procurements

(1) *Conditions for Use.* A Contract may be awarded for Supplies or Services as a Sole Source when, pursuant to the Operational Procedures, the Chief Procurement Officer or Designee determines that:

(a) there is only one justifiable source for the required Supplies or Services; or

(b) a service is a follow-up of Services that may only be done efficiently and effectively by the Company that rendered the initial Services to JEA, provided the initial procurement was competitive.

3-112 Standard, Proprietary & Original Equipment Manufacturer Procurements

(1) *Conditions for Use.* A Contract may be awarded for Supplies or Services with limited or no competition when the Supplies or Services:

(a) have been selected as a JEA standard in the course of a standards program or through the action of a standards committee (standard); or

(b) must be a certain type, brand, make or manufacturer (proprietary); or

(c) must be obtained from the original equipment manufacturer, manufacturer's representative or a distributor authorized by the original equipment manufacturer because of the criticality of the item or compatibility within the JEA system (original equipment manufacturer).

3-113 Emergency Procurements

(1) *Conditions for Use.* Notwithstanding any other provision of this Code, the Chief Procurement Officer or Designee may make or authorize Emergency Procurements when there exists an Emergency as defined in this Code, provided that such Emergency Procurements shall be made with as much competition as is practicable under the circumstances. A written determination of the basis for the Emergency and for the selection of the particular Company shall be included in the Procurement file.

3-114 Public Private Ventures

(1) *Conditions for Use.* JEA hereby adopts F.S. §287.05712, as may be amended from time to time, for the receipt of unsolicited proposals for a qualifying project and the entering of contracts with a private entities for such projects, subject to the following conditions:

(a) Application Fee. The purpose of an application fee is to pay for the costs of evaluating the unsolicited proposal. The application fee shall be for the direct costs associated with JEA's engagement of non-JEA staff in the evaluation of the unsolicited proposal. The proposer will be notified of the estimated costs of evaluation and shall either pay the application fee or withdraw the unsolicited proposal.

(b) Public Notice. JEA shall publish public notice in a newspaper of general circulation at least once a week for two weeks stating that JEA has received the unsolicited proposal and JEA will accept other proposals for the same project. The timeframe for allowing other proposals shall be no fewer than 21 days but no more than 120 days after the initial date of publication of the notice.

(c) Receipt of Proposals. Sealed proposals must be received by the Procurement Office no later than the time and date specified for submission in the published notice.

(d) Proposal Evaluations. An evaluation team shall evaluate and rank the proposals based upon factors that include, but are not limited to, professional qualifications and experience, general business terms, innovative design, techniques or cost-reduction terms, and finance plans. Proposers may be invited to make oral presentations regarding their proposals. The recommendations of the Evaluation Team shall be submitted to the Awards Committee for approval, rejection or reconsideration.

(e) Award. For contracts involving long-term debt financing by JEA, the Awards Committee recommendation shall be reviewed and approved by the CEO. Award shall be made to the highest-ranked responsible proposer whose proposal is most advantageous to JEA in accordance with the criteria the Evaluation Team used in evaluating and ranking the proposals. The decision of the CEO shall be final. Written notice of the award shall be given to the successful proposer. Awards made by the CEO shall include authority for all subsequent options of renewal, if any. All contracts shall be in a form acceptable to the CEO and are subject to approval as to legal form by the Office of General Counsel. The Chief Financial Officer or his/her designee shall review all finance plans and documents related to the Private Entity's performance, payment of subcontractors and similar responsibilities. The Director of Risk Management shall review all insurance and related requirements.

3-115 Collaborative Procurement Agreements

(1) *Authorization.* JEA may participate in, sponsor, conduct, or administer a Collaborative Procurement agreement for the Procurement of any Supplies or Services or Real Estate with one or more public or Utility Industry Partners, nonprofit organizations or purchasing alliances in accordance with an agreement entered into between the participants. Such Procurements shall be in accordance with Operational Procedures.

(2) *Compliance with Code.* JEA shall not enter into a Collaborative Procurement agreement for the purpose of circumventing this Code. When the Chief Procurement Officer determines that the Procurement policies and practices utilized by the public or Utility Industry Partner administering a Collaborative Procurement effort substantially comply with the underlying purposes and policies of this Code, JEA's participation in the Collaborative Procurement agreement shall be deemed to be in compliance with this Code.

(3) *Controversies.* Contract controversies arising from a Collaborative Procurement agreement may be resolved in accordance with Article 5, Administrative Remedies, or in accordance with other procedures established or adopted by the public or Utility Industry Partner administering the Collaborative Procurement.

3-116 Joint Projects

JEA may enter into joint projects with public or Utility Industry Partners, the City of Jacksonville and its other independent agencies or other political subdivisions (e.g., the United States Navy, the Florida Department of Transportation, etc.) independent of the requirements of Article 3, Source Selection. Joint projects may include, but shall not be limited to, the following:

(a) combined water, sewer, drainage and road projects with the City of Jacksonville and Florida Department of Transportation;

(b) projects that provide significant benefit to JEA and its ratepayers.

3-117 Use of Publicly Procured Contracts

JEA may procure from, or in accordance with pricing, or other terms and conditions set forth in contracts of the City of Jacksonville and its other independent agencies or political subdivisions, other city and state or governmental agencies, school board districts, community colleges, federal agencies, the public or governmental agencies of any state, or from state university systems, and procurement authorities of JEA separate systems, independent of the requirements of Article 3, Source Selection. These Procurements shall be awarded through the Awards Committee in accordance with the Operational Procedures promulgated in accordance with Section 2-403 (Awards Committee Procedures).

COMMENTARY

St. Johns River Power Park and Unit 4 of Plant Scherer are separate systems of JEA.

3-118 Use Of Contract Types

(1) Any type of Contract subject to this Code that will promote the best interest of JEA may be used provided that, to the maximum extent practicable, all Formal Contracts, except master Contracts, must contain a not-to-exceed maximum amount. All subsequent orders or work authorizations under master Contracts must be in writing and contain a not-to-exceed maximum amount.

(2) A Cost-Reimbursement Contract may be used only when a determination is made that such Contract is likely to be less costly to JEA than any other type or that it is impracticable to obtain the Supplies or Services required except under such a Contract.

COMMENTARY:

(1) JEA has restrictions upon the use of funds in a fiscal year other than that in which the funds are appropriated. This section permits multi-year Procurement so that JEA may:

(a) procure larger quantities and obtain the benefits of volume discounts; and

(b) encourage Companies to make capital investments or investments in process changes required to reduce the cost of Supplies or Services they provide JEA.

(2) A multi-year Contract should be used only for master Contracts, unit price Contracts and Supplies or Services needed on a continuing basis with annual quantity requirements that can be reasonably estimated in advance. Multi-year Procurements should attract more competitors to submit bids or offers for the large Contract Awards and thereby provide JEA with the benefits of increased competition.

(3) In some cases, potential vendors are reluctant to enter into multi-year Contracts because of volatility or fluctuations in the vendor's cost of materials or components. To facilitate volume discounts through multi-year Contracts in these situations, Contracts may be structured with fixed and variable cost elements, where the variable cost elements escalate or de-escalate based upon materials or component prices at the time of order. For example, multi-year Contracts for cable and transformers may contain a variable price element based upon the published metals market cost of copper. In no situation, however, shall JEA enter into a Contract with variable price elements that requires JEA to order Supplies when such Supplies exceed any not-to-exceed price established in the Contract or when JEA determines that such order is not in its best interest.

3-119 Form Of Contract Documents

(1) *Formal Contracts*. The Office of General Counsel shall approve as to form all initial Contract documents requiring the signature of multiple parties for Contract documents exceeding the Informal Purchase amount. Contract Amendments do not require OGC form approval, unless specifically requested by JEA, and can be signed by the Chief Procurement Officer after review by a qualified JEA Employee.

(2) *Informal Contracts*. Purchase order formats may be used for Contracts that do not require the formality of signatures by both parties. If a Contract is executed for an Informal Purchase, it does not do not require OGC form approval, unless specifically requested by JEA, and can be signed by the Chief Procurement Officer after review by a qualified JEA Employee.

COMMENTARY:

(1) The Operational Procedures shall specify when a Contract should be established for a particular Procurement.

3-120 Execution of Contract Documents

The Chief Executive Officer shall execute all Contracts. The Chief Executive Officer may delegate to the Chief Procurement Officer the authority to execute Contracts. Contracts and purchase orders may be executed by electronic means or by facsimile signatures.

3-121 Project/Contract Manager Requirements

The role of a JEA Project and/or Contract Manager is as follows:

(a) Focus on making best business decisions for JEA when authorizing work and approving invoices;

(b) Improve Contract compliance by measuring vendor performance, applying liquidated damages, and holding the vendor accountable to Contract requirements;

(c) Unless otherwise approved by the Director of the Organizational Element, payment retainage shall be in accordance with Florida Statute 255.078, as amended;

(d) Take invoice payment discounts when appropriate; and

(e) Ensure all invoices are processed per the Contract pricing and terms.

COMMENTARY:

(1) For Subsection (c), a Director of the Organizational element may reduce the retainage below the amount specified by Florida Statutes: (a) to an amount equal to no less than 20% of the remaining cost to complete the project; (b) where there are no performance issues or quality concerns with the Company to date; and/or (c) Contract is 90% complete.

3-122 Continuing Services Contracts

Continuing services contracts are utilized for recurring work that is projected over a period of time. Individual Tasks issued under a continuing services contract shall not exceed either the amount authorized by the Contract or the amount as authorized by Florida Statutes for the specific category of work.

COMMENTARY

The maximum Individual Task amounts for Professional Services are specified in Florida Statute 287.055 (2)(g), and the maximum amount for Individual Tasks for Construction Services are specified in Florida Statute 355.32 (3)

3-123 Contract Pricing Terms

Contract pricing terms are required in all contracts and are the basis for invoice payment approvals. The appropriate type of pricing terms will depend on the type of contract and work being performed and include, but are not limited to, the following:

(a) Lump Sum/Fixed price Contracts. This type of Contract should be utilized for work that is clearly defined through the delivery of a specific deliverable or project milestone.

(b) Time and Materials and Labor Hour Contracts /Cost Reimbursement Contracts. This type of contract should be used when the scope and/or amount of work is uncertain at the beginning of the contract period.

(c) Unit Price Contracts: This type of contract is most appropriate for operations, repair and maintenance work provided through Continuing Services contracts.

ARTICLE 4 - PROCUREMENT OF FINANCIAL INSTRUMENTS AND SERVICES

4-101 [Deleted]

4-201 Types of Procured Financial Instruments and Services

This Article applies to the Procurement of the following financial instruments and Services:

(a) authorized investments pursuant to the electric system bond resolution, the electric system subordinated bond resolution, the St. Johns River Power Park bond resolution, the bulk power supply system bond resolution, water and sewer bond resolution and any future bond resolutions authorized by the JEA Board;

(b) financial instruments and arrangements, including but not limited to interest rate Swaps, Caps, Floors, Collars, Options and related hedging instruments and Forward Supply Agreements, Float Contracts, Guaranteed Investment Contracts (GICs) and related investment instruments used primarily in escrow agreements relating to debt instruments, Bond Insurance, surety policies, letters of credit, other credit enhancement facilities and Liquidity Support (e.g., continuing covenant agreements, standby bond purchase agreements, LOCs;

(c) purchases in the secondary market of JEA debt issued under the resolutions listed above;

(d) debt underwriting Services to underwrite variable or fixed rate bonds, notes, commercial paper or other debt-related financial instruments issued under the above resolutions, subject to a negotiated sale;

(e) debt underwriting Services to underwrite bonds, notes or other debt-related financial instruments issued under the above resolutions, subject to a competitive bid;

(f) bond counsel and related legal Services;

(g) financial advisory Services;

(h) trustee, registrar, paying agent, escrow agent, custody Services, and other similar fiduciary Services;

(i) credit rating agencies Services;

(j) dealers or remarketing agents that market commercial paper, variable rate demand obligations or other variable rate debt issued under the above resolutions;
(k) Securities Lending arrangements;
(l) financial printing Services, including but not limited to official statement printing;
(m) banking Services;
(n) escrow verification Services and accounting Services related to a debt issue or escrow restructuring; and
(o) letters of credit or Revolving Credit Facilities.
(p) Florida Voluntary Cleanup Tax Credits

4-301 Authorized Investments

(1) *Investments.* Investments shall be procured pursuant to the guidelines outlined in the JEA investment policy approved by the JEA Board on September 5, 1995 (most recently amended 12/20/11) and any subsequent amendments to that policy approved by the JEA Board, and shall be subject to the limitations contained in the bond resolutions under which the investments are to be held. The JEA Board authorizes the Chief Executive Officer or appointed managers designated by the Chief Executive Officer to:

(a) open and close accounts at registered broker/dealers or banks;
(b) purchase or sell securities which are authorized investments and sell securities provided to JEA as payment by customers in lieu of cash. The registered broker/dealer or bank is authorized to act upon any orders and instructions whether written or oral with respect to such account, and for the delivery of securities or money therefrom when received from the aforementioned appointed managers. Any of the aforementioned appointed managers may delegate to JEA Employees the authorization to transmit information regarding the execution and/or consummation of a trade described above. Securities transactions shall be approved in writing by any of the aforementioned appointed managers.

(2) *Execution of Certain Other Agreements.* Master Repurchase Agreements and tri-party master Repurchase Agreements and the related custody agreements shall be executed by the Chief Executive Officer or appointed managers designated by the Chief Executive Officer.

4-302 Financial Instruments and Arrangements

(1) *General.* Financial instruments and arrangements include interest rate Swaps, Caps, Floors, Collars, Options and related hedging instruments, Bond Insurance, surety policies, letters of credit, Forward Supply Agreements, float Contracts, Guaranteed Investment Contracts (GIC's), and related investment instruments used primarily in escrow agreements relating to debt instruments and other credit enhancement and Liquidity Support. Due to the dynamic nature of the marketplace for the foregoing, these types of instruments and arrangements shall be procured in a manner as authorized in this Section or as authorized by the Chief Executive Officer, or Designee on a case by case basis, based on prevailing practices in the

marketplace for such financial instruments and arrangements. Written approval by the Chief Executive Officer or Designee of the Procurement methodology shall be obtained prior to the Procurement, if the Procurement methodology is different than the methods specified below. Final approval of the winning bidder for the various instruments in this Section will be confirmed by the Chief Executive Officer or Designee.

(2) *Selection.* Suggested methods of procuring the Companies that provide these instruments and arrangements and/or executing the transactions are:

(a) competitive bid by the Organizational Element directly or through JEA's financial advisor. Such bid may be restricted to the group of Companies selected to serve as underwriter or otherwise pre-qualified Companies as recommended in writing by JEA's financial advisor (e.g., top rated banks to provide Liquidity Support for JEA's commercial paper program) for interest rate Swaps, Hedges, Caps, Floors, Collars, Options, Bond Insurance, surety policies, letters of credit, Forward Supply Agreements, float Contracts, Guaranteed Investment Contract (GIC's) and related investment instruments used primarily in escrows agreements relating to debt instruments, other credit enhancements, and Liquidity Support.

(b) Request for Information Solicitation by the Organizational Element or through JEA's financial advisor. Such Request for Information may be limited to the group of Companies selected to serve as underwriter or other groups of prequalified Companies as recommended in writing by JEA's financial advisor. If more than one Company is selected based on the RFI, a competitive bid shall be utilized among the Companies selected; and

(c) if considered by the Chief Executive Officer to be in the best interest of JEA and upon the recommendation of JEA's financial advisor, the Chief Executive Officer may negotiate these types of instruments and agreements with one or more Companies from within JEA's underwriting group or other groups of Companies as recommended in writing by JEA's financial advisor. (e.g., an interest rate Swap executed in conjunction with a bond issue without being subject to (a) and (b) above). In the case of interest rate Swaps, interest rate Caps, Collars, Options and any related hedging agreements, the execution of such instruments or agreements shall be subject to the authorizations approved by the JEA Board on September 21, 1993, April 5, 1994 and April 19, 1994 and any subsequent approvals. In the case of interest rate Swaps, Caps, Floors, Collars, Options, and related hedging instruments, such agreements (and any related agreements or arrangements, including without limitation related collateral agreements, that are determined necessary) shall be executed by the Chief Executive Officer or Designee upon confirmation by JEA's financial advisor that the terms and provisions thereof are commercially reasonable and consistent with customary practices in the relevant market for similar agreements.

(3) *Administration.* This section adopts and codifies those resolutions approved by the JEA Board on September 21, 1993, April 5, 1994 and April 19, 1994, and subsequent related resolutions. Any changes to those resolutions shall be approved by the JEA Board in the form of amendments to the Code or through additional resolutions approved by the Board. Bond Insurance, surety policies, and other credit enhancements or Liquidity Support agreements shall be approved by the JEA Board in conjunction with the related debt financing. Companies selected to serve as counterparties for Bond Insurance, surety policies, letters of credit, Forward Supply Agreements, float Contracts, Guaranteed Investment Contracts (GIC's) and related investment instruments used primarily in escrow agreements relating to debt instruments, other credit enhancements, Liquidity Support, and other similar instruments and arrangements, are subject to a written agreement executed by the Chief Executive Officer or Designee.

COMMENTARY:

(1) It is expected that sufficient expertise will be available in the underwriting group so that the interest rate Swaps can be competitively bid within the underwriting group. If the JEA staff determines that a market rate will not be obtained from the existing underwriting group, then additional prequalified bidders may, at the discretion of the Chief Executive Officer, be added to the group.

(2) It is anticipated that interest rate Swaps and other financial instruments outlined in this section will usually be competitively bid.

4-303 Purchases in the Secondary Market of Debt

(1) Purchases in the secondary market of debt issued under bond resolutions cited in Section 4-201(d) (Types of Procured Financial Instruments and Services) shall be purchased pursuant to Section 12.0 of JEA's Investment Policy approved by the JEA Board on September 5, 1995 (most recently amended 12/20/11), and any subsequent amendments to that policy approved by the JEA Board. Such purchases are subject to the applicable covenants contained in JEA's bond resolutions; or

(2) Policies, procedures, resolutions or related documents approved by the Board relating to the purchase or retirement of JEA debt.

4-304 Debt Underwriting Services to Underwrite Bonds, Notes or Other Financial Instruments Issued Under Bond Resolutions, Subject to a Negotiated Sale

(1) *Selection.* The Procurement of debt underwriting Services cited in Section 4-201(d) (Types of Procured Financial Instruments and Services) subject to a negotiated sale shall be in accordance with Section 3-106 (Request for Proposals), and does not require the approval of the Chief Procurement Officer. Several underwriters may be selected to perform underwriting and related Services for JEA. A master underwriting agreement shall be executed by the Chief Executive Officer at the end of the Solicitation process and a separate bond purchase agreement with the underwriter(s) shall be executed by an authorized officer of JEA upon the approval of the JEA Board for each sale of debt. Each such bond purchase agreement shall specify, among other customary matters, the fee to the underwriters.

(2) *Negotiations - Sales.* Board-approved resolutions authorize the sale of debt for each System. The Chief Executive Officer or Designee shall negotiate the sale of bonds, notes or other financial instruments with the designated lead debt underwriter.

4-305 Debt Underwriting Services to Underwrite Bonds, Notes or Other Financial Instruments Issued Under Bond Resolutions, Subject to a Competitive Bid

(1) *General.* Debt underwriting services to underwrite bonds, notes or other financial instruments issued under bond resolutions cited in Section 4-201(e) (Types of Procured Financial Instrument and Services) subject to a competitive bid shall be procured in accordance with (2) below.

(2) *Selection.* Bonds or revenue certificates and refunding bonds or refunding revenue certificates issued pursuant to the JEA Charter if sold by competitive bid shall be sold to the bidder whose bid produces the lowest true interest cost to JEA. The JEA Board may restrict the bidders in any sale by pre-qualification or otherwise and may reserve the right to reject any or all bids. Prior to any sale by competitive bid of bonds or revenue certificates, the JEA Board shall cause notice to be given in such manner and at such time as the JEA Board shall determine. Said notice shall specify such matters relating to the bonds or revenue certificates offered for competitive sale as the JEA Board shall determine and shall state the manner in which bids shall be given. The JEA Board may reserve the right to waive any informalities or irregularities if the JEA Board determines that such action is in JEA's best interest. In no event shall said bonds or revenue certificates be sold at a net interest cost to JEA in excess of the legal limit as established by Section 215.84 F.S., or according to said section as it may from time to time be amended.

4-306 Bond Counsel and Related Legal Services

The Procurement of bond counsel and related legal Services shall be in a manner authorized by the Office of General Counsel. The Office of General Counsel may deem it appropriate to utilize the method contained in the City of Jacksonville Procurement Code Section 126.311 or in accordance with Section 3-106 (Request for Proposals) of the Code, and does not require the approval of the Chief Procurement Officer. Regardless of the Procurement process used, the General Counsel shall make the final selection of the top ranked Company and recommend said Company to the JEA Board for approval.

4-307 Financial Advisory Services

The Procurement of financial advisory Services shall be in accordance with Section 3-106 (Request for Proposals) and does not require the approval of the Chief Procurement Officer.

4-308 Trustee, Registrar, Paying Agent, Escrow Agent, Custody Services relating to fixed rate debt or variable rate and similar fiduciary Services

The Procurement of these Services shall be in accordance with either (1) Section 3-106 (Request for Proposals) and does not require the approval of the Chief Procurement Officer, (2) Section 3-102 (Informal Purchases), (3) competitive bid by Organizational Element or through JEA's financial advisor, such bid limited to a group of Companies as recommended by JEA's financial advisor, and shall be consistent with any applicable requirements contained in JEA's bond resolutions or (4) if considered by the Chief Executive Officer to be in the best interest of JEA and upon the recommendation of JEA's financial advisor, the Chief Executive Officer may negotiate these types of services and agreements with one or more Companies as recommended in writing by JEA's financial advisor.

4-309 Credit Rating Agencies Services

Authority to select appropriate additional credit rating agencies, in addition to the nationally recognized credit rating agencies of Fitch Ratings, Moody's Investors Service and Standard and Poor's, to secure debt ratings and related Services for JEA is delegated to the Chief Executive Officer or Designee. Terms and conditions for such Services shall be negotiated with the credit rating agency selected. Companies selected must be nationally recognized credit rating agencies that comply with bond resolution requirements and are acceptable to JEA's debt underwriter, remarketing agent or dealer in order to provide marketability for bonds, notes, or other financial instruments issued by JEA. The Chief Executive Officer or Designee has the authority to delete any of the Companies providing this Service.

4-310 Dealers or Remarketing Agents that Market Commercial Paper, Variable Rate Demand Obligations (VRDO), or other Variable Rate Debt

Selection. Procurement for dealers or remarketing agents that market commercial paper, VRDO or other variable rate debt issued under bond resolutions cited in Section 4-201(d) (Types of Procured Financial Instruments and Services) shall be by a (1) Request for Information (RFI) Solicitation by the Organizational Element or JEA's financial advisor; such RFI shall be limited to the group of Companies selected to serve as debt underwriters and that participate as dealers or remarketing agents in the commercial paper market, VRDO or other variable rate debt markets, or other pre-qualified groups, as recommended in writing by JEA's financial advisor, (2) as outlined in the then current underwriters' agreement. or (3) if considered by the Chief Executive Officer to be in the best interest of JEA and upon the recommendation of JEA's financial advisor, the Chief Executive Officer may negotiate these types of services and agreements with one or more Companies from within JEA's underwriting group or other qualified Companies as recommended in writing by JEA's financial advisor.

4-311 Securities Lending Arrangements

(1) *General.* Securities Lending arrangements are authorized pursuant to the electric system and bulk power supply system bond resolutions. On November 2, 1993, the JEA Board approved a resolution outlining methods of procuring and entering into Securities Lending arrangements. Responsible Bidders for Securities Lending arrangements shall be selected pursuant to requirements outlined in the JEA investment policy, Section 9.0, approved by the JEA Board on September 5, 1995. This section applies to future bond resolutions that authorize Securities Lending transactions.

(2) *Selection.* Suggested methods of procuring the Companies that provide Securities Lending arrangements are:

(a) competitive bid by the Organizational Element directly or through JEA's financial advisor. One or more counterparties shall be selected by the highest bid of security lending income to JEA that complies with the provisions of the bond resolution under which the securities to be loaned are held;

(b) Section 3-106 (Request for Proposals) or

(c) if considered by the Chief Executive Officer to be in the best interest of JEA and upon the recommendation of JEA's financial advisor, the Chief Executive Officer may negotiate these types of services and agreements with one or more Companies from within JEA's underwriting group as recommended in writing by JEA's financial advisor.

(3) *Administration.* Agreements with one or more counterparties and related custodial agreements shall be executed by the Chief Executive Officer or Designee. These agreements shall also be approved by JEA's financial advisor and as to form by the Office of General Counsel.

COMMENTARY:
Based on the prevailing market practice at the time of selection, JEA shall determine the method expected to produce the best results for JEA in order to select the Companies with which to enter into Securities Lending agreements.

4-312 Financial Printing Services, Including but not Limited to Official Statement Printing

Procurement for these Services shall be obtained by one of the following methods:

(a) competitive bid for official statement printers by the Organizational Element directly or through JEA's financial advisor. JEA shall utilize the printer with the lowest responsible bid; or

(b) Section 3-102 (Informal Purchases).

4-313 Banking Services

Procurement of these Services shall be in accordance with Section 3-106 (Request for Proposals) and does not require the approval of the Chief Procurement Officer. The JEA Board authorizes the Chief Executive Officer or appointed managers designated by the Chief Executive Officer to:

(a) open and continue accounts at any bank under Contract with JEA;

(b) sign and agree to the provisions of said bank's customary corporate signature card, and authorize the said bank to pay or otherwise honor any checks, drafts, or other orders issued from time to time, for debit to said accounts when signed manually or by facsimile impression by any two of certain appointed managers;

(c) authorize the electronic transfer of funds;

(d) act on behalf of JEA in all matters and transactions relating to any of its business with the bank, including the withdrawal of property at any time held by the bank for the account of JEA; and

(e) provide the bank the authority to accept for deposit for the account of JEA, for credit, or for collection, or otherwise, any and all checks, drafts, and other instruments of any kind endorsed by any persons, or by hand stamp impression, in the name of JEA, or without endorsement.

4-314 Escrow Verification Services and Accounting Services Related to a Debt Issue or Escrow Restructuring

Included in JEA's Contract with its external auditors is a provision for the auditors to perform these Services. If these Services can be obtained for a lesser total cost, including internal JEA costs, than provided for in the current Contract with the external auditors, then proposals may be obtained and evaluated pursuant to (1) the provisions of Section 3-106 (Request for Proposals) (2) Section 3-102 (Informal Purchases) or (3) competitive bid by Organizational Element or through JEA's financial advisor.

4-315 Letters of Credit or Revolving Credit Facilities

JEA on occasion has the option to secure certain contractual obligations by providing a Letter of Credit instead of cash payment or deposit. Procurement of such instruments for this purpose shall be limited to the banks selected per Section 4-313 (Banking Services). The Chief Executive Officer is authorized by a JEA Board resolution approved March 7, 1989 to execute individual letters of credit or lines of credit in an amount not to exceed $5,000,000, and in the aggregate not to exceed $25,000,000 outstanding at any time. This section does not pertain to letters of credit or lines of credit that provide credit enhancement or Liquidity Support for JEA's demand obligations or commercial paper programs and which are procured under Section 4-302 (Financial Instruments and Arrangements).

In addition, JEA may determine pursuant to the requirements of the JEA Charter to utilize revolving credit facilities for any legal corporate purposes. The Chief Executive Officer shall determine the need for utilization of such instruments up to a maximum of $25,000,000, and shall execute the applicable documents. The JEA Board shall approve any amount in excess of $25,000,000. Procurement of such instruments for this purpose shall be by one of the following methods:

(a) Request for Information or competitive bid by the Organizational Element or through JEA's financial advisor with banks as recommended by the financial advisor,

(b) Section 3-106 (Request for Proposals) and does not require the approval of the Chief Procurement Officer, or

(c) if considered by the Chief Executive Officer to be in the best interest of JEA and upon the recommendation of JEA's financial advisor, the Chief Executive Officer may negotiate these types of services and agreements with one or more banks as recommended in writing by JEA's financial advisor.

COMMENTARY:

Maximum limits for letters of credit or Liquidity Support for working capital purposes are in addition to those limits required for letters of credits or Liquidity Support utilized instead of cash payments or deposits.

4-316 Sale of Voluntary Florida Cleanup Tax Credits

Procurement for these Services shall be obtained by one of the following methods:

(a) Request for Information or competitive bid by the Organizational Element,

(b) Section 3-106 (Request for Proposals) and does not require the approval of the Chief Procurement Officer, or

(c) if considered by the Chief Executive Officer to be in the best interest of JEA, the Chief Executive Officer may negotiate these types of services and agreements with one or more firms and approved as to form by the Office of General Counsel.

4-401 Ratification of Expenditures

The Chief Executive Officer shall ratify by signature a summary statement of all expenditures made in accordance with JEA's established practices and policies and applicable statutes. Such ratification shall be made on a monthly basis. This section of the Code satisfies the requirement of Section 21.10 of the JEA Charter.

4-402 Reimbursement of Certain Expenditures from Long-term Permanent Financing

United States Treasury regulations in effect upon the effective date of this Code require JEA to make an official written declaration of its intent to incur certain expenditures using temporarily available funds in anticipation of reimbursing such expenditures from the proceeds of debt obligations of JEA. The Chief Executive Officer or Chief Financial Officer or additional Designee is authorized to declare JEA's intention in writing to reimburse previously incurred expenditures out of proceeds of debt obligations to be issued at a later date. The Chief Executive Officer or Designee is authorized to execute documents that declare that intention and any additional documents necessary to satisfy the Treasury regulations regarding these transactions.

COMMENTARY:

United States tax regulations do change periodically. Future changes on this issue shall be automatically incorporated to this Code without further approval by the JEA Board.

ARTICLE 5 - ADMINISTRATIVE REMEDIES

5-101 Authority to Resolve Protested Solicitations and Awards

(1) *Right to Protest.* Any Company who is aggrieved in connection with a Solicitation or an Award of a Contract may submit a protest to the Chief Procurement Officer.

(2) *Protest Submittal.* All protests shall be submitted in writing and addressed to the Chief Procurement Officer. The protest shall clearly state the following:

(a) the facts and issues supporting the protest,

(b) specifically state how the Company has standing to protest,

(c) and the remedies requested to resolve the protest.

(3) *Timeliness.* Failure to submit a timely protest shall result in the protest being rejected. A protest concerning an Award of a Contract shall be submitted in writing forty-eight (48) hours after such aggrieved Company knows, or should have known, of the facts giving rise thereto. A protest concerning a Solicitation (including any Minimum Qualifications or any Specifications) must be submitted within five (5) calendar days prior to Bid Opening..

(4) *Authority to Resolve Protests.* Prior to the commencement of an action in court concerning a protest, the Chief Procurement Officer or Designee shall have the authority to settle and resolve a Company's protest concerning a Solicitation or Award of a Contract. This authority shall be exercised in accordance with the JEA Operational Procedures. Unless otherwise allowed by Florida Statutes, a Company must exhaust all administrative remedies afforded to it by this Code and Operational Procedures before it can commence an action in a court of law.

(5) *Decision.* The Chief Procurement Officer or Designee shall promptly issue a decision in writing addressed to protesting Company. The decision shall:

(a) recite all relevant facts;

(b) state the reasons for the action taken; and

(c) inform the Company of its right to administrative review as provided in this Article.

(6) Notice of Decision. A copy of the decision under Subsection (5) of this section shall be mailed or otherwise furnished immediately to protesting Company and any other party intervening.

(6) *Finality of Decision.* A decision under Subsection (5) of this Section shall be final and conclusive, unless clearly erroneous or fraudulent and any Company adversely affected by the decision may appeal administratively to the JEA Procurement Appeals Board in accordance with Section 5-303 (Appeals).

(7) *Stay of Procurements During Protests.* In the event of the receipt of a timely protest under Subsection (1) of this Section or under Section 5-303 (Appeals), JEA shall not proceed further with the Solicitation or with the Award of the Contract unless the Chief Procurement Officer, after consultation with the manager of the Organizational Element, makes a written determination that the Solicitation or Award of the Contract without delay is necessary to protect substantial interests of JEA.

COMMENTARY:

(1) It is essential that actual or prospective bidders and proposers have confidence in the procedures for soliciting and awarding Contracts. This can best be assured by allowing an aggrieved Company to protest a Solicitation, Award, or related decision. This section and Section 5-303 (Appeals) would permit actual or prospective bidders and proposers to:

(i) promptly submit a protest to the Chief Procurement Officer concerning a Solicitation or Award; and
(ii) have the protest decision reviewed by the Procurement Appeals Board.

(2) Nothing in this section is intended to affect the ability of the Office of General Counsel to settle actions pending before the Procurement Appeals Board, or the courts.

(3) The public posting of the Awards Committee agenda on the JEA website shall serve as one way in which a Company should know about an upcoming Award. The 48 hour limit for filing a protest shall begin at this public notice in this instance.

(4) Only a Company who is adversely affected by JEA's actions may file a protest under this Section. The purpose behind the standing requirement is to ensure that the protesting Company has a sufficient interest in the outcome of the protest resolution.

5-102 Authority to Debar or Suspend

(1) Authority. The Chief Procurement Officer or Designee is authorized to debar or suspend a Company from bidding on all JEA procurements for actions described in Subsection (2) of this Section. This authority shall be exercised in accordance with Operational Procedures and with the advice and counsel of the Office of the General Counsel.

(2) *Debarment.* After reasonable notice to the Company and a reasonable opportunity was provided for the Company to be heard, the Chief Procurement Officer, after consultation with the manager of the Organizational Element, shall have authority to debar a Company from consideration for the Award of Contracts. The debarment shall be for a period of no more than three (3) years.

(3) Suspension. After reasonable notice to the Company and a reasonable opportunity was provided for the Company to be heard, the Chief Procurement Officer, after consultation with the manager of the Organizational Element, shall have authority to suspend a Company from consideration for Award of Contracts. The suspension shall be for a period not exceeding six (6) months.

(4) *Causes for Debarment or Suspension.* The Chief Procurement Officer's decision to debar or suspend a Company shall depend on the seriousness of the adverse actions of the Company. The causes for debarment or suspension include, but may not be limited to, the following:

(a) conviction of a Public Entity Crime and inclusion on the State of Florida Convicted Vendor List pursuant to Section 287.133 F.S.;

(b) violation of Contract terms or requirements, as set forth below, of a character that is regarded by the Chief Procurement Officer to be so serious as to justify debarment or suspension action:

(i) deliberate failure, without good cause, to perform in accordance with the Contract, Specifications, performance levels, warranty provisions, bonding and insurance requirements, or to comply within the time limits provided in the Contract, or failure to pay subcontractors; or

(ii) a recent record of failure to perform or of unsatisfactory performance in accordance with the terms of one or more JEA Contracts, including the delivery of Supplies, provided that the failure to perform or unsatisfactory performance was not caused by acts beyond the control of the Company,; or

(c) poor performance as reported under JEA's Vendor Performance Program;

(d) debarment or suspension by another governmental entity;

(e) the Company acted fraudulently or in bad faith;

(f) violation of JEA and the City of Jacksonville Ethic Code;

(g) violation of Ex Parte requirements; and

(h) any other cause the Chief Procurement Officer determines to be so serious and compelling as to affect the Company's performance of a Contract.

(5) *Decision.* The Chief Procurement Officer shall issue a written letter to the Company informing it of the decision to debar or suspend that Company. The decision shall:

(a) recite all relevant facts,

(b) state the reasons for the action taken,

(c) state the timeframe for debarment or suspension, and,

(c) inform the debarred or suspended Company involved of its rights to administrative review as provided in this Article.

(6) *Notice of Decision.* A copy of the decision under Subsection (3) of this section shall be mailed or otherwise furnished immediately to the debarred or suspended Company and any other party intervening.

(7) *Finality of Decision.* A decision under Subsection (3) of this Section shall be final and conclusive, unless fraudulent, or the debarred or suspended Company appeals administratively to the Procurement Appeals Board in accordance with Section 5-304 (Protest of Suspension or Debarment Proceedings).

COMMENTARY:

It is strongly encouraged the Office of General Counsel is consulted prior to the commencement of debarment or suspension of a Company. Debarments involve situations that involve a greater degree seriousness, harm, or damage to JEA.

5-103 Authority to Resolve Contract and Breach of Contract Controversies

(1) *Applicability.* This Section applies to controversies between JEA and a Company (the "Parties") that arise under, or by virtue of, a Contract between the Parties and cannot be settled in the normal course of business to the mutual satisfaction of the Parties and after reasonable attempts by the JEA Project Manager to resolve the matter. This includes but is not limited to, controversies based upon breach of Contract, mistake, misrepresentation, failure to perform, payment disputes, or other causes for disputes concerning the Contract terms.

(2) *Authority.* Prior to commencement of an action in a court concerning the controversy, the Chief Procurement Officer or Designee is authorized to settle and resolve a controversy described in Subsection (1) of this Section. This authority shall be exercised in accordance with Operational Procedures and with the advice and counsel of the Office of the General Counsel.

(3) *Decision.* If such a controversy is not resolved by mutual agreement, the Chief Procurement Officer or Designee shall promptly issue a decision in writing. The decision shall:

(a) recite all relevant facts;

(b) state the reasons for the action taken; and

(c) inform the Company of its right to administrative review as provided in this section.

(4) *Notice of Decision.* A copy of the decision under Subsection (3) of this section shall be mailed or otherwise furnished immediately to the Company.

(5) *Finality of Decision.* The decision under Subsection (3) of this section shall be final and conclusive, unless fraudulent, or the Company appeals to the Procurement Appeals Board in accordance with Section 5-306 (Contract and Breach of Contract Controversies).

COMMENTARY:

(1) The word "controversy" is meant to be broad and all encompassing. It includes the full spectrum of disagreements from pricing of routine Contract changes to claims of breach of Contract.

(2) Resolving controversy is a primary duty of the JEA Project Manager assigned to the Contract. Controversies resolved by the JEA Project Manager in the normal course of business are not the subject of this section.

(3) Subsection (2) gives the Chief Procurement Officer the authority to settle all Contract claims and controversies prior to the filing of a suit. This may avoid unnecessary litigation and often is essential for fair treatment of a Company contracting with JEA. On the other hand, some safeguards are needed. Limitations upon the power to settle, including prerequisite approvals, should be established by appropriate Operational Procedure.

5-201 Remedies

The provisions of this part apply where it is determined administratively, or upon administrative review, that a solicitation or Award of a Contract is in violation of this Code.

5-202 Remedies Prior to an Award

If prior to Award it is determined that a Solicitation or a proposed Award of a Contract is in violation of this Code, then the Solicitation or the Award shall be:

(a) canceled; or

(b) revised to comply with this Code.

5-203 Remedies After an Award

If after an Award it is determined that a Solicitation or Contract is in violation of this Code, JEA shall take the following actions:

(a) if the Company awarded the Contract has not acted fraudulently or in bad faith:

(i) the Contract may be ratified and affirmed, provided it is determined that doing so is in the best interest of JEA; or

(ii) the Contract may be terminated.

(b) if the Company awarded the Contract has acted fraudulently or in bad faith:

(i) the Contract may be declared null and void;

(ii) the Company may be debarred or suspended; and/or

(ii) the Contract may be ratified and affirmed if such action is in the best interest of JEA, without prejudice to JEA's rights in regard to such damages as may be appropriate.

5-301 The Procurement Appeals Board

(1) *Applicability.* Article 2 establishes the Procurement Appeals Board and Article 5 describes the duties and operation of the Procurement Appeals Board. Appendix A of this Code contains the procedures of the Procurement Appeals Board.

(2) *Authority.* The Procurement Appeals Board is authorized to review and make a final determination of any appeal by a protesting Company from a written decision issued by the Chief Procurement Officer, or a Designee, which is authorized by:

(a) Section 5-101 (Authority to Resolve Protested Solicitations and Awards);

(b) Section 5-102 (Authority to Debar or Suspend); and

(c) Section 5-103 (Authority to Resolve Contract and Breach of Contract Controversies).

5-302 Jurisdiction of the Procurement Appeals Board

(1) *Jurisdiction.* The Procurement Appeals Board shall have jurisdiction to review and determine any appeal by a protesting Company from a determination by the Chief Procurement Officer, or a Designee except:

(i) if an action has been initiated previously in the courts for essentially the same cause of action, or

(ii) within forty eight (48) hours after the action is brought before the Procurement Appeals Board, written objection is made by either the aggrieved Company or the Chief Procurement Officer with the concurrence of the Office of General Counsel.

5-303 Appeals of Protest Decisions Regarding Solicitations or Awards

(1) *Scope.* This section applies to an appeal addressed to the Procurement Appeals Board of a decision under Section 5-101(3) (Authority to Resolve Protested Solicitations and Awards).

(2) *Appeal Submittal.* An aggrieved Company shall submit its appeal in writing to the Chief Procurement Officer who shall forward it to the Procurement Appeals Board. The appeal shall clearly state the following:

(i) the facts and issues supporting the appeal,

(ii) how the Company has standing to appeal, and

(iii) the remedies requested to resolve the appeal.

(3) *Timeliness.* An appeal shall be submitted forty-eight (48) hours of receipt of a written decision pursuant to Section 5-101(3) (Authority to Resolve Protested Solicitations and Awards-Decision). Failure to submit a timely written appeal shall result in the appeal being dismissed.

(4) *Acknowledgement.* In accordance with the Operational Procedures, a JEA representative will contact the protesting Company to acknowledge receipt of the appeal and to schedule the Procurement Appeals Board Review Meeting.

(5) *Standard of Review.* The Procurement Appeals Board shall conduct a *de novo* review of the issue(s) presented for appeal and shall determine if JEA's intended actions are:

(i) in conflict with JEA's Procurement Code and Operational Procedures;

(ii) arbitrary,

(iii) capricious;

(iv) dishonest;

(v) fraudulent;

(vi) clearly erroneous;

(vii) illegal; and/or

(viii) not in the best interests of JEA.

(6) *Burden of Proof.* The burden of proof shall rest with the protesting Firm.

(7) *Decision.* After the Procurement Appeals Board has reviewed the appeal issues, it shall deliberate its decision at the Procurement Appeals Board Review Meeting and announce its decision prior to adjourning the meeting. After adjournment, the Procurement Appeals Board shall issue a written decision restating the decision announced at the Procurement Appeals Board Review Meeting. Decisions rendered by the Procurement Appeals Board shall be final and conclusive, unless clearly arbitrary, capricious, fraudulent, or clearly erroneous.

5-304 Protest of Suspension or Debarment Proceedings

(1) *Scope.* This section applies to a review by Procurement Appeals Board of a decision under Section 5-102(3) (Authority to Debar or Suspend-Decision).

(2) *Appeal Submittal.* An aggrieved Company shall submit its appeal in writing to the Chief Procurement Officer who shall forward it to the Procurement Appeals Board. The appeal shall clearly state the following:

(i) the facts and issues supporting the appeal, and

(ii) the remedies requested to resolve the appeal

(3) *Acknowledgement.* In accordance with the Operational Procedures, a JEA representative will contact the protesting Company to acknowledge receipt of the appeal and to schedule the Procurement Appeals Board Review Meeting.

(4) Timeliness. The aggrieved Company shall file its appeal with the Procurement Appeals Board within thirty (30) days after receipt of a decision under Section 5-102(3) (Authority to Debar or Suspend-Decision). Said appeal shall be sent to the Chief Procurement Officer who shall forward it to the Procurement Appeals Board.

(5) Standard of Review. The Procurement Appeals Board shall conduct a *de novo* review of the issue(s) presented for appeal and shall determine if JEA's intended actions are:

(i) in conflict with JEA's Procurement Code and Operational Procedures;

(ii) arbitrary,

(iii) capricious;

(iv) dishonest;

(v) fraudulent;

(vi) clearly erroneous; and/or

(vii) illegal; and/or

(viii) not in the best interests of JEA.

(6) Burden of Proof. The burden of proof shall rest with the protesting Firm.

(7) Decision. After the Procurement Appeals Board has reviewed the appeal issues, it shall deliberate its decision at the Procurement Appeals Board Review Meeting and announce its decision prior to adjourning of the meeting. After adjournment, the Procurement Appeals Board shall issue a written decision restating the decision announced at the Procurement Appeals Board Meeting. Decisions rendered by the Procurement Appeals Board shall be final and conclusive arbitrary, capricious, fraudulent, or clearly erroneous.

5-305 Contract and Breach of Contract Controversies

(1) *Scope.* This section applies to a review by the Procurement Appeals Board of a decision under Section 5-103(3) (Authority to Resolve Contract and Breach of Contract Controversies).

(2) Appeal Submittal. An aggrieved Company shall submit its appeal in writing to the Chief Procurement Officer who shall forward it to the Procurement Appeals Board. The appeal shall clearly state the following:

(i) the facts and issues supporting the appeal, and

(ii) the remedies requested to resolve the appeal

(3) *Acknowledgement.* In accordance with the Operational Procedures, a JEA representative will contact the protesting Company to acknowledge receipt of the appeal and to schedule the Procurement Appeals Board Review Meeting.

(4) *Timeliness.* The aggrieved Company shall file its appeal with the Procurement Appeals Board within thirty (30) days of the receipt of the decision under Section 5-103(3) (Authority to Resolve Contract and Breach of Contract Controversies). Said appeal shall be sent to the Chief Procurement Officer who shall forward it to the Procurement Appeals Board.*(5) Standard of Review.* The Procurement Appeals Board shall conduct a *de novo* review of the issue(s) presented for appeal and shall determine if JEA's intended actions are:

(i) in conflict with JEA's Procurement Code and Operational Procedures;
(ii) arbitrary,
(iii) capricious;
(iv) dishonest;
(v) fraudulent;
(vi) clearly erroneous;
(vii) illegal; and/or
(viii) in the best interests of JEA.

(5) Burden of Proof. The burden of proof shall rest with the protesting Firm.

(6) Decision. After the Procurement Appeals Board has reviewed the appeal issues, it shall deliberate its decision at the Procurement Appeals Board Review Meeting and announce its decision prior to adjourning of the meeting. After adjournment, the Procurement Appeals Board shall issue a written decision restating the decision announced at the Procurement Appeals Board Review Meeting. Decisions rendered by the Procurement Appeals Board shall be final and conclusive arbitrary, capricious, fraudulent, or clearly erroneous.

APPENDIX A- PROCUREMENT APPEALS BOARD PROCEDURES

Memo for Hearings
Before the JEA Procurement Appeals Board (PAB)

This memo contains information about your hearing before the JEA Procurement Appeals Board (PAB).

Protestant: ______________________________________.
Solicitation: ______________________________________

1. Time and Place of Hearing

Date: ____________

Time: ____________

Location: JEA Tower ____ Floor Conference Room
21 W. Church St., Jacksonville, FL 32202

2. Members of the PAB

1. ____________ **serving as the Chair**
2. ____________
3. ____________

- **Ex parte communications between the Protestant and the JEA staff with the members of the PAB are prohibited.**

3. Filing of Additional Materials

JEA shall provide the members of the PAB with the following information prior to the hearing, with a copy to the Protestant:

- The Solicitation, with all addenda, and including bid tabulation and award item, if applicable;
- The written protest at both the Chief Purchasing Officer (CPO) and PAB level;
- The written decision of the CPO;
- The acknowledgement of receipt of the appeal;
- Appointment letter of the members of the PAB;
- Other materials as may be necessary.

The CPO and the Protestant may file additional materials for PAB review. One (1) original and five (5) copies of any additional materials shall be provided AT LEAST TWO (2) BUSINESS DAYS PRIOR TO THE DAY OF THE HEARING. In addition to the copies listed above, a copy of any additional materials submitted by the CPO shall be provided to the Protestant.

Additional materials shall be addressed to:

____
____
JEA,
Jacksonville, FL 32202

4. Special Requirements

Any Persons needing special accommodations to participate in the above hearing please contact ________________________________ no later than three (3) days before the meeting in order to make arrangements.

5. Hearing Preliminaries and Procedure

The Procurement Appeals Board (PAB) is established in the JEA Purchasing Code, Art. 2, sections 2-503 to 2-504, Art. 5, sections 5-301 to 5-305. Procedures are established in the JEA Operational Procedures, which supplements the Purchasing Code.

The PAB consists of at least three (3) members, with one of the members designated as the Chair. The appointment of the members and the designation of the chair are made by the Managing Director.

The hearing shall be a public meeting, held in compliance with the Florida "Sunshine Law".

If a person decides to appeal any decision made by JEA with respect to any matter considered at the hearing, for the purpose of such appeal, that person will need a record of the proceedings; for such purpose, that person may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

Ex parte communications between the Protestant and the JEA staff with the members of the PAB are prohibited.

At the time and place established for the hearing, the PAB shall hear testimony and receive other evidence from both the Protestant and the CPO, and will base its decision on the information provided both orally and in writing. The formal rules of evidence pursuant to the Florida Evidence Code will not apply at the hearing. Hearsay evidence may be admissible at the discretion of the PAB chair. The PAB, through the Chair, may limit presentations to a reasonable time. The PAB members may ask questions at any time.

The basis for decision for the PAB is set forth in the Purchasing Code, Article 5.

In general, the hearing procedure shall be as follows:

1. A representative of the PAB will give a brief overview of the hearing procedure;
2. The Protestant or legal representative will present its case based upon the issues and information contained in the protest;
3. Those persons or entities, other than the Protestant, who have legal standing and will be directly affected by the resolution of the protest will be given an opportunity to be heard and present information to the committee;
4. The CPO will make a presentation;
5. The PAB may seek any clarifications of either party;
6. The PAB will reach a decision either supporting or denying the appeal. A PAB member shall make a motion, which will require a second, and the vote will be taken and recorded. A majority vote of the members of the PAB shall be required to support the action;
7. The decision of the PAB may be issued verbally or in writing within three (3) business days of the date of the hearing. If the decision is issued orally at the hearing, the minutes of the meeting may serve as the written evidence of the decision.

TITLE: **REAL ESTATE SERVICES PROCUREMENT DIRECTIVE**

REVISION DATE: **May 26, 2016**

POLICY STATEMENT:

Pursuant to JEA Charter, JEA may sell, lease or otherwise transfer, with or without consideration, any property, real or personal, when in JEA's discretion it is no longer needed or useful, or such sale, lease or transfer is in the best interest of JEA. It is the policy of JEA to acquire, manage, and dispose of interests in real or personal property for utilities system use and expansion or for other uses in an expeditious and economical manner, with a minimum of risk.

JEA recognizes the procurement and sale or lease of Real Property, Tangible Personal Property, and related easements is sufficiently different from the procurement of other supplies and services required by JEA. This Procurement Directive supplements JEA's Procurement Code to provide JEA staff with the authority to make timely procurement commitments and to effectively participate in these markets. The directive applies to all property rights, real or personal, or any estate or interest therein, to be acquired or for the use of the utilities system by purchase, condemnation by eminent domain proceedings, exchange or lease.

ASSIGNMENT OF RESPONSIBILITY:

The CEO designated Real Property Procurement Officer for JEA real property, easements, exchanges and leases is responsible for the implementation and maintenance of this Procurement Directive as it relates to the sale, lease or transfer of JEA real property interests.

The CEO designated Tangible Personal Property Procurement Officer for JEA tangible personal property is responsible for the implementation and maintenance of this Procurement Directive as it relates to the lease of JEA tangible personal property.

The two named Procurement Officers will conduct business in compliance with the JEA Procurement Code as supplemented by this Real Estate Services Procurement Directive.

DEFINITIONS:

Unless otherwise specified herein, all terms used herein will have the same definition specified in the JEA Procurement Code:

Fee Simple – a permanent and absolute tenure of an estate in land with freedom to dispose of it at will, especially in full.

Option to Purchase Agreement – is an arrangement in which, for a fee, a tenant or investor acquires the right to purchase real property sometime in the future.

Real Property – is land and immovable property on land such as buildings.

Sale and Purchase Agreement (SPA) - is a legal contract that obligates a buyer to buy and a seller to sell a product or service. SPAs are found in all types of businesses but are most often associated with real estate deals as a way of finalizing the interests of both parties before the closing of the property.

Tangible Personal Property – are physical assets of JEA, excluding real property and buildings, that includes, but is not limited to, poles, towers, telecommunication equipment, fiber optic cables, or other such physical assets of JEA used in the operation of the utilities system.

I. FEE SIMPLE REAL PROPERTY ACQUISITIONS

A. Background and Additional Guidance.

It is the policy of JEA to acquire interests in real property for system expansion or for other uses in an expeditious and economical manner, with a minimum of risk.

JEA Real Estate Services will diligently determine and pursue the types of property rights most advantageous to JEA. These rights may include fee simple acquisitions, easement acquisitions, licenses or permits. Levels of approval for each of these property rights acquisitions are outlined in this Procurement Directive.

B. Levels of Approval and Respective Approving Entities (Board, Awards Committee, Procurement Officer) for Fee Simple Acquisitions.

1. Board Approval is Required for Purchases of More than $500.000: If the negotiated purchase price is more than $500,000, the Option to Purchase or Purchase and Sale Agreement will be presented to the Board for its consideration. Prior to presentation to the Board, the Option to Purchase or Purchase and Sale Agreement will be approved by the Procurement Officer and reviewed by Office of General Counsel (OGC). The request for Board consideration may summarize relevant purchase information and may include the following: a comparison of the negotiated price, the appraised value of the property, the assessed value of the property, and/or statements of any conflicts of interest of Board members or JEA employees.

2. Awards Committee Approval is Required for Purchases of $500,000 or Less but More than $50,000: If the negotiated purchase price is $500,000 or less but more than $50,000, it will be presented to the Awards Committee for its consideration. Prior to presentation to the Awards Committee, the Option to Purchase or Purchase and Sale Agreement will be approved by the Procurement Officer and reviewed by OGC. The request for Awards Committee consideration may summarize relevant

purchase information and may include the following: a comparison of the negotiated price, the appraised value of the property, and the assessed value of the property, and/or statements of any conflicts of interest of Board members or JEA employees.

3. The Procurement Officer may Approve Purchases of $50,000 or Less: If the negotiated purchase price is $50,000 or less, the acquisition may be approved by the Procurement Officer. The Procurement Officer may request review by OGC or the Vice-President to whom Real Estate Services reports. Records of property transactions may include the following: a comparison of the negotiated price, the appraised value of the property, the assessed value of the property, Real Estate Services estimate of value, and/or statements of any conflicts of interest of Board members or JEA employees.

4. The Procurement Officer may Approve Donations of Property to JEA: If a property owner donates a parcel to JEA, the Procurement Officer may approve the acquisition. Real Estate Services will coordinate all legal and transfer requirements of the acquisition.

SUMMARY OF FEE SIMPLE ACQUISITIONS:

Purchase Price	Approving Entity
> $500,000	Board
> $50,000 to $500,000	Awards Committee
$50,000 or less	Procurement Officer

II. REAL PROPERTY CONDEMNATION ACTIONS.

A. Background and Additional Guidance.

JEA will use condemnation procedures under the power of eminent domain for acquisition of real property rights only as a last resort. JEA is vested with the power of eminent domain under authority of Article 21, Charter of the City of Jacksonville, Chapter 92-341, Laws of Florida, as amended, and Chapter 361, Florida Statutes. Statutory provisions for eminent domain procedures and supplemental proceedings are found in Chapters 73 and 74, Florida Statutes.

B. Board Approval is Required for All Condemnations.

After determining that the property cannot be purchased by negotiation and upon direction by the Procurement Officer, Real Estate Services will submit legal descriptions of the required property to OGC. OGC will prepare a Resolution authorizing condemnation to be presented to the Board. Real Estate Services will prepare the endorsement memo for the CEO's signature requesting the approval of the Resolution. Real Estate Services will present the endorsement memo and Resolution to the Board for consideration. If the Resolution is approved by the Board, Real Estate Services, on behalf of JEA, will initiate condemnation proceedings by sending the following to OGC: a certified copy of the Resolution, the survey, the appraisal, title commitment, a copy of the Board approval, and statements of any conflicts of interest of Board members or JEA employees. Condemnation preparation and proceedings are managed and implemented by OGC and Real Estate Services. If a settlement is negotiated, the settlement amount will be presented for approval to the appropriate approving entity consistent with levels of approval stated for fee simple acquisitions in Section I.

III. DISPOSITION OF REAL PROPERTY.

A. Background and Additional Guidance.

JEA will dispose of interests in real property that are no longer needed or useful to JEA.

B. Preparation to Declare Real Property Surplus.

In declaring property surplus, the Procurement Officer must certify that such real property is no longer needed by JEA. The Procurement Officer makes this determination by notifying JEA departments that may have an interest in the real property that it is being considered for surplus disposition. If no JEA departments have a present or future use for the real property, Real Estate Services will notify other municipal agencies of the availability of the property. If another municipal agency has a need for the real property, Real Estate Services will arrange for transfer of ownership consistent with the approval levels outlined in this Procurement Directive. If no municipal agencies have present or future use of the real property, Real Estate Services may notify adjoining property owners and may sell the property according to the procedures in Section IIID below.

C. Levels of Approval and Respective Approving Entities (Board, Awards Committee, Procurement Officer) for Dispositions.

1. Board Approval is Required to Sell Surplus Real Property when the Assessed Value OR the Negotiated Sale Price is More Than $500,000: When either of these situations occurs, Real Estate Services will submit a resolution to the Board for its review and approval. The Resolution for Board consideration may summarize relevant purchase information and may include the following: a comparison of the negotiated price, the appraised value of the real property, the assessed value of the real property, JEA's investment in the property, minimum sale price, and/or statements of any conflicts of interest of Board members or JEA employees. The Resolution will request that the Board declare the real property surplus to the needs of JEA and the real property may be sold at the price stated in the resolution.

2. Awards Committee Approval is Required to Sell Surplus Real Property when the Assessed Value OR the Negotiated Sale Price is $500,000 or Less but More than $50,000: When either of these situations occurs, Real Estate Services will submit an Award to the Awards Committee for review and approval. The Awards Committee

may, at its discretion, forward such a request for Award to the Board for its review and approval. The Award submitted to the Awards Committee for consideration may summarize relevant purchase information and may include the following: a comparison of the negotiated price, the appraised value of the property, and the assessed value of the property, JEA's investment in the property, minimum sale price, and/or statements of any conflicts of interest of Board members or JEA employees. The Award will request that the Awards Committee declare the property surplus to the needs of JEA and the property may be sold at the price stated in the approved Award.

3. The Procurement Officer May Sell Surplus Real Property when the Assessed Value AND the Negotiated Sale Price is $50,000 or less: When both of these situations occur, the Procurement Officer may declare the real property surplus and authorize the sale of the surplus property upon terms and conditions acceptable to the Procurement Officer. The Procurement Officer may request review by OGC or the Vice-President to whom Real Estate Services reports. The Procurement Officer's determination may include, but not be limited to, a review of the following: a comparison of the negotiated price, the appraised value of the real property, the assessed value of the property, JEA's investment in the property, minimum sale price, Real Estate Services estimate of value, and/or statements of any conflicts of interest of Board members or JEA employees.

D. Sale of Real Property.

1. Sealed Bidding for the Sale of Real Property Assessed for More Than $50,000.

   a. When the Procurement Officer determines that sale of real property assessed for more than $50,000 by sealed bidding is in the best interests of JEA, the Procurement Officer shall certify that the real property is surplus to the needs of JEA, and Real Estate Services will solicit sealed competitive bids for the public sale of the real property.

   b. The bids will be evaluated by the Procurement Officer who will determine which bid is the most advantageous to JEA.

   c. In no event shall real property be sold for less than the assessed value as recorded by the Property Appraiser without approval by the Board and City Council.

   d. The public advertisement for bids will disclose the amount of the minimum acceptable bid and any additional bid requirements as may be prescribed by Real Estate Services.

   e. Sale of real property will be made to the highest and best bidder after approval by the Board or the Awards Committee, as appropriate.

f. Upon receipt of the purchase price in cash or by cashier's check, or upon receipt of the mortgage or other instrument evidencing the terms of sale if other than for cash, the JEA shall execute and deliver to the purchaser an appropriate instrument of transfer of title to the real property.

g. If an offer at or above the minimum sale price is not received in the solicited bids or if the sale is not concluded successfully, Real Estate Services may, subject to the proper levels of approval, rebid the property, dispose of the property by public auction, enlist the services of real estate brokers to sell the property, or sell the property by direct sale after negotiation with any prospective purchaser. In no event shall property be sold for less than the assessed value as recorded by the Property Appraiser without approval by the Board and City Council.

2. <u>Public Auction for the sale of Real Property Assessed for More Than $50,000.</u>

a. When the Procurement Officer determines that sale of real property assessed for more than $50,000 by public auction is in the best interests of JEA, the Procurement Officer shall certify that the property is surplus to the needs of JEA, and Real Estate Services shall present a resolution to the Board or Awards Committee, as appropriate, to have the Board or Awards Committee declare the property surplus and authorize the sale of the property for a price not less than the price stated in the resolution.

b. Real Estate Services may engage the services of a qualified real estate auctioneer to hold a public auction to sell real property to the highest and best bidder.

c. In no event shall property be sold for less than the assessed value as recorded by the Property Appraiser without approval by the Board and City Council.

d. The public advertisement will set forth the date, time and place of the auction, the amount of the minimum acceptable bid and any additional bid requirements as may be prescribed by Real Estate Services.

e. As soon as is practicable after the auction, and upon receipt of the purchase price in cash or by cashier's check, JEA shall execute and deliver to the successful bidder an appropriate instrument of transfer of title to the property.

f. If the property is not sold at the public auction, Real Estate Services may, subject to the proper levels of approval, solicit sealed bids for the property, auction the property, enlist the services of real estate brokers to sell the property, or sell the property by direct sale after negotiation with any prospective purchaser. In no event shall property be sold for less than the assessed value as recorded by the Property Appraiser without approval by the Board and City Council.

3. The Sale Price for Real Property Assessed for $50,000 or Less.

a. If the assessed value of the real property is $50,000 or less, the Procurement Officer may negotiate with any and all prospective purchasers for the sale of the real property without bid upon such terms and conditions as the Procurement Officer may deem advisable.

b. The Procurement Officer may enlist the services of real estate brokers to sell the property. All sales shall be paid by certified check, and the sale price will not be less than the assessed value of the property.

c. The Procurement Officer may direct that the sale of real property valued at $50,000 or less be conducted by competitive procedures, including sealed bids or public auction. If the sale price is more than $50,000 the sale will be approved by the appropriate approval entity.

d. In no event shall property be sold for less than the assessed value as recorded by the Property Appraiser without approval of the Board and the City Council.

Dispositions Summary Chart:

Assessed Value of Property OR Negotiated Sale Price	Approving Entity
> $500,000	Board
> $50,000 to $500,000	Awards Committee

Assessed Value of Property AND Negotiated Sale Price	Approving Entity
$50,000 or less	Procurement Officer

IV. EASEMENTS AND AGREEMENTS RELATING TO REAL PROPERTY.

A. Background and Additional Guidance.

The levels of approval and the respective approving entities delineated below will be used when JEA is granting certain rights or acquiring certain rights in connection with real property. Consistent with the needs of each transaction, JEA will clearly define the scope of JEA's rights and the rights of other parties.

B. Levels of Approval and Respective Approving Entities (Board, Awards Committee, Procurement Officer).

When the rights under consideration have a Fair Market Value in excess of $50,000, Real Estate Services will confirm OGC support of the action and will prepare a resolution for presentation to the appropriate entity for its consideration of the requested right.

1. Board Approval is Required for Rights Valued at More Than $500,000. If the negotiated purchase price is more than $500,000, a resolution will be presented to the Board for its consideration after a review by OGC. The request for Board consideration may summarize relevant purchase information and may include the following: a comparison of the negotiated price, the appraised value of the property, and the assessed value of the property, and/or statements of any conflicts of interest of Board members or JEA employees.

2. The Awards Committee Approval is Required for Rights Valued at $500,000 or Less but More Than $50,000. If the negotiated purchase price is $500,000 or less but more than $50,000, a resolution will be presented to the Awards Committee for its consideration after review by OGC. The request for Awards Committee consideration may summarize relevant purchase information and may include the following: a comparison of the negotiated price, the appraised value of the property, and the assessed value of the property, and/or statements of any conflicts of interest of Board members or JEA employees.

3. The Procurement Officer May Approve the Purchase or Sale of Rights Valued at $50,000 or Less. If the negotiated purchase price is $50,000 or less, the Procurement Officer may authorize the purchase or sale. The Procurement Officer may request review by OGC or the Vice-President, Organizational Services. Records of property transactions may include the following: a comparison of the negotiated price, the appraised value of the property, Real Estate Services estimate of value, the assessed value of the property, and/or statements of any conflicts of interest of Board members or JEA employees.

4. The Procurement Officer may Approve Donation of Property Rights to JEA: If a property owner donates property rights to JEA, the Procurement Officer may approve the acquisition. Real Estate Services will coordinate all legal and transfer requirements of the acquisition.

Summary Chart:

Value of Rights	Approving Entity
> $500,000	Board
> $50,000 to $500,000	Awards Committee
$50,000 or less	Procurement Officer

V. LEASES – REAL OR PERSONAL PROPERTY

A. Background and Additional Guidance:

This Directive shall apply to leases of Real Property or Tangible Personal Property, whether JEA is lessee or lessor. The Real Property Procurement Officer will negotiate terms including rental rates with the prospective lessee or for JEA as lessor of real property interests. The rental rates are generally at current market value, established at the time of initial lease by an appraisal prepared by an outside real estate appraiser or by a survey of real estate values and market rates conducted internally. The Tangible Personal Property Procurement Officer will negotiate terms of use and lease agreements with prospective user or lessee of JEA tangible personal property.

B. Levels of Approval and Respective Approving Entities for Leases.

1. Leases of $1,000,000 or More in Total Value. If the negotiated lease price is $1,000,000 or more in total value, the responsible Procurement Officer will confirm OGC support of the action. The responsible Procurement Officer will also obtain approval from the Chief Financial Officer for Real Property leases, and approval from the Chief Financial Officer and the Chief Information Officer for Tangible Personal Property leases. The supporting documentation for approval will summarize relevant lease information and may include the following: overview of lease agreement terms, price comparisons of comparable properties or physical assets, and/or statements of any conflicts of interest of Board members or JEA employees.

2. Leases of Less than $1,000,000 in Total Value. If the negotiated lease price is less than $1,000,000 in total value, the responsible Procurement Officer will approve the lease. The supporting documentation for approval will summarize relevant lease information and may include the following: overview of lease agreement terms, price comparisons of comparable properties or physical assets, and/or statements of any conflicts of interest of Board members or JEA employees.

Leases Summary Chart:

Value of Lease	Approving Entity
$1,000,000 or more	Responsible Procurement Officer, CFO, CIO
Less than $1,000,000	Responsible Procurement Officer

VI. EXECUTION OF DOCUMENTS

All documents to be executed on behalf of JEA pursuant to this Procurement Directive may be executed by the Managing Director/Chief Executive Officer, his designee, or the responsible Procurement Officer.

VII. RIGHT TO PROTEST

Any actual or prospective seller, buyer, lessee or lessor who is aggrieved in connection with a solicitation or an Award of a Contract may submit a protest in accordance with JEA Procurement Code.

VIII. EFFECTIVE DATE

This Procurement Directive is effective upon its approval by Managing Director/CEO.

IX. APPOINTMENT

I hereby designate Donald Burch, Manager, Real Estate Services, as the Real Property Procurement Officer for procurement actions relating to fee simple purchases, sales, and leases of real property made under the authority of this Procurement Directive, and

I hereby designate Paul Cosgrave, Chief Information Officer, as the Tangible Personal Property Procurement Officer for procurement actions relating to leases of tangible personal property made under the authority of this Procurement Directive.

Approved:

Paul E. McElroy

Paul McElroy
Managing Director/CEO

6/1/14

Date

TITLE: **Fuel Management Services Procurement Directive**
Procurement of Fuels, Emission Allowances, and Associated Transportation

EFFECTIVE DATE: **August 18, 2014**
Revised: August 28, 2017

POLICY STATEMENT:

JEA employs a staff of professionals in its Fuel Management Services (FMS) Department that develops and administers cost-effective strategies for the procurement of fuel, emission allowances, and associated transportation.

JEA recognizes that the procurement of fuel, emission allowances and associated transportation is sufficiently different from the procurement of other supplies and services required by JEA. This Procurement Directive supplements JEA's Purchasing Code to provide JEA staff with the authority to make timely procurement commitments and to effectively participate in fuel, emission allowance, and transportation markets. It governs the procurement of fuel, emission allowances and associated transportation notwithstanding any provision in JEA's Purchasing Code or current Florida State Statute to the contrary.

ASSIGNMENT OF RESPONSIBILITY:

The Manager of Fuels Management Services is hereby designated by the Managing Director/CEO to serve as the Procurement Officer for Fuels Management Services in accordance with the JEA Purchasing Code, Section 2-201, Procurement Code Exemptions.

In addition to other duties assigned under this Procurement Directive, the Procurement Officer for Fuels Management Services will be responsible for establishing effective processes and procedures to carry out the policies of this Procurement Directive. The Procurement Officer may delegate duties associated with this directive to personnel within JEA, as appropriate.

DEFINITIONS:

Unless otherwise specified herein, all terms used herein will have the same definition specified in the JEA Purchasing Code.

Generating Fuels – Fuel or fuel-related product used in the generation of electricity by JEA including, but not limited to, petroleum coke, coal, limestone, natural gas, #6 residual fuel oil, and #2 diesel fuel oil.

Resale Fuels – Procurement of fuel with the intent to resell.

Fuels – Generating fuels and resale fuels are collectively referred to as fuels herein.

Emission Allowances – Trading credits associated with JEA's activities in purchasing, generating, using, or providing energy. Emission Allowance markets include but are not limited to sulfur dioxide (SO_2), nitrogen oxides (NO_x), and carbon dioxide (CO_2).

PROCEDURE:

The following procedure augments the JEA Purchasing Code. At the option of the Procurement Officer for Fuels, FMS may procure fuel, emission allowances, and associated transportation in a streamlined approach. When market conditions and time constraints allow a standard bid and award process, FMS may utilize Solicitation Review Committee (SRC) and/or Award Committee involvement. Additionally, the Procurement Officer for Fuels shall ensure there are properly appropriated and budgeted funds prior to all items being procured.

I. Public Notice

- Due to the nature of fuel procurement, FMS is not required to advertise individual bid solicitations. FMS will, however, provide general notice on JEA's website of its ongoing intent to engage in future bid solicitations and will solicit bids from those known suppliers on the FMS Bidder List.
- FMS will seek potential suppliers of fuels, with the exception of natural gas, via JEA's website. FMS shall direct newly known suppliers to the JEA FMS Bidders List online application. FMS will attempt to solicit for bids from all suppliers on the appropriate FMS Bidders List.
- A bidder's list is not appropriate for natural gas, transportation or emission allowances. Therefore, FMS shall pursue market opportunities to meet JEA's needs for these commodities.

II. Terms and Conditions

- FMS will develop and maintain a "terms and conditions" document for the supply of each Fuel, as appropriate.
- FMS will periodically revise its terms and conditions as appropriate for use in subsequent Fuel procurements.
- FMS will distribute the current terms and conditions to prospective bidders contained in the bid list for each Fuel.
- In each bid solicitation for Generating Fuels, FMS shall make reference to the terms and conditions specific to which is being procured. The terms and conditions become part of the contract document.
- In a Resale Fuel contract, the terms and conditions will be referenced and provided to customer. The terms and conditions become part of the contract document.

III. Procurement of Fuels, Emission Allowances, and Associated Transportation

FMS will use a competitive bidding process when soliciting for bids. The time available for procurement of fuels, emission allowances, and associated transportation is typically less than that required by JEA's conventional procurement process. Due to the nature of fuel, emission allowance, and transportation markets, FMS staff must request, receive and evaluate bids, and consummate a procurement contract in a much shorter time frame than required in the standard procurement process. Therefore, at the option of the Procurement Officer for Fuels, FMS may solicit bids, use a broker, or utilize a combination of both methods to expedite the transaction. As market conditions and time constraints allow, a conventional bid and award process as described in the JEA Purchasing Code may be utilized.

- Accelerated Bid Procedure - If a short turnover is required, FMS shall use an accelerated bid process to procure the Generating Fuel by issuing a request for bid via email to all those on the appropriate FMS Bidders List. All those on appropriate FMS Bidders List shall receive the request for bid. Under this method, FMS will receive bids directly for quick evaluation and award.

- Acceptance of Unsolicited Offers - JEA may enter into contracts based on an unsolicited offer for fuels, emission allowances, and/or associated transportation without using the competitive bid process. JEA may engage in negotiations with the party who provided the unsolicited offer to improve the terms, conditions and/or pricing. FMS will be allowed to take advantage of unsolicited offers when such procurements are determined to provide operational and/or economical advantage to JEA and acceptance of such offer is in JEA's best interest.

- Cooperative Procurement - JEA may participate in, sponsor, conduct, or administer a cooperative procurement agreement for the procurement of fuels, emission allowances, and/or associated transportation with one or more public or utility industry partners in accordance with an agreement entered into between the participants, when such action is deemed to be in JEA's best interest.

- Loan or Sale - JEA may loan or sell fuels, emission allowances, and/or associated transportation when it is in the best interest of JEA to do so. JEA will be reimbursed for expenses incurred and compensated at fair market value for services or product loaned or sold.

IV. Contract Approval

Prior to contract execution and approval, FMS shall follow approval guidelines and authorization limits contained in the Energy Market Risk Management Policy.

- Procurement Approval of Contracts of $1,000,000 or more in Total Value:
  All actions taken under this Procurement Directive for these contracts will be approved by the Procurement Officer for Fuels, the Chief Financial Officer, and the Vice President/General Manager Electric Systems, or their designees unless Awards Committee approval is utilized as described below.

- Procurement Approval of Contracts of Less than $1,000,000 in Total Value:
  All actions taken under this Procurement Directive for these contracts will be fully documented by FMS and approved by the Procurement Officer for Fuels or their designee unless Awards Committee approval is utilized as described below.

- Awards Committee Approval:
  As market conditions and time constraints allow, at the option of the Procurement Officer for Fuels, FMS may take a procurement action to the Awards Committee for approval.

V. Documentation

FMS shall follow these documentation requirement as well as any additional requirements as stated in the Energy Market Risk Management Policy.

- Contract Term of One Year or Greater:
  FMS will provide original contract documents to the Manager Procurement Contracts Administration and will maintain a copy and all supporting documentation.

- Contract Term of Less than One Year:
  FMS will maintain original contract documents and all supporting documentation.

VI. Execution of Documents

All documents to be executed on behalf of JEA pursuant to this Procurement Directive may be executed by the Managing Director/Chief Executive Officer, their designee, or the Procurement Officer for Fuels.

VII. Right to Protest

Any actual or prospective bidder who is aggrieved in connection with a solicitation or an Award of a Contract may submit a protest in accordance with the JEA Purchasing Code. Nothing contained in this Fuel Management Services Procurement Directive limits a bidder's ability to submit a protest in accordance with the JEA Purchasing Code.

VIII. Effective Date:

This revised Procurement Directive is effective upon its approval by the Managing Director/CEO.

IX. Appointment

I hereby designate Randall Van Aartsen, Manager, Fuels Management Services, as the Procurement Officer for procurement actions made under the authority of the Fuels Management Services Procurement Directive.

Paul E. McElroy

Paul McElroy
Managing Director/CEO

10/26/17
Date

TITLE: **Byproduct Services Procurement Directive**
Byproduct Marketing and Management

EFFECTIVE DATE: **December 20, 2010**

POLICY STATEMENT:

JEA employs a staff of professionals in its Byproduct Services Department (BPS) that develops and administers cost-effective strategies for the marketing, transportation, beneficial reuse, installation and disposal of Byproducts

JEA produces Byproducts through its normal operations. In efforts to support JEA's environmental sustainability initiatives, and to obtain the best use of rate payer dollars, JEA may either beneficially reuse or landfill Byproducts. In efforts to beneficially reuse the Byproducts, JEA may apply for certification from appropriate state agencies in Florida and other States, may certify contractors to handle the Byproducts in accordance with the certifications received, may sell the Byproducts for use within the certifications, and may procure existing landfill space or lands for landfill purposes in accordance with procedures that will best serve JEA. JEA may operate a landfill for Byproducts through use of JEA forces, or may contract for services relating to operation of a landfill for Byproducts using methods which will produce the best result for JEA, including requiring that contractors operating landfills be certified and experienced in the use of both the Byproduct materials and in landfill operation.

JEA recognizes that the marketing, transportation, beneficial reuse, installation and disposal of Byproducts are sufficiently different from the procurement/management of other supplies and services required by JEA for the following reasons:

- Coal combustion Byproducts (CCB) are an environmentally sensitive material evoking emotional discussions from the media, customers and environmental stakeholders.
- Marketing/beneficial reuse of JEA's Byproducts is a competitive process where judgments on fair market prices, sources of competition and competitive materials require quick action and immediate responses.
- Beneficial reuse of JEA's Byproducts is an environmentally sensitive process. Misapplication or misuse of the Byproduct by a contractor or end-user results in responsibility for the ultimate disposition of the material coming back to JEA. Using certification criteria, past performance and staff judgment as to which contractor is suitable for specific projects is imperative.
- Disposal of JEA's Byproduct can be expensive and environmentally sensitive. When a need to dispose of Byproduct arises, quick competitive pricing and staff judgment as to which landfills can supply the quantity, price and minimize exposure is imperative.
- Any use or disposal of JEA's Byproducts can evoke emotional health concerns. Although JEA's Byproduct is vastly different from traditional CCB's, and extensive

testing and analysis has been performed on the health effects, BPS needs to be able to make subjective determinations as to the applicability of a project, contractor or market.

This Procurement Directive supplements JEA's Purchasing Code to provide JEA staff with the authority to make timely procurement commitments and to effectively participate in opportunities to market, transport, beneficially reuse, install and dispose of Byproducts. It governs the marketing, transportation, beneficial reuse, installation and disposal of Byproducts notwithstanding any provision in JEA's Purchasing Code or current Florida State Statute to the contrary.

ASSIGNMENT OF RESPONSIBILITY:

The CEO designated Procurement Officer for Byproducts is responsible for the implementation and maintenance of this Procurement Directive.

The Procurement Officer for Byproducts will conduct business in compliance with the JEA Purchasing Code, the Management Directive for Byproduct Services, the Byproducts Services Procurement Directive, and the Byproduct Services Operational Procedures.

DEFINITIONS:

Unless otherwise specified herein, all terms used herein will have the same definition specified in the JEA Purchasing Code.

Byproducts – Materials resulting from the process of generating electricity including, but not limited to, bottom ash, bed ash, fly ash, and gypsum.

BPS Operational Procedures – Internal operating procedures of BPS which support this Procurement Directive. These procedures are developed and maintained by the Procurement Officer for Byproducts and may be modified from time to time by the Procurement Officer for Byproducts. These supporting procedures will maintain consistency with this Procurement Directive.

PROCEDURE:

The following procedure augments the JEA Purchasing Code. At the option of the Procurement Officer for Byproducts, BPS may market, install, beneficially reuse, dispose and transport byproducts in a streamlined approach. When market conditions and time constraints allow a standard bid and award process, BPS may utilize Solicitation Review Committee (SRC) and/or Award Committee involvement.

The BPS Operational Procedure will provide detail for each item below.

I. Public Notice

Due to the unique nature of Byproducts, BPS is not required to advertise individual bid solicitations.

II. Management of the Marketing, Transportation, Installation and Disposal of Byproducts

A. Use of Competitive Bid Procedures

BPS will use a competitive bidding process when soliciting for bids. The time available for management of Byproducts is typically less than that required by JEA's conventional procurement process. Due to the unique nature of byproduct management, BPS staff must request, receive and evaluate bids, and consummate a procurement contract in a much shorter time frame than required in the standard procurement process. Therefore, at the option of the Procurement Officer for Byproducts, BPS may use one of the following methods as appropriate for a specific procurement action:

- Accelerated Method - BPS may distribute a bid form to prospective bidders that references the current terms and conditions document. Under this method, BPS will receive bids directly for quick evaluation and award.

- Conventional Method - As market conditions and time constraints allow, a conventional bid and award process as described in the JEA Purchasing Code may be utilized.

As market conditions and time constraints allow, at the option of the Procurement Officer for Byproducts, BPS may take a procurement action to the Awards Committee for approval or may use the approval process detailed in Section IV.

B. Acceptance of Unsolicited Offers

JEA may enter into contracts based on an unsolicited offer for the marketing, transportation, beneficial reuse, installation and disposal of byproducts without using the competitive bid process. JEA may engage in negotiations with the party who provided the unsolicited offer to improve the terms, conditions and/or pricing.

BPS will be allowed to take advantage of unsolicited offers when such procurements are determined to provide operational and/or economical advantage to JEA and acceptance of such offer is in JEA's best interest.

C. Loan or Sale

JEA may loan or sell generating byproducts, when it is in the best interest of JEA to do so. JEA will be reimbursed for expenses incurred and compensated at fair market value for services or product loaned or sold.

Byproduct loan or sale opportunities may be assigned for some time period to another department. Regardless of any assignment, byproduct loan or sale opportunities will be governed by the terms of this Procurement Directive.

D. Cooperative Procurement

JEA may participate in, sponsor, conduct, or administer a cooperative procurement agreement for the procurement of generating byproducts, with one or more public or utility industry partners in accordance with an agreement entered into between the participants, when such action is deemed to be in JEA's best interest.

III. Contract Approval

A. Procurement Approval of Contracts of $1,000,000 or more in Total Value

All actions taken under this Procurement Directive for these contracts will be approved by the Procurement Officer for Byproducts, the Vice President of Fuels, Purchased Power & Compliance, the Chief Financial Officer, and the Chief Operating Officer, or their designees unless Awards Committee approval is utilized as described below.

B. Procurement Approval of Contracts of Less than $1,000,000 in Total Value

All actions taken under this Procurement Directive for these contracts will be fully documented by BPS and approved by the Procurement Officer for Byproducts or their designee unless Awards Committee approval is utilized as described below.

C. Awards Committee Approval

As market conditions and time constraints allow, at the option of the Procurement Officer for Byproducts, BPS may take a procurement action to the Awards Committee for approval.

IV. Documentation

A. Contract Term of One Year or Greater

BPS will provide original contract documents to the Procurement Services Contracts & OGC Liaison and will maintain a copy and all other documentation in BPS files.

B. Contract Term of Less than One Year

BPS will maintain original contract documents and all other documentation in BPS files.

V. Execution of Documents

All documents to be executed on behalf of JEA pursuant to this Procurement Directive may be executed by the Managing Director/Chief Executive Officer, their designee, or the Procurement Officer for Byproducts.

VI. Effective Date

This Procurement Directive is effective upon its approval by Managing Director/CEO.

Approved:

J A Dickenson ______________________ Dec 21, 2010

James A. Dickenson Date
Managing Director/CEO

Form Approval

Debra A. Morgan

Assistant General Counsel

MANAGEMENT DIRECTIVE: **110**

TITLE: **DELEGATION OF AUTHORITY AND SIGNATURE AUTHORIZATIONS**

ORIGINATION DATE: MARCH 7, 1977 **REVISED: MAY 3, 2013**

POLICY STATEMENT: The titles Managing Director (MD) and Chief Executive Officer (CEO) are interchangeable relating to JEA Board delegation of authority in the JEA Purchasing Code, Appointed Pay Plan and per other approved Board items.

The MD/CEO shall delegate to certain JEA employees the responsibility and authority to approve specific documents, as detailed within this MD. Further, the Chief Customer Officer (CCO), Chief Financial Officer (CFO), VP/GM Electric Systems, VP/GM Water Wastewater Systems, Chief Information Officer (CIO), Chief Public Affairs Officer (CPAO), Chief Compliance Officer and the Chief Human Resource Officer (CHRO) are designated as authorized signers for the documents for which he/she is the process owner when the MD/CEO is absent and in such cases where a delay in signing might adversely affect JEA and its daily operations.

ASSIGNMENT OF RESPONSIBILITY: It shall be the responsibility of the Chief Human Resources Officer to implement and maintain this policy.

DOCUMENT LISTING:

The forms and documents currently in use and associated with this MD are listed below. For items A through L, any one of the listed positions may sign except as otherwise noted. Item M requires the signature of all the listed positions, except as otherwise noted. Electronic authorization is the equivalent of a signature.

A. **Employee Time Records**
Time records shall be approved at the managerial level or above, unless delegated by a Manager or Director to a team lead employee. The Managing Director/Chief Executive Officer and any Officer or Vice President may sign any time sheet.

B. **Certification of Payrolls (bi-weekly & semi-annually)**
Director - Employee Services (for all employees, bi-weekly)

C. **Procurement Documents**
Signature authorization for initiation of procurement actions shall be in accordance with the JEA Purchasing Code, Article 12, Section 12-301(3).
Documents for initiation of procurement actions include, but are not limited to, requests for advertising, purchase requisitions, requests for award, requests for change orders, purchase orders, contracts and agreements.

D. **Payment Authorization for Contracts**
Appointed manager responsible for administering the applicable contract.

E. **Purchasing Card Statements** (cardholder's)
Cardholder's supervisory appointed employee.

F. **Check Requests:**
1. **Check requests for business promotion expenses** shall be in accordance with the provisions specified in Procedure OS A0000 181.
2. **Check requests for dues and memberships and professional license** shall be in accordance with the provisions specified in Procedure OS A0500 PS 520.
3. **Check requests for recruiting expenses and relocation** shall be in accordance with provisions specified in MD 119.
4. **Other Check requests**--Must meet requirements of OS A0504 PS-AP 512
Any supervisory appointed employee.

G. **Funds Authorization for JEA Contracts**
Controller

H. **Travel Authorization & Payment of Travel Expenses**—shall be in accordance with provisions specified in MD 120

I. **Initial Application for Educational Assistance**
Managers and above.

J. **Approval of Reimbursement amount (educational assistance)**
Director – Training & Workforce Development.

K. **Meal Allowance Summary and Voucher Requests**
Any supervisory appointed employee.

L. **ESRs (Employee Service Request) and Requests for Personnel Transactions**
Any supervisory appointed employee – Note: these are electronic forms and electronic authorization is the equivalent of a signature.

M. **Work Orders** shall be in accordance with Financial Services Work Order Request and Capital Funds Transfer – Contact Budget Services for additional information.

N. **Time Critical Items—Delegation to Vice Presidents**
1. Chief Officers and Vice Presidents/GMs are designated as authorized signers for the documents for which he/she is the process owner when the MD/CEO is absent. This particularly concerns items where delay, due to the absence of the MD/CEO might adversely affect JEA and its daily operations.
2. If the document in question involves expenditures of more than $10 million of JEA funds, the MD/CEO must be contacted for approval or disapproval before any action is taken, unless the Chief Officer and Vice President have been previously authorized, in writing, to approve/disapprove such documents.

3. The signature requestor will send an e-mail to the MD/CEO advising him of the item and action taken, including the name of the Officer/VP to whom the item was referred for action.
4. The Officer/VP will review the item and, using his/her discretion, has the option to either sign or decline to sign.
5. The Officer/VP will send an e-mail notice of the action taken to the MD/CEO and the signature requestor.

SIGNED: /s/ Paul McElroy
Managing Director/Chief Executive Officer

EFFECTIVE DATE: May 3, 2013

Links : Business Expense and Reimbursement Procedure
Recruiting Expenses and Relocation
Other Check Requests
Travel

Revisions: 5/3/13
3/12/08
12/13/04
11/03/04
6/06/03
10/1/01

MANAGEMENT DIRECTIVE: **801 Environmental Allowances**
TITLE: **Environmental Allowances Transactions**

ORIGINATION DATE: February 13, 2006 **REVISED: March 19, 2014**

POLICY STATEMENT: JEA's Public Affairs department will manage the procurement and sale of all Environmental Allowances for JEA. Environmental Allowances refers to trading credits associated with JEA's activities in providing our customers electric, water and wastewater or other related utility services. Examples of Environmental Allowance markets include, but are not limited to, renewable energy attributes (also known as green tags), wetland mitigation banking credits, wildlife credits, water quality credits, and consumptive use permitting impact offsets and substitution credits.

Air Emission Allowances are procured under a separate and distinct Procurement Directive which is entitled the Fuels Management Services Procurement Directive.

ASSIGNMENT OF RESPONSIBILITY: The Chief Public Affairs Officer is authorized by the Chief Executive Officer to serve as the Procurement Officer for Environmental Allowances according to the JEA Procurement Code, Section 2-602, Exemptions. In accordance with this section of the Procurement Code, the Chief Public Affairs Officer will maintain the Environmental Allowances Procurement D irective. Additionally, the Procurement Officer for Environmental Allowances for this Directive shall establish and update processes and procedures for purchasing environmental allowances.

SIGNATURE: **/s/ Paul McElroy**
Chief Executive Officer

EFFECTIVE DATE: **March 19, 2014**

Building Community

INTER-OFFICE MEMORANDUM
March 13, 2012

SUBJECT:	**DELEGATION OF SIGNATURE AUTHORITY**
FROM:	Jim Dickenson, Managing Director/CEO
TO:	Susan Hughes, Chief Human Resource Officer

In order to ensure timely and efficient administration of processes within the Employee Services area, as Managing Director/CEO I am delegating signature authority to you, as Chief Human Resources Officer, and/or to the Director of Employee Services for the following documents:

- Deferred Compensation Plan amendments, contracts, investment fund changes, and other related administrative documents.
- Vendor contracts for engagement and termination of safety and labor services, actuarial services and consultation, attorney engagement and consulting services, financial consulting services, and other related contract and administrative documents. This also includes contracts with various group insurance carriers and related consulting services.
- Memorandums of Understanding (MOUs), if non-financial. MOUs with financial implications will require signature by the CEO.

This delegation may be modified or deleted if deemed unnecessary once the ongoing review of Management Directive 110 (Delegation of Authority and Signature Authorizations) is completed.

JA Dickenson

Jim Dickenson, Managing Director/CEO

JD/EW

MANAGEMENT DIRECTIVE: 127

TITLE: Resolution of Certain Disputes and Claims

ORIGINATION DATE: April 19, 1993 **REVISED:** September 21, 2010

POLICY STATEMENT: The Managing Director/ Chief Executive Officer (MD/CEO) is authorized by the JEA Board to settle any disputed claim for monetary damages, fines, penalties, or other financial relief which does not exceed $150,000. Settlement may only be effected if funds are budgeted and available.

ASSIGNMENT OF RESPONSIBILITY: The MD/CEO, or designated representative of the MD/CEO, shall investigate and attempt a resolution of any legitimate claim/dispute brought by or against JEA. Where a monetary resolution is $150,000 or less, or a non-monetary resolution is achievable, the MD/CEO or designated representative will resolve the dispute or claim and complete the attached form.

The respective manager involved in each such resolution shall ensure that funds are available.

The Director, Audit Services, shall maintain the records for each claim or dispute.

SIGNED: /s/ James A. Dickenson
Managing Director/Chief Executive Officer

EFFECTIVE DATE: September 21, 2010

Revisions: 10/1/01
3/21/00
7/7/99
5/27/96
9/21/10

Resolution of Claims & Disputes

(**$150,000 or less** or non-monetary, brought by or against JEA) Date: ______________________

ck one: ______ Monetary ______ Non-Monetary

Initiated by:(Check one) ______ JEA ____
(Company/Individual Name, if against JEA)

Claim/Dispute Description

____

____

____

____

Summary of Proposed Resolution

____

____

____

____

JEA Official Responsible ______________________ (Signature) ______________ (Date)

Asst. General Counsel ______________________ (Signature) ______________ (Date)

ımplete one (1) of the following two (2) sections:

1. Monetary Resolution ($150,000 or less): Proposed Amount ______________________

Funds Available? _______Yes _______No ______________________

Recommendations: _______Approval _______Disapproval ______________________
(Signature - CFO)

_______Approval _______Disapproval ________ ______________________
(Signature - Appropriate Chief VP)

Final Action: _______**Approved** _____ **Disapproved** ______________________
(Signature - CEO)

2. <u>Non-Monetary Resolution</u>:

Recommendations: _______Approval ______ Disapproval ______________________
(Signature - Director)

_______ Approval ______ Disapproval ______________________
(Signature – Appropriate Chief/ VP)

_______ Approval ______ Disapproval ______________________
(Signature - Appropriate Chief/VP)

Final Action: _______**Approved** _______**Disapproved** ______________________

ċ: VP/Chief
Department Director
Director of Financial Planning, Budgets and Rates (only if a Monetary Resolution)

IV. C.

Guiding Principles

Return to Agenda

IV. C.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 28, 2018

SUBJECT:	**GUIDING PRINCIPLES**

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

Issue: At the October 16, 2018 JEA Board Meeting, the Guiding Principles document was provided to the Board of Directors for information. The Guiding Principles document sets for a new vision, mission, corporate measures and core values for JEA. It will be the foundation for JEA's next 10-year strategic plan.

Significance: To provide additional clarity for the Board on the process, progress and future contemplated steps of management related to the transition. To ensure management is aligned with the Board of Directors relative to transition steps and actions.

Building upon the Board's "Strategic Framework" document, the SLT and ~400 Directors and Managers of JEA have built consensus on a draft of "JEA's Guiding Principles." The Union leadership of JEA has also been provided the Guiding Principles document to obtain insight from our union workforce. This document is provided for information only at this time and the Board's final approval will be sought in January 2019. The Guiding Principles is intended to be a starting point for the Strategic Planning process.

Effect: The Transition and related plan is intended to accomplish the following key initiatives: 1) establish stability and focus on JEA's Core Business of providing electric, water, wastewater and other essential services to its customers; 2) create a 'framework' of understanding and measuring device for alignment of JEA's Board, JEA's management, City Council, Mayor and other key stakeholders; and 3) establish a basis and foundation for a forward looking strategic planning process.

Cost or Benefit: Long-term planning and value creation for JEA.

Recommended Board action: This agenda item is provided for information. Staff requests the Board's feedback and direction. The final Guiding Principles document will be brought to the Board for action at the January 22, 2019 JEA Board Meeting.

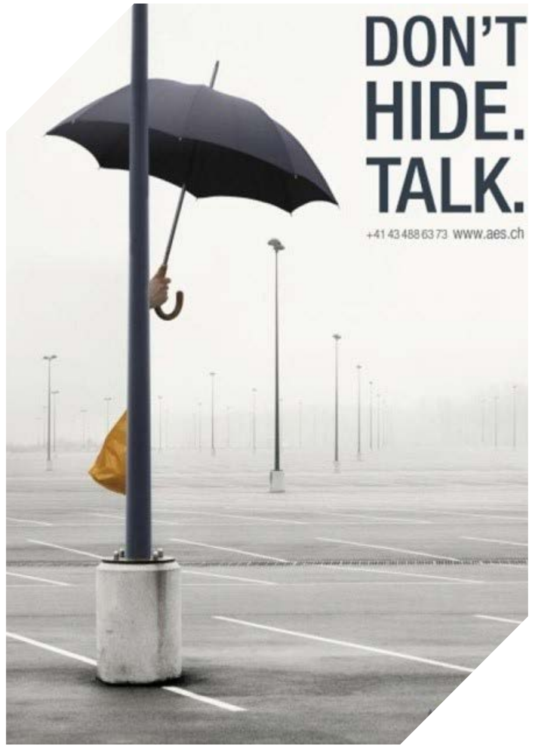
For additional information, contact: Aaron Zahn – 904-665-4396

Submitted by: AFZ

Return to Agenda

IV. C.
12/11/2018

"Strategic Framework" & "Guiding Principles" Timeline



April | May | June | July | August | Sept | Oct

April 17 – Initial Concept
Discussion with Board around formal transition and alignment

City Council Concept Introduction
JEA management discusses concept of "Strategic Framework" and value to strategic planning process

June 12 – BOD Discussion
Discuss first draft of "Strategic Framework" document and receive feedback

JEA Management Review
JEA management discuss Board feedback and produce 2nd draft

July 30 – BOD Discussion
Discuss 2nd draft and final comment to management

August 18 – BOD Approval
Approve "Strategic Framework" & instruct management to work with Council and Administration on alignment

August 21 – Management Discussion
SLT and management discuss "Guiding Principles"

September 30 – ManagementAgreement
SLT and management agree on revised "Guiding Principles" to present to Board

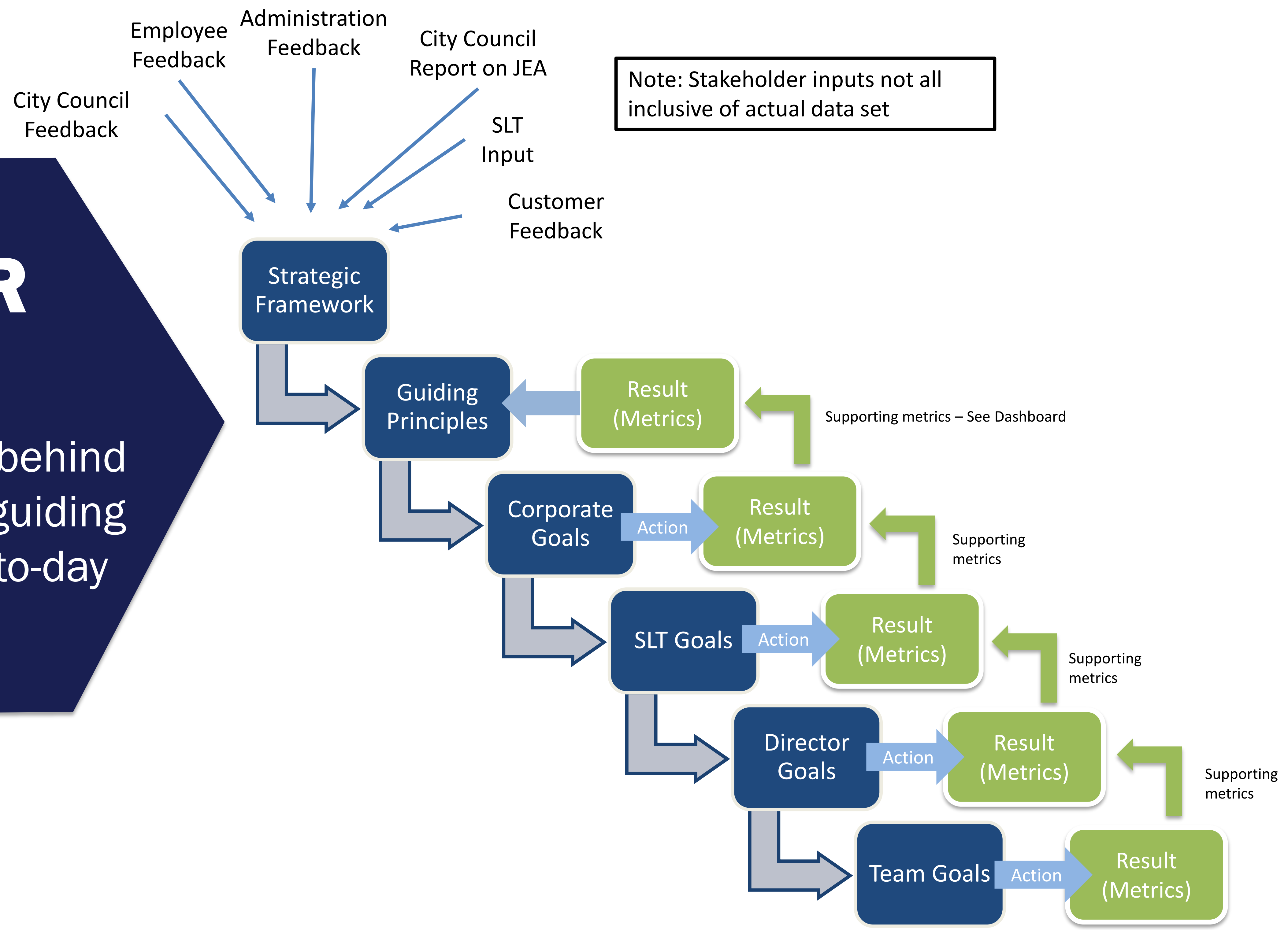
October 30 – Alignment
City Council, Mayor and Board aligned around a "Strategic Framework" & "Guiding Principles

Result: Alignment of Stakeholders
JEA management work iteratively with all stakeholders to have and maintain alignment around "Strategic Framework" and "Guiding Principles"

PROCESS OF ALIGNMENT

STAKEHOLDER ALIGNMENT

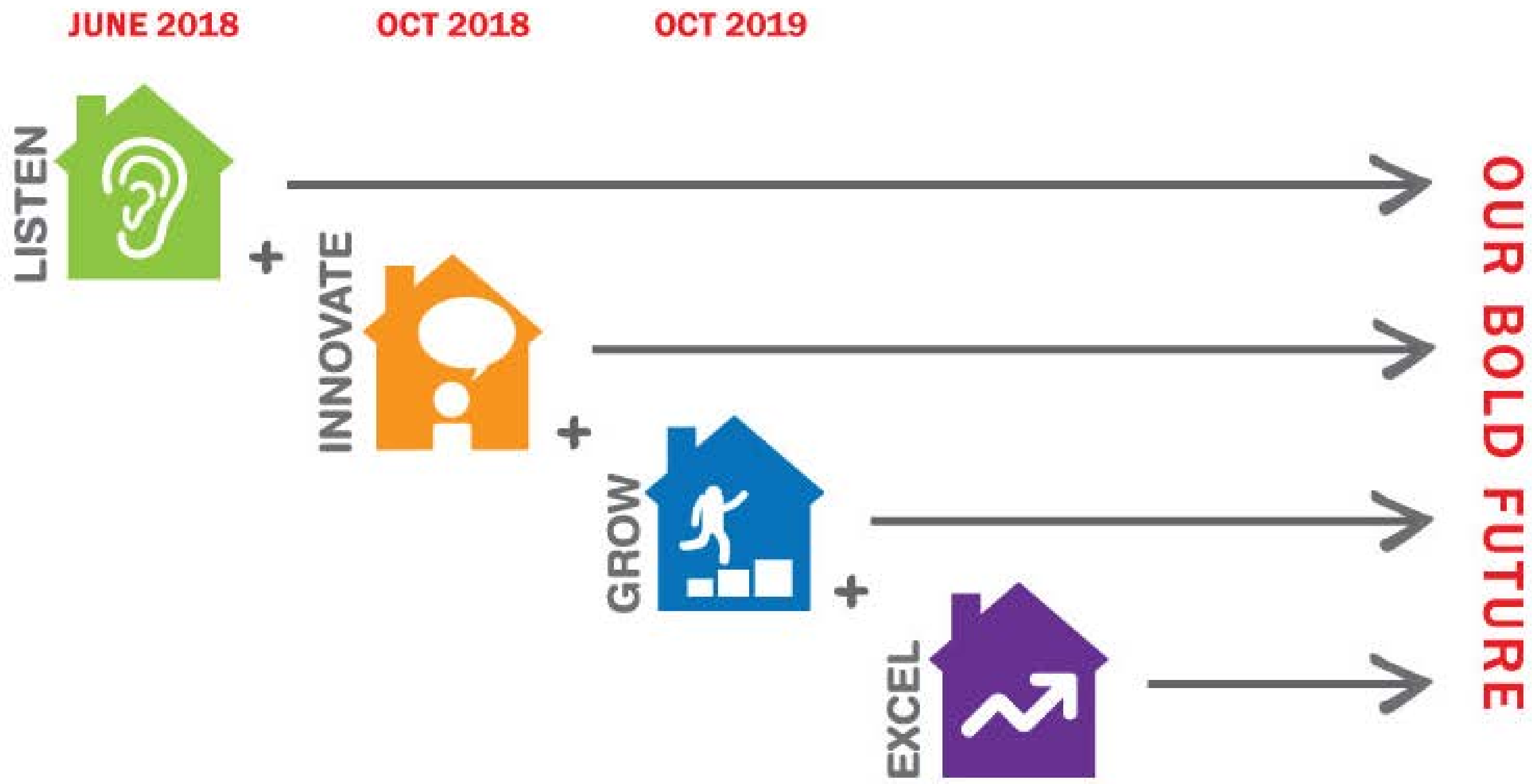
Basic logic of alignment behind "strategic framework," "guiding principles," through day-to-day actions of employees.



A UTILITY OF THE FUTURE

JEA

Building a Bold Community



Strategic Framework

- Customer Value
- Financial Value
- Community Impact Value
- Environmental Value

Strategic Planning Timeline & Measures

GUIDING PRINCIPLES

ACCELERATING UTILITY INNOVATION

12.4.18

Vision

Why we exist and who we want to be in the future

Improve lives by accelerating innovation

Mission

How we are going to pursue our vision and what we need to do today to get there

Provide the best service by becoming the center of our customer's energy and water experience

Corporate Measures

Our mission will be guided by and evaluated against how we as employees drive these four basic Corporate Measures of JEA's value

The fundamental goal is to maximize each value both now and in the future:

1) **Customer value**
   What a customer expects to get in exchange for the price they pay

2) **Financial value**
   The monetary value and risk profile, both today and tomorrow, of JEA as it relates to the City

3) **Community impact value**
   Improving the quality of life through innovative and cost-effective service offerings, employee volunteerism and ambassadorship, relevant and timely communications, and support of economic development and job growth throughout JEA's service territory; foster a collaborative and respectful corporate culture that provides exceptional employee value to equip the JEA team to deliver outstanding service and value to its community

4) **Environmental value**
   Ensuring a sustainable environment for future generations

Core Competencies

The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision

- Deliver an unparalleled positive customer experience
- Work together to elevate the entire team
- Innovate and evolve to match our customer's needs with market trends

Cultural Values

In every action, system and communication, JEA and its employees strive to abide by our Cultural Values; how we act when no one is looking

Safety

The health and wellbeing of our employees and community is paramount to the success of JEA. The work we do at JEA is dangerous and we are committed to habitually protecting our employees and community. Beyond the moral obligation, JEA's value is increased by delivering safety excellence. Measures and strategies designed to prevent, control, reduce or eliminate hazards and risks should be developed and applied continuously to keep pace with technological and economic changes.

Service

Obsessively believe that JEA and our employees' service to our customer and each other is critical to JEA's success. Commit to fostering a service-first culture. Serving with excellence is a choice. Establish a crystal clear plan to ensure customers feel JEA is committed to the best possible service. Foster a collaborative "How can I help?" culture internally. Value and measure the service we provide customers and each other. We volunteer with a spirit of service to build community because it's the one we live in.

Integrity

Trust in truth and transparency. Realize that you have nothing to fear from telling or knowing the truth. Have integrity and demand it from others. Never say anything about someone that you wouldn't say to them directly and give people the benefit of the doubt. Don't let loyalty to people stand in the way of truth and the well-being of the organization. Be open, honest, fair, respectful and ethical at all times.

Growth^2

Be committed to elevating yourself and JEA. In order to continue to serve our customers and community with excellence our business must grow. Now more than ever we need to be flexible and adapt to the changing utility industry and our customers' changing needs and expectations to improve service to our customers and community while growing as our industry evolves. We also expect our employees to be life-long learners so we provide the training and individual development programs to aid in this accomplishment. Growth means an increase in knowledge, value, wellbeing, or sustainability. Growth is continuous and not always linear. Growth only occurs at JEA when knowledge, value, wellbeing, or sustainability are committed to writing, a process or an institutional system.

Accountability

Each and every employee should operate as an owner of JEA who is responsible for delivering outcomes and results. Hold yourself and others accountable and appreciate them for holding you accountable. If you've agreed with someone that something is supposed to go a certain way, make sure it goes that way—unless you get in sync about doing it differently. Create a culture in which it is "okay" to make mistakes and unacceptable not to learn from them. Be loyal to the common mission and not to anyone who is not operating consistently with it. Get over "blame" and "credit" and get on with "accurate" and "inaccurate." Create an environment in which everyone has the right to understand what makes sense and no one has the right to hold a critical opinion without speaking up.

Ideas

Every one of us has a voice. JEA should have a culture of an "Idea Meritocracy." Recognize that having an effective idea meritocracy requires that ideas be encouraged and brought forward constructively. We understand content and merit of each person's ideas before agreeing or disagreeing. Disagreeing must be done efficiently and respectfully. Recognize and learn how to get beyond disagreements. Once a decision is made for the benefit of the organization; everyone should get behind it even though individuals may still disagree.

VI. A.

Finance & Audit Committee

December 3, 2018

Return to Agenda

VI. A.
12/11/2018

JEA
FINANCE & AUDIT COMMITTEE AGENDA

DATE: December 3, 2018
TIME: 8:00 – 10:00 AM
PLACE: 21 W. Church Street
8th Floor

				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 – August 13, 2018		La'Trece Bartley	A	
II.	**NEW BUSINESS**					
	A.	Audit Services – Quarterly Audit Services Update		Steve Tuten	I	15 mins.
	B.	JEA Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment		Dan Mishra	I	5 mins.
	C.	Ethics Officer Quarterly Report		Walette Stanford	I	5 mins.
	D.	Treasury				
		1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
		2.	JEA Calendar Years 2019 and 2020 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer, St. Johns River Power Park and Bulk Power Supply Systems	Joe Orfano	A	5 mins.
	E.	JEA Energy Market Risk Management Policy Report		Steve McInall	I	5 mins.
	F.	Ernst & Young FY2018 External Audit Report		John DiSanto	I	45 mins.
	G.	Announcements				
		1.	Next Meeting, March 18, 2019 8:00 – 10:00 AM			
		Committee Discussion Sessions				
	H.	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.
	I.	Adjournment				

VI. A. 1.

Approval of Minutes

August 13, 2018

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 13, 2018

The Finance & Audit Committee of JEA met on Monday, August 13, 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. Board Chair Alan Howard and Vice Chair Husein Cumber in attendance. Others in attendance were Aaron Zahn, Melissa Dykes, Kerri Stewart, Ted Hobson, Jody Brooks, Steve Tuten, Joe Orfano, Walette Stanford, Janice Nelson, Ryan Wannemacher, Steve McInall, Frank DiBenedetto, Kristina Quarterman, Gina Kyle, and Lee Montanez. John DiSanto and Russ Jeans, Ernst & Young.

B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Howard and second by Board Vice Chair Cumber.

C. Approval of Minutes – The May 7, 2018 Minutes were unanimously approved on **motion** by Board Vice Chair Cumber and second by Mr. Howard.

Agenda Item II – New Business

A. Approval of Annual Internal Audit Plan – Steve Tuten, Director, Audit Services, introduced Lee Montanez, Manager, Internal Audit Services. Mr. Montanez provided an overview of the FY19 Internal Audit Plan, including information on the annual planning approach, risk assessment survey, and the description of scheduled audits and proposed timeline. On **motion** by Board Chair Howard and second by Board Vice Chair Cumber, the Committee unanimously approved the Annual Internal Audit Plan and recommends Board approval.

B. Annual Approval of Audit Services Charter – Steve Tuten, Director, Audit Services, presented the JEA Audit Services Charter, noting that the Institute of Internal Auditors (IIA) requires the Finance and Audit Committee annually review and formally approve the Charter. Mr. Tuten stated no revisions have been made to the Charter. On **motion** by Board Chair Howard and second by Board Vice Chair Cumber, the Committee unanimously approved the Annual Internal Audit Plan and recommends Board approval.

C. Audit Services – Quarterly Audit Services Update – Lee Montanez, Manager, Internal Audit Services, provided an update to the Committee regarding the progress of the FY18 Internal Audit Plan, open audit and investigation report issues, ERM highlights, risks and trend report, and the Ethics Hotline Report. Frank DiBenedetto, Manager, Enterprise Risk Management, provided a review of the Enterprise Compliance & Risk Committee and Subcommittees, as well as the new Information Security Governance Committee. The Committee held discussions regarding Top Corporate Risks. A request was made by the Committee for staff to re-evaluate risks, in light of recent developments regarding Plant Vogtle and the Utility environment. This presentation was received for information.

D. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Emerging Workforce Strategies, provided an update regarding Ethics inquiries, FY18 gift registry items and Ethics policies and procedures. The Ethics officer role moved from Human Resources to Compliance on April 23, 2018. This presentation was received for information.

E. Ernst and Young FY2018 Annual Financial Audit Plan was reviewed by John DiSanto, Executive Director. Mr. DiSanto introduced Russ Jeans, Senior Manager, Ernst and Young. On **motion** by

Board Vice Chair Cumber and second by Board Chair Howard, the Committee recommends the full Board approve the FY2018 Annual Financial Audit Plan.

F. 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.

G. JEA Investment Policy – Revision to Authorized Investments – Joe Orfano, Treasurer, presented. Staff is recommending revisions to the Investment Policy which include a revision to the lists of Authorized Investments for the Electric System and the District Energy System to ensure the language in the Investment Policy is consistent with updates to the Florida Statutes. In addition, the Policy will include new language to formally state that the authority to approve, amend or revise the Policy rests with the JEA Board. On **motion** by Board Vice Chair Cumber and second by Board Chair Howard, the Committee recommends the full Board approve the revised Investment Policy as amended.

Board Chair Alan Howard left the meeting at 9:26 AM

H. JEA Energy Market Risk Management Policy Report – Steve McInall, Director, Electric Production Resource Planning, reviewed the Energy Market Risk Management Policy Report, which was received for information.

I. Announcements

1. The next Finance and Audit Committee meeting will be held on December 3, 2018, at 8:00 AM.

J. Committee Discussion Sessions

1. Ernst & Young – At 9:45 AM, Committee Chair Flanagan dismissed staff and the Committee held a general conversation with John DiSanto.
2. Director, Audit Services – At 9:56 AM, Committee Chair Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
3. Council Auditor's Office – The Council Auditor's Office was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:04 AM.

APPROVED BY:

____
Kelly Flanagan, Committee Chair
Date: ________________

Submitted by:

____
La'Trece Bartley
Executive Assistant

VI. A. 2.

Audit Services

Quarterly Audit Services Update

II. A.
12/3/2018
(F&A)

Return to Agenda

VI. A. 2.
12/11/2018

JEA
Building Community

AGENDA ITEM SUMMARY

November 16, 2018

SUBJECT:	**QUARTERLY AUDIT SERVICES UPDATE**

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

Issue: The Quarterly Audit Update provides the JEA Board of Directors with information on the current Ethics Investigations & Audit, Internal Audit, and Enterprise Risk Management activities.

Significance: The Ethics Investigations and Audit group conducts internal investigations of confidential reports into JEA's Ethics Hotline (EHL) and from other sources. 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.

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

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

II. A.
12/3/2018
(F&A)

Return to
Agenda

VI. A. 2.
12/11/2018

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December 2018

Audit Services
4Q FY18 Report

II. A.
12/3/2018
(F&A)

Ethics Investigations & Audit

December 2018

Audit Services
4Q FY18 Report

Investigative Case Statistics – 4Q18

Open Cases 6/30/2018	Cases Opened Q4 FY18	Cases Closed Q4 FY18	Open Cases 9/30/2018
11	6	5	12

Categories For Cases Opened During Q4 FY18	
Fraud/Waste/Abuse	5
Discrimination/Harassment	1
Total	6

Summary of Closed Cases – 4Q18

Reporting Source	Allegation	Investigation Results
Ethics Hotline (EHL)	JEA-16-09-0001 – An anonymous caller alleged a crew leader yelled at an employee and used obscene language in the workplace.	As a result of fact-finding meetings, it was concluded the employee's behavior was unacceptable and discipline was issued. The employee grieved the discipline, which was subsequently rescinded based on the results of an arbitration.
Internal	JEA-18-02-0003 – While conducting an investigation into the theft of money and prescription drugs from a contractor at SJRPP, law enforcement became aware of several contractors who may have stolen SJRPP materials.	The investigation resulted in the arrest of three contractors for theft of SJRPP materials, which occurred during the decommissioning of the plant. The court ordered each of them to pay restitution to JEA/SJRPP, as they were found/pled guilty to the crimes. Receivables were set up by JEA's Accounting Department for each of the restitution orders.
EHL	JEA-18-05-0001 – An anonymous caller alleged that a director was favoring a manager. In addition, the caller indicated the manager was bullying an employee.	A preliminary review was performed into the favoritism allegation with no results to substantiate the claim; however, due to the limited information provided by the caller, additional information was requested of the caller through the hotline to further the investigation into the claims. After not receiving a response from the caller for over two months, the case was closed.

Summary of Closed Cases – 4Q18 (Concluded)

Reporting Source	Allegation	Investigation Results
EHL	JEA-18-06-0001 – A caller alleged an employee in a supervisory positon showed favoritism in providing overtime to a relative. Also, the caller claimed being targeted by the manager with verbal attacks and abuse, which created a hostile work environment.	Based on the information gathered and after review of policy, it was determined there was a violation of JEA's Nepotism Policy of which has since been rectified. The evidence was inconclusive whether or not favoritism in overtime distribution occurred; however, the area implemented a new process that should remove the opportunity for partiality in granting overtime. The evidence did not support a conclusion that harassment occurred as alleged.
EHL	JEA-18-06-0002 – The caller alleged a director was making derogatory and hostile comments to the caller of which some of the comments were made in the presence of employees at a department meeting. Additionally, the caller claimed a peer manager engaged in similar behavior against the caller. Because of the hostile work environment, the caller resigned and indicated that race may have played a part in the way the caller was treated.	After the specifics of the complaint were investigated, staff interviews were conducted, and applicable policy/relevant documents were reviewed, it was found there was not a violation of JEA's Harassment Policy and no evidence to support the ethics complaint.

II. A.
12/3/2018
(F&A)

Internal Audit

December 2018

Audit Services
4Q FY18 Report

FY19 Internal Audit Plan - Schedule

Audit/Project	Auditor-in-Charge	Status	FY 2019 Hours: Budgeted Hours *(adjusted)*	FY 2019 Hours: Actual Hours	FY 2019 Hours: Will Meet/Met Budget	First Draft Report: Audit Estimate due date *(italics if updated)*	First Draft Report: Actual Date	First Draft Report: Will Meet/Met Due Date	Comments	Final Draft Report Date	Audit Report Rating
2018 Utility Locate/ 3rd. Party Claims	Troy England (TE)	Final Draft Issued	0	14		8/7/2018	10/12/2018		Challenges in an unrelated FY18 audit extended some work into FY2019.	11/14/2018	Satisfactory
2018 Tax Administration	Andrew Shelley (AS)	Second Draft Issued	0	51		10/16/2018	10/26/2018		Challenges in an unrelated FY18 audit extended some work into FY2019.		Excellent
2018 Technology Infrastructure	Rashid Brittain (RB)	First Draft Issued	*20*	17		8/2/2018	11/20/2018		Adjusted due to additional TEA Audit work completed in FY2018. Complex audit with approximately twelve (12) issues.		Satisfactory
2018 Electric Production Engineering and Outages	Laurie Gaughan (LG)	Reporting	*100*	91		11/9/2018			Adjusted due to additional TEA Audit work completed in FY2018.		
2018 Disaster Recovery Follow-Up	RB	Reporting	*50*	52		9/24/2018			Adjusted due to additional TEA Audit work completed in FY2018.		
2018 W/WW Reuse and Treatment	David Arnold (DA)	Reporting	75	123		11/13/2018			Audit over budget due to new W/WW Director needing additional time to provide answers and documentation.		
2018 Response and Environmental Programs	TE	Testing	160	53		12/12/2018					
2018 Information Security Follow-Up	RB	Testing	160	13		12/17/2018					
JEA FY2018 Performance Pay Audit	TE	Completed	100	31		N/A	N/A	N/A	Memo issued for JEA Performance Pay review on November 7, 2018.	11/7/2018	N/A
Branch Follow-Up	AS	Testing	330	29		1/7/2019					
TEA Audit	LG, RB & TE	In-Progress	*615*	44					Adjusted hours due to some pre-audit work completed during FY2018.		
Customer Solutions & Market Development	DA	Planning	400								
FY2019 Action Plan Follow-Up	All Staff	Ongoing	470	64					Action Plans are updated quarterly.		

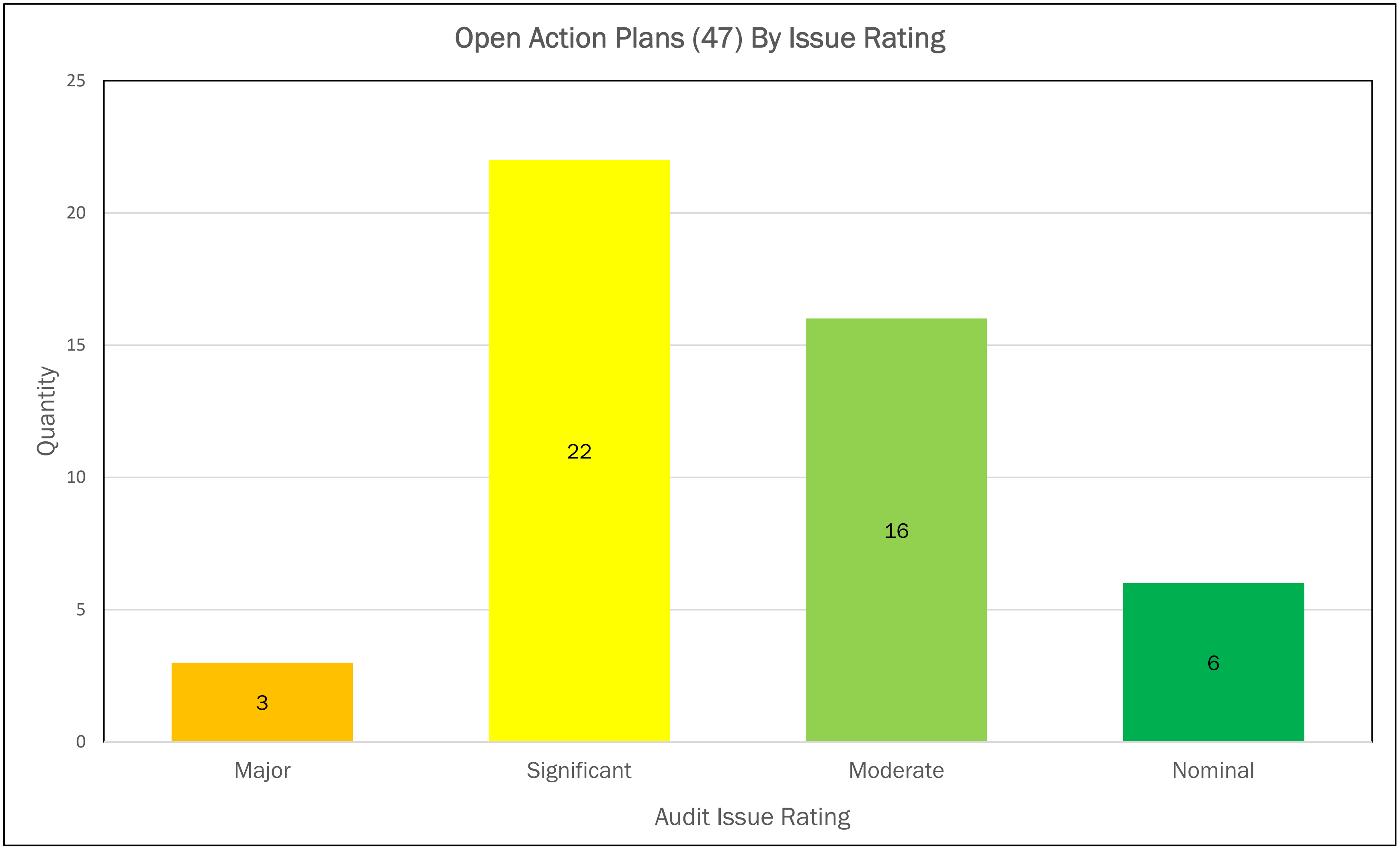
2019 Audit Timeline					
Oct	Nov	Dec	Jan	Feb	Mar

	No negative variance in hours or report completion date.
	Variance within 10% of hours or 10 workdays from estimate.
	>10% variance in hours from estimate or >10 workdays from estimate.

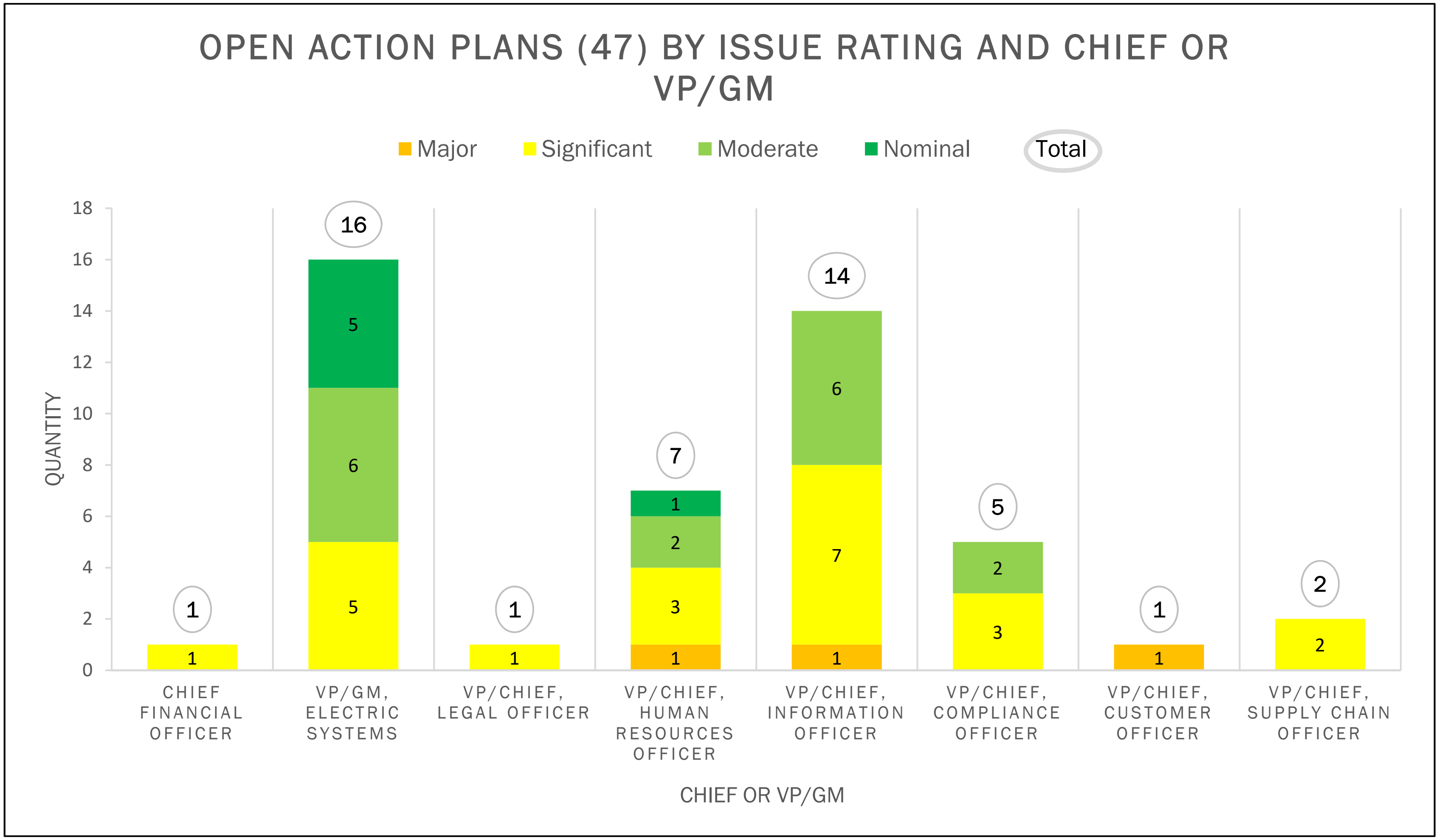
Completed Audit

In-Progress Audit

Open Audit and Investigations Report Issues



Open Audit and Investigations Report Issues



December 2018

Open Audit and Investigations Report Issues – Major

VP/Chief	Director / *(Audit Name)*	Issue Observation	Action Plan	Current Due Date	Action Plan Status Comments
VP/Chief, Information Officer	Director, Enterprise Architecture *(Information Security)*	Audit noted that a Data Management Policy and Plan currently do not exist to guide the storage, protection and destruction of sensitive information.	Audit recommends that a Data Management Policy and Plan be created based on the findings of the current data classification project.	11/30/18	Action Plan responsibility moved from Corporate Records Retention to Enterprise Architecture on 10/3/18. Extension granted to allow new responsible party to review and revise the mitigation.
VP/Chief, Customer Officer	Director, Customer Field & Meter Services *(Meter Operations)*	Audit reviewed sewer flow metering operations and noted the following: 1-4 *(Mitigations Completed).* 5. Meter Specialists are not trained in the calibration and operation of sewer flow meters.	Management will complete the following: 1-4 *(Mitigations Completed)*. 5. Revision of Job Specs and Training.	2/15/19	Extension granted for new timeline regarding meter technicians training on sewer flow meter calibration.
VP/ Chief Human Resources Officer	Director, Organizational Effectiveness & Payroll *(Personnel Out Process)*	Audit noted a lack of an overall monitoring and oversight process to ensure that the POP process is working as intended, and to confirm that sub-processes related to physical and information security are completed.	Management will: (1) Create and manage an automated report to security that details employees who are running out leave. (2) Create and manage POP Scorecard that details POP accuracy to share with SLT on a quarterly basis.	3/31/19	Organizational Effectiveness sent out a communication to all employees via Compass with a POP Scorecard detailing POP accuracy. Extension was granted to verify the sustainability of the new process.

II. A.
12/3/2018
(F&A)

Enterprise Risk Management (ERM)

December 2018

Audit Services
4Q FY18 Report

RISK TOLERANCE & SCORING METHODOLOGY

The methodology has been modified to better assess reputational impact of a risk event and better prioritize the risks, relative to each other.

The following pages provide the updated Heat Map and, the impact of this scoring methodology on the three risk tiers.

P. 18 provides the description for Nuclear Risk Portfolio, the top-ranked risk under the new methodology.

ERM Corporate Risk Heat Map – Scoring

Likelihood							
	Almost Certain >90	5	5	10	15	20	25
	Likely 65-90%	4	4	8	12	16	20
	Possible 35-65%	3	3	6	9	12	15
	Unlikely 5-35%	2	2	4	6	8	10
	Rare <5%	1	1	2	3	4	5
			1	2	3	4	5
			Minor	Moderate	Significant	Major	Severe
			Impact				

X2
Financial & Reputational Risk

Tier 1	20-29	31-50
Tier 2	13 -19	
Tier 3	2 - 6	7 - 12

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.

ERM - Tier 1 Risk Trends as of Current Quarter (Q4 FY18)

Risk Name	New Score	Long Term Risk Exposure Trend >5 Years
Tier 1 Risks		
E10 - Nuclear Power Portfolio	50	↑ Increasing
F01 - Revenues and Expenses Management	28	↑ Increasing
C03 - Disruptive Technologies/Electric Systems	26	↑ Increasing
F03 - Credit Availability/Cost	25	↔ Stable
T02 - Cyber Security Information Protection	24	↑ Increasing
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	24	↑ Increasing
E13 - Infrastructure Destruction Due to Severe Weather	24	↔ Stable
E06 - Long-term Planning/Load Forecast - Electric	24	↑ Increasing
H02 - Staffing	24	↔ Stable
E04 - Adverse Electric Commodity Supply and Pricing	21	↔ Stable
W01 - Water Supply Management/Long Term Planning	21	↑ Increasing

Risk Score - New risk score includes the reputational risk component. Based on adding the Financial and Reputational Risk scores.

ERM - Tier 2 Risk Trends as of Current Quarter (Q4 FY18)

Risk Name	New Score	Long Term Risk Exposure Trend >5 Years
Tier 2 Risks		
C05 - Records Management	18	↔ Stable
C16 - Weather & Climate Change Impact Resiliency Efforts	18	↑ Increasing
W03 - Sanitary Sewer Overflow Management	18	↔ Stable
C06 - Fraud Risk Management	18	↔ Stable
W06 - Drinking Water Quality Management	18	↔ Stable
C07 - Emergency Preparedness Business Continuity	16	↔ Stable
T05 - Technology Services Resource Optimization	16	↑ Increasing
T03 - Cyber Security Business Disruption	16	↑ Increasing
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	16	↔ Stable
C04 - External Influence on Policy	16	↔ Stable
W04 - Infrastructure Maintenance - Water/Wastewater Systems	16	↔ Stable
W02 - Operations Technology Management - Water/Wastewater Systems	15	↔ Stable
C01 - Customer Relationship Management	14	↔ Stable
H03 - Employee Safety	14	↔ Stable
E01 - Carbon Emission Mitigation	13	↑ Increasing
E12 - By Product Management	13	↔ Stable

Risk Score - New risk score includes the reputational risk component. Based on adding the Financial and Reputational Risk scores.

ERM - Tier 3 Risk Trends as of Current Quarter (Q4 FY18)

Risk Name	New Score	Long Term Risk Exposure Trend >5 Years
Tier 3 Risks		
E05 - Cooling Water Intake Structures 316(b)	12	↔ Stable
T01 - Technology Infrastructure Reliability	12	↓ Decreasing
T04 - Technology Services Disaster Recovery/Business Continuity	12	↔ Stable
E20 - Operations Technology Management - Electric	12	↔ Stable
H01 - Pensions	11	↓ Decreasing
E11 - Infrastructure Maintenance - Electric Systems Assets	10	↔ Stable
C08 - Black Swan (High Impact - Low Probability Event)	9	↔ Stable
C09 - Other Regulatory Compliance	9	↔ Stable
E07 - Critical Infrastructure Protection (CIP) Compliance	9	↔ Stable
F04 - Counterparty Risk	8	↔ Stable
E15 - TEA Activities Risk Management	8	↔ Stable
E16 - Air Emissions Reduction Regulatory Initiatives	8	↔ Stable
C10 - Project Risk Assessment and Capital Allocation	8	↔ Stable
C12 - Capacity Plan Land Acquisition	8	↔ Stable
H04 - Benefits	8	↔ Stable
E08 - SJRPP	8	↓ Decreasing
C14 - Environmental Compliance Management	7	↔ Stable
E18 - Renewable Energy Standards	6	↔ Stable
F02 - Financial Regulatory Compliances: (e.g., Dodd-Frank Bill)	5	↔ Stable
E17 - Mercury and Air Toxics Standards (MATS)	4	↔ Stable
W05 - Numeric Nutrient Criteria Mandates	4	↔ Stable
C13 - Key Customer Accounts Management	4	↓ Decreasing
E03 - Coal Combustion Residual Rule (CCR)	2	↔ Stable
E02 - Effluent Limitation Guidelines	2	↓ Decreasing
F05 - IRS Bond Audit Records Requirements	2	↓ Decreasing
E19 - Plant Scherer Environmental Lawsuit	2	↓ Decreasing
E21 - Natural Gas Sales - Commercial Customers	2	↓ Decreasing

Risk Score - New risk score includes the reputational risk component. Based on adding the Financial and Reputational Risk scores.

Tier One Top Corporate Risks Report - As of Current Quarter (Q4 FY18)

Risk Name	Risk Description	Long Term Risk Exposure Trend (>5 Years)	Risk Summary Status
E10 - Nuclear Power Portfolio Mike Brost Steve McInall Ryan Wannemacher Moody's from A2 to A3. Moody's rating for the COJ was also downgraded from Aa2 to A2.	JEA's decision to expand into nuclear power generation ownership and/or PPAs poses significant financial, reputational and regulatory risks and requires a coordinated effort to identify, address and manage. a) Plant Vogtle 3 & 4 are the first new nuclear units to be licensed since 1978. With these units still under construction, the potential for cost and schedule overruns are a concern for any large construction project, such as a nuclear plant. b) Westinghouse filed for bankruptcy in February 2017 and subsequently rejected the EPC contract. Toshiba fully funded a $3.68B guarantee. c) Bechtel was awarded the replacement EPC contract under a cost plus arrangement with incentives. d) Additional cost overruns have resulted in pending amendments to the Ownership Agreement providing greater cost burden to Georgia Power in exchange for additional project control. e) Total project cost now estimated to be in excess of $30B with MEAG Project J over $2.9B.	**Increasing*** 	Current mitigations focus on (1) the filing of a complaint in Duval County Circuit Court; (2) a petition requesting FERC determine that the PPA falls under the commission's Federal Power Act and (3) the pursuit of a significantly lower cost PPA to be made available to MEAG, Oglethorpe Power and PowerSouth. a) Nuclear adoption is primarily warranted in carbon-constrained environments (i.e. in response to carbon regulations). With current load growth forecasts, low gas prices, and no carbon regulations, nuclear is not cost-competitive. b) The proposal submitted to MEAG and PowerSouth demonstrated savings in excess of $1B for JEA customers and $2.5B for all three parties. c) Increased total project cost, coupled with the pending litigation, led to Standard & Poor's downgrading of JEA Electric System senior and subordinated bond ratings to A+ and A, respectively on 9/28/18. Moody's rating of JEA was downgraded from A2 to A3. Moody's rating for the COJ was downgraded from Aa2 to A2. As a note, the risk description/score does not reflect the possibility that the project may not be completed. Updated 10-4-18

Financial Risk Impact	Financial Risk Likelihood	Total Financial Risk Score
5	5	25
Reputational Risk Impact	**Reputational Risk Likelihood**	**Total Reputational Risk Score**
5	5	25

Worst Credible Total Risk Score
50

Total Risk Score will be based on the total combined score of the Financial and Reputational risks

Inherent

1. **Total cost of Risk Financial Exposure =**
2. **Total Cost of Risk Mitigation Efforts =**

1. Financial Impact - 5 = Severe/Catastrophic (>$100 M) 4 = Major ($41-$100M) 3 = Significant ($16-$40M) 2 = Moderate ($1-$15M) 1 = Minor (<$1M)
2. Reputational Impact – Determined by specific event conditions.
Likelihood - 5 = Almost Certain (> 90%) 4 = Likely (65 - 90%) 3 = Possible (35 - 65%) 2 = Unlikely (5 - 35%) 1 = Rare (< 5%)
* Increase in risk may be based on external factors including economic factors and/or increased regulatory requirements

VI. A. 3.

JEA Identity Theft Protection Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment

II. B.
12/3/2018
(F&A)

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Agenda

VI. A. 3.
12/11/2018

JEA
Building Community

AGENDA ITEM SUMMARY

November 9, 2018

SUBJECT:	**JEA IDENTITY THEFT PROTECTION PROGRAM FAIR AND ACCURATE CREDIT TRANSACTIONS ACT (FACTA) ANNUAL RISK ASSESSMENT**

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

Issue: The Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment provides the JEA Board of Directors an annual report as mandated by federal regulations governing identity theft.

Significance: JEA's Identity Theft Protection Program is a critical program designed to protect customer's Personally Identifiable Information (PII). Various regulations listed below mandate JEA to maintain an effective identity theft protection program. Regulations governing PII are:
FCRA – Fair Credit Reporting Act, 15 U.S.C. § 1681
FACTA – Fair and Accurate Credit Transactions Act of 2003
FIPA – Florida Information Protection Act, (501.171)

Effect: The primary objective of JEA's Identity Theft Protection Program is to prevent identity fraud involving JEA customers. This program has been in effect since 2008, and since 2014 has been monitored by the Compliance Oversight Committee.

Cost or Benefit: Identity theft has been a serious challenge and preventing customer identity fraud is one of the primary goals of JEA.

Recommended Board action: This item is provided for information only and fulfills the requirement of an annual update per FACTA regulations.

For additional information, contact: Ted Hobson, 904-665-7126

Submitted by: AFZ/TEH/DM

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

II. B.
12/3/2018
(F&A)

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VI. A. 3.
12/11/2018

2017 Risk Assessment

JEA Identity Theft Protection Program
Annual Risk Assessment

Dan Mishra – Director, CIP Compliance

Overview

- JEA has a program to comply with Federal and State regulations concerning identity theft (FCRA, FACTA and FIPA).

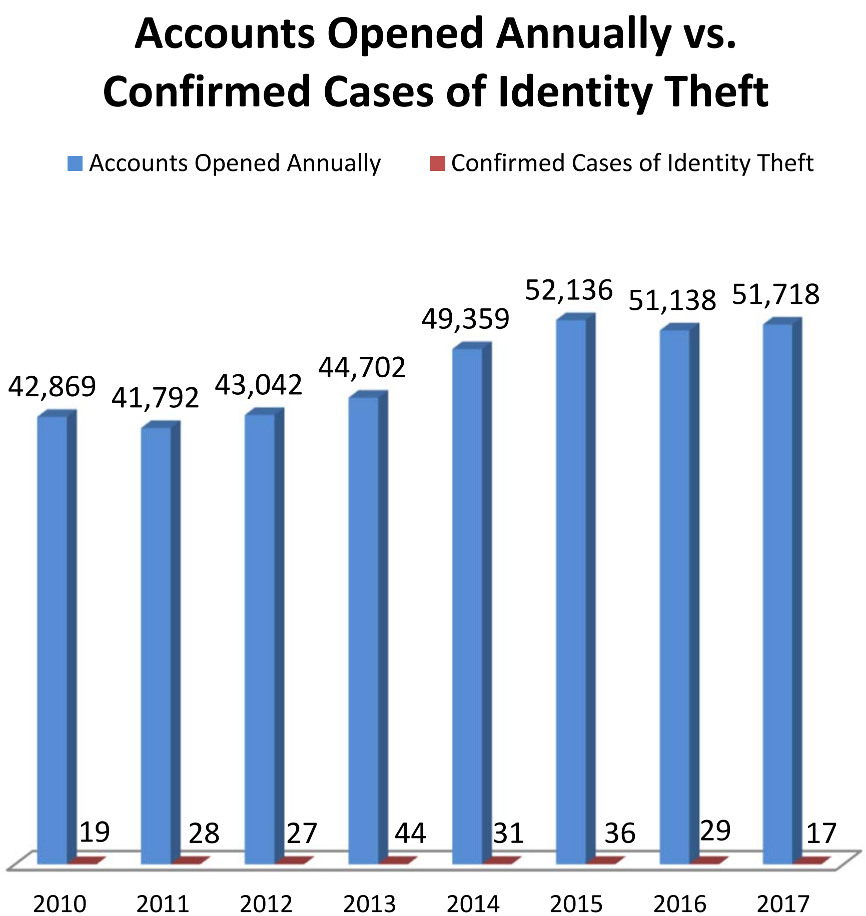
FCRA – Fair Credit Reporting Act, 15 U.S.C. § 1681
FACTA – Fair and Accurate Credit Transactions Act of 2003
FIPA – Florida Information Protection Act, (501.171)

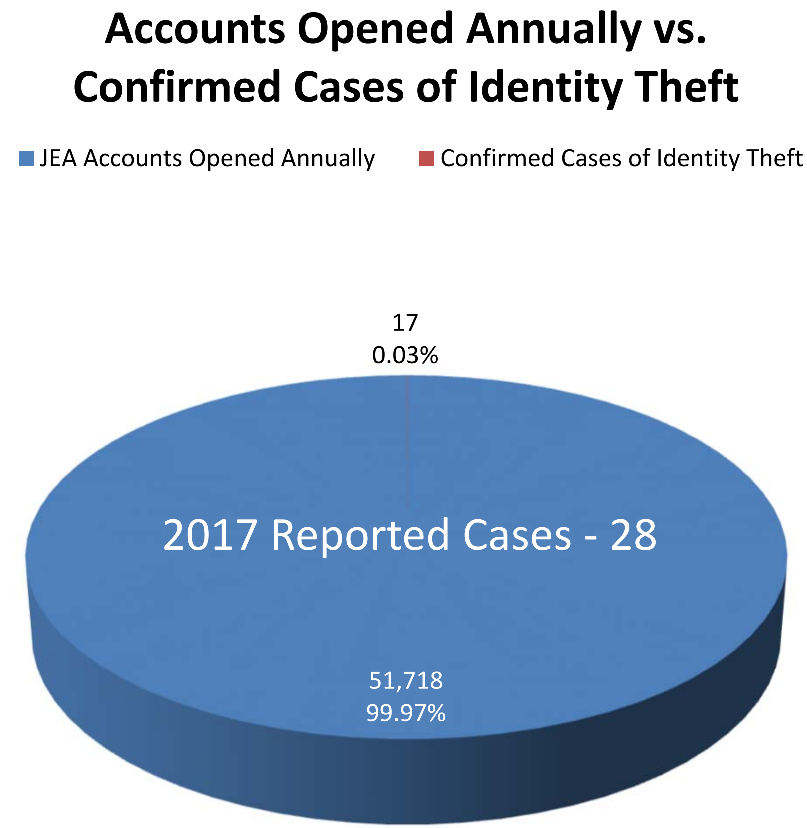
- These three acts address protection of Personally Identifiable Information (PII) of customers, employees, agents and contractors in JEA's possession.

Compliance Oversight Committee

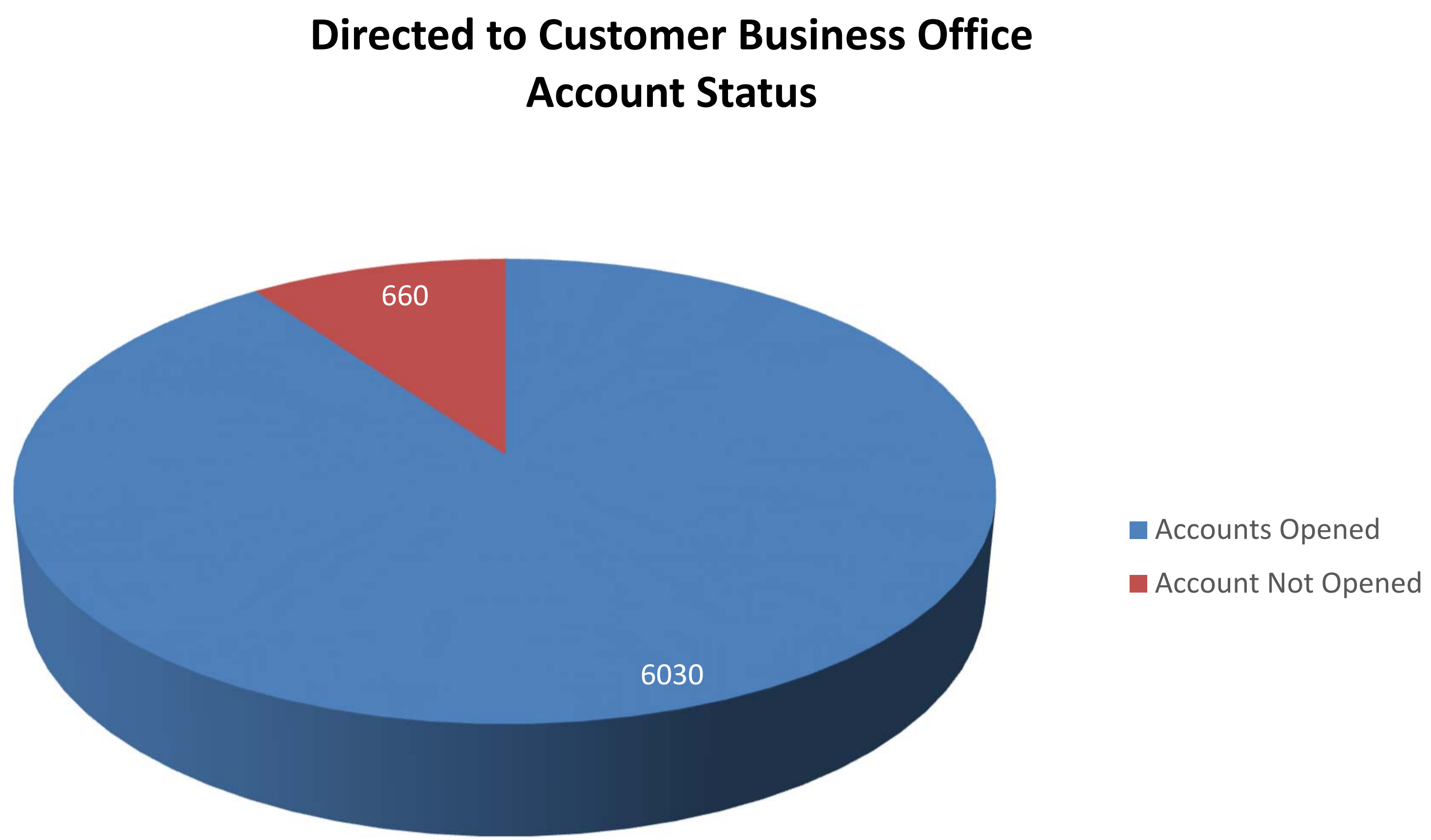
- Compliance Oversight Committee (COC) oversees compliance with identity theft standards.
- Committee consists of Chief Compliance Officer, Chief Customer Officer, Chief Information Officer, and Chief Human Resources Officer.
- Objective of Risk Assessment – Review performance and identify major weaknesses or improvement opportunities.
- Summary of Risk Assessment provided to Finance & Audit Committee to fulfill FACTA Annual Reporting requirement.

Program Metrics

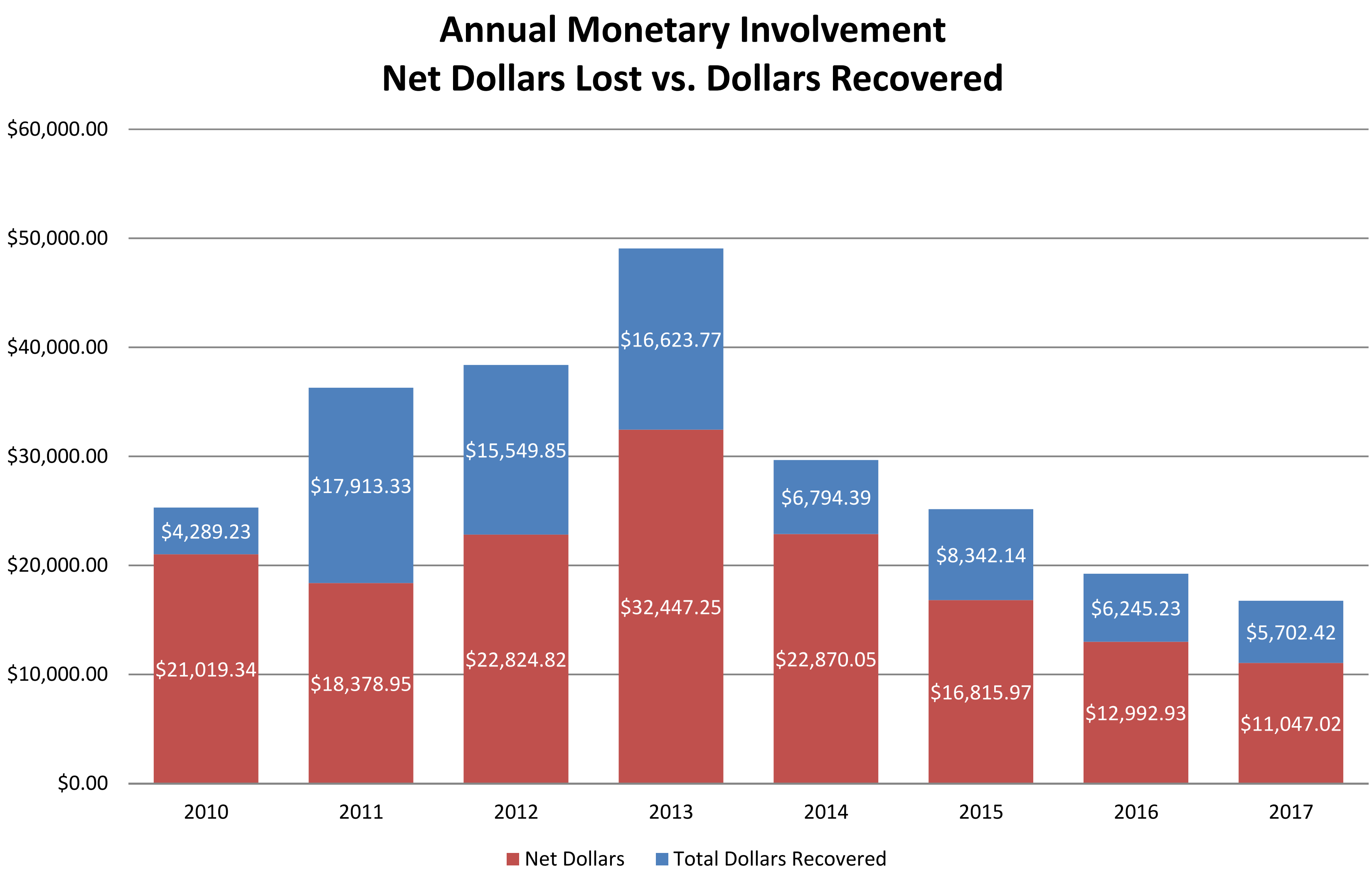




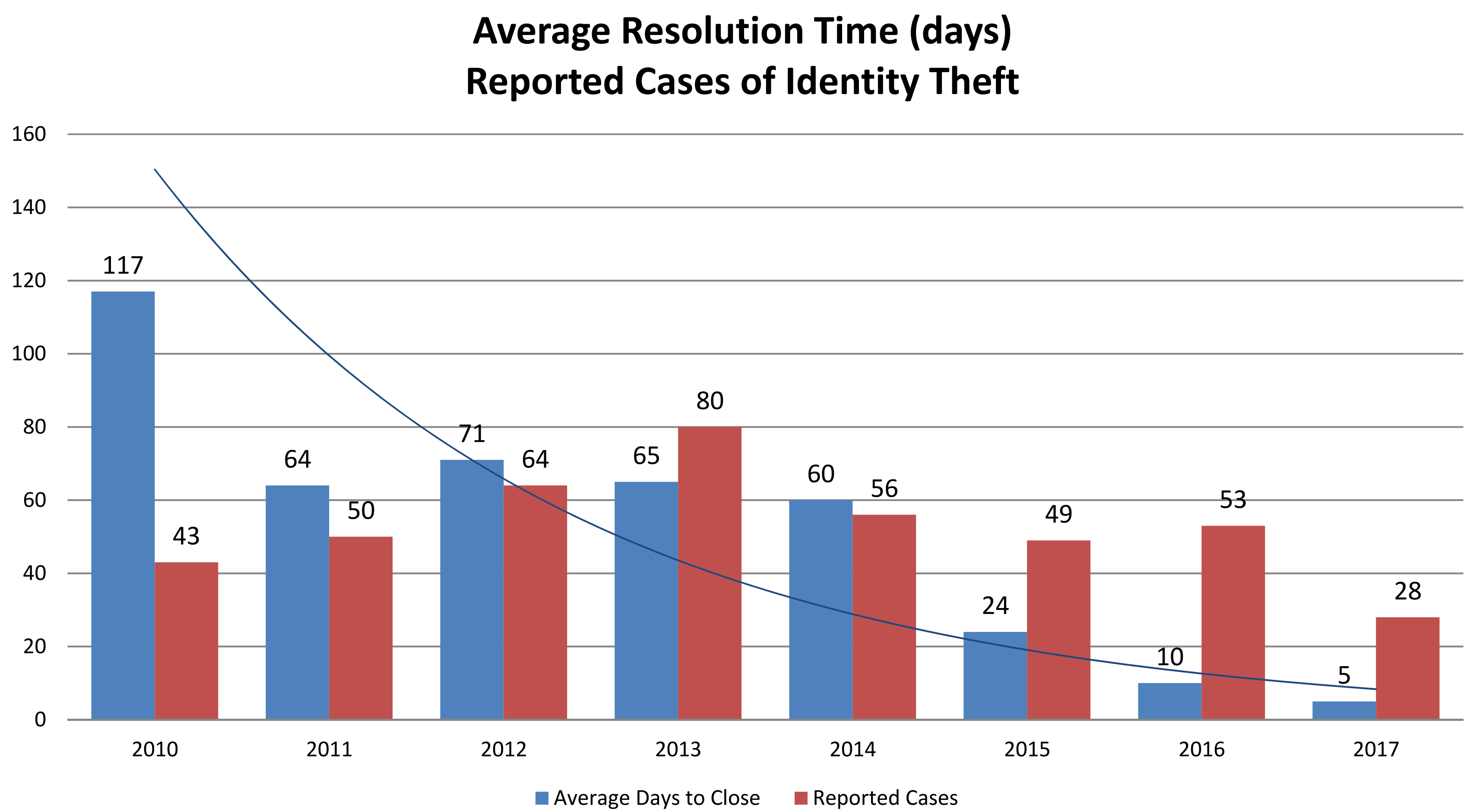
Investigated Account Requests



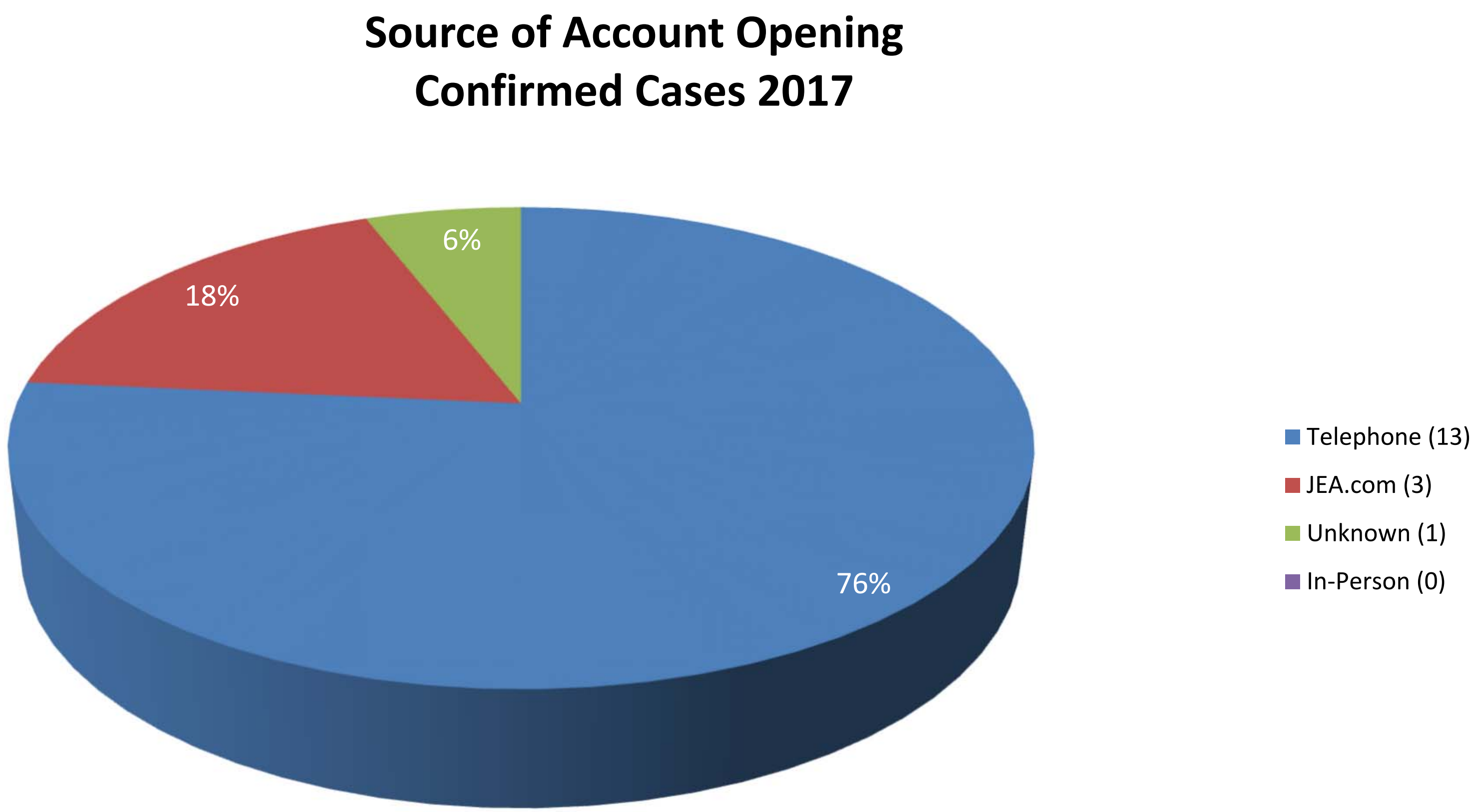
Program Metrics



Operational Metrics



Sources


Source of Account Opening
Confirmed Cases 2017
6%
18%
76%
Telephone (13)
JEA.com (3)
Unknown (1)
In-Person (0)

2017 Summary of Results

Of the 17 confirmed cases in 2017:

- In 6 cases, an account was opened prior to the 2012 implementation of a more robust identity verification process using Experian
- In 9 cases, the account opener provided verifiable PII
- In 2 cases, (.00003% of accounts opened in 2017), the result was from human error and additional training was designed and provided

2017 Summary of Results

- Audit Services reported no cases of identity theft by JEA employees
- No reportable data breach has been recorded
- Three instances of failed security controls impacting PII data were recorded and corrected
- Time to close reported cases of identity theft decreased to <u>5 days</u> from 10 days recorded in the prior year

Process Improvements

- Post-account opening audits implemented
  - Verify account SSN has corresponding Experian query
  - Verify segregation of duties principles are followed for SSN changes
- Enhanced script to identify duplicate SSN usage
- Enhanced script for online account openings
- Mobile Identity Verification tool

Conclusion

- JEA is compliant with FACTA, FCRA, and FIPA
- Appropriate controls are in place to prevent, detect and mitigate identity theft
- Improved cyber security controls testing recommended
- In the rare event identity theft occurs, steps are taken to identify the root cause, and corrective actions are taken
- Tracking was enhanced in 2013 and continuously enhanced to provide better metrics and root cause analysis

VI. A. 4.

Ethics Officer Quarterly Report

II. C.
12/3/2018
(F&A)

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Agenda

VI. A. 4.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 8, 2018

SUBJECT:	**ETHICS OFFICER QUARTERLY REPORT**

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

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

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

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"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.

December 2018

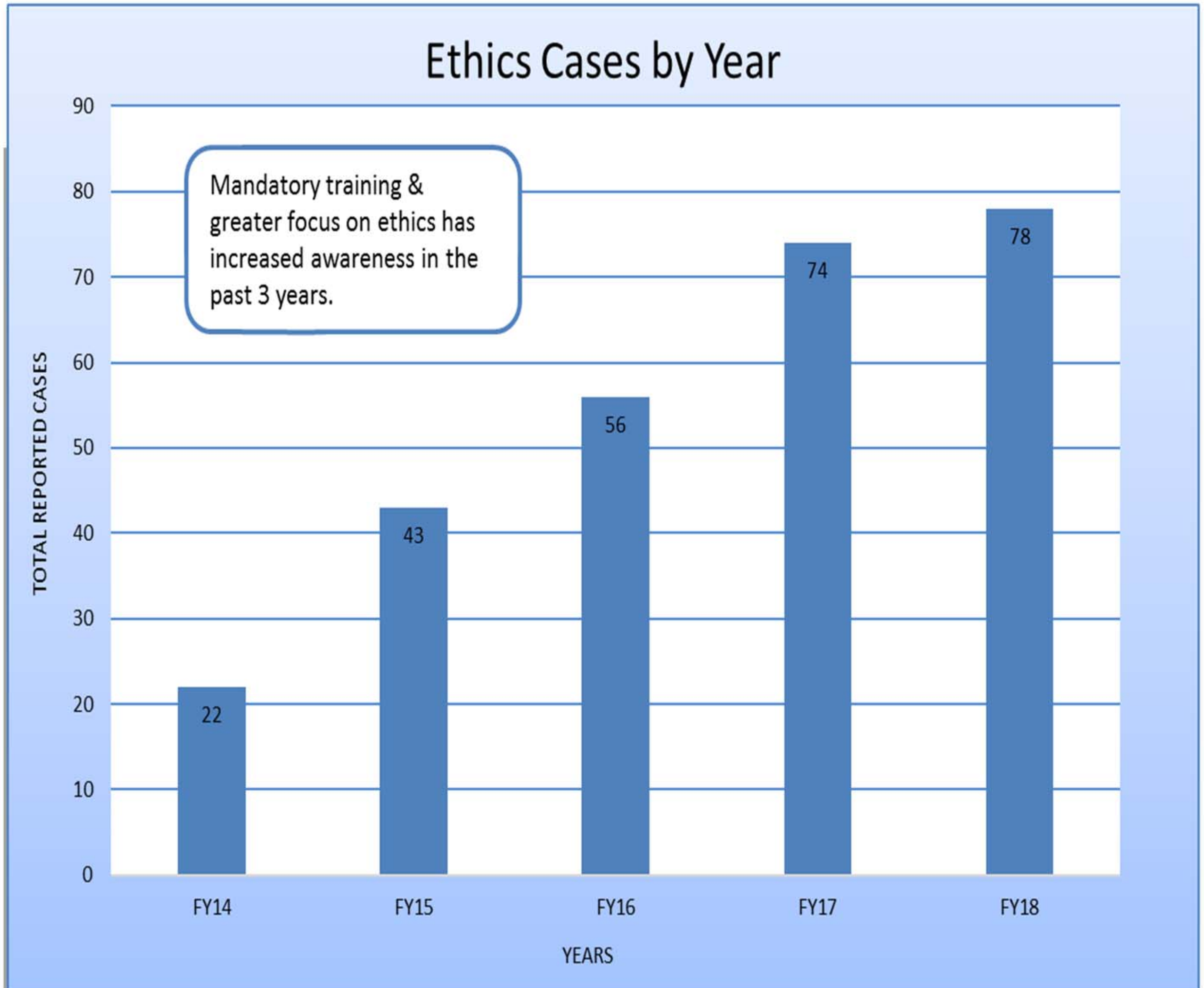
Ethics Officer Report
Walette Stanford

Examples of Questions?

1. A vendor has a flashlight that I want to buy, can I use JEA's discount?

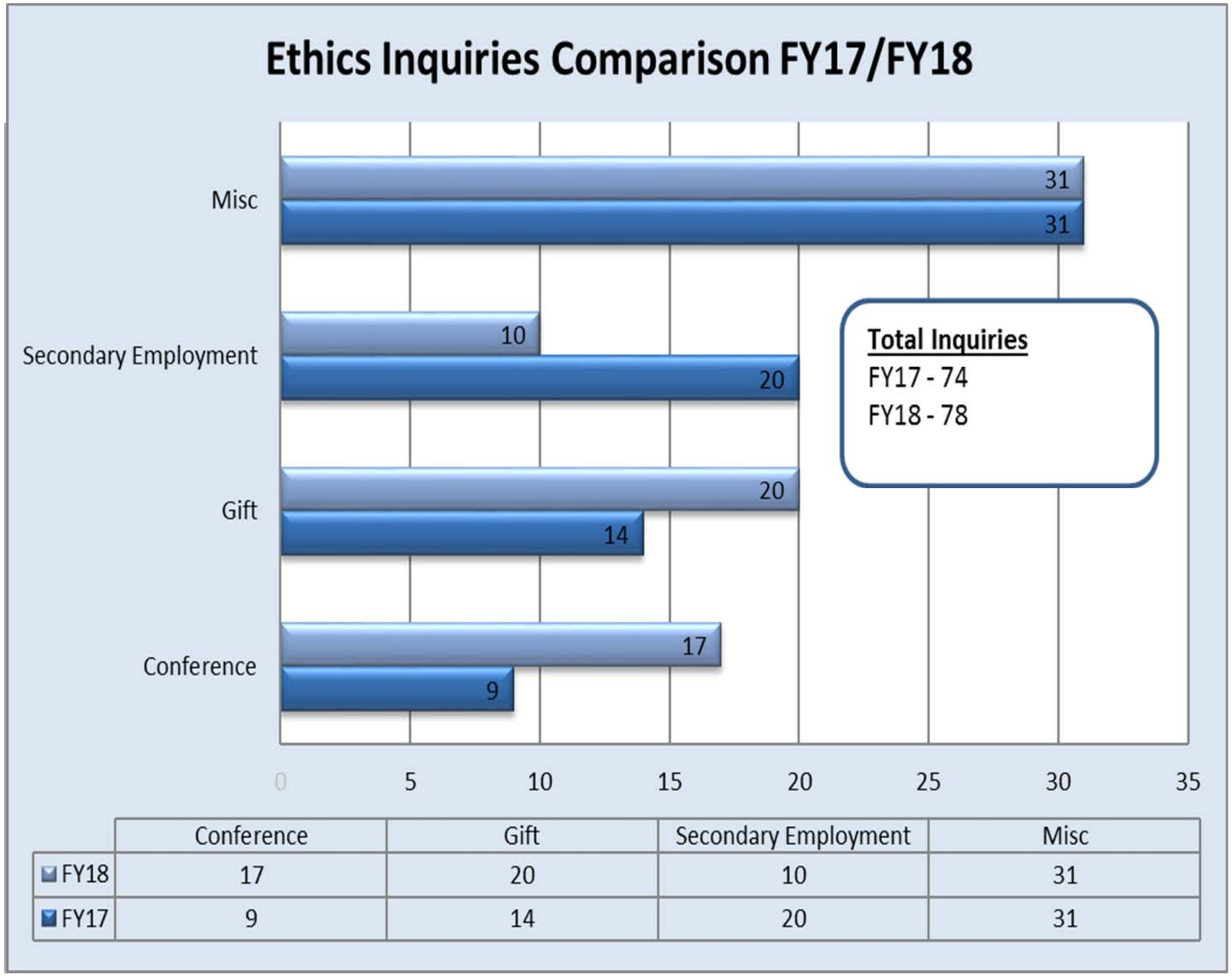
2. Walmart gift cards valued at $25 were given to all attendees at my conference, do I need to log it?

3. Can I accept a $25 gift card from a customer for my assistance during a hurricane?



Doing the right thing doesn't automatically bring success. But compromising ethics almost always leads to failure.

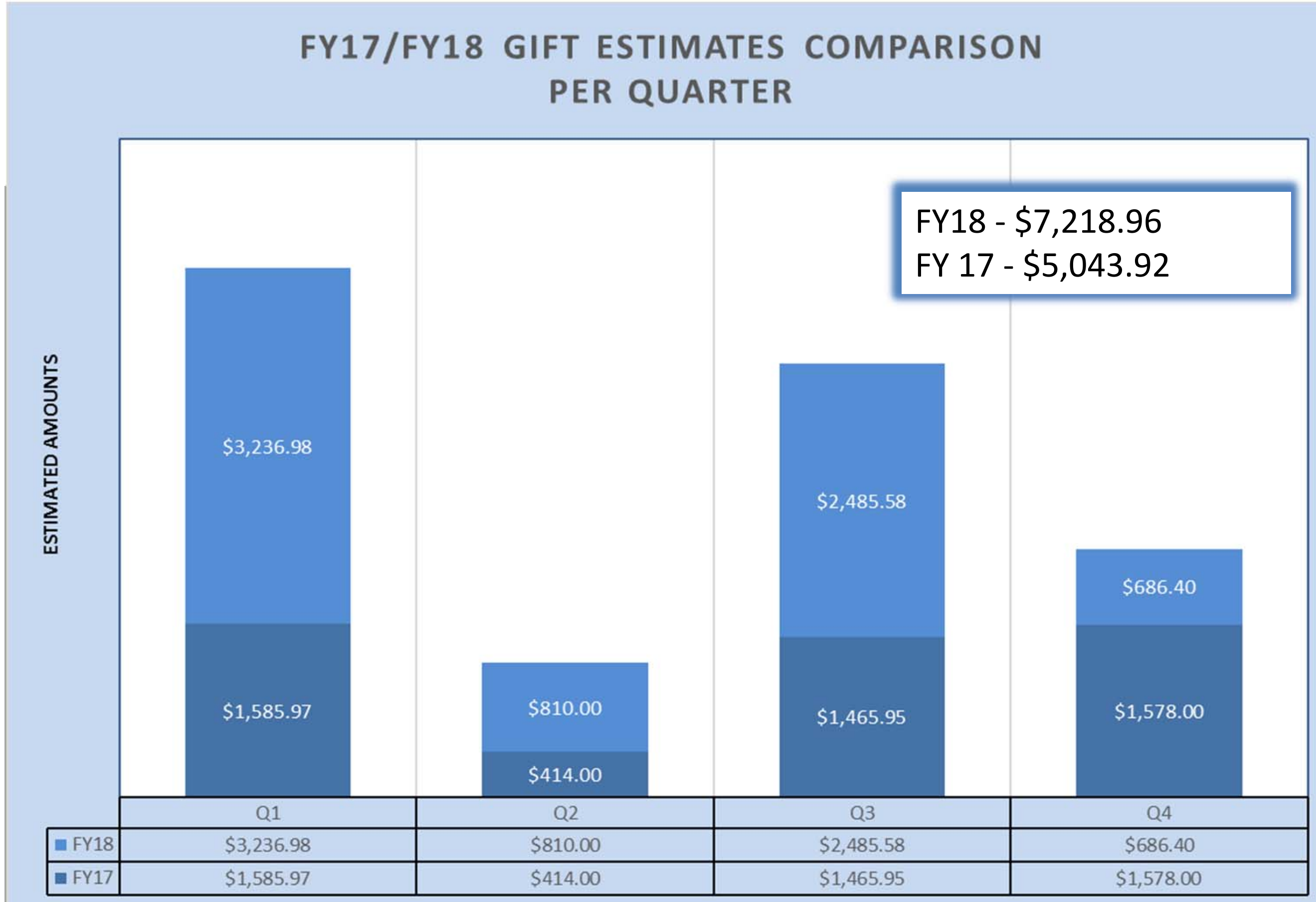
Vivek Wadhwa



December 2018

FY17/FY18 Comparisons

Taking Things



Meals: breakfast, lunch, dinners
Promotional Items: golf shirt, flashlight
Misc: canvas bag, coffee mug, candy

December 2018

FY17/FY18 Gift Registry

Partnership

with the

Ethics Coordination Council

Group

December 2018

October Ethics Awareness Poster

December 2018

Business Ethics Update and What's Next

- Attended the Society of Corporate Compliance and Ethics Conference in October 2018.
- Partnered with Brand Management to distribute Quarterly Tips/Newsletters to the organization.
- Preparing for companywide Annual Business Ethics Training in March 2019.
- Developing the new Ethics database on SharePoint.
- Working on the Navex's PolicyTech Policy and Procedure implementation team. This system will automate management workflows, track readership and attestations.

VI. A. 5.

Electric System and Water and Sewer System Reserve Fund Quarterly Report

II. D. 1.
12/3/2018
(F&A)

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VI. A. 5.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 09, 2018

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

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

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of September 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

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

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Agenda

Building Community

INTER-OFFICE MEMORANDUM
November 09, 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
John Campion
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 September 30, 2018.

RECOMMENDATION:
No action required; provided for information only.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JEO/BHG

II. D. 1.
12/3/2018
(F&A)

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VI. A. 5.
12/11/2018

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

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

Electric System	Fiscal Year FY 2015	Fiscal Year FY 2016	Fiscal Year FY 2017	Fiscal Year FY 2018	Fiscal Year FY 2019	Detail Page #
Unrestricted						
Operations/Revenue Fund	$ 46,624	$ 56,665	$ 54,800	$ 85,482	$ 77,859	
Debt Management Strategy Reserve	-	-	-	-	-	
Self Insurance Reserve Fund						
• Property	10,000	10,000	10,000	10,000	10,000	3
• Employee health insurance	10,937	11,179	9,214	8,138	8,138	4
Rate Stabilization						
• Fuel	150,742	180,115	131,716	74,376	58,225	5
• DSM/conservation	2,886	3,515	3,695	3,470	3,021	6
• Environmental	23,430	29,975	36,417	42,163	48,267	7
• Debt Management	42,126	42,126	29,884	29,884	29,884	8
• Non-Fuel Purchased Power	38,000	34,400	25,189	53,493	56,796	9
Environmental	18,662	18,556	17,672	16,818	16,818	10
Customer Deposits	42,389	41,084	42,105	44,242	44,242	11
Total Unrestricted	385,796	427,615	360,692	368,066	353,250	
Days of Cash on Hand (2)	225	270	234	219	179	
Restricted						
Debt Service Funds (Sinking Funds)	134,927	136,232	174,529	159,656	148,745	12
Debt Service Reserve Funds	64,595	60,582	60,582	60,582	60,582	13
Renewal and Replacement Funds/OCO (3)	145,711	192,179	201,368	189,922	105,305	14
Construction Funds	-	-	-	203	1	15
Total Restricted	345,233	388,993	436,479	410,363	314,633	
Total Electric System	$ 731,029	$ 816,608	$ 797,171	$ 778,429	$ 667,883	

Water and Sewer System	Fiscal Year FY 2015	Fiscal Year FY 2016	Fiscal Year FY 2017	Fiscal Year FY 2018	Fiscal Year FY 2019	Detail Page #
Unrestricted						
Operations/Revenue Fund	$ 22,588	$ 42,948	$ 69,232	$ 43,461	$ 14,946	
Rate Stabilization						
• Debt Management	20,290	20,290	14,209	14,209	14,209	16
• Environmental		1,699	5,214	12,914	12,914	17
Customer Deposit	13,255	13,910	15,086	15,616	15,616	18
Total Unrestricted	56,133	78,847	103,741	86,200	57,685	
Days of Cash on Hand (2)	466	528	496	454	259	
Restricted						
Debt Service Funds (Sinking Funds)	67,720	65,410	82,208	81,241	83,544	19
Debt Service Reserve Funds	108,849	108,086	107,488	102,850	68,648	20
Renewal and Replacement Funds						
• R&R/OCO (4)	76,020	76,020	54,699	74,738	63,896	21
• Capacity Fees/State Revolving Loans	90,912	103,411	95,620	66,677	60,153	22
• Environmental	19,245	2,659	1,839	1,159	999	23
Construction Funds	664	152	15	284	13,884	24
Total Restricted	363,410	355,738	341,869	326,949	291,124	
Total Water & Sewer System	$ 419,543	$ 434,585	$ 445,610	$ 413,149	$ 348,809	

(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 September 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 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
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 September 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.

	Actual as of 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	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 September 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.

	Actual as of 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 7,905	$ 9,214	$ 9,214	N/A	$ 11,179	$ 8,138	$ 8,138	$ 8,138
Additions:								
Employee Contributions	1,531	6,158	6,158	N/A	5,862	6,466	6,789	7,128
Retiree & Other Contributions	1,989	7,273	7,273		6,443	7,709	8,172	8,662
Employer Contributions	4,552	18,378	18,378		19,004	21,225	23,139	25,210
Sub-total	$ 8,072	$ 31,809	$ 31,809	$ -	$ 31,309	$ 35,400	$ 38,100	$ 41,000
Deductions:								
Payments for Claims	7,192	30,933	30,933	N/A	30,994	33,389	36,029	38,867
Actuary & Other Payments	647	1,952	1,952		2,280	2,011	2,071	2,133
Sub-total	$ 7,839	$ 32,885	$ 32,885	$ -	$ 33,274	$ 35,400	$ 38,100	$ 41,000
Ending Balance	$ 8,138	$ 8,138	$ 8,138	N/A	$ 9,214	$ 8,138	$ 8,138	$ 8,138

	Historical					Statistical			
(In Thousands)	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 September 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 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 75,056	$ 131,716	$ 131,716	N/A	$ 180,115	$ 74,376	$ 58,225	$ 75,118
Additions:								
Contributions			-		2,845		16,893	18,297
Sub-total	$ -	$ -	$ -	$ -	$ 2,845	$ -	$ 16,893	$ 18,297
Withdrawals	680	57,340	57,340	32,800	51,244	16,151		
Customer Fuel Rebate Credit				-	-			
Sub-total	$ 680	$ 57,340	$ 57,340	$ 32,800	$ 51,244	$ 16,151	$ -	$ -
Ending Balance	$ 74,376	$ 74,376	$ 74,376	N/A	$ 131,716	$ 58,225	$ 75,118	$ 93,415

	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 withdrawls on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending September 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 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 3,917	$ 3,695	$ 3,695	N/A	$ 3,515	$ 3,470	$ 3,021	$ 3,247
Additions:								
Contributions	2,147	7,088	7,088	7,515	6,685	7,590	6,855	6,855
Other								
Sub-total	$ 2,147	$ 7,088	$ 7,088	$ 7,515	$ 6,685	$ 7,590	$ 6,855	$ 6,855
Withdrawals	2,594	7,313	7,313	8,126	6,505	8,039	6,629	6,629
Sub-total	$ 2,594	$ 7,313	$ 7,313	$ 8,126	$ 6,505	$ 8,039	$ 6,629	$ 6,629
Ending Balance	$ 3,470	$ 3,470	$ 3,470	N/A	$ 3,695	$ 3,021	$ 3,247	$ 3,473

	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 September 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.

	Actual as of 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 41,072	$ 36,417	$ 36,417	N/A	$ 29,975	$ 42,163	$ 48,267	$ 53,687
Additions:								
Contributions	2,213	7,572	7,572	7,942	7,384	8,040	7,320	7,320
Sub-total	$ 2,213	$ 7,572	$ 7,572	$ 7,942	$ 7,384	$ 8,040	$ 7,320	$ 7,320
Withdrawals	1,122	1,827	1,827	2,051	942	1,936	1,900	1,938
Sub-total	$ 1,122	$ 1,827	$ 1,827	$ 2,051	$ 942	$ 1,936	$ 1,900	$ 1,938
Ending Balance	$ 42,163	$ 42,163	$ 42,163	N/A	$ 36,417	$ 48,267	$ 53,687	$ 59,069

	Historical					Statistical			
	2013	2014	2015	2016	2017	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 September 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 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
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 September 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 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 16,480	$ 25,189	$ 25,189	N/A	$ 34,400	$ 53,493	$ 56,796	$ 36,796
Additions:								
Contributions	40,000	40,000	40,000	-	-	17,630		
Sub-total	$ 40,000	$ 40,000	$ 40,000	$ -	$ -	$ 17,630	$ -	$ -
Withdrawals	2,987	11,696	11,696	11,745	9,211	14,327	20,000	24,194
Sub-total	$ 2,987	$ 11,696	$ 11,696	$ 11,745	$ 9,211	$ 14,327	$ 20,000	$ 24,194
Ending Balance	$ 53,493	$ 53,493	$ 53,493	N/A	$ 25,189	$ 56,796	$ 36,796	$ 12,602

	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 Stabiliation Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending September 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 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 17,647	$ 17,672	$ 17,672	N/A	$ 18,556	$ 16,818	$ 16,818	$ 16,318
Additions:								
Contributions			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Withdrawals	829	854	854	N/A	884		500	5,000
Sub-total	$ 829	$ 854	$ 854	$ -	$ 884	$ -	$ 500	$ 5,000
Ending Balance	$ 16,818	$ 16,818	$ 16,818	N/A	$ 17,672	$ 16,818	$ 16,318	$ 11,318

	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 September 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.

(In Thousands)	Actual as of 09/30/2018 Current Quarter	Year -to-Date	Full Year 2018 Projection	2018 Budget	Prior Year Actual	Projection 2019	2020	2021
Opening Balance	$ 44,079	$ 42,105	$ 42,105	N/A	$ 41,084	$ 44,242	$ 44,242	$ 44,242
Additions:								
Net Customer Activity	163	2,137	2,137	N/A	1,021			
Loan Repayment to ES Revenue Fund					-			
Sub-total	$ 163	$ 2,137	$ 2,137	$ -	$ 1,021	$ -	$ -	$ -
Net Customer Activity					-			
Loan to ES Revenue Fund				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 44,242	$ 44,242	$ 44,242	N/A	$ 42,105	$ 44,242	$ 44,242	$ 44,242

	Historical 2013	2014	2015	2016	2017	Statistical 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 September 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 09/30/2018 Current Quarter	Year -to-Date	Full Year 2018 Projection	2018 Budget	Prior Year Actual	Projection 2019	2020	2021
Opening Balance	$ 111,332	$ 167,087	$ 167,087	N/A	$ 136,232	$ 159,656	$ 148,745	$ 90,887
Additions:								
Revenue Fund Deposits	50,539	201,359	201,359		209,450	196,034	141,056	136,439
Bond funded interest					-			
Sub-total	$ 50,539	$ 201,359	$ 201,359	$ -	$ 209,450	$ 196,034	$ 141,056	$ 136,439
Principal and Int Payments	2,215	208,790	208,790	N/A	178,595	206,945	198,914	139,464
Sub-total	$ 2,215	$ 208,790	$ 208,790	$ -	$ 178,595	$ 206,945	$ 198,914	$ 139,464
Ending Balance	$ 159,656	$ 159,656	$ 159,656	N/A	$ 167,087	$ 148,745	$ 90,887	$ 87,862

	Historical 2013	2014	2015	2016	2017	Statistical 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 September 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.

	Actual as of 09/30/2018		Full Year Budget Amounts			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 60,582	$ 60,582	$ 60,582	N/A	$ 60,582	$ 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 September 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.

	Actual as of 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 196,856	$ 201,368	$ 201,368	N/A	$ 192,179	$ 189,922	$ 105,305	$ 81,301
Additions:								
R&R/OCO Contribution	20,900	148,105	148,105		196,589	201,067	238,236	235,920
Loans betw Capital Fds				-	-			
Other	19,802	35,675	35,675	-	5,074	19,431	2,000	2,000
Sub-total	$ 40,702	$ 183,780	$ 183,780	$ -	$ 201,663	$ 220,498	$ 240,236	$ 237,920
Deductions:								
Capital Expenditures	47,636	181,263	181,263		113,987	300,358	254,240	144,856
Transfers betw Capital Fds				-	37,200	4,757	10,000	
R&R/OCO Contribution								
Debt Defeasance				-	41,287			
Other	-	13,963	13,963					
Sub-total	$ 47,636	$ 195,226	$ 195,226	$ -	$ 192,474	$ 305,115	$ 264,240	$ 144,856
Ending Balance	$ 189,922	$ 189,922	$ 189,922	N/A	$ 201,368	$ 105,305	$ 81,301	$ 174,365

	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 September 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.

	Actual as of 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 223	$ -	$ -	N/A	$ -	$ 203	$ 1	$ 1
Additions:								
Bond Proceeds	-	805	805	-	429			150,000
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-	4,757	10,000	
Other				-	-	102		
Sub-total	$ -	$ 805	$ 805	$ -	$ 429	$ 4,859	$ 10,000	$ 150,000
Deductions:								
Capital Expenditures	-				-	4,757	10,000	150,000
Bond Funded Interest				-	-			
Transfers b/w Capital Fds					-	202		
Other	20	602	602	-	429	102		
Sub-total	$ 20	$ 602	$ 602	$ -	$ 429	$ 5,061	$ 10,000	$ 150,000
Ending Balance	$ 203	$ 203	$ 203	N/A	$ -	$ 1	$ 1	$ 1

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 40,034	$ 5,184	$ 42	$ 4	$ -	$ -	$ 123	$ 7,578	$ 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 September 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: TheWater & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
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 September 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 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 11,914	$ 5,214	$ 5,214	N/A	$ 1,699	$ 12,914	$ 12,914	$ 12,914
Additions:								
Contributions	6,173	23,829	23,829		24,362	28,361	25,536	26,019
Regulatory Receivable								
Sub-total	$ 6,173	$ 23,829	$ 23,829	$ -	$ 24,362	$ 28,361	$ 25,536	$ 26,019
Deductions:								
Withdrawals	5,173	16,129	16,129		20,847	28,361	25,536	26,019
Regulatory Receivable								
Sub-total	$ 5,173	$ 16,129	$ 16,129	$ -	$ 20,847	$ 28,361	$ 25,536	$ 26,019
Ending Balance	$ 12,914	$ 12,914	$ 12,914	N/A	$ 5,214	$ 12,914	$ 12,914	$ 12,914

	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
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 23,635	$ 24,362				
Deductions:									
Withdrawals				21,936	20,847	20,847	21,392	21,392	21,936
						-	-	-	-
						-	-	-	-
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.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending September 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 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 15,446	$ 15,086	$ 15,086	N/A	$ 13,910	$ 15,616	$ 15,616	$ 15,616
Additions:								
Allocated from Electric	170	530	530	N/A	1,176			
Loan Repayment			-					
Sub-total	$ 170	$ 530	$ 530	$ -	$ 1,176	$ -	$ -	$ -
Deductions:								
Allocated from Electric			-		-			
Loan to W&S Operations			-	N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 15,616	$ 15,616	$ 15,616	N/A	$ 15,086	$ 15,616	$ 15,616	$ 15,616

	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	1,233		468	655	1,176	468	655	766	1,176
Loan Repayment						-	-	-	-
						-	-	-	-
Sub-total	$ 1,233	$ -	$ 468	$ 655	$ 1,176				
Deductions:									
Allocated from Electric		1,073				-	-	-	-
Loan to W&S Operations						-	-	-	-
						-	-	-	-
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 September 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.

	Actual as of 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 53,675	$ 82,208	$ 82,208	N/A	$ 65,410	$ 81,241	$ 83,544	$ 84,119
Additions:								
Revenue fund deposits	28,413	113,636	113,636		114,873	118,536	120,110	120,310
Sub-total	$ 28,413	$ 113,636	$ 113,636	$ -	$ 114,873	$ 118,536	$ 120,110	$ 120,310
Deductions:								
Principal and interest payments	847	114,603	114,603	N/A	98,075	116,233	119,535	118,867
Sub-total	$ 847	$ 114,603	$ 114,603	$ -	$ 98,075	$ 116,233	$ 119,535	$ 118,867
Ending Balance	$ 81,241	$ 81,241	$ 81,241	N/A	$ 82,208	$ 83,544	$ 84,119	$ 85,562

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 81,675	$ 80,317	$ 75,019	$ 67,720	$ 65,410	$ 203	$ 71,370	$ 61,724	$ 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 September 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.

	Actual as of 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 102,850	$ 107,488	$ 107,488	N/A	$ 108,086	$ 102,850	$ 68,648	$ 68,648
Additions:								
Construction reserve fund/bond issues				N/A	-			
Revenue fund				N/A	-			
Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Revenue fund		4,638	4,638		598	318		
Construction fund						33,884		
Sub-total	$ -	$ 4,638	$ 4,638	$ -	$ 598	$ 34,202	$ -	$ -
Ending Balance	$ 102,850	$ 102,850	$ 102,850	N/A	$ 107,488	$ 68,648	$ 68,648	$ 68,648

	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 Assuarance surety policy to be included in Debt Service Reserve Fund funding calculation which allows the release of $33.8 million to the Construction Fund.

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

For the Fiscal Quarter Ending September 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.

	Actual as of 09/30/2018		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 80,818	$ 54,699	$ 54,699	N/A	$ 76,020	$ 74,738	$ 63,896	$ 38,302
Additions:								
R&R/OCO Contribution	37,557	153,372	153,372	-	108,119	128,731	119,767	123,337
Transfer from Capital Fds				-	137			
Other	1,721	6,383	6,383	-	8,050	12,157	12,544	9,051
Sub-total	$ 39,278	$ 159,755	$ 159,755	$ -	$ 116,306	$ 140,888	$ 132,311	$ 132,388
Deductions:								
Capital Expenditures	45,358	139,716	139,716	-	132,588	151,080	157,255	163,140
Transfer to Capacity Fund				-	86			
Transfer to Construction Fund								
Other				-	4,953	650	650	
Sub-total	$ 45,358	$ 139,716	$ 139,716	$ -	$ 137,627	$ 151,730	$ 157,905	$ 163,140
Ending Balance	$ 74,738	$ 74,738	$ 74,738	N/A	$ 54,699	$ 63,896	$ 38,302	$ 7,550

	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 September 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.

	Actual as of 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 87,243	$ 95,620	$ 95,620	N/A	$ 103,411	$ 66,677	$ 60,153	$ 54,468
Additions:								
Capacity Fees	8,613	28,002	28,002	-	24,777	25,394	23,994	23,994
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund			-	-	-	650	650	
Other				-	86			
Sub-total	$ 8,613	$ 28,002	$ 28,002	$ -	$ 24,863	$ 26,044	$ 24,644	$ 23,994
Deductions:								
Capital Expenditures	29,179	56,921	56,921	-	32,654	32,568	30,329	43,748
Other				-	-			
		24	24	-	-			
Sub-total	$ 29,179	$ 56,945	$ 56,945	$ -	$ 32,654	$ 32,568	$ 30,329	$ 43,748
Ending Balance	$ 66,677	$ 66,677	$ 66,677	N/A	$ 95,620	$ 60,153	$ 54,468	$ 34,714

	Historical					**Statistical**			
(In Thousands)	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 September 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 09/30/2018 Current Quarter	Actual as of 09/30/2018 Year -to-Date	Full Year 2018 Projection	Full Year 2018 Budget	Full Year Prior Year Actual	Projection 2019	Projection 2020	Projection 2021
Opening Balance	$ 407	$ 1,839	$ 1,839	N/A	$ 2,659	$ 1,159	$ 999	$ 999
Additions:								
Environmental Contributions	2,342	6,691	6,691	-	12,394	17,530	20,217	11,252
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	$ 2,342	$ 6,691	$ 6,691	$ -	$ 12,394	$ 17,530	$ 20,217	$ 11,252
Deductions:								
Capital Expenditures	1,589	7,370	7,370	-	13,214	17,690	20,217	11,252
Septic Tank Phase Out				-	-			
Other	1	1	1	-	-			
Sub-total	$ 1,590	$ 7,371	$ 7,371	$ -	$ 13,214	$ 17,690	$ 20,217	$ 11,252
Ending Balance	$ 1,159	$ 1,159	$ 1,159	N/A	$ 1,839	$ 999	$ 999	$ 999

(In Thousands)	Historical 2013	Historical 2014	Historical 2015	Historical 2016	Historical 2017	Statistical Low	Statistical Median	Statistical Mean	Statistical 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 September 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.

	Actual as of 09/30/2018		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2018 Projection	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 320	$ 15	$ 15	N/A	$ 152	$ 284	$ 13,884	$ -
Additions:								
Bond Proceeds		894	894	-	-	33,884		
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other				-	-			
Sub-total	$ -	$ 894	$ 894	$ -	$ -	$ 33,884	$ -	$ -
Deductions:								
Capital Expenditures	36	623	623	-	-	20,000	13,884	
Bond Proceeds				-	-			
Other		2	2	-	137	284		
Sub-total	$ 36	$ 625	$ 625	$ -	$ 137	$ 20,284	$ 13,884	$ -
Ending Balance	$ 284	$ 284	$ 284	N/A	$ 15	$ 13,884	$ -	$ -

	Historical					**Statistical**			
(In Thousands)	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.

VI. A. 6.

JEA Calendar Years 2019 and 2020 Fixed Rate Refunding Debt Parameter Resolutions for Electric Water and Sewer, St. Johns River Power Park and Bulk Power Supply Systems

II. D. 2.
12/3/2018
(F&A)

Return to Agenda

VI. A. 6.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 13, 2018

SUBJECT:	**JEA CALENDAR YEARS 2019 AND 2020 FIXED RATE REFUNDING DEBT PARAMETER RESOLUTIONS FOR ELECTRIC, WATER AND SEWER, ST. JOHNS RIVER POWER PARK AND BULK POWER SUPPLY SYSTEMS**

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

Issue: Staff is requesting Board approval of all bond legal documents (listed in Attachment A) relating to delegated fixed rate debt refunding parameters and authorizations for the Electric System, Water and Sewer System and St. Johns River Power Park System.

Significance: High. Potential refunding transactions currently being evaluated require Board authorization.

Effect: Using the bond issuance delegation process makes better use of the Board's time and provides greater flexibility in meeting the fluctuating demands of the financial market.

Cost or Benefit: Potential debt service savings from lower interest rates if refundings can be executed in a timely manner based on favorable market conditions.

Recommended Board action: Staff recommends that the Board approve and adopt Resolutions No. 2018-15, 2018-16, 2018-17, 2018-18, 2018-19 and 2018-20 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System, St. Johns River Power Park System Issue Three and Bulk Power Supply System fixed rate refunding bonds, respectively, within the stated parameters.

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

Submitted by: AFZ/RFW/JEO/RLH

Commitments to Action

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

II. D. 2.
12/3/2018
(F&A)

Return to Agenda

VI. A. 6.
12/11/2018

Building Community

INTER-OFFICE MEMORANDUM
November 13, 2018

SUBJECT:	**JEA CALENDAR YEARS 2019 AND 2020 FIXED RATE REFUNDING DEBT PARAMETER RESOLUTIONS FOR ELECTRIC, WATER AND SEWER, ST. JOHNS RIVER POWER PARK AND BULK POWER SUPPLY SYSTEMS**
FROM:	Aaron F. Zahn, Interim Managing Director/CEO
TO:	JEA Finance and Audit Committee

Kelly Flannigan, Chair
John Campion
Husein Cumber

BACKGROUND:
Since FY2010, JEA staff has utilized a debt financing approval process in which the Board delegated parameters, consistent with the current year budget, within which the Managing Director/CEO is authorized to price and execute future fixed rate bond issues. The process includes both fixed rate new money and refunding transactions. However, certain bond transactions, including but not limited to variable rate and synthetic fixed rate financings, continue to be brought to the Board on a deal-by-deal basis for approval. This provides staff with additional flexibility to move quickly and take advantage of market-related opportunities in the post financial crisis marketplace.

Staff, operating under subsequent Board approvals utilized this process for FY2011 and FY2012. For FY2013, the Managing Director/CEO utilized a variation of this delegation process whereby staff requested Board authorizations for fixed rate refunding transactions under delegated parameters on a deal-by-deal basis. In FY2014, and for CY2015 through 2018, the Board then returned to a delegation authorization process similar to that used in FY2010, 2011 and 2012, but limited the delegation authorizations to fixed rate refundings.

DISCUSSION:
To provide for efficiency in the Board's review time and provide staff with flexibility in taking advantage of market opportunities to lower debt service costs, staff is recommending the Board continue the delegation process most recently authorized in December 2016 for CY2019 and 2020. Under this process, the Board has authorized the Managing Director/CEO to price and execute future fixed rate bond refunding transactions (which may include full or partial terminations of interest rate swaps associated with the refunded variable rate bonds) within delegated parameters. The current action delegates such authorization for a period through the end of calendar year 2020 to refund existing variable rate and/or fixed rate bonds.

Board members will continue to have the opportunity to review and provide comments to staff, which is appropriate practice under federal securities laws, regarding all preliminary and final Official Statements prior to posting. These documents will be distributed to members electronically throughout the term of this delegated authorization, outside of regularly scheduled Board meetings, as specific bond issues are sold. The results of all bond issues sold will be reported back to the Board through quarterly reports to the Finance and Audit Committee.

These authorizations pertain only to refunding transactions. For the Electric, Water and Sewer, St. Johns River Power Park System (SJRPP) Issue Three and Bulk Power Supply System refunding transactions, only the use of tax-exempt debt is authorized. All other types of bond transactions not specifically described in the attached resolutions, including but not limited to new money, taxable, or new synthetic fixed rate financings and variable-to-variable rate refundings, would continue to be brought to the Board on a deal-by-deal basis for approval.

Bond counsel has prepared Resolutions No. 2018-15, 2018-16, 2018-17, 2018-18, 2018-19 and 2018-20 for the Electric System (Senior and Subordinated), Water and Sewer System (Senior and Subordinated), SJRPP Issue Three and Bulk Power Supply System, respectively, to authorize the Managing Director/CEO to price and execute certain refundings and pay the cost of issuance within the following amounts and issuance parameters:

	Fixed-to-Fixed Rate Refunding Authorization Level	Variable-to-Fixed Rate Refunding Authorization Level
Electric System – Senior	$170 million	$459 million
Electric System – Subordinated	$130 million	$133 million
Water and Sewer System – Senior	$175 million	$138 million
Water and Sewer System – Subordinated	$45 million	$106 million
St. Johns River Power Park – Issue Three	$250 million	Not applicable
Bulk Power Supply System	$60 million	Not applicable

For St. Johns River Power Park Bonds only:

- Final maturity for the SJRPP refunding bonds no later than October 1, 2039 for bonds that are refunding SJRPP Issue Three refunded bonds (final maturity of existing bonds)

For Electric System (Senior and Subordinated), Water and Sewer System (Senior and Subordinated), SJRPP Issue Three and Bulk Power Supply System bonds:

- Weighted average life no greater than the weighted average life of the refunded bonds plus one year.
- For fixed-to-fixed refunding bonds, bonds maturing on the October 1 next following the delivery date must have net present value savings, on an October 1 occuring at least one year and less than three years after the delivery date at least 3% present value savings, on an October 1 occuring at least three years and less than nine years after the delivery date at least 4% present value savings, and at least 5% present value savings thereafter. In lieu of this, present value savings for fixed-to-fixed rate current refundings shall not be less than 5%, measured on an aggregate basis.
- For variable rate bonds being refunded by fixed bonds, true interest cost for the fixed rate bonds shall not exceed 5%.
- If subject to optional redemption, optional redemption price shall not exceed 101% of the principal amount and the optional redemption date shall not be less than four years nor more than ten years from the date of issuance.
- Semiannual interest payments commencing on either the April 1 or October 1 next following the delivery date, as determined by the Managing Director/CEO.

Resolutions No. 2018-15, 2018-16, 2018-17, 2018-18, 2018-19 and 2018-20 authorize the sale of the bonds to JEA's Underwriters pursuant to negotiated sales. Resolutions No. 2018-15, 2018-16, 2018-17, 2018-18 and 2018-19 also supersede and repeal unutilized authorizations previously approved in Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25, respectively, as amended.

Staff will select senior underwriters from the group of investment banking firms under contract with JEA for the purpose of underwriting negotiated sales of JEA's debt. The resolutions state that the bonds must be sold no later than December 31, 2020, as determined by the signing date of the bond purchase agreement.

The resolutions also approve the forms of and authorize the execution of various legal documents that have been prepared by counsel in connection with the issuance of any fixed rate refunding bonds issued authorized under these resolutions included with this agenda item:

Bond Purchase Agreement;
Escrow Deposit Agreement;
Bond Form and, available seperately upon request,
Preliminary Official Statement (published Preliminary Official Statement from each system's most recent bond transaction)

Staff will report back to the Finance and Audit Committee the results of any transaction(s) pursuant to authorizations at the next regularly scheduled meeting following the closing date of the refunding bonds.

<u>RECOMMENDATION</u>:
Staff recommends that the Board approve and adopt Resolutions No. 2018-15, 2018-16, 2018-17, 2018-18, 2018-19 and 2018-20 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System, St. Johns River Power Park System Issue Three and Bulk Power Supply System fixed rate refunding transactions, respectively, within the stated parameters.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JEO/RLH

VI. A. 6.

JEA Calendar Years 2019 and 2020 Fixed Rate Refunding Debt Parameter Resolutions for Electric Water and Sewer, St. Johns River Power Park and Bulk Power Supply Systems

Due to the file size, the attachments will be provided as a separate attachment. A hard copy will be provided at the Board Meeting.

VI. A. 7.

JEA Energy Market

Risk Management Policy Report

II. E.
12/3/2018
(F&A)

Return to Agenda

VI. A. 7.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 9, 2018

SUBJECT:	**JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT**

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

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires a quarterly report on JEA's financial and physical fuel and power transactions. This report includes physical transactions one year or greater 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/MJB/SGM

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Energy Market Risk Management: Physical and Financial Positions

VI. A. 7.
12/11/2018

Summary as of 11/1/2018		
Projected FY19 Expense (Budget = $418M)	$426M	😐
Projected FY19 Fuel Fund Ending Balance (Target = $95M)	$52M	☹
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

Table 1: Physical Conterparties (Contracts One Year or Greater) as of 11/1/2018

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	CY18 Blackjewel - Eagle Butte - 003	Fixed Price	$325,356	2 months
Scherer 4	Coal	CY18 Peabody Caballo - 009	Fixed Price	$376,106	2 months
Scherer 4	Coal	CY18 Buckskin - 010	Fixed Price	$115,890	2 months
Scherer 4	Coal	CY19 Blackjewel - Eagle Butte - 001	Fixed Price	$2,806,571	12 months
Scherer 4	Coal	CY19 Blackjewel - 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 Blackjewel - Eagle Butte - 001	Fixed Price	$3,018,716	12 months
Scherer 4	Coal	CY20 Peabody Caballo - 003	Fixed Price	$750,800	12 months
Scherer 4	Coal	CY21 Blackjewel - Eagle Butte - 002	Fixed Price	$691,264	12 months
Scherer 4	Coal	CY21 Peabody Caballo - 003	Fixed Price	$770,250	12 months
Scherer 4	Coal	CY22 Blackjewel - Eagle Butte - 001	Fixed Price	$426,657	12 months
Scherer 4	Coal	CY22 Peabody Caballo - 002	Fixed Price	$315,968	12 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	$159,023,096	2.58 years

Table 2: Financial Positions as of 11/1/2018

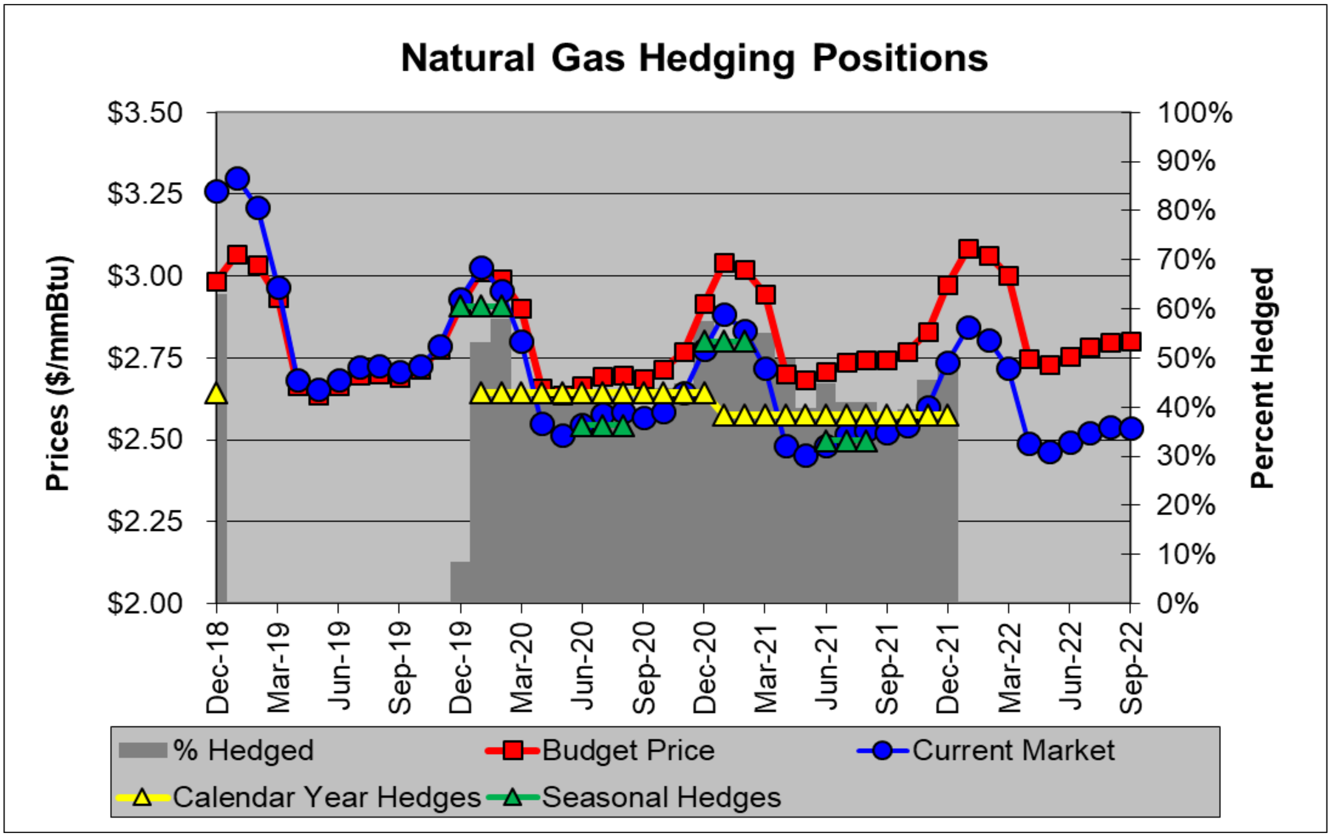
Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost ($/mmBtu)	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY19	Natural Gas	42,699,100	1,820,000	4.3%	$ 2.89	Swap	$ 2.65	$ (1,121,120)	Wells Fargo
FY20	Natural Gas	51,521,600	18,270,000	35.5%	$ 2.71	Swap	$ 2.65	$ (676,980)	Wells Fargo & RBC
FY21	Natural Gas	51,306,800	23,720,000	46.2%	$ 2.62	Swap	$ 2.60	$ (619,400)	Wells Fargo & RBC
FY22	Natural Gas	55,220,500	5,520,000	10.0%	$ 2.63	Swap	$ 2.57	$ (290,480)	RBC

Table 3: Fuel Procurement as of 11/1/2018

Fuel Type	Natural Gas	Coal	Petcoke	Purchased Power	Oil/Diesel	Renewables
FY19 Remaining / Energy Mix	47%	19%	14%	18%	0%	2%
Expected Spend ($)	126.1M	75.9M	47.8M	60.3M	1.8M	15.9M
% Procured	48%	57%	20%	62%	100%	100%
% Hedged	4%	57%	20%	6%	100%	100%
FY20 Budget / Energy Mix	51%	16%	13%	15%	0%	5%
Expected Spend ($)	142.2M	71.3M	53.0M	49.7M	2.0M	29.3M
% Procured	78%	42%	7%	17%	100%	100%
% Hedged	34%	42%	7%	2%	100%	100%
FY21 Projection / Energy Mix	50%	17%	14%	13%	0%	6%
Expected Spend ($)	136.9M	72.9M	56.5M	45.1M	5.3M	32.2M
% Procured	88%	38%	8%	0%	100%	100%
% Hedged	45%	38%	8%	0%	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; CY2018-2022 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


Natural Gas Hedging Positions
Prices ($/mmBtu)
$3.50
$3.25
$3.00
$2.75
$2.50
$2.25
$2.00
Percent Hedged
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Dec-18
Mar-19
Jun-19
Sep-19
Dec-19
Mar-20
Jun-20
Sep-20
Dec-20
Mar-21
Jun-21
Sep-21
Dec-21
Mar-22
Jun-22
Sep-22
% Hedged
Budget Price
Current Market
Calendar Year Hedges
Seasonal Hedges

VI. A. 8.

Ernst & Young

FY2018 External Audit Report

II. F.
12/3/2018
(F&A)

Return to Agenda

VI. A. 8.
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 14, 2018

SUBJECT:	**ERNST & YOUNG FY2018 EXTERNAL AUDIT REPORT**

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

Issue: Ernst & Young, LLP (E&Y) presented their audit plan for FY2018 at the Finance and Audit Committee (FAC) meeting on August 13, 2018. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2018 audit. On a yearly basis, the independent auditors meet with the FAC to review the results of the annual 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. John DiSanto, Coordinating Partner from E&Y, has been invited to attend the December 3, 2018 Finance and Audit Committee meeting to discuss the FY2018 audited results.

Effect: Meeting with auditors to discuss the audit results will 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: No action by the Committee is required. This item is submitted for information, only.

For additional information, contact: Janice Nelson

Submitted by: AFZ/RFW/ JRN

Building Community

INTER-OFFICE MEMORANDUM
November 14, 2018

SUBJECT:	Ernst & Young FY2018 External Audit Report
FROM:	Aaron F. Zahn, Interim Managing Director/CEO
TO:	JEA Finance and Audit Committee

Kelly Flanagan, Chair
John Campion
Husein Cumber

BACKGROUND:
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. Ernst & Young, LLP (E&Y) presented their audit plan for fiscal year 2018 at the Finance and Audit Committee (FAC) meeting on August 13, 2018. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the 2018 audit. Representatives from E&Y have been invited to attend the December 3, 2018 Finance and Audit Committee meeting to discuss FY2018 audited results.

DISCUSSION:
Attached is a draft copy of JEA's Audited Financial Statements. In addition, attached is a copy of the Audit Report on the Allocation of Net Pension Liability of the City of Jacksonville General Employees Retirement Plan (GERP) performed by Carr, Riggs & Ingram (CRI). This report summarizes the results of the audit and also contains communications required by auditing professional standards. E&Y relies on the audit performed by CRI to support JEA's allocations (deferred inflows of resources, deferred outflows of resources, pension expense and net pension liability) of GERP that is included in JEA's financial statements.

RECOMMENDATION:
No action by the Committee is required. This item is submitted for information, only.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JRN

Return to Agenda

JEA

2018 audit results

December 3, 2018

EY
Building a better working world

Executive summary: 2018 audit results

Our audit scope is consistent with the plan communicated in August of 2018. After completing our remaining procedures, we expect to issue an unqualified opinion on the basic financial statements.

Key audit areas*

SJRPP Decommissioning/ARO

- We tested the accounting around the decommissioning transaction and the ARO/implementation of GASB 83.

New GASB 75 OPEB Standard

- We tested the accounting and financial statement disclosures related to GASB 75 implementation.

Plant Vogtle PPA

- We tested the accounting and disclosures related to the Plant Vogtle PPA.

Revenue – data analytics

- We implemented data analytics for revenue, payroll, and accounts receivable to adapt our audit strategy and support our digital audit.

Uncorrected misstatements

- Two uncorrected misstatements were identified and are summarized in Appendix A.

Important updates*

- Cyber risk
- Digital audit
- SJRPP Decommissioning/ARO
- GASB 75 – OPEB
- Data analytics (Appendix B)

Open items

- Obtaining the executed letter of representations from management
- Performance of subsequent event procedures through the date of filing of the financial statements

Inquiries

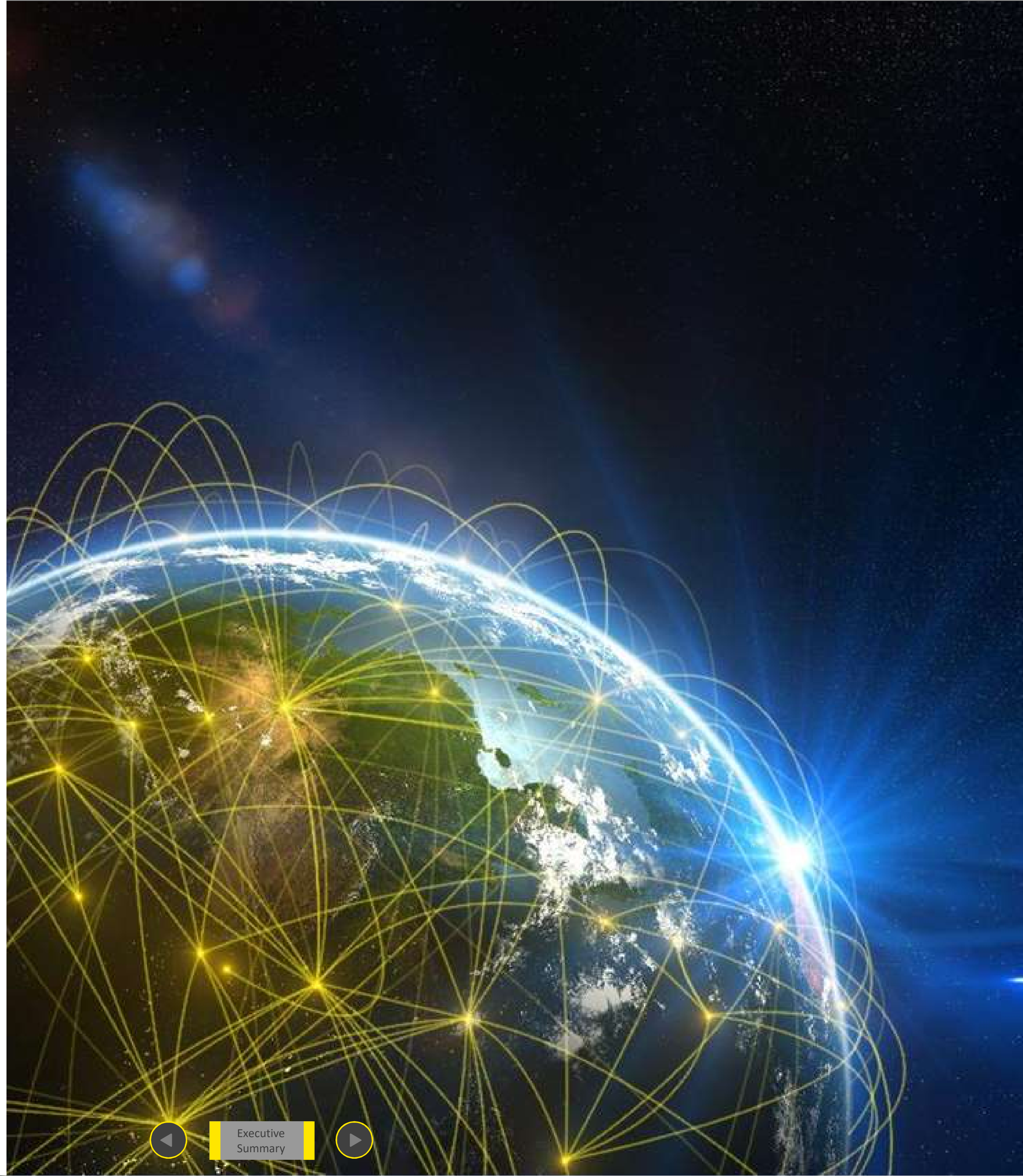
We inquire of Audit Committee members regarding your awareness of matters relevant to the audit, including:

- Your views about the risk of material misstatement due to fraud.
- Your knowledge of any actual, alleged or suspected fraud.
- Your awareness of tips or complaints regarding JEA's financial reporting and its response to such tips and complaints.
- Your awareness of other matters relevant to the audit (such as violations or possible violations of laws or regulations).
- How you exercise oversight over the JEA's assessment of fraud risks and the internal controls to address those risks.

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

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

Key audit areas



Key audit areas: Significant accounting policies and estimates

Provided below is a summary of JEA's significant accounting policies and accounting estimates which have been applied in accordance with US GAAP and consistent with industry practice.

Description of accounting policy/estimate	Our views on the quality and application of accounting policy and reasonableness of estimate
Revenue recognition Operating revenues are defined as revenues generated from the sale of primary products or services through normal business operations. Nonoperating revenues include investment income and earnings from investments recorded on the equity method. Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. Operating revenues include amounts estimated for unbilled services provided during the reporting period	We believe that JEA's revenue recognition and sales commitments accounting policy and the application thereof are appropriate. Additionally, we have reviewed the financial statements, including the disclosures relating to revenue recognition and sales commitments, and found them to be appropriate and in conformity with US GAAP. We utilized data analytics in combination with detailed test of transactions to obtain a full understanding of the flow of revenue transactions.

Key audit areas: Significant accounting policies and estimates

Description of accounting policy/estimate	Our views on the quality and application of accounting policy and reasonableness of estimate
SJRPP decommissioning/Asset retirement obligation JEA and FPL reached an agreement to close SJRPP, including early termination of the PPA. On May 16, 2017, JEA's board of directors approved the Asset Transfer and Contract Termination Agreement, which outlined the terms of the retirement, decommissioning, and dismantling of the plant. The week following, FPL approved the contract and filed a petition with the Florida Public Service Commission (FPSC) for approval to shut down SJRPP. The final order was approved by FPSC in October 2017. As part of the agreement, the parties agreed that all operation of SJRPP as a generating facility would cease at shutdown. As such, the majority of the plant assets will be dismantled. As a result of the shutdown of SJRPP and in accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets*, an impairment loss of $451M was recorded, representing the un-depreciated book value of the assets that are being dismantled. JEA early adopted Statement No. 83, *Certain Retirement Obligations*, in association with its accounting for the asset retirement obligations related to dismantlement and remediation at SJRPP. The total asset retirement obligation recorded by management was $43.2M. The current portion of $6.7M is recorded in accounts and accrued expenses payable and the long-term portion of $22.5M is a separate line item, asset retirement obligation, on the statement of net position. These amounts are offset by the separate line item, unrealized asset retirement obligation, in deferred outflows of resources of $29.2M.	We believe that JEA's accounting policy related to GASB 42, GASB 83, and the application thereof are appropriate. We engaged experienced specialists in EY's Climate Change and Sustainability Services (CCaSS) to assess the estimate, and components thereof. Through discussions with JEA, they evaluated the ARO estimate to support the amounts and disclosures. Based on the results of our audit procedures, we believe management's process and assumptions used in accounting for the decommissioning, including the impairment assessment, regulatory accounting adjustments and related Special Item are reasonable. Additionally, we have reviewed the required SJRPP decommissioning event, impairment and asset retirement obligation disclosures and found them to be appropriate and in conformity with US GAAP.

Key audit areas: Significant accounting policies and estimates

Description of accounting policy/estimate	Our views on the quality and application of accounting policy and reasonableness of estimate
GASB 75 – OPEB Standard In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB)*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses for governments that provide OPEB benefits. Note disclosure and required supplementary information requirements are also addressed. For comparative purposes, the statement of net position and statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 were restated for this change. To implement the new standard, the previously recorded OPEB asset, totaling $2,724, was removed from the statement of net position and shown as an adjustment to beginning net position on the statement of revenues, expenses, and changes in net position. Further, JEA deferred costs through CTBR based on Board action.	We believe that JEA's accounting policy for Postemployment Benefits Other than Pension (OPEB) and the application thereof is appropriate. Additionally, we have reviewed the OPEB related accounting and disclosures and found them to be appropriate and in conformity with US GAAP.

Key audit areas: Significant accounting policies and estimates

Description of accounting policy/estimate	Our views on the quality and application of accounting policy and reasonableness of estimate
Plant Vogtle PPA As a result of an earlier 2008 Board policy establishing a 10% of total energy from nuclear energy goal, JEA entered into a power purchase agreement (Vogtle PPA) with the Municipal Electric Authority of Georgia (MEAG) related to the Plant Vogtle. The Plant Vogtle Project continues to experience costly delays. JEA and MEAG have both initiated litigation against each other in relation to the Vogtle PPA. Management has not recorded any liability associated with the Vogtle PPA and has included extensive disclosure on this matter within Footnote 10 of the basic financial statements.	We believe that JEA's accounting and disclosure related to Plant Vogtle PPA is appropriate and is conformity with US GAAP.

Key audit areas: Areas of emphasis

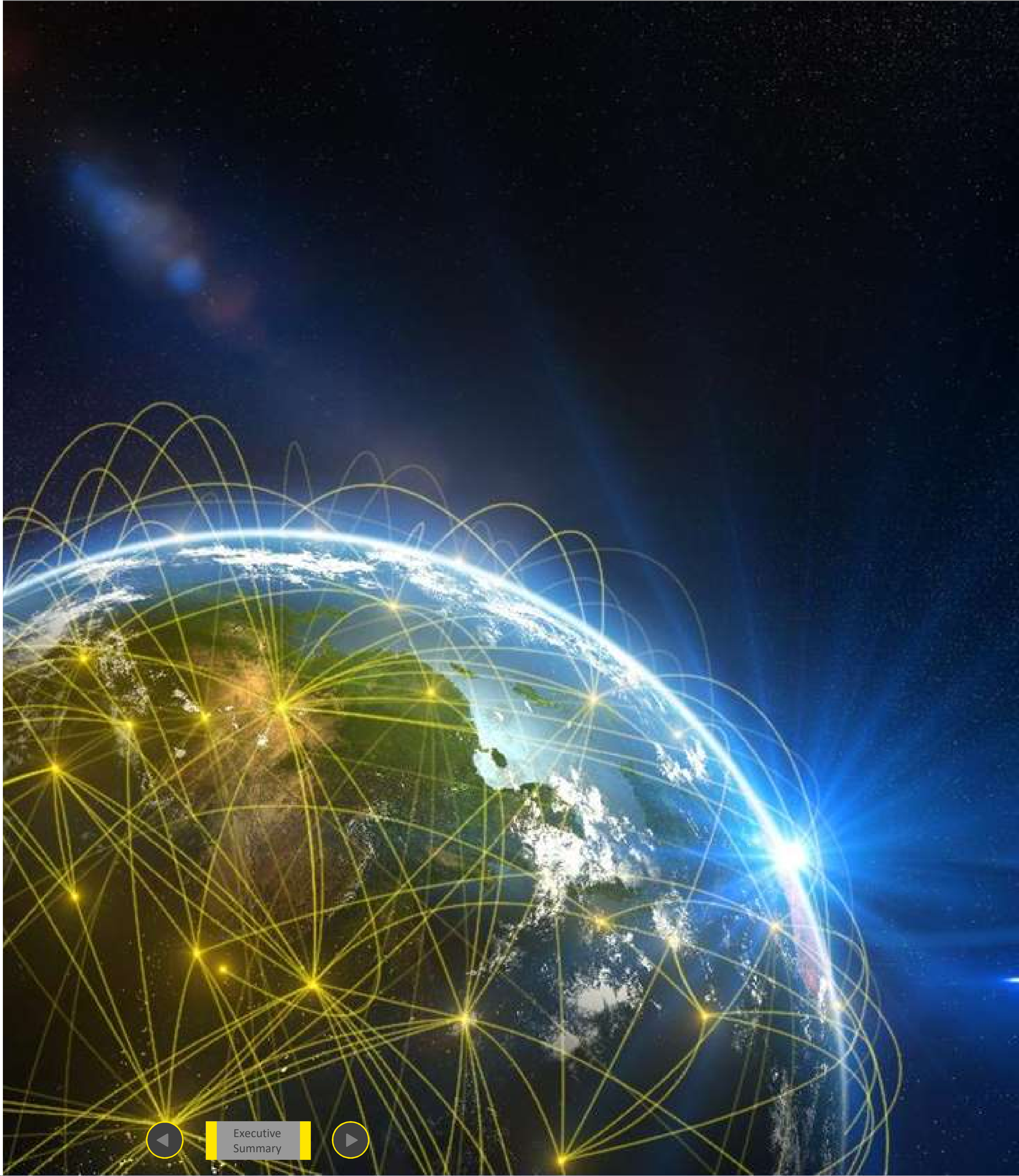
Our audit procedures emphasized testing those processes, accounts, contracts or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud. Our audit procedures included additional focus on the following areas, which are consistent with what was communicated to you at our meeting in August 2018.

Area of emphasis	Summary of procedures and findings
Accounts and unbilled receivables and related allowance for doubtful accounts	We tested the assumptions and inputs used in the unbilled revenue calculation for reasonableness. We also performed procedures over billed accounts receivable, and assessed the adequacy of the allowance for uncollectible accounts.
Regulatory accounts	We tested significant activity and additions during the year, including recalculating the recognized revenue/expense related to regulatory assets and liabilities. In conjunction with the recording of the impairment loss related to SJRPP decommissioning, management determined that there were certain items included in the regulatory asset balance that were longer going to be recovered through the ratemaking process, primarily those costs deferred related to debt issues that were defeased. As a result, an additional adjustment of $45,099 to regulatory balances was included in the statement of revenues, expenses and changes in net position in the current period, as a special item. JEA has recorded a regulatory asset related to Scherer's deferred debt-related costs, which were the result of differences between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation (see Appendix A).
Derivative instruments and hedging activities	For the interest rate swaps, and fuel hedges entered into this year, we independently corroborated the fair value of swaps with the assistance of our EY valuation professionals. We independently tested the hedge effectiveness of the swaps in accordance with GASB 53. Through our procedures we identified an adjustment affecting the fuel hedge accounting (see Appendix A).
Pollution remediation and obligations	We obtained the schedule of all known and recorded pollution remediation obligations at JEA. Per review of the schedule we compared the obligations to prior year's accounting records to obtain a better understanding of any significant movement in the account. We also inquired of management regarding any changes or development during the twelve months ended September 30, 2018. In order to gain comfort over the completeness of the recorded obligation, we engaged our Climate Change and Sustainability Services group, to compare the recorded sites to public environmental databases such as the Environmental Protection Agency's (EPA). Through our procedures there were no issues identified.

Key audit areas: Areas of emphasis

Area of emphasis	Summary of procedures and findings
Pension plan accounting and reporting	We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e., discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 68.
Investments	We tested the fair values as of the statement of net position date, and confirmed investment accounts. We also performed compliance procedures as required by the provisions of Chapter 10.550, Rules of the Auditor General. Through our procedures there were no issues identified.
Capital assets	We tested the capital asset rollforward, which included specific procedures over CWIP additions, CWIP transfers, additions to capital assets and depreciation expense. Through our procedures there were no issues identified.
Legal reserves	We obtained an in-house legal letter update from the City Council and an external legal letter from Holland & Knight LLP. Per our review of the obtained legal letter there were no significant legal matters requiring accrual or disclosure considerations not already included as part of the financial statements and related footnote disclosures.

Important updates



Executive Summary

Important update: Effect of cyber risk on an audit

Cyber represents an increasingly important business risk

Effect of cyber 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 cyber risk (like other business risks) represents a risk of a material misstatement of the financial statements. If we determine that cyber 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 cyber security

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

- Obtain an understanding, primarily via inquiry, of the entity's processes and controls to manage cyber 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 Board.

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

Board of Directors considerations

Boards of Directors should have an understanding of the business implications of cyber risk on the entity to enable them to evaluate:

- The suitability of the entity's governance structure.
- Whether management treats cyber risk as an enterprise-wide business risk, not only as an IT risk.
- The entity's cyber risk management program.
- Whether the entity's most critical information is protected and the related cyber risks have been prioritized.
- The top three to five threats that are most relevant to the organization and the actions taken to manage these threats as well as actions management considered, but chose not to pursue.
- The standards or framework (e.g., NIST, ISO) the entity uses to structure its response to cyber risk.
- The mechanisms being used to detect, evaluate and respond to incidents and to determine which to elevate to senior leadership.
- The entity's response to known higher risk incidents.
- Whether people with appropriate backgrounds and experience are involved in managing cyber risk.
- Whether employees are appropriately trained and made aware of their role in managing cyber risks.
- The presence of appropriate disclosure controls and procedures to make sure that the appropriate people are informed about cyber incidents on a timely basis and can address any disclosure implications.

Important update: The EY digital audit. Faster. Simpler. Better.

One global platform

Always connected

Continuous performance

Reduced burden

Valued insights

One global audit. One global platform.

Client Portal

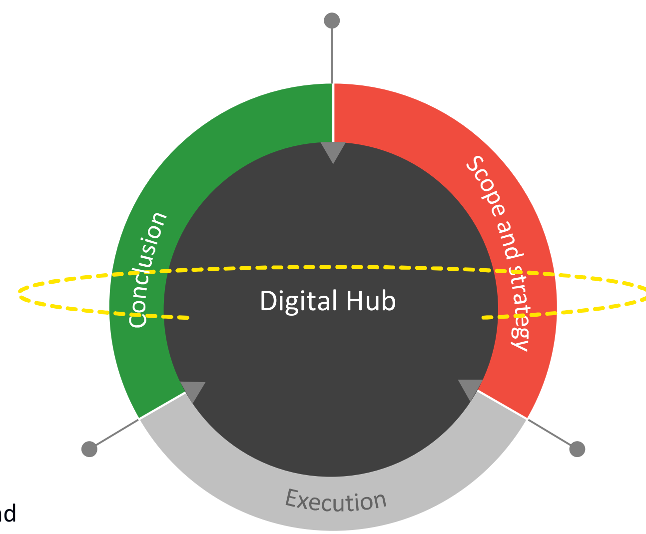
Benefits

Secure and streamlined communications

Improved project management

Mobile status and updates

EY Canvas



Helix Analytics

Benefits

Analytics driven audit programs

Clear identification of risks

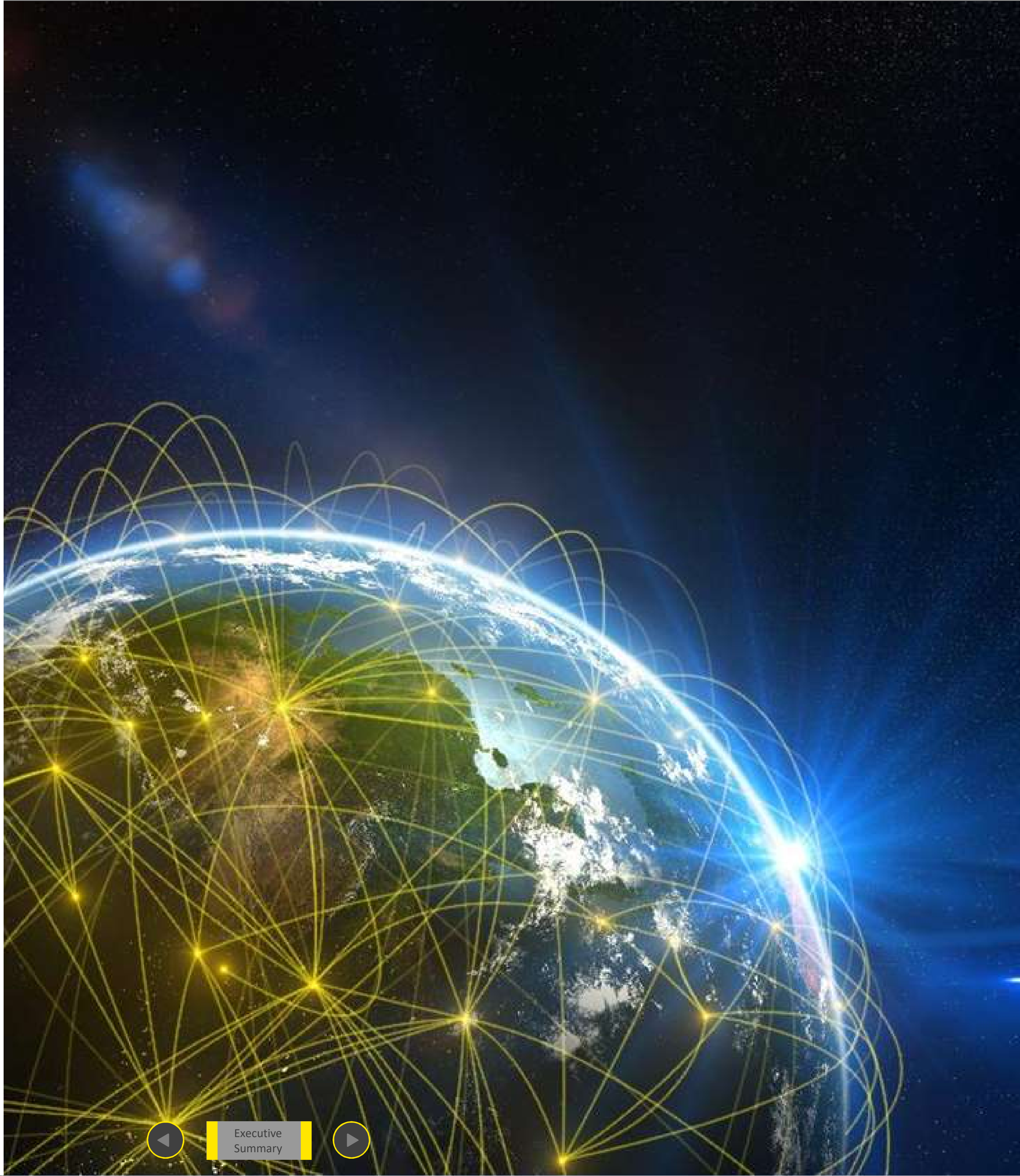
High quality evidence and feedback

Summary of other services provided by EY

The following represents a summary of other services provided to JEA, including the current status or results of the services provided.

Services	Description of services	Status/results of services provided
Assurance		
Advisory services related to emergency and disaster consulting in connection with Hurricane Matthew and Hurricane Irma.	EY provided JEA disaster grant consulting services as a result of Hurricanes Matthew and Irma causing extensive damage across JEA's system. EY's Insurance and Federal Claims services team provides significant experience working on other FEMA and commercial insurance recoveries, including for other public utilities. EY's team includes former FEMA, DHS OIG, and HUD officials who assist in delivering the engagement. EY's tasks include working with JEA on the organization, gathering and tracking of all Hurricane Matthew and Hurricane Irma related supporting documentation.	These services are in various stages of completion.

Required communications



Required communications: Summary

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

Area	Comments
Overview of the planned scope and timing of the audit	Our audit scope is consistent with the plan communicated during the August 2018 meeting.
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing	Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you and is available upon request. Upon completion of our remaining audit procedures, we currently expect to issue an unmodified opinion on JEA's financial statements as of and for the year ended September 30, 2018.
Matters relevant to our evaluation of the entity's ability to continue as a going concern	We did not identify any events or conditions that lead us to believe there was substantial doubt about JEA's ability to continue as a going concern.
Our views about the qualitative aspects of the entity's significant accounting practices, including: • Accounting policies • Additional views	During 2018, management implemented policies related to Postemployment Benefits Other than Pension (OPEB) and Asset Retirement Obligations (ARO) as a result of adopting new accounting standards. We have provided a discussion of significant accounting policies and our views regarding accounting estimates and financial statement disclosures and related matters in the section titled "Significant accounting policies and estimates."

Required communications: Summary

Area	Comments
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial	Refer to Appendix A.
Material corrected misstatements, related to accounts and disclosures	There was one corrected misstatements, related to accounts or disclosures for the 2018 audit. Refer to Appendix A.
Significant deficiencies and material weaknesses in internal control *	No material weaknesses have been identified.
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements	We have reviewed JEA's Required Supplementary Information and found the information presented to be consistent with the information in the audited financial statements.
Fraud and non-compliance with laws and regulations (illegal acts)**	We are not aware of any matters that require communication.
Independence matters	We are not aware of any matters that in our professional judgment would impair our independence.
Representations we are requesting from management	We expect to obtain from management a letter of representations related to the 2018 audit after this meeting.
Changes to the terms of the audit with no reasonable justification for the change	None.
Significant findings and issues arising during the audit relating to related parties	None.

Required communications: Summary

Area	Comments
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management **	None.
Significant difficulties encountered during the audit**	None.
Disagreements with management**	None.
Management's consultations with other accountants**	None of which we are aware.
Findings regarding external confirmations**	None.
AICPA ethics ruling regarding third-party service providers	From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with JEA or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.
Other findings or issues regarding the oversight of the financial reporting process**	There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

All communications are to be made annually unless marked otherwise.

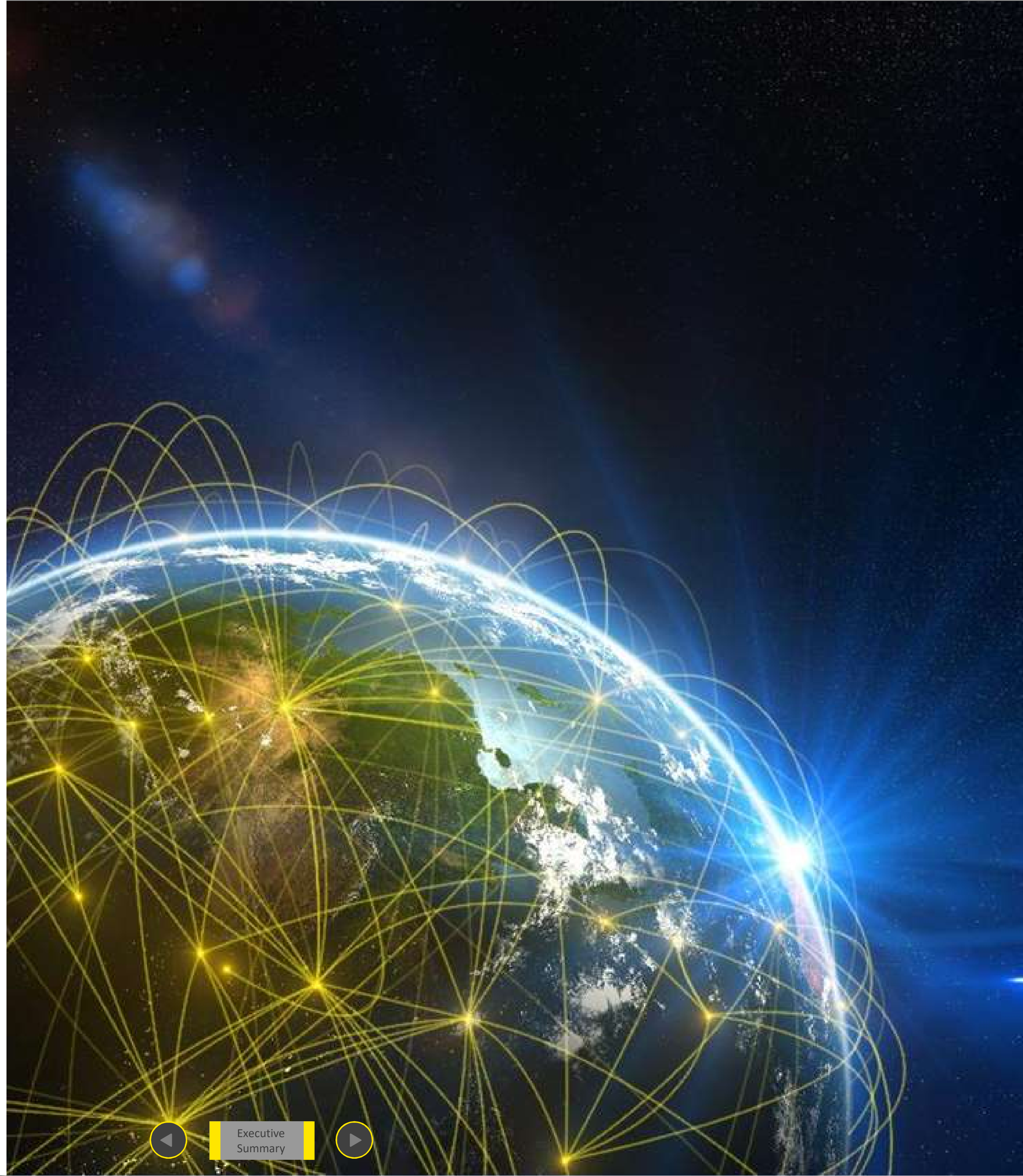
* Communicate when event occurs, at least annually

** Communicate when event occurs

Appendices

Appendix A

Summary of audit differences (SAD)



Summary of audit differences (SAD) - corrected

As discussed on page 1 and 7, below is the schedule of misstatements that we have identified that have been corrected by the Company and the schedule of uncorrected misstatements that was provided to management and will be included on an attachment to the letter of representation.

Corrected misstatements		
Account/description of disclosure	Amount/authoritative guidance reference	Description
• Fuel Hedge Accounting: Acc decrease in FV of hedging derivatives: decrease Acc increase in FV of hedging derivatives: increase Accounts payable: decrease Other assets: increase Other liabilities: decrease	$2,535,720 Reclassification GASB 53, *Accounting and Financial Reporting for Derivative Instruments*	• We identified the accumulated increase in fair values associated with JEA's Natural Gas Commodity Swaps (entered into during FY18) was incorrectly classified as a liability and the related receivable was incorrectly classified as an accumulated decrease.

Summary of audit differences (SAD) - uncorrected

As discussed on page 1 and 7, below is the schedule of misstatements that we have identified that have been corrected by the Company and the schedule of uncorrected misstatements that was provided to management and will be included on an attachment to the letter of representation.

Uncorrected factual misstatements		
Account/description of disclosure	Amount/authoritative guidance reference	Description
• Scherer Costs to Be Recovered from Future Revenues (decrease)	$3,561,652 GASB 62	• The cumulative effect of these previously recognized regulatory assets caused Recognition of deferred costs and revenues on the Statement of Revenues and Expenses and Changes in Net Position to be understated and Costs to be recovered from future revenues to be overstated on the Statement of Position by approximately $3.6 million at September 30, 2017. This was due to recognizing depreciation on assets without related outstanding debt in the CTBR calculation.

Uncorrected judgmental misstatements		
Account/description of disclosure	Amount/authoritative guidance reference	Description
• Overstatement of accrued expenses payable Accrued expenses payable (decrease) Expense / capital assets (decrease)	$4,000,000 GASB 34	• As part of our accrued expenses testing procedures, we noted that certain accruals are recorded based on estimated receipts, and that the amount recorded may differ from amounts owed as of September 30, 2018. We have estimated the overstatement to be approximately $4,000,000.

Appendix B

Data analytics

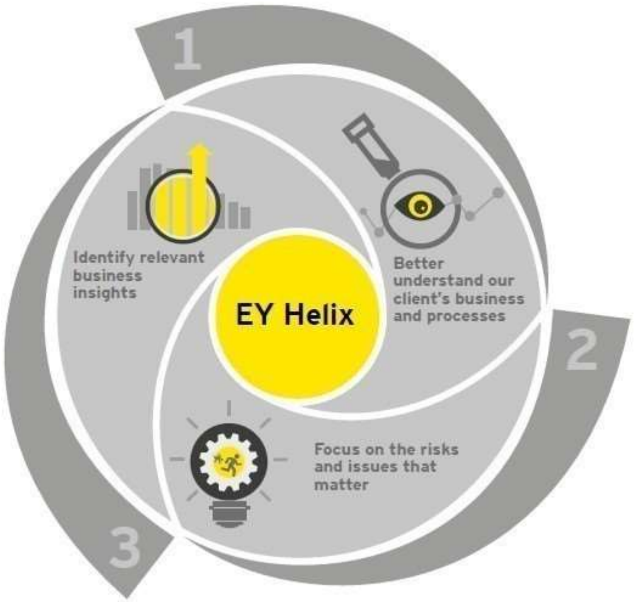
EY’s data analytics audit approach

A data-driven audit

We are continually innovating the audit so that it better meets the evolving needs of business, regulators and investors.

EY Helix, our global suite of data analytics, is part of our technology advancement and is an integral element of our audits across the globe. By utilizing the latest technological developments and embracing digital innovation through analytics and other tools, we are changing the profile of our audits.

Through obtaining and examining larger populations of data, we can uncover patterns. We use this information to perform better audits, explore anomalies and identify trends before they become major issues.



A data-driven audit at EY is not about tools looking for issues.

It’s about our auditors considering what the analyzed data means and assessing its implication to the audit.

Better understand your business	Focus on the risks and issues that matter	Identify relevant business insights
Clearer picture Analyzing larger populations of audit-relevant data to get a more complete picture of how entries are recorded **Better questions** Enabling our teams to ask better and more informed questions	**Focused approach** Identifying trends and anomalies in your processes and controls help direct our investigative efforts **Professional judgment** Using more precise and disaggregated analytics in routine areas allows our team to focus on judgmental and other higher-risk areas	**Helpful insights** Providing relevant feedback and insights during the audit, so you can optimize your business processes and controls

Digital audit results

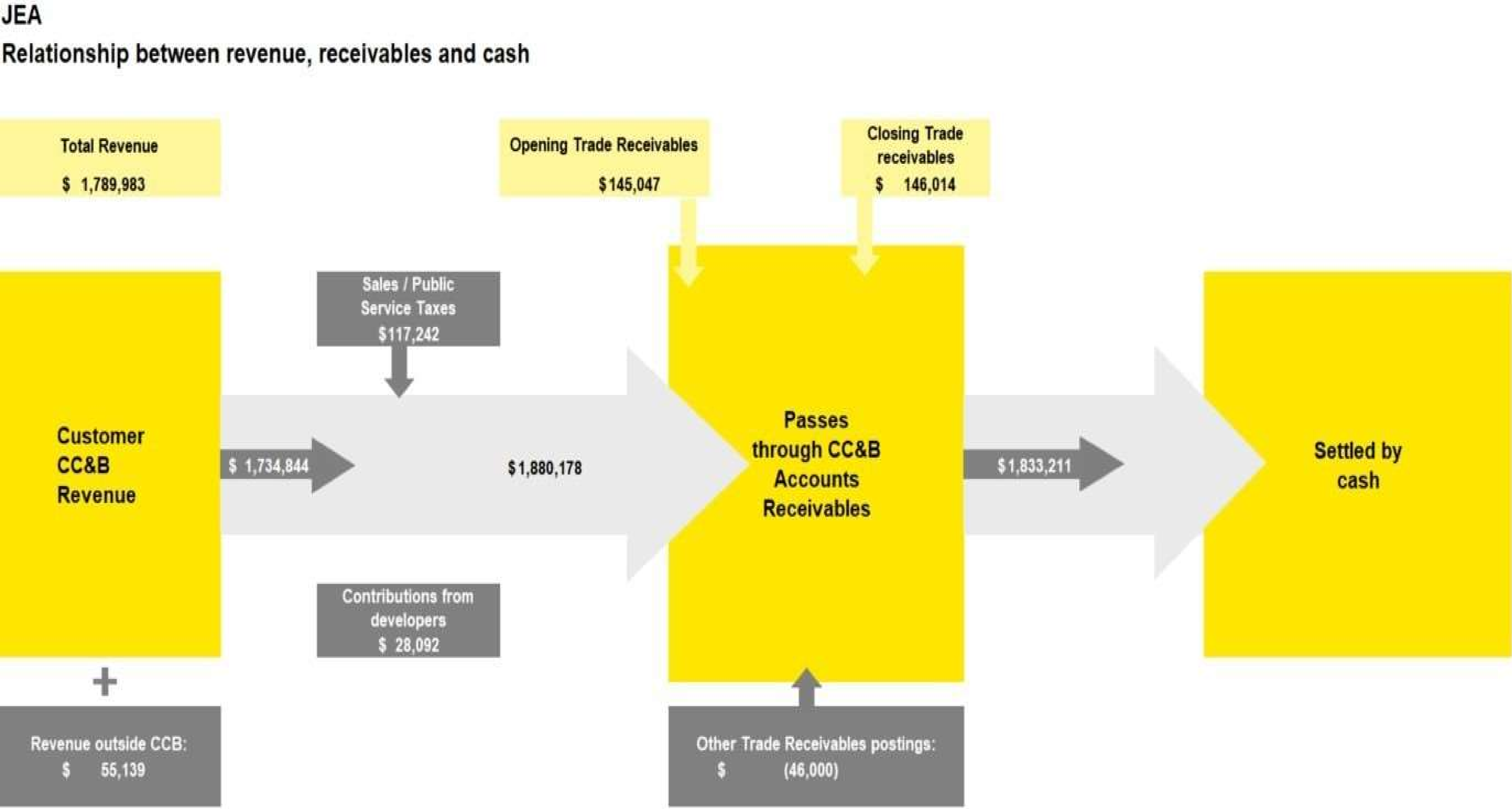
We have used the digital audit solutions below in the current year to streamline the process of client deliverables throughout the audit and to perform data analytic procedures in order to better identify and respond to areas of risk.

Digital solution	Impact to the audit
EY Canvas Client Portal	• Spent less time meeting with Audit Contacts to discuss outstanding requests • Shared audit team access to documentation to ensure status of requests is shared • Segregated access of the Payroll department so other members of the Finance team could not access payroll documents to maintain sufficient security in relation to confidential information
General Ledger Analyzer ^{SQL}	• Corroborated our understanding of the business obtained through inquiry with risk assessment procedures performed using the General Ledger Analyzer ^{SQL} • Executed journal entry testing throughout the audit using a more focused approach to reduce audit burden at year end • Executed the Revenue and trade receivables audit program which resulted in a reduction of traditional tests of details by 85% through the analysis of: — The relationship between revenue, accounts receivable and cash and investigating activity that did not correlate — Revenue activity, by day of week and date, to identify unusual patterns in credit, debit or net activity — Revenue transactions at or near period end using the "Cutoff analysis" to verify revenue was recorded in the correct period — Gross margin using precise expectations and data disaggregated by month and by BU
Trade Receivables Analyzer	• Identified key items that pose the greatest risk of material misstatement by analyzing: — How receivables are settled during the period and subsequent to year end compared to expectations of open, cleared and long-outstanding items — Aging of open items as compared to prior periods — Aged unpaid amounts as a proportion of revenue, disaggregated by month

Data-driven insights: Revenue correlation analysis

As we performed our planned audit procedures using our Helix tools and techniques we made the following observations about your business processes or strategic opportunities. These do not represent findings, misstatements or an opinion on internal control but have been communicated to management.

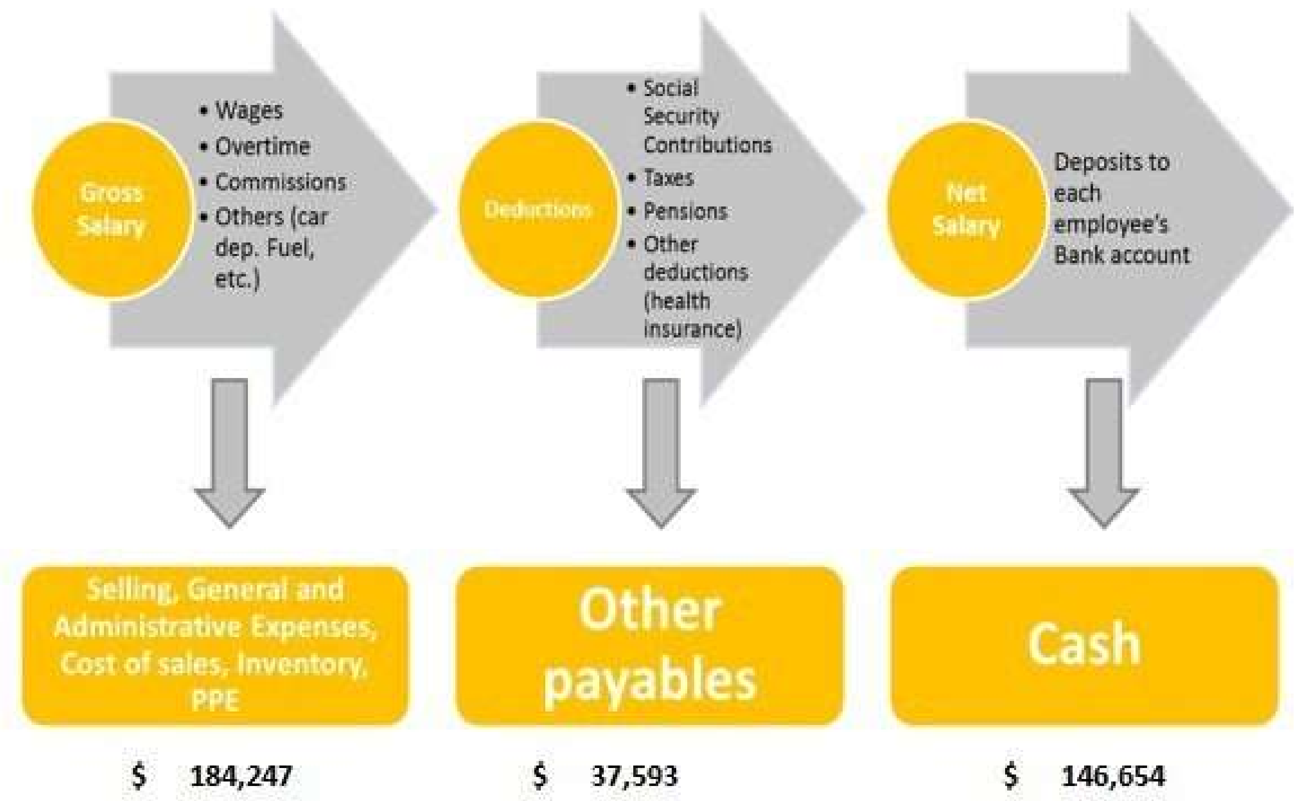
Amounts shown are in thousands.



Digital audit results

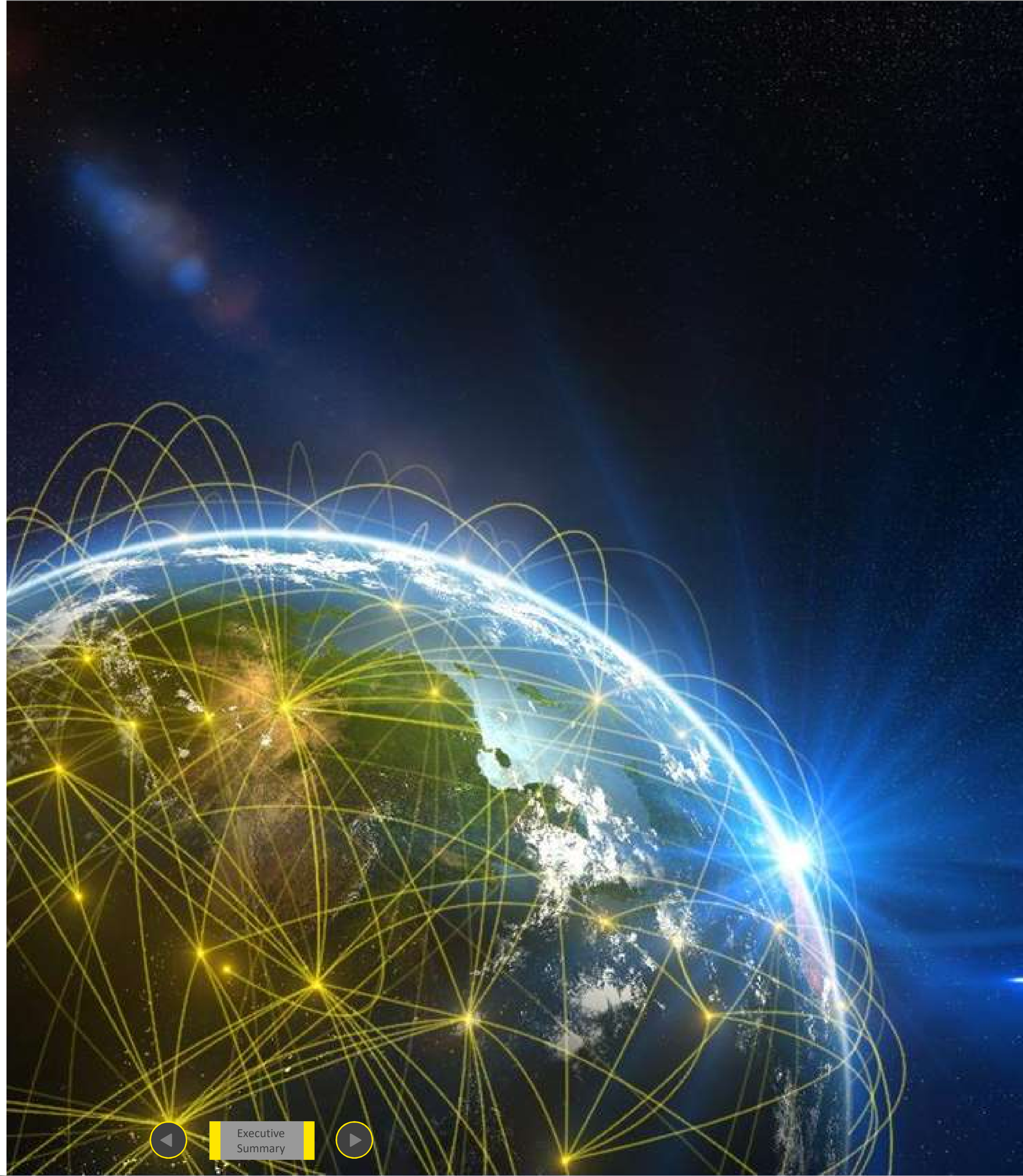
Payroll GL Analyzer

Amounts shown are in thousands.



Appendix C

Thought leadership



Thought leadership

2017 year-end issues for audit committees

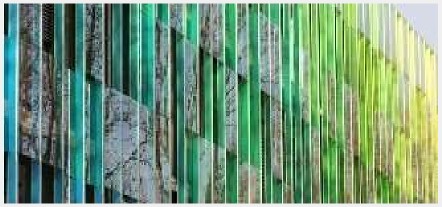
We provide information, references and questions for audit committees to consider as they prepare for discussions with management and external auditors.

November 2017

Spotlight on cybersecurity disclosures

The SEC Chairman has signaled that the agency will increase its scrutiny of companies' disclosures about cyber incidents and their cybersecurity programs. Read our overview.

November 2017



Next-generation enterprise risk management

By applying an ERM approach that protects the company and enhances its ability to grow, boards can better recognize which risks differentially impact business outcomes.

November 2017

The board's role in corporate culture

EY explains why culture is a critical element for high-performing boards to oversee and, if necessary, take action to address.

September 2017

Additional audit committee thought leadership available on ey.com/boardmatters

EY | Assurance | Tax | Transactions | Advisory

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

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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.

1811-2966212

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2018 and 2017
With Report of Independent Auditors

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2018 and 2017

Contents

Building a better
working world

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Report of Independent Auditors

The Board of Directors
JEA
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of JEA, a component unit of the City of Jacksonville, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of JEA as of September 30, 2018 and 2017, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions and GASB Statement No. 83, Certain Asset Retirement Obligations

As discussed in Footnote 1 to the financial statements, JEA changed its method of accounting for postemployment benefits other than pensions and certain asset retirement obligations as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* effective October 2016, and GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective October 1, 2017, respectively. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 3, 2018 on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of JEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEA's internal control over financial reporting and compliance.

December 3, 2018

Management's Discussion and Analysis

Introduction

JEA is a municipal utility operating in Jacksonville, Florida (Duval County) and parts of three adjacent counties. The operation is composed of three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). The Electric Enterprise Fund, Water and Sewer Fund, and DES are presented on a combined basis in the accompanying statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows.

Overview of the Combined Financial Statements

This discussion and analysis serves as an introduction to JEA's basic financial statements. The information presented here should be read in conjunction with the financial statements and accompanying notes.

The basic financial statements are presented on a comparative basis for the fiscal years ended September 30, 2018 and 2017. The statements of net position present JEA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Revenue and expense information is presented in the accompanying statements of revenues, expenses, and changes in net position. The accompanying statements of cash flows present JEA's sources and uses of cash and cash equivalents and are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

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

The following tables summarize the financial condition and operations of JEA for the 2018 and 2017 fiscal years:

Condensed Statements of Net Position

	2018	2017*	2016
		(In millions)	
Assets and deferred outflows of resources			
Current assets	**$ 874**	$ 902	$ 917
Other noncurrent assets	**1,677**	1,624	1,552
Net capital assets	**5,380**	5,814	5,875
Deferred outflows of resources	**435**	438	462
Total assets and deferred outflows of resources	**$ 8,366**	$ 8,778	$ 8,806
Liabilities and deferred inflows of resources			
Current liabilities	**$ 207**	$ 189	$ 168
Current liabilities payable from restricted assets	**367**	449	389
Net pension liability	**544**	554	493
Other noncurrent liabilities	**91**	90	47
Long-term debt	**4,053**	4,410	4,791
Deferred inflows of resources	**348**	457	541
Net position			
Net investment in capital assets	**1,857**	1,622	1,420
Restricted	**542**	614	612
Unrestricted	**357**	393	345
Total liabilities, deferred inflows of resources, and net position	**$ 8,366**	$ 8,778	$ 8,806

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

	2018	2017*	2016
		(In millions)	
Operating revenues	**$ 1,790**	$ 1,875	$ 1,782
Operating expenses	**(1,399)**	(1,380)	(1,319)
Operating income	**391**	495	463
Nonoperating expenses, net	**(131)**	(149)	(146)
Contributions	**(89)**	(91)	(107)
Special Item	**(45)**	–	–
Change in net position	**126**	255	210
Net position – beginning of the year	**2,629**	2,377	2,167
Effect of adoption of GASB Statement No. 75	**–**	(3)	–
Net position – beginning of the year, restated	**2,629**	2,374	2,167
Net position – end of the year	**$ 2,755**	$ 2,629	$ 2,377

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

Financial Analysis of JEA for fiscal years 2018 and 2017

Operating Revenues

2018 Compared to 2017

Electric Enterprise

Total operating revenues decreased approximately $62 million (4.4%) compared to fiscal year 2017. Electric revenues decreased $114 million and other operating revenues increased by $52 million. The $114 million decrease in electric revenues was due to a $97 million decrease in sales to FPL as a result of the shutdown of SJRPP in January 2018, and a $40 million decrease in transfers from stabilization funds. See note 2, Regulatory Deferrals, for additional information. The decrease was partially offset by $23 million increase in territorial sales. Territorial MWh sales were up 314,205 megawatt hours (MWh) (2.6%), resulting in a 1.0% increase in average MWhs per customer, driven by a 13.9% increase in degree days. SJRPP Sales to FPL decreased by 1,360,616 MWh and off-system sales decreased by 115,206 MWh, which brought the change to a net decrease in MWh sales of 1,161,617 MWh (8.4%). The increase in other operating revenues was driven by the FPL shutdown payment. See note 3, St. Johns River Power Park Decommissioning, for further details.

Water and Sewer

Total operating revenues decreased approximately $22 million (4.9%) compared to fiscal year 2017. Water revenues decreased $10 million (5.5%) due to a 2.8% decrease in consumption, which was partially offset by a 2.1% increase in customer accounts. Water consumption decreased 1,058,629 kgals to 36,186,559 kgals. Sewer revenues decreased approximately $4 million (1.6%) primarily related to a 1.4% decrease in sales, which was partially offset by a 2.5% increase in sewer accounts. Sewer sales decreased 372,148 kgals to 26,340,622 kgals. The water and sewer revenue decreases were driven by a 22.4% increase in rain days. Reuse revenues increased approximately $1 million (3.4%), primarily related to a 22.4% increase in reuse accounts, which was partially offset by a 5.2% decrease in sales. Reuse sales decreased 170,572 kgals to 3,119,739 kgals. Water and sewer revenues were impacted by an $11 million net decrease in transfers from stabilization funds. See note 2, Regulatory Deferrals, for additional information. Other operating revenues increased by $2 million due to additional waste disposal revenues.

District Energy System

Operating revenues remained flat when compared to fiscal year 2017 at $9 million.

2017 Compared to 2016

Electric Enterprise

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

Water and Sewer

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

District Energy System

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

Operating Expenses

2018 Compared to 2017

Electric Enterprise

Total operating expenses increased approximately $14 million (1.3%), compared to fiscal year 2017.

Fuel and purchased power expense decreased approximately $6 million (1.1%), compared to fiscal year 2017. Costs decreased by $19 million while MWh generated and purchased increased by $13 million. As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. In addition, the shutdown of the SJRPP power plant has decreased power production sourced by coal significantly. Total MWh power volumes increased 1.6% compared to fiscal year 2017 to 12,874,102 MWh, with an increase of 41.6% for MWh purchased and a decrease of 4.5% for MWh generated. Detailed below is JEA's power supply mix.

	FY 2018	FY 2017
Natural gas	**48%**	39%
Coal	**22%**	43%
Purchases	**18%**	12%
Petroleum coke	**12%**	6%
Total	**100%**	100%

Operating expenses, other than fuel and purchased power, increased approximately $20 million, compared to fiscal year 2017.

Maintenance and other operating expenses increased $30 million. The drivers for the increase were a $19 million increase in Scherer capital improvements and operating costs, $14 million in SJRPP renewal and replacement expenses, and $5 million increase in maintenance costs. These increases were offset by an $8 million reduction in SJRPP operating expenses due to the plant shutdown.

Depreciation expense decreased $28 million due to a decrease in the depreciable base, driven by the impairment of the SJRPP capital assets due to the shutdown of the SJRPP plant. State utility and franchise taxes increased $2 million due to higher electric revenue taxable sales. Recognition of deferred costs and revenues, net increased $16 million as a result of higher deferred cost amortization, primarily related to the reduced depreciation for SJRPP capital assets subsequent to the impairment. See note 3, St. Johns River Power Park Decommissioning, for additional details.

Water and Sewer

Operating expenses increased $5 million (1.7%), compared to fiscal year 2017. Maintenance and other expenses increased $8 million due to a $5 million increase in professional services, industrial services, and compensation and a $3 million increase in interfund charges. Depreciation expense increased $2 million due to an increase in the depreciable base. Recognition of deferred costs and revenues, net decreased $5 million due to a decrease in environmental projects paid from the rate stabilization fund.

District Energy System

Operating expenses remained flat when compared to fiscal year 2017 at $7 million.

2017 Compared to 2016

Electric Enterprise

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

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

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

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

Water and Sewer

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

District Energy System

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

Nonoperating Revenues and Expenses

2018 Compared to 2017

There was a decrease of approximately $18 million (12.1%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

	FY 2018 *(in millions)*
Changes in nonoperating expenses, net	
Decrease in interest on debt	$ 16
Investment gains – fair value adjustments	4
Decrease in investment income	(3)
Decrease in The Energy Authority earnings	(2)
Gain on sale of assets	2
Decrease in other nonoperating expenses - timber	2
Increase in other interest expense	(1)
Total change in nonoperating expenses, net	$ 18

2017 Compared to 2016

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

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

Capital Assets and Debt Administration for Fiscal Years 2018 and 2017

Capital Assets

As of September 30, 2018, JEA had approximately $5,380 million in capital assets, net of accumulated depreciation. This included $2,662 million in electric plant, $2,683 million in water and sewer plant, and $35 million in chilled water plant. During fiscal year 2018, capital additions were $387 million, which included $183 million in electric plant, $203 million in water and sewer plant, and $1 million in chilled water plant. Also during fiscal year 2018, a $451 million write down was recorded to the Electric Enterprise capital accounts due to the shutdown of the SJRPP power plant. More detailed information is presented in note 3, St. Johns River Power Park Decommissioning, to the financial statements. As of September 30, 2017, JEA had approximately $5,814 million in capital assets, net of accumulated depreciation. This included $3,162 million in electric plant, $2,616 million in water and sewer plant, and $36 million in chilled water plant. During fiscal year 2017, capital additions were $327 million, which included $145 million in electric plant, $180 million in water and sewer plant, and $2 million in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 6, Capital Assets, to the financial statements.

With the adoption of the depreciation ratemaking policy in 2014, the depreciation of contributed assets are not included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2018, $2 million of contributed capital related to the Electric System and $52 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2017, $1 million of contributed capital related to the Electric System and $41 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for improvements to existing generating facilities that are determined to be necessary as a result of JEA's annual resource planning process; (b) the Electric Enterprise Fund's capital requirements for transmission and distribution facilities and other capital items; and (c) the Water and Sewer Fund capital requirements that are determined to be necessary as a result of the annual resource planning process. The cost of the capital improvement program is planned to be provided from revenues generated from operations and existing construction fund balances.

Scherer is subject to a joint ownership agreement. JEA's share of the estimated capital expenditures relating to this plant is $10 million and is included in the Electric Enterprise Fund amount above.

Debt Administration

Debt outstanding at September 30, 2018, was $3,999 million, a decrease of approximately $402 million from the prior fiscal year. This decrease was due to defeasance of principal of $994 million and regular principal payments of $229 million, being partially offset by new debt issued of $821 million.

Debt outstanding at September 30, 2017, was $4,401 million, a decrease of approximately $251 million from the prior fiscal year. This decrease was due to regular principal payments of $182 million and defeasance of principal of $159 million, being partially offset by new debt issued of $90 million.

JEA's debt ratings on its long-term debt per Fitch and Moody's Investors Service remained unchanged from fiscal year 2017. On September 28, 2018, Standard & Poor's downgraded its long-term ratings on the Electric System senior, SJRPP, and Scherer bonds from AA- to A+ and the Electric System subordinated bonds from A+ to A. All ratings as of September 2018 and 2017 are as follows:

	2018					2017				
	Electric System	Water and Sewer System	SJRPP	Scherer	District Energy System	Electric System	Water and Sewer System	SJRPP	Scherer	District Energy System
Senior debt:										
Moody's Investors Service	**Aa2**	**Aa2**	**Aa2**	**Aa2**	**Aa3**	Aa2	Aa2	Aa2	Aa2	Aa3
Standard & Poor's	**A+**	**AAA**	**A+**	**A+**	**AA+**	AA-	AAA	AA-	AA-	AA+
Fitch	**AA**	**AA**	**AA**	**AA**	**AA**	AA	AA	AA	AA	AA
Subordinated debt:										
Moody's Investors Service	**Aa3**	**Aa2**	*	*	*	Aa3	Aa2	*	*	*
Standard & Poor's	**A**	**AA+**	*	*	*	A+	AA+	*	*	*
Fitch	**AA**	**AA**	*	*	*	AA	AA	*	*	*

* There are no subordinated bonds related to this system.

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

Setting of Rates

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval.

In October 2017, the Board approved a new rate rider called SolarMax for customers purchasing a minimum of 7,000,000 kWh of annual solar purchase power, effective November 1, 2017. The Board also approved a wastewater rate for Leachate waste disposed at a JEA sewage treatment plant at a charge of $5.16 per 100 gallons.

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its August 2018 meeting, an extension of the Economic Stimulus Rider from September 30, 2018 to September 30, 2021 that provides a financial incentive for new commercial or industrial customers to locate within the JEA service area.

Bond Ratings

Moody's Investors Services lowered certain JEA bond ratings subsequent to the end of fiscal year 2018. As a result of the ratings change, commitment fees related to Electric System variable rate demand obligations and the interest rate related to the variable rate direct purchased bonds changed. For further details, see note 18, Subsequent Events.

Requests for Information

The financial report is designed to provide a general overview of JEA's finances for all those with an interest in JEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

Audited Financial Statements

JEA

Statements of Net Position

(In Thousands)

	September	
	2018	**2017***
Assets		
Current assets:		
Cash and cash equivalents	**$ 441,206**	$ 489,559
Investments	**85,310**	25,122
Accounts and interest receivable, net of allowance ($1,830 for 2018 and $2,101 for 2017)	**251,148**	245,444
Inventories:		
Fuel	**36,871**	72,772
Materials and supplies	**59,204**	69,721
Total current assets	**873,739**	902,618
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**114,576**	124,475
Investments	**731,627**	936,708
Accounts and interest receivable	**62**	984
Total restricted assets	**846,265**	1,062,167
Costs to be recovered from future revenues	**808,096**	541,021
Investment in The Energy Authority	**6,811**	6,283
Other assets	**15,875**	14,511
Total noncurrent assets	**1,677,047**	1,623,982
Net capital assets	**5,380,259**	5,813,799
Total assets	**7,931,045**	8,340,399
Deferred outflows of resources		
Unrealized pension contributions and losses	**171,367**	173,578
Unamortized deferred losses on refundings	**143,722**	133,356
Accumulated decrease in fair value of hedging derivatives	**86,356**	125,269
Unrealized asset retirement obligation	**29,173**	–
Unrealized OPEB contributions and losses	**4,078**	5,240
Total deferred outflows of resources	**434,696**	437,443
Total assets and deferred outflows of resources	**$ 8,365,741**	$ 8,777,842

See accompanying notes to financial statements.

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

JEA

Statements of Net Position (continued)

(In Thousands)

	September	
	2018	**2017***
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	**$ 147,361**	$ 131,892
Customer deposits	**59,883**	57,278
Total current liabilities	**207,244**	189,170
Current liabilities payable from restricted assets:		
Debt due within one year	**185,790**	229,095
Renewal and replacement reserve	**54,370**	82,577
Interest payable	**73,737**	82,221
Construction contracts and accounts payable	**53,369**	54,961
Total current liabilities payable from restricted assets	**367,266**	448,854
Noncurrent liabilities:		
Net pension liability	**544,203**	554,337
Asset retirement obligation	**22,526**	–
Net OPEB liability	**18,835**	39,508
Other liabilities	**49,227**	50,022
Total other noncurrent liabilities	**634,791**	643,867
Long-term debt:		
Debt payable, less current portion	**3,813,680**	4,172,160
Unamortized premium, net	**152,891**	112,475
Fair value of debt management strategy instruments	**86,356**	125,269
Total long-term debt	**4,052,927**	4,409,904
Total liabilities	**5,262,228**	5,691,795
Deferred inflows of resources		
Revenues to be used for future costs	**286,832**	444,606
Unrealized pension gains	**50,124**	11,960
Unrealized OPEB gains	**8,712**	659
Accumulated increase in fair value of hedging derivatives	**2,536**	–
Total deferred inflows of resources	**348,204**	457,225
Net position		
Net investment in capital assets	**1,856,725**	1,622,160
Restricted for:		
Debt service	**187,374**	234,268
Other purposes	**354,663**	379,186
Unrestricted	**356,547**	393,208
Total net position	**2,755,309**	2,628,822
Total liabilities, deferred inflows of resources, and net position	**$ 8,365,741**	$ 8,777,842

See accompanying notes to financial statements.

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

JEA

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

	September	
	2018	**2017***
Operating revenues		
Electric	**$ 1,267,202**	$ 1,382,206
Water and sewer	**423,480**	448,057
District energy system	**8,348**	8,185
Other	**90,952**	36,729
Total operating revenues	**1,789,982**	1,875,177
Operating expenses		
Operations and maintenance:		
Fuel	**421,052**	458,794
Purchased power	**109,194**	77,456
Maintenance and other operating expenses	**429,989**	392,142
Depreciation	**360,609**	386,699
State utility and franchise taxes	**71,307**	69,683
Recognition of deferred costs and revenues, net	**6,856**	(4,075)
Total operating expenses	**1,399,007**	1,380,699
Operating income	**390,975**	494,478
Nonoperating revenues (expenses)		
Interest on debt	**(166,508)**	(182,992)
Investment income	**11,826**	10,576
Allowance for funds used during construction	**11,764**	11,774
Other nonoperating income, net	**9,857**	5,918
Earnings from The Energy Authority	**4,074**	6,335
Other interest, net	**(1,825)**	(451)
Total nonoperating expenses, net	**(130,812)**	(148,840)
Income before contributions	**260,163**	345,638
Contributions (to) from		
General Fund, City of Jacksonville, Florida	**(116,620)**	(115,823)
Developers and other	**82,157**	66,875
Reduction of plant cost through contributions	**(54,114)**	(42,069)
Total contributions, net	**(88,577)**	(91,017)
Special items	**(45,099)**	-
Change in net position	**126,487**	254,621
Net position, beginning of year	**2,628,822**	2,376,925
Effect of adoption of GASB Statement No. 75	**-**	(2,724)
Net position, beginning of year, as restated	**2,628,822**	2,374,201
Net position, end of year	**$ 2,755,309**	$ 2,628,822

See accompanying notes to financial statements.

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

JEA

Statements of Cash Flows
(In Thousands)

	September 2018	September 2017
Operating activities		
Receipts from customers	$ 1,740,598	$ 1,758,515
Payments to suppliers	(790,962)	(738,231)
Payments to employees	(267,569)	(249,193)
Other operating activities	93,902	4,541
Net cash provided by operating activities	775,969	775,632
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(116,569)	(115,694)
Net cash used in noncapital and related financing activities	(116,569)	(115,694)
Capital and related financing activities		
Defeasance of debt	(993,690)	(159,345)
Proceeds from issuance of debt	821,000	90,405
Acquisition and construction of capital assets	(384,577)	(308,133)
Repayment of debt principal	(229,095)	(181,525)
Interest paid on debt	(182,849)	(193,483)
Capital contributions	28,043	24,805
Other capital financing activities	63,197	2,528
Net cash used in capital and related financing activities	(877,971)	(724,748)
Investing activities		
Purchase of investments	(1,037,966)	(1,803,447)
Proceeds from sale and maturity of investments	1,179,471	1,861,596
Investment income	15,301	17,593
Distributions from The Energy Authority	3,513	6,182
Net cash provided by investing activities	160,319	81,924
Net change in cash and cash equivalents	(58,252)	17,114
Cash and cash equivalents at beginning of year	614,034	596,920
Cash and cash equivalents at end of year	$ 555,782	$ 614,034
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 390,975	$ 494,478
Adjustments:		
Depreciation and amortization	361,889	388,040
Recognition of deferred costs and revenues, net	6,856	(4,075)
Other nonoperating income, net	1,073	(1,072)
Changes in noncash assets and noncash liabilities:		
Accounts receivable	26,486	(14,185)
Accounts receivable, restricted	16	32
Inventories	46,419	(24,692)
Other assets	6,421	(27,625)
Accounts and accrued expenses payable	979	23,262
Current liabilities payable from restricted assets	(49,998)	4,409
Other noncurrent liabilities and deferred inflows	(15,147)	(62,940)
Net cash provided by operating activities	$ 775,969	$ 775,632
Noncash activity		
Contribution of capital assets from developers	$ 54,114	$ 42,069
Unrealized losses on fair value of investments, net	$ (3,386)	$ (7,710)

See accompanying notes to financial statements.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA is currently organized into three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the Electric System; the Bulk Power Supply System (Scherer), which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company (Georgia Power) and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which is jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of water and sewer system activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in Scherer and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership interests in respective plants as of September 30, 2018 and 2017:

	2018	2017
Bulk Power Supply System:		
Inventories	**$ 7,463**	$ 7,042
Costs to be recovered from future revenues	**6,155**	11,686
Capital assets, net	**135,595**	143,981
Debt due within one year	**5,710**	5,205
Long-term debt	**94,602**	100,465
Revenues to be used for future costs	**37,560**	41,438
SJRPP:		
Inventories	**1,680**	53,977
Other current assets	**68,672**	63,040
Capital assets, net	**10,144**	474,437
Restricted assets	**97,490**	272,823
Costs to be recovered from future revenues	**261,277**	4,042
Long-term debt	**281,359**	420,060
Other liabilities	**110,152**	184,464

The Electric Enterprise Fund, Water and Sewer Fund, and the DES are governed by the JEA Board of Directors (Board). The Board is responsible for setting rates based on operating and maintenance expenses and depreciation of the respective operations. The operations of the Bulk Power Supply System and SJRPP are subject to joint ownership agreements, and rates are established on a cost-of-service basis, including operating and maintenance expenses and debt service. See note 1(s), Setting of rates.

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

(b) Basis of Accounting

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

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.
- Restricted consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

(c) Revenues

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

(Dollars in Thousands)

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

Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to stabilization funds. Discounts and allowances totaled $32,441 in fiscal year 2018 and $31,664 in 2017. JEA withdrew the net amount of $15,813 in fiscal year 2018 and $65,791 in 2017 from stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 7.1% of its electric revenue from electricity sold to FPL in fiscal year 2018 and 9.2% in 2017. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $82,576 in 2018 and $73,244 in 2017.

(d) Capital Assets

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

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

(e) Allowance for Funds Used During Construction

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

Average AFUDC Rate (%)	**2018**	**2017**
Electric Enterprise Fund	**4.3%**	4.2%
Water and Sewer Fund	**4.3%**	4.2%
District Energy System	**3.7%**	3.6%

The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was $166,508 for fiscal year 2018 and $182,992 for 2017, of which $11,764 was capitalized in fiscal year 2018 and $11,774 in 2017. There was no investment income on bond proceeds in either year that reduced the amount of interest expense.

(Dollars in Thousands)

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

(f) Depreciation

Depreciation of capital assets is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. Depreciation begins on the date the assets are placed in service. Generally, recurring renewal and replacement capital additions are placed in service at the end of each fiscal year. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.2% and 3.5% for fiscal years 2018 and 2017, respectively. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

Average Depreciable Life *(Years)*	**2018**	**2017**
Electric Enterprise Fund	**23.9**	24.1
Water and Sewer Fund	**27.6**	27.7
District Energy System	**23.7**	24.0

(g) Amortization

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

(h) Losses on Refundings

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as deferred outflows of resources on the accompanying statements of net position. Whereas JEA has incurred accounting losses on refundings, calculated as the difference between the net carrying value of the refunded and the refunding bonds, JEA has over time realized economic gains calculated as the present value difference in the future debt service on the refunded and refunding bonds.

(i) Investments

Investments are presented at fair value or cost, which is further explained in note 14, *Fair Value Measurements*. Realized and unrealized gains and losses for all investments are included in investment income on the statements of revenues, expenses, and changes in net position. The investment in The Energy Authority (TEA) is recorded on the equity method (see note 7, Investment in The Energy Authority, for additional information).

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

(j) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

(k) Interest Rate Swap Agreements

JEA's risk management policies allow for the use of interest rate swaps to manage financial exposures, but prohibit the use of these instruments for speculative or trading purposes. JEA utilizes interest rate swaps to manage the interest rate risk associated with various assets and liabilities. Interest rate swaps are used in the area of debt management to take advantage of favorable market interest rates. Interest rate swaps are authorized under the policy to be used in the area of investment management to increase the yield on revolving short-term investments.

JEA applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, where applicable for effective hedging instruments. For effective hedging instruments, the changes in fair value are recorded on the statements of net position as deferred outflows and inflows of resources. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the statements of revenues, expenses, and changes in net position as an adjustment to investment income.

Under JEA's interest rate swap programs, JEA either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specified period of time (unless earlier terminated) or JEA pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded as either an adjustment to investment income (asset management) or interest on debt (debt management) in the statements of revenues, expenses, and changes in net position. No money is initially exchanged when JEA enters into a new interest rate swap transaction.

During fiscal years 2018 and 2017, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section in note 8, Long-Term Debt, for more information on JEA's debt management interest rate swap program.

(l) Inventory

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet generation requirements. Inventories are valued at average cost, with obsolete items being expensed when identified.

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

(m) Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred outflow of resources or a deferred inflow of resources until such time that the transactions end. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position.

(n) Capital Contributions

Capital contributions represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statement of revenues, expenses, and changes in net position at the time of receipt. Assets received are recorded as contributions from developers and others at acquisition cost. Corresponding expenses of $54,114 and $42,069 were recorded in fiscal years 2018 and 2017 to recognize the costs of the assets since it will not be included in revenue requirements charged to customers in the future.

(o) Pension

For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and fiduciary net position; JEA's portion of the City of Jacksonville General Employees' Retirement Plan (GERP) and St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) have been determined on the same basis as reported in the GERP and SJRPP Plan financial statements. Employer contributions made subsequent to the measurement date and before the fiscal year end are recorded as a deferred outflow of resources.

Basis of Accounting – The pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contribution, benefit payments and refunds are recognized when due and payable in accordance with the terms of the plans. Florida law and the Florida Division of Retirement require plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll or in dollars. The Florida Division of Retirement reviews and approves the GERP actuarial report to ensure compliance with actuarial standards. The SJRPP Plan is governed by a five-member Pension Committee to ensure compliance with actuarial standards.

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

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

(p) Compensated Absences

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

Upon termination from employment, employees are paid for their unused leave balances. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB No. 16), the amount reflected as the current portion is estimated based upon historical trends of retirements and attrition.

This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB No. 16.

Compensated absences liabilities are accrued when incurred in the financial statements in conformity with generally accepted accounting principles (GAAP). The compensated absences liability is determined based on current rates of pay.

The compensated absence liability as of September 30, 2018, was $30,854. Of this amount, $1,423 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $29,431 was included in other liabilities on the accompanying statements of net position. During fiscal year 2018, annual leave earned totaled $21,983 and annual leave taken totaled $22,788. The compensated absence liability as of September 30, 2017, was $31,798. Of this amount, $3,527 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $28,271 was included in other liabilities on the accompanying statements of net position. During fiscal year 2017, annual leave earned totaled $21,856 and annual leave taken totaled $19,757.

(q) Pollution Remediation Obligations

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

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

(r) Asset Retirement Obligations

JEA applies GASB Statement No. 83, *Certain Asset Retirement Obligations*. See note 3, St. Johns River Power Park Decommissioning, for further discussion.

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

JEA records certain assets and liabilities (or deferred inflows) that result from the effects of the ratemaking process that would not be recorded under GAAP for nonregulated entities. Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to its customers. If cost-based regulation were to be discontinued in the electric industry for any reason, market prices for electricity could be reduced or increased and utilities might be required to reduce their statements of net position amounts to reflect market conditions.

Discontinuance of cost-based regulation could also require affected utilities to write off their associated regulatory assets and liabilities. Management cannot predict the potential impact, if any, of the change in the regulatory environment on JEA's future financial position and results of operations.

(t) Setting of Rates

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval.

In October 2017, the Board approved a new rate rider called SolarMax for customers purchasing a minimum of 7,000,000 kWh of annual solar purchase power, effective November 1, 2017. The Board also approved a wastewater rate for Leachate waste disposed at a JEA sewage treatment plant at a charge of $5.16 per 100 gallons.

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its August 2018 meeting, an extension of the Economic Stimulus Rider from September 30, 2018 to September 30, 2021 that provides a financial incentive for new commercial or industrial customers to locate within the JEA service area.

(u) Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

(Dollars in Thousands)

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

(v) Pervasiveness of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(w) Newly Adopted Standards for Fiscal Year 2018

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB)*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses for governments that provide OPEB benefits. Note disclosure and required supplementary information requirements are also addressed. For comparative purposes, the statement of net position and statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 were restated for this change. See the chart below for details of the restatement.

	Originally Reported October 1, 2016	**GASB 75**	**As Restated October 1, 2016**
Statement of Net Position			
Assets			
Costs to be recovered from future revenues	$ 463,610	$ 39,336	$ 502,946
Other assets	17,931	(2,724)	15,207
Deferred outflows of resources			
Unrealized OPEB contributions and losses	–	5,061	5,061
Noncurrent liabilities			
Net OPEB liability	–	44,397	44,397
Net position	2,376,925	(2,724)	2,374,201
Statement of Revenues, Expenses, and Change in Net Position			
Adjustment to beginning net position			
Effect of adoption of GASB Statement No. 75	–	(2,724)	(2,724)

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

In March 2016, GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources related to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. In addition, this statement requires a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the beneficial interests. The implementation of this statement did not have an impact on JEA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is effective for JEA in fiscal year 2019. However, JEA early adopted this statement in fiscal year 2018 in association with its accounting for the shutdown and dismantlement of St. Johns River Power Park. See note 3, SJRPP for details.

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

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an impact on JEA's financial statements.

(x) Recently Issued Accounting Pronouncements Not Yet Effective

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for JEA in fiscal year 2020. The impact on JEA's financial reporting will be the reporting of its pension and other postemployment benefit plans in fiduciary fund financial statements.

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for JEA in fiscal year 2021. The impact on JEA's financial reporting has not been determined.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for JEA in fiscal year 2019. The impact on JEA's financial statements will be additional disclosures within the financial statement footnotes.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. However, GASB allows those entities meeting the criteria for regulated operations, and electing to apply the related provisions of Statement 62, to continue to capitalize qualifying interest cost as a regulatory asset. This statement is effective for JEA in fiscal year 2021. The impact on JEA's financial reporting has not been determined.

In August 2018, GASB issues Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for JEA in fiscal year 2020. The implementation of this statement is not expected to have an impact on JEA's financial statements.

(Dollars in Thousands)

2. Regulatory Deferrals

Based on regulatory action taken by the Board and in accordance with the Regulated Operations section within GASB Statement 62, JEA has recorded the following regulatory assets and liabilities that will be included in the ratemaking process and recognized as expenses and revenues, respectively, in future periods. These amounts are shown under other noncurrent assets or deferred inflows of resources on the accompanying statements of net position.

Regulatory Assets

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

Regulatory Asset	2018	2017 Restated
Unfunded pension costs	**$ 433,583**	$ 392,719
SJRPP and Bulk Power cost to be recovered	**267,432**	14,940
Water environmental projects	**59,859**	68,409
Unfunded OPEB costs	**23,469**	34,927
Storm costs to be recovered	**18,966**	27,999
Debt issue cost	**4,787**	2,027
Total regulatory assets	**$ 808,096**	$ 541,021

Unfunded Pension Costs – Accrued pension represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation. In fiscal year 2018, the asset consisted of amounts attributable to JEA's portion of the GERP. For the SJRPP pension plan, JEA made excess contributions during fiscal year 2018 that resulted in a regulatory liability. See excess pension contributions in the Regulatory Liabilities section of this footnote. In fiscal year 2017, the balance includes amounts attributable to JEA's portion of the GERP and amounts related to the SJRPP Plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension.

2. Regulatory Deferrals (continued)

SJRPP and Bulk Power costs to be recovered – SJRPP deferred debt-related costs of $261,277 at September 30, 2018 and $3,254 at September 30, 2017 are the result of differences between expenses in determining rates and those used in financial reporting. During fiscal year 2018, operations of SJRPP, as generating facility, ceased and the majority of the assets are being dismantled. A write down of $451,037 of undepreciated book value of the assets was recognized during fiscal year 2018 and $128,280 of bonds were defeased as a result of the shutdown of SJRPP. After shutdown, SJRPP has remaining plant in service assets of $3,484 and outstanding debt of $280,605. The details relating to the shutdown of SJRPP are further discussed in note 3, St. Johns River Power Park Decommissioning. The JEA board approved the deferral of this regulatory asset. SJRPP has a contract with the JEA Electric System to recover these costs from future revenues that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. The Bulk Power Supply System deferred debt-related costs were $6,155 at September 30, 2018 and $11,686 at September 30, 2017. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation. The Bulk Power Supply System will recover these costs from future revenues that will coincide with the retirement of long-term debt.

Water Environmental Projects – In August 2015, the Board approved the recovery of previously approved environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was $101,277 of which $59,859 remained unrecovered as of September 30, 2018 and $68,409 remained unrecovered as of September 30, 2017. This deferral is being amortized over ten years.

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

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

Debt issue costs – With the application of regulatory accounting in fiscal year 2015, the Board approved deferral of the issue costs on all new debt issues with the amounts being amortized over the life of the bonds, as they are included in revenue requirements. These costs are incurred in connection with the issuance of debt obligations and are mainly underwriter fees and legal costs. Unrecovered costs remaining at the end of the fiscal year were $4,787 in fiscal year 2018 and $2,027 in 2017.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Regulatory Liabilities

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

Regulatory Liabilities	2018	2017
Fuel stabilization	$ 74,376	$ 131,715
Environmental	55,077	41,630
Nonfuel purchase power	53,493	25,189
Debt management stabilization	44,093	44,093
SJRPP and Bulk Power revenues to be used for future costs	37,560	189,070
Excess pension contributions	10,624	–
Self-insurance medical reserve	8,139	9,214
Customer benefit stabilization	3,470	3,695
Total regulatory liabilities	$ 286,832	$ 444,606

Fuel stabilization – This account represents the difference between the fuel costs incurred and fuel charge revenues collected from customers, inclusive of accrued utility revenue and fuel costs. During fiscal year 2018, a net of $57,339 of costs were incurred in excess of the revenues collected and was recognized as a reduction of the regulatory liability. During fiscal year 2017, a net of $48,400 of costs were incurred in excess of the revenues collected and was recognized as a reduction of the regulatory liability.

Environmental – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt-hour and water customer kilogallon sales. Electric costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Water costs included in the surcharge include operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or over-collected are recorded as a regulatory asset or liability. During fiscal year 2018, $31,401 was collected through the surcharge with $8,551 of recovery of previously approved environmental capital projects, $6,169 of capital projects, and $3,234 of operations and maintenance costs being incurred with the remaining $13,447 recognized as a regulatory liability. During fiscal year 2017, $31,659 was collected through the surcharge with $11,286 of capital projects, $8,551 of recovery of previously approved environmental capital projects, and $1,866 of operations and maintenance costs being incurred with the remaining $9,956 recognized as a regulatory liability.

Nonfuel purchased power – JEA entered into a power purchase agreement related to the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia (Plant Vogtle). This agreement is discussed in further detail in note 10, Fuel Purchase and Purchased Power Commitments. Related to that agreement, the JEA Board approved a nonfuel purchased power stabilization fund to balance the timing of the payments for Plant Vogtle's debt service with the anticipated in service date. It may be used for other purposes with the Board's approval. The amounts included in the fund are to be used for Plant Vogtle or refunded to customers if not needed. During fiscal year 2018, $40,000 was deposited into the stabilization fund to fund the additional debt service payments as a result of the new anticipated in service dates.

2. Regulatory Deferrals (continued)

Debt management stabilization – The Board has authorized the use of a debt management stabilization fund. Amounts are included in the fund based on differences between budgeted and actual debt cost up to an established maximum reserve fund. The reserve is available to support JEA during times of financial market crisis. Withdrawals from the debt management stabilization fund for debt management strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit, or unanticipated credit expenses. The reserve can also be used to reduce short-term variable interest expense in excess of the amounts included in the budget. The Board evaluates during the budget approval process and periodically throughout the year the amounts in the reserve that will be included in JEA's annual revenue requirements. As a result, $44,093 collected in the past for the debt management stabilization fund was recorded as a regulatory liability at September 30, 2018 and 2017, respectively. During fiscal year 2018, no additional amounts were deposited or withdrawn from the stabilization fund. During fiscal year 2017, $18,323 was withdrawn and used to defease bonds.

SJRPP and Bulk Power revenues to be used for future costs – As a result of the shutdown of SJRPP, the deferred debt-related revenues of $144,933 at the shutdown date in January 2018 was adjusted. Through the regulatory approval by the board, a regulatory asset was recorded. See SJRPP and Bulk Power costs to be recovered in this note for further details. SJRPP had deferred debt-related revenues of $147,632 at September 30, 2017 as the result of differences between revenues in determining rates and those used in financial reporting. Bulk Power Supply System early debt principal in excess of straight-line depreciation of $37,560 at September 30, 2018 and $41,438 at September 30, 2017 is included in deferred inflows of resources on the accompanying statements of net position.

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

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

Under the self-insurance program, JEA is liable for all claims. JEA retains an additional stop-loss policy for claims in excess of $250 per employee, with an aggregate limit of 125.0% of claims. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through a third-party insurance company and, as such, the administrator is responsible for processing the claims in accordance with the benefit specifications with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study and include claims that have been incurred but not reported.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

The changes in the self-insurance medical reserve for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Beginning balance	**$ 9,214**	$ 11,178
Contributions	**29,561**	29,615
Incurred claims	**(30,636)**	(31,579)
Ending balance	**$ 8,139**	$ 9,214

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

3. St. Johns River Power Park Decommissioning

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

Shutdown occurred on January 5, 2018. On that date, FPL paid JEA $90,400, made up of FPL's cash reserves at SJRPP and a shutdown cash payment of $51,869 as a result of the early termination of the PPA. The payment was recorded as other operating revenue and the expenses related to the shutdown were charged to maintenance and other operating expenses on the statement of revenues, expenses, and changes in net position.

In addition, on that date, FPL paid JEA the FPL Debt Service Reserves, which JEA then paid to an escrow account to consummate the bond defeasance of $128,280 of Issue Two debt. On January 5, 2018, JEA defeased all of the SJRPP System Revenue Issue Two debt and, on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution.

As part of the agreement, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited into the SJRPP Pension Fund. JEA paid a total of $8,974 in separation benefits for SJRPP employees.

3. St. Johns River Power Park Decommissioning (continued)

FPL conveyed their 20% interest in SJRPP's fuel inventory to JEA. The fuel inventory received, totaling $4,595, was recorded at fair value. The remaining coal at SJRPP was transferred and consumed at JEA Northside Units 1 and 2. These transactions were recorded at the book value of the coal as the coal was transferred. Based on a physical inventory, the book balance of coal inventory at September 30, 2018 was written down by $11,484 to reflect the remaining coal at SJRPP of $1,015.

FPL received a credit for their estimated share of the material and supplies inventory balance at shutdown, pending sale of the inventory. After the sales period passed, FPL paid a shutdown payment adjustment for their share of 20% of the loss on the remaining materials and supplies inventory. JEA is in the process of liquidating the material and supplies inventory. However, the remaining materials and supplies was written down to fair value. As a result, an adjustment of $22,444 was recorded to adjust the remaining balance down to $665.

As part of the agreement, the parties agreed that all operation of SJRPP as a generating facility would cease at shutdown. As such, the majority of the plant assets will be dismantled. As a result of the shutdown of SJRPP and in accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets*, an impairment loss of $451,037 was recorded, as a special item, on the un-depreciated book value of the assets that are being dismantled. In conjunction with the recording of the impairment loss related to SJRPP decommissioning, it was determined that there were certain items included in the regulatory asset balance that were longer going to be recovered through the ratemaking process, primarily those costs deferred related to debt issues that were defeased. As a result, an additional adjustment of $45,099 to regulatory balances was included in the statement of revenues, expenses and changes in net position in the current period, as a special item. The remaining regulatory balance will be amortized over the life of the remaining debt outstanding related to Issue Three debt. See note 2, Regulatory Deferrals, for additional information related to SJRPP's regulatory deferrals.

FPL conveyed their 20% undivided ownership of plant in service assets to JEA. The retained plant in service assets were recorded at fair value. At the end of fiscal year 2018, JEA had remaining plant in service assets of $3,484. In addition, FPL will convey their 20% undivided ownership interest in the SJRPP site to JEA upon completion of dismantlement and environmental remediation.

(Dollars in Thousands)

3. St. Johns River Power Park Decommissioning (continued)

Under a service management agreement, FPL will pay 20% of the dismantlement and remediation costs incurred. Dismantlement and remediation is expected to be complete by April 2020. Monitoring of the site will continue for ten years subsequent to the completion date. JEA's share of the estimated cost for dismantlement and remediation is approximately $43,204. As discussed in note 1, Summary of Significant Accounting Policies and Practices, JEA early adopted Statement No. 83, *Certain Retirement Obligations* in association with its accounting for the asset retirement obligations (ARO) related to dismantlement and remediation at SJRPP. The current portion of the remaining liability, $6,647, is recorded in accounts and accrued expenses payable and the long-term portion, $22,526, is a separate line item, asset retirement obligation, on the statement of net position. These amounts are offset by the separate line item, unrealized asset retirement obligation, in deferred outflows of resources, totaling $29,173. Currently, JEA does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on the site until completion of future environmental studies. In addition, conditions that are currently unknown could result in additional exposure, the amount and materiality of which cannot presently be reasonably estimated. Based upon information currently available, however, JEA believes its ARO accurately reflects the estimated cost of remedial actions currently required.

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2018 and 2017:

	September 30, 2018				
	Electric	**SJRPP**	**Water and Sewer**	**DES**	**Total**
Renewal and Replacement Fund	**$ 189,929**	**$ 52,610**	**$ 141,423**	**$ 1,078**	**$ 385,040**
Sinking Fund	**167,483**	**7,446**	**81,242**	**2,340**	**258,511**
Debt Service Reserve Fund	**65,433**	**11,354**	**102,850**	**–**	**179,637**
Revenue Fund	**–**	**26,014**	**–**	**–**	**26,014**
Adjustment to fair value of investments	**(3,302)**	**66**	**(1,347)**	**–**	**(4,583)**
Environmental Fund	**–**	**–**	**1,159**	**–**	**1,159**
Construction Fund	**203**	**–**	**284**	**–**	**487**
Total	**$ 419,746**	**$ 97,490**	**$ 325,611**	**$ 3,418**	**$ 846,265**

	September 30, 2017				
	Electric	**SJRPP**	**Water and Sewer**	**DES**	**Total**
Renewal and Replacement Fund	$ 201,388	$ 82,577	$ 150,331	$ 899	$ 435,195
Sinking Fund	174,529	51,280	82,208	2,331	310,348
Debt Service Reserve Fund	65,433	141,145	107,488	–	314,066
Revenue Fund	–	1,903	–	–	1,903
Adjustment to fair value of investments	750	(4,082)	2,133	–	(1,199)
Environmental Fund	–	–	1,839	–	1,839
Construction Fund	–	–	15	–	15
Total	$ 442,100	$ 272,823	$ 344,014	$ 3,230	$ 1,062,167

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

(Dollars in Thousands)

4. Restricted Assets (continued)

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

Electric System:	An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the First SJRPP Bond Resolution. An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the Second SJRPP Bond Resolution. However, no such deposit is required under the Second SJRPP Bond Resolution as long as the First SJRPP Bond Resolution has not been discharged. On January 5, 2018, JEA defeased all the SJRPP System Revenue Issue Two bonds in their entirety and on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution; therefore, the deposits required under the Second SJRPP Bond Resolution began in fiscal year 2018.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.
Water and Sewer System:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues.
DES:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.

5. Cash and Investments

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

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

(Dollars in Thousands)

5. Cash and Investments (continued)

At September 30, 2018 and 2017, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2018	2017
Securities:		
U.S. Treasury and government agency securities	**$ 462,897**	$ 538,887
State and local government securities	**223,845**	323,507
Commercial paper	**133,074**	170,829
Local government investment pool	**194,786**	138,207
Money market mutual funds	**23,208**	51,460
Total securities, at fair value	**$ 1,037,810**	$ 1,222,890

These securities are held in the following accounts:

	2018	2017
Current assets:		
Cash and cash equivalents	**$ 441,206**	$ 489,559
Investments	**85,310**	25,122
Restricted assets:		
Cash and cash equivalents	**114,576**	124,475
Investments	**731,627**	936,708
Total cash and investments	**1,372,719**	1,575,864
Plus: interest due on securities	**2,878**	2,967
Less: cash on deposit	**(337,787)**	(355,941)
Total securities, at fair value	**$ 1,037,810**	$ 1,222,890

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2018, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Puttable securities are presented as investments with a maturity of less than one year.

(Dollars in Thousands)

5. Cash and Investments (continued)

The maturity distribution of the investments held at September 30, 2018 is listed below.

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
U.S. Treasury and government agency securities	$ 245,490	$ 193,550	$ 12,956	$ 10,901	$ 462,897
State and local government securities	48,852	86,537	8,821	79,635	223,845
Commercial paper	133,074	–	–	–	133,074
Local government investment pools	194,786	–	–	–	194,786
Money market mutual funds	23,208	–	–	–	23,208
Total securities, at fair value	$ 645,410	$ 280,087	$ 21,777	$ 90,536	$ 1,037,810

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

Credit Risk – JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the Florida Statutes and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (2) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S., or the governments of Canada or Canadian provinces and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2018, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. In addition, JEA's investment policy limits the commercial paper investment in any one issuer to $12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25% of the total cash and investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2018, JEA had 12.8% of its investments in commercial paper.

5. Cash and Investments (continued)

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

Concentration of Credit Risk – As of September 30, 2018, investments in any one issuer representing 5% or more of JEA's investments included $235,878 (22.7%) invested in issues of the Federal Home Loan Bank, $170,424 (16.4%) held in U.S. Treasury securities, and $56,595 (5.5%) invested in issues of the Federal Farm Credit Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total cash and investments regardless of statement of net position classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total cash and investment portfolio (regardless of statement of net position classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2018, investments in all security types were within the allowable policy limits.

(Dollars in Thousands)

6. Capital Assets

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance September 30, 2017	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2018
Electric Enterprise Fund:					
Generation assets	$ 3,685,363	$ –	$ (5,686)	$ 20,237	$ 3,699,914
Transmission assets	571,810	–	(175)	22,223	593,858
Distribution assets	1,927,058	–	(5,881)	78,899	2,000,076
Other assets	459,240	–	(1,754)	(8,609)	448,877
Total capital assets	6,643,471	–	(13,496)	112,750	6,742,725
Less: accumulated depreciation and amortization	(3,718,060)	(680,606)	13,496	–	(4,385,170)
Land	130,246	–	(197)	237	130,286
Construction work-in-process	106,012	183,278	–	(114,763)	174,527
Net capital assets	3,161,669	(497,328)	(197)	(1,776)	2,662,368
Water and Sewer Fund:					
Pumping assets	509,490	–	(9,533)	25,691	525,648
Treatment assets	627,165	–	(7,037)	26,141	646,269
Transmission and distribution assets	1,182,420	–	(312)	24,772	1,206,880
Collection assets	1,485,168	–	(427)	23,857	1,508,598
Reclaimed water assets	138,535	–	(730)	(271)	137,534
General and other assets	397,765	–	(1,512)	10,812	407,065
Total capital assets	4,340,543	–	(19,551)	111,002	4,431,994
Less: accumulated depreciation	(1,991,742)	(140,025)	19,551	4,189	(2,108,027)
Land	61,259	–	(11)	(33)	61,215
Construction work-in-process	205,890	202,761	–	(110,969)	297,682
Net capital assets	2,615,950	62,736	(11)	4,189	2,682,864
District Energy System:					
Chilled water plant assets	55,240	–	(940)	2,076	56,376
Total capital assets	55,240	–	(940)	2,076	56,376
Less: accumulated depreciation	(24,091)	(2,403)	940	–	(25,554)
Land	3,051	–	–	–	3,051
Construction work-in process	1,980	1,250	–	(2,076)	1,154
Net capital assets	36,180	(1,153)	–	–	35,027
Total	$ 5,813,799	$ (435,745)	$ (208)	$ 2,413	$ 5,380,259

(Dollars in Thousands)

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2017 is as follows:

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

(Dollars in Thousands)

7. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has eight members, and JEA's ownership interest in TEA is 16.7%. TEA provides wholesale power marketing and resource management services to members (including JEA) and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists members (including JEA) and nonmembers with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were $4,074 in fiscal year 2018 and $6,335 in 2017 for all power marketing activities. JEA's distributions from TEA were $3,513 in fiscal year 2018 and $6,182 in 2017. The investment in TEA was $6,811 at September 30, 2018 and $6,283 at September 30, 2017 and is included in noncurrent assets on the accompanying statement of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2018 and 2017. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2018	**2017**
Condensed statement of net position:		
Current assets	**$ 165,904**	$ 177,777
Noncurrent assets	**21,510**	15,622
Total assets	**$ 187,414**	$ 193,399
Current liabilities	**$ 146,768**	$ 155,313
Noncurrent liabilities	**15**	394
Members' capital	**40,631**	37,692
Total liabilities and members' capital	**$ 187,414**	$ 193,399
Condensed statement of operations:		
Operating revenues	**$ 1,334,738**	$ 1,153,933
Operating expenses	**1,252,868**	1,092,748
Operating income	**$ 81,870**	$ 61,185
Net income	**$ 81,975**	$ 61,223

As of September 30, 2018, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28,929 and TEA's natural gas procurement and trading activities up to $31,000, in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. JEA has approved up to $60,000 (plus attorney fees) for TEA's natural gas procurement and trading activities.

7. Investment in The Energy Authority (continued)

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

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

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

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

8. Long-Term Debt

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System, and DES revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Bulk Power Supply System bonds are governed by a single bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the First and Second Power Park Resolutions; and the DES bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the net revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds is payable semiannually on April 1 and October 1, and principal is payable on October 1.

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of SJRPP Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

On January 5, 2018, JEA defeased all the SJRPP System Revenue Issue Two bonds in their entirety and on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Below is the schedule of outstanding indebtedness for the fiscal years 2018 and 2017.

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2018	September 30 2017
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.000%	2039	**$ 5**	$ 5
Series Three 2005B	4.750%	2033	**100**	100
Series Three 2008A[2]	Variable	2027–2036	**51,680**	51,680
Series Three 2008B-1[3]	Variable	2018–2040	**60,020**	60,395
Series Three 2008B-2[2]	Variable	2025–2040	**41,900**	41,900
Series Three 2008B-3[2]	Variable	2024–2036	**37,000**	37,000
Series Three 2008B-4[3]	Variable	2018–2036	**49,410**	49,810
Series Three 2008C-1[2]	Variable	2024–2034	**44,145**	44,145
Series Three 2008C-2[2]	Variable	2024–2034	**43,900**	43,900
Series Three 2008C-3[2]	Variable	2030–2038	**25,000**	25,000
Series Three 2008D-1[3]	Variable	2018–2036	**108,900**	111,420
Series Three 2009C	N/A	N/A	**–**	3,355
Series Three 2009D[6]	6.056%	2033–2044	**45,955**	45,955
Series Three 2010A	4.000%	2018–2019	**10,065**	14,980
Series Three 2010C	4.125–4.500%	2026–2031	**1,950**	8,975
Series Three 2010D	4.250–5.000%	2018–2038	**7,210**	79,470
Series Three 2010E[6]	5.350–5.482%	2028–2040	**34,255**	34,255
Series Three 2012A	4.000–4.500%	2023–2033	**16,995**	60,750
Series Three 2012B	2.000–5.000%	2019–2039	**85,615**	128,250
Series Three 2013A	3.000–5.000%	2018–2026	**74,865**	93,815
Series Three 2013B	3.000–5.000%	2026–2038	**7,500**	7,500
Series Three 2013C	4.000–5.000%	2018–2030	**19,335**	28,685
Series Three 2014A	3.400–5.000%	2018–2034	**12,870**	32,305
Series Three 2015A	2.750–5.000%	2018–2041	**69,975**	79,495
Series Three 2015B	3.375–5.000%	2018–2031	**23,900**	36,005
Series Three 2017A	5.000%	2019	**18,670**	18,670
Series Three 2017B	3.375–5.000%	2026–2039	**198,095**	–
Total Electric System Senior Revenue Bonds			**1,089,315**	1,137,820

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2018	September 30 2017
Electric System Subordinated Revenue Bonds:				
2000 Series A[2]	Variable	2021-2035	**$ 30,965**	$ 30,965
2000 Series F-1[2]	Variable	2026-2030	**37,200**	37,200
2000 Series F-2[2]	Variable	2026-2030	**24,800**	24,800
2008 Series D[2]	Variable	2024-2038	**39,455**	39,455
2009 Series A	N/A	N/A	**–**	21,140
2009 Series D	5.000%	2018	**11,660**	23,925
2009 Series E	4.000%	2018	**295**	2,215
2009 Series F[6]	4.800-6.406%	2018-2034	**63,670**	64,670
2009 Series G	4.000-5.000%	2018-2019	**16,090**	16,090
2010 Series A	N/A	N/A	**–**	710
2010 Series B	4.000-5.000%	2018-2024	**4,605**	7,535
2010 Series C	N/A	N/A	**–**	4,385
2010 Series D[6]	4.000-5.582%	2018-2027	**44,125**	45,575
2012 Series A	3.250-5.000%	2018-2033	**62,440**	88,500
2012 Series B	3.250-5.000%	2018-2037	**52,995**	93,750
2013 Series A	3.000-5.000%	2018-2030	**44,585**	54,110
2013 Series B	3.000-5.000%	2018-2026	**21,275**	25,385
2013 Series C	1.375-5.000%	2018-2038	**78,330**	80,390
2013 Series D	4.000-5.250%	2018-2035	**88,660**	124,025
2014 Series A	4.000-5.000%	2018-2039	**121,320**	206,105
2017 Series A	3.000-5.000%	2018-2019	**31,790**	71,735
2017 Series B	3.375-5.000%	2018-2034	**185,745**	–
Total Electric System Subordinated Revenue Bonds			**960,005**	1,062,665

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates(1)	Payment Dates	September 30 2018	September 30 2017
Bulk Power Supply System Revenue Bonds:				
Series 2010A(6)	4.600–5.920%	2018–2030	**$ 37,400**	$ 39,875
Series 2014A	2.000–5.000%	2018–2038	**63,320**	66,050
Total Bulk Power System Revenue Bonds			**100,720**	105,925
SJRPP System Revenue Bonds:				
Issue Two, Series Seventeen	N/A	N/A	**–**	100
Issue Two, Series Eighteen	N/A	N/A	**–**	50
Issue Two, Series Nineteen	N/A	N/A	**–**	100
Issue Two, Series Twenty	N/A	N/A	**–**	100
Issue Two, Series Twenty-One	N/A	N/A	**–**	5
Issue Two, Series Twenty-Two	N/A	N/A	**–**	5
Issue Two, Series Twenty-Three	N/A	N/A	**–**	64,910
Issue Two, Series Twenty-Four	N/A	N/A	**–**	29,625
Issue Two, Series Twenty-Five	N/A	N/A	**–**	45
Issue Two, Series Twenty-Six	N/A	N/A	**–**	65,970
Issue Two, Series Twenty-Seven	N/A	N/A	**–**	7,025
Issue Three, Series One(5)	4.500%	2037	**100**	100
Issue Three, Series Two(5)	5.000%	2034–2037	**29,370**	29,370
Issue Three, Series Four(5)(6)	4.500–5.450%	2018–2028	**22,410**	24,085
Issue Three, Series Six(5)	2.375–5.000%	2019–2037	**91,330**	91,330
Issue Three, Series Seven(5)	2.000–5.000%	2019–2033	**79,500**	79,500
Issue Three, Series Eight(5)	2.000–5.000%	2019–2039	**57,895**	57,895
Total SJRPP System Revenue Bonds			**280,605**	450,215

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2018	September 30 2017
Water and Sewer System Senior Revenue Bonds:				
2006 Series B[4]	Variable	2018-2022	**$ 30,370**	$ 34,625
2008 Series A-2[2]	Variable	2028-2042	**51,820**	51,820
2008 Series B[2]	Variable	2023-2041	**85,290**	85,290
2009 Series B	3.750-5.000%	2018-2019	**18,295**	25,565
2010 Series A[6]	6.210-6.310%	2026-2044	**83,115**	83,115
2010 Series B	4.700-5.700%	2018-2025	**13,840**	15,570
2010 Series C	5.000%	2020	**3,000**	9,545
2010 Series D	4.000-5.000%	2018-2039	**42,525**	101,850
2010 Series E	4.000-5.000%	2021-2039	**11,865**	60,990
2010 Series F[6]	3.750-5.887%	2018-2040	**44,275**	45,520
2012 Series A	3.000-5.000%	2019-2041	**162,430**	317,935
2012 Series B	2.000-5.000%	2018-2037	**76,380**	130,085
2013 Series A	4.500-5.000%	2018-2027	**63,660**	89,740
2013 Series B	N/A	N/A	**–**	3,830
2014 Series A	2.000-5.000%	2018-2040	**217,790**	284,595
2017 Series A	3.125-5.000%	2020-2041	**378,220**	–
Total Water and Sewer System Senior Revenue Bonds			**1,282,875**	1,340,075
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2018–2038	**50,950**	52,950
Subordinated 2008 Series A-2[2]	Variable	2030–2038	**25,600**	25,600
Subordinated 2008 Series B-1[2]	Variable	2030–2036	**30,885**	30,885
Subordinated 2010 Series A	5.000%	2018–2022	**8,275**	13,150
Subordinated 2010 Series B	3.000–5.000%	2020–2025	**3,255**	12,770
Subordinated 2012 Series A	3.000%	2021	**1,440**	20,320
Subordinated 2012 Series B	3.250–5.000%	2030–2043	**29,685**	35,505
Subordinated 2013 Series A	2.125–5.000%	2018–2029	**37,435**	72,250
Subordinated 2017 Series A	2.750–5.000%	2021–2034	**58,940**	–
Total Water and Sewer System Subordinated Revenue Bonds			**246,465**	263,430

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2018	September 30 2017
Water and Sewer System Other Subordinated Debt:				
Revolving Credit Agreement[7]	Variable	2021	**$ 3,000**	$ 3,000
Total Water and Sewer System Other Subordinated Debt			**3,000**	3,000
District Energy System:				
2013 Series A	1.725–4.538%	2018–2034	**36,485**	38,125
Total District Energy System			**36,485**	38,125
Total Debt Principal Outstanding			**3,999,470**	4,401,255
Less: Debt Due Within One Year			**(185,790)**	(229,095)
Total Long-Term Debt			**$ 3,813,680**	$ 4,172,160

(1) Interest rates apply only to bonds outstanding at September 30, 2018. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode, or the flexible mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2018 and 2017.

(2) Variable rate demand obligations – interest rates ranged from 1.53% to 1.68% at September 30, 2018.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 1.96% at September 30, 2018.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 3.02% to 3.07% at September 30, 2018.

(5) SJRPP System Issue Three Bonds were issued under the Second Power Park Resolution, whereby JEA is responsible for 100% of the related debt service payments. Whereas the SJRPP System Issue Two Bonds issued under the First Power Park Resolution, JEA is responsible for approximately 62.5% of the related debt service payments and FPL the remainder. On January 5, 2018, JEA defeased all the SJRPP System Issue Two Bonds in their entirety and on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution.

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

(7) Revolving Credit Agreement – interest rates were 3.39% at September 30, 2018.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2018 was as follows:

System	Bonds Payable September 30, 2017	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2018	Current Portion of Bonds Payable September 30, 2018
Electric	$ 2,200,485	$ 383,840	$ (405,105)	$ (129,900)	$ 2,049,320	$ 124,980
Bulk Power Supply	105,925	–	–	(5,205)	100,720	5,710
SJRPP	450,215	–	(128,280)	(41,330)	280,605	1,720
Water and Sewer	1,603,505	437,160	(460,305)	(51,020)	1,529,340	51,720
DES	38,125	–	–	(1,640)	36,485	1,660
Total	$ 4,398,255	$ 821,000	$ (993,690)	$ (229,095)	$ 3,996,470	$ 185,790

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

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

The debt service to maturity on the outstanding debt (excluding short-term bank borrowings) as of September 30, 2018 is summarized as follows:

Fiscal Year Ending	Electric System		Bulk Power Supply System		SJRPP	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 124,980	$ 34,676	$ 5,710	$ 2,116	$ 1,720	$ 5,603
2019	116,230	72,122	6,150	3,959	13,780	11,128
2020	60,790	66,757	6,975	3,716	13,340	10,444
2021	59,140	63,939	7,080	3,498	14,175	9,894
2022	58,135	61,381	7,270	3,274	15,285	9,310
2023–2027	412,705	267,922	24,955	12,689	85,040	37,109
2028–2032	527,685	180,414	22,750	6,749	77,645	21,324
2033–2037	535,695	86,762	15,305	2,895	52,060	8,990
2038–2042	144,750	14,698	4,525	187	7,560	456
2043–2047	9,210	842	–	–	–	–
Total	$ 2,049,320	$ 849,513	$ 100,720	$ 39,083	$ 280,605	$ 114,258

Fiscal Year Ending	Water and Sewer System		District Energy System		Total Debt
September 30	Principal	Interest	Principal	Interest	Service(1)(2)(3)
2018	$ 51,720	$ 29,521	$ 1,660	$ 680	$ 258,386
2019	54,705	59,741	1,690	1,330	340,835
2020	56,340	57,535	1,725	1,296	278,918
2021	58,950	55,404	1,770	1,254	275,104
2022	59,550	52,973	1,815	1,206	270,199
2023–2027	294,405	225,940	10,005	5,102	1,375,872
2028–2032	295,730	159,214	12,165	2,943	1,306,619
2033–2037	356,835	96,163	5,655	388	1,160,748
2038–2042	285,850	30,530	–	–	488,556
2043–2047	15,255	1,274	–	–	26,581
Total	$ 1,529,340	$ 768,295	$ 36,485	$ 14,199	$ 5,781,818

(1) Includes debt service accrued from October 1 through September 30 of the corresponding fiscal year, except for fiscal year 2018, which excludes payments made during the fiscal year.

(2) Interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2018.

(3) Interest in the above table reflects total interest on the Federally Taxable – Issuer Subsidy – Build America Bonds and does not reflect the impact of the 35% cash subsidy payments that JEA expects to receive in the future from the United States Department of the Treasury.

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2019	2019	2019	2019	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2018 is summarized as follows:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain/(Loss)
Electric	Series Three 2017B	Refunding[(1)]	Senior	Dec 2017	$ 198,095	$ 210,030	$ (6,413)
Electric	2017 Series B	Refunding[(2)]	Subordinated	Dec 2017	185,745	195,075	(8,407)
Water and Sewer	2017 Series A	Refunding[(3)]	Senior	Dec 2017	378,220	394,335	(11,076)
Water and Sewer	2017 Series A	Refunding[(4)]	Subordinated	Dec 2017	58,940	65,970	(1,915)
					$ 821,000	$ 865,410	$ (27,811)

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $324,904 compared to prior debt service of $346,747 and $17,425 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $291,178 compared to prior debt service of $304,128 and $12,314 of net present value economic savings.

(3) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $588,806 compared to prior debt service of $635,880 and $33,648 of net present value economic savings.

(4) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $86,518 compared to prior debt service of $93,337 and $5,283 of net present value economic savings.

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

	Authorization		
System	Senior	Subordinated	Expiration
Electric	$ 672,905	$ 447,255	December 31, 2018
SJRPP Issue Three	80,000	–	December 31, 2018
Water and Sewer	424,780	206,060	December 31, 2018

8. Long-Term Debt (continued)

Variable Rate Demand Obligations (VRDOs) – Liquidity Support

For the Electric System and the Water and Sewer System VRDOs appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2018, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period. Commitment fees range from 0.38% to 0.42% with stated termination dates ranging from May 8, 2020 to August 22, 2022, unless otherwise extended. See note 18, Subsequent Events, for further details.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2018, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The commitment fee is 0.48% with a stated expiration date of December 2, 2018, unless otherwise extended. Subsequent to the end of the fiscal year, the letter of credit and reimbursement agreement was renewed. See note 18, Subsequent Events, for further details.

JEA has entered into continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, Series Three 2008B-4 and Series Three 2008D-1 (collectively, the Direct Purchased Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchased Bonds for purchase for a period specified in the respective continuing covenant agreements, which period would be subject to renewal under certain conditions. Any Direct Purchased Bond that was not purchased from such bank on the scheduled mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such scheduled mandatory tender date. Upon any such tender for payment, the Direct Purchased Bond so tendered would be due and payable immediately. The current expiration date of the continuing covenant agreements is December 12, 2018, unless otherwise extended. The interest rate is variable and set weekly based upon SIFMA plus 40 basis points. Subsequent to the end of the fiscal year, the continuing covenant agreements were renewed. See note 18, Subsequent Events, for further details.

8. Long-Term Debt (continued)

Short-Term Bank Borrowings

As of September 30, 2018, JEA has a revolving credit agreement with a commercial bank for an unsecured amount of $300,000. This agreement became effective on December 17, 2015, when JEA terminated the prior two revolving credit agreements with a total available amount of $300,000 with two commercial banks. The revolving credit agreement may be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES, and for operating expenditures or for capital expenditures.

During fiscal year 2016, the revolving credit agreement was drawn upon by the Water and Sewer System for $3,000 and remains outstanding as of September 30, 2018, with $297,000 available to be drawn.

The revolving credit agreement is scheduled to expire on May 24, 2021. Subsequent to the end of the fiscal year, the revolving credit agreement was amended. See note 18, Subsequent Events, for further details.

Debt Management Strategy

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

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

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2018, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	**$ 174,000**	**$ 84,800**	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	**116,425**	**85,600**	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	**38,730**	**30,370**	4.0-4.1%	Oct 2006	Oct 2018-2022	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	**$ 522,470**				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2017, are as follows:

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

The following table includes fiscal year 2018 and 2017 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2018		
System	**Classification**	**Amount**	**Classification**	**Amount[1]**	**Notional**
Electric	Deferred outflows	**$ (31,247)**	Fair value of debt management strategy instruments	**$ (70,103)**	**$ 406,810**
Water and Sewer	Deferred outflows	**(7,666)**	Fair value of debt management strategy instruments	**(16,253)**	**115,660**
Total		**$ (38,913)**		**$ (86,356)**	**$ 522,470**

	Changes in Fair Value		Fair Value at September 30, 2017		
System	**Classification**	**Amount**	**Classification**	**Amount[1]**	**Notional**
Electric	Deferred outflows	$ (44,458)	Fair value of debt management strategy instruments	$ (101,350)	$ 407,210
Water and Sewer	Deferred outflows	(12,067)	Fair value of debt management strategy instruments	(23,919)	119,915
Total		$ (56,525)		$ (125,269)	$ 527,125

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

For fiscal years ended September 30, 2018 and 2017, the weighted-average rates of interest for each index type of floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

		2018		2017
68% of LIBOR Index:				
Notional amount outstanding	**$**	**209,575**	$	209,975
Variable rate received (weighted average)		**1.17%**		0.60%
Fixed rate paid (weighted average)		**3.69%**		3.70%
SIFMA Index (formerly BMA Index):				
Notional amount outstanding	**$**	**282,525**	$	282,525
Variable rate received (weighted average)		**1.27%**		0.80%
Fixed rate paid (weighted average)		**4.02%**		4.00%
CPI Index:				
Notional amount outstanding	**$**	**30,370**	$	34,625
Variable rate received (weighted average)		**2.87%**		2.60%
Fixed rate paid (weighted average)		**4.02%**		4.00%
Net debt management swap loss	**$**	**(13,395)**	$	(16,181)

(Dollars in Thousands)

8. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2018:

Electric System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2018	$ 400	$ 501	$ 820	$ 1,721
2019	425	6,031	9,794	16,250
2020	3,200	6,024	9,784	19,008
2021	3,275	5,970	9,713	18,958
2022	3,375	5,914	9,640	18,929
2023–2027	91,100	27,219	44,951	163,270
2028–2032	172,605	16,714	28,162	217,481
2033–2037	114,180	6,745	11,464	132,389
2038–2042	18,250	466	780	19,496
Total	$ 406,810	$ 75,584	$ 125,108	$ 607,502

Water and Sewer System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2018	$ 5,520	$ 558	$ 320	$ 6,398
2019	5,740	2,036	2,278	10,054
2020	9,195	1,861	2,222	13,278
2021	4,860	1,581	2,132	8,573
2022	5,055	1,433	2,084	8,572
2023–2027	17,595	5,751	9,147	32,493
2028–2032	4,540	5,010	7,971	17,521
2033–2037	21,430	4,239	6,741	32,410
2038–2042	41,725	1,597	2,540	45,862
Total	$ 115,660	$ 24,066	$ 35,435	$ 175,161

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swaps was determined by using the interest rates that were in effect at the financial statement date of September 30, 2018. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2018.

(Dollars in Thousands)

8. Long-Term Debt (continued)

Credit Risk – JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2018, were in a liability position. Therefore, if counterparties failed to perform as contracted, JEA would not be subject to any credit risk exposure at September 30, 2018.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2018, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A3/A	$ 175,925
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/AA	124,775
Merrill Lynch Derivative Products AG	A-/A3/A+	85,290
Total		$ 522,470

Interest Rate Risk – JEA is exposed to interest rate risk where changes in interest rates could affect the related net cash flows and fair values of outstanding interest rate swaps. On a pay-fixed, receive-variable interest rate swap, as the floating swap index decreases, JEA's net payment on the swap increases, and as the fixed rate swap market declines as compared to the fixed rate on the swap, the fair value declines.

Basis Risk – JEA is exposed to basis risk on certain pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received on certain hedging derivative instruments are based on a rate or index other than interest rates that JEA pays on its hedged variable-rate debt, which is reset every one or seven days. As of September 30, 2018, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 1.71%, while the SIFMA swap index rate is 1.56% and 68% of LIBOR is 1.43%.

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

9. Transactions with City of Jacksonville

Utility and Administrative Services

JEA is a separately governed authority and considered a discretely presented component unit of the City. JEA provides electric, water, and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City including insurance, legal, and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related-party transactions with the City were as follows:

	2018	2017
Revenues	**$ 35,708**	$ 36,842
Expenses	**$ 6,031**	$ 5,433

City Contribution

On March 22, 2016, the City and JEA entered into a five-year agreement, which established the contribution formula for the fiscal years 2017 through 2021.

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA, at its sole discretion, may utilize any of its available revenues, regardless of source, to satisfy its total annual obligation to the City.

The contributions from the JEA Electric Enterprise Fund and JEA Water and Sewer Fund for fiscal years 2018 and 2017 were as follows:

	2018	2017
Electric	**$ 91,472**	$ 92,271
Water and Sewer	**$ 25,148**	$ 23,552

(Dollars in Thousands)

9. Transactions with City of Jacksonville (continued)

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 7.468 mills per kilowatt hour delivered by JEA to retail users in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 389.2 mills per thousand gallons of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum increase of 1% per year through 2021, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. These amounts are included in operating revenues and expenses and were as follows:

	2018	2017
Electric	**$ 28,496**	$ 27,704
Water and Sewer	**$ 10,476**	$ 10,562

Insurance Risk Pool

JEA is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, and natural disasters. In addition, JEA is exposed to risks of loss due to injuries and illness of its employees. These risks are managed through the Risk Management Division of the City, which administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and the Jacksonville Aviation Authority. The general objectives are to formulate, develop, and administer, on behalf of the members, a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program.

(Dollars in Thousands)

9. Transactions with City of Jacksonville (continued)

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

	2018	2017
General liability	**$ 2,240**	$ 1,511
Workers' compensation	**$ 1,613**	$ 1,435

The following table shows the estimated workers' compensation and general liability loss accruals for the City and JEA's portion for the fiscal years ended September 30, 2018 and 2017. The amounts are recorded by the City at present value using a 4% discount rate for the fiscal years ended September 30, 2018 and September 30, 2017.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	$ 94,300	$ 3,156	$ 15,531	$ 2,308
Change in provision	32,394	468	5,939	1,245
Payments	(23,052)	(1,032)	(6,170)	(997)
Ending balance	$ 103,642	$ 2,592	$ 15,300	$ 2,556

10. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for Scherer Unit 4 through calendar year 2022. Northside coal and petroleum coke commitments concluded at the end of September 2018. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts. The majority of JEA's coal and petroleum coke supply is purchased with transportation included.

In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends the rail contract through calendar year 2028. Georgia Power has also entered into an agreement with the Norfolk Southern Railway Company (NS) that extends through December 31, 2019.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

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

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

Fiscal Year Ending	Coal and Pet Coke Fuel	Natural Gas Transportation	Transmission	Total
2019	2,049	7,236	6,091	15,376
2020	1,165	7,256	7,212	15,633
2021	553	4,817	7,493	12,863
2022	247	–	7,776	8,023
2023	49	–	8,009	8,058
2024-2042	–	–	175,653	175,653

Vogtle Units Purchased Power Agreement

Overview

As a result of an earlier 2008 Board policy establishing a 10% of total energy from nuclear energy goal, JEA entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with the Municipal Electric Authority of Georgia (MEAG) for 206 megawatts (MW) of capacity and related energy from MEAG's interest in two additional nuclear generating units (the Additional Vogtle Units or Plant Vogtle Units 3 and 4) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The owners of the Additional Vogtle Units include Georgia Power Company (Georgia Power), Oglethorpe Power Corporation (Oglethorpe), MEAG and the City of Dalton, Georgia (collectively, the Owners or Vogtle Co-Owners). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 13% of JEA's total energy requirements in the year 2023.

10. Fuel Purchase and Purchased Power Commitments (continued)

The Additional Vogtle Units PPA requires JEA to pay MEAG for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG and on the loans made and to be made by the Project J Entity referred to below, in each case, to finance the portion of the capacity to be sold to JEA from the Additional Vogtle Units) plus a margin over the term of the Additional Vogtle Units PPA. Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date and is required to pay for such capacity and energy on a "take-or-pay" basis (that is, whether or not either Additional Vogtle Unit is completed or is operating or operable, and whether or not its output is suspended, reduced or the like or terminated in whole or in part), except that JEA is not obligated to pay the "margin" referred to above during such periods in which the output of either Additional Vogtle Unit is suspended or terminated.

On September 11, 2018, MEAG filed a complaint in the United States District Court for the Northern District of Georgia seeking a declaratory judgement that the Additional Vogtle Units PPA is lawful and enforceable and ordering specific performance from JEA with the terms of the Additional Vogtle Units PPA. On the same day, JEA and the City, as co-plaintiffs, filed a complaint in the Fourth Judicial Circuit Court of Florida seeking a declaratory judgment that the Additional Vogtle Units PPA violates the Florida Constitution and laws and public policy of the state of Florida and is therefore ultra vires, void ab initio, and unenforceable. For additional information about such litigation, see the Litigation and Regulatory Proceedings section in this note.

Financing and In-Service Costs

MEAG created three separate "projects" (Vogtle Units 3 and 4 Project Entities) for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). The project corresponding to the portion of MEAG's ownership interest, which will provide the capacity and energy to be purchased by JEA under the Additional Vogtle Units PPA, is referred to herein as "Project J." MEAG currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately $6,485,000, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. MEAG has additionally provided that its total financing needs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately $6,975,000. Based on information provided by MEAG, (i) the portion of the total in-service cost for Plant Vogtle Units 3 and 4 allocable to Project J is approximately $2,715,000 and (ii) the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately $203,000 resulting in total financing needs of approximately $2,918,000.

10. Fuel Purchase and Purchased Power Commitments (continued)

Financing for Project J – In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG, MEAG issued approximately $1,248,435 of its Plant Vogtle Units 3 and 4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. Of the total 2010 PPA Bonds, approximately $1,224,265 were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest, subject to reduction due to sequestration. At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2018 for the current fiscal year through fiscal year 2027. The exact amount of such reduction is determined on or about the beginning of the federal government's fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 6.2% became effective on October 1, 2018. MEAG issued approximately $185,180 of additional Project J tax-exempt bonds on September 9, 2015.

On June 24, 2015, in order to obtain certain loan guarantees from the United States Department of Energy (DOE) for further funding of Plant Vogtle Units 3 and 4, MEAG divided its undivided ownership interest in Plant Vogtle Units 3 and 4 into three separate undivided interests and transferred such interests to the Vogtle Units 3 and 4 Project Entities. MEAG transferred approximately 41.175% of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG's ownership interest attributable to Project J), to MEAG Power SPVJ, LLC (the Project J Entity).

The Project J Entity entered into a loan guarantee agreement with the DOE in 2015, subsequently amended in 2016 and 2017, under which the Project J Entity is permitted to borrow from the Federal Financing Bank (FFB) an aggregate amount of approximately $577,743. To date, the Project J Entity has received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of approximately $341,446. There is additional borrowing capacity of approximately $236,297 under the Project J Entity's existing DOE-guaranteed loan. On September 28, 2017, DOE, MEAG, and the Vogtle Units 3 and 4 Project Entities entered into a conditional commitment for additional DOE loan guarantees in the aggregate amount of $414,700. On September 17, 2018, the DOE extended the expiration date of such conditional commitment to March 31, 2019. Subject to satisfaction of the conditions contained in such conditional commitment, it is expected that the Project J Entity will obtain from FFB such additional lending commitment in the amount of $111,541. While MEAG expects that the total financing needs for Project J will exceed the aggregate of the Project J Entity's FFB lending commitments and the balance will be financed in the capital markets, in the event that the JEA litigation challenging its obligations under the Additional Vogtle Units PPA materially impedes access to capital markets for MEAG, Georgia Power has agreed to provide certain funding as described below under "Description of Construction Contracts and Status of Construction".

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Summary of financing associated with Project J:

	Borrowings to Date	Additional Capacity	Total Projected Borrowings
2010A Build America Bonds	$ 1,224,265	$ –	$ 1,224,265
2010B tax-exempt bonds	24,170	–	24,170
2015A tax-exempt bonds	185,180	–	185,180
DOE loan guarantee	341,446	236,297	577,743
Additional conditional DOE loan guarantee	–	111,541	111,541
Additional public markets bonds	–	666,290	666,290
Other sources of funds	–	129,198	129,198
Total	$ 1,775,061	$ 1,143,326	$ 2,918,387

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Based on information provided by MEAG, JEA's portion of the debt service on the outstanding Project J debt as of September 30, 2018 is summarized as follows:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
2019	$ 12,750	$ 98,800	$ 111,550	$ (27,612)	$ (71,188)	$ 12,750
2020	16,183	97,995	114,178	(27,392)	(70,603)	16,183
2021	19,952	97,058	117,010	(27,100)	(69,958)	19,952
2022	20,706	95,983	116,689	(26,790)	(33,262)	56,637
2023	22,100	94,842	116,942	(26,466)	(4,207)	86,269
2024	22,967	93,642	116,609	(26,129)	–	90,480
2025	23,819	92,385	116,204	(25,776)	–	90,428
2026	24,685	91,079	115,764	(25,409)	–	90,355
2027	25,570	89,721	115,291	(25,026)	–	90,265
2028	26,538	88,311	114,849	(24,626)	–	90,223
2029	27,511	86,844	114,355	(24,209)	–	90,146
2030	28,528	85,318	113,846	(23,774)	–	90,072
2031	29,586	83,733	113,319	(23,320)	–	89,999
2032	30,661	82,084	112,745	(22,847)	–	89,898
2033	31,842	80,370	112,212	(22,353)	–	89,859
2034	33,035	78,587	111,622	(21,838)	–	89,784
2035	34,272	76,733	111,005	(21,301)	–	89,704
2036	28,275	74,805	103,080	(20,740)	–	82,340
2037	16,223	72,799	89,022	(20,155)	–	68,867
2038	10,905	70,713	81,618	(19,545)	–	62,073
2039	6,973	68,543	75,516	(18,909)	–	56,607
2040	1,424	66,250	67,674	(18,246)	–	49,428
2041	–	63,866	63,866	(17,553)	–	46,313
2042	–	31,076	31,076	(9,217)	–	21,859
2043	–	4,058	4,058	(1,249)	–	2,809
Total	$ 494,505	$ 1,965,595	$ 2,460,100	$ (547,582)	$ (249,218)	$ 1,663,300

10. Fuel Purchase and Purchased Power Commitments (continued)

Description of Construction Contracts and Status of Construction

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

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

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

As a result of the Westinghouse and WECTEC bankruptcy, Georgia Power, along with SNC acting as the project manager, will manage the remaining bulk construction phase of the Additional Vogtle Units on behalf of the Owners pursuant to a revised Ownership Participation Agreement. Effective October 23, 2017, Bechtel Power Corporation (Bechtel) will serve as the prime construction contractor for the remaining construction activities for Plant Vogtle Units 3 and 4 under a Construction Agreement entered into between Bechtel and Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners (Construction Agreement).

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

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Georgia Power recommended in the 17th Vogtle Construction Monitoring report (the VCM 17 Report, filed with the Georgia Public Service Commission ("GPSC") on August 31, 2017), that the construction of the Additional Vogtle Units be continued. The Vogtle Co-Owners recommended that the Additional Vogtle Units be completed on the condition that any of the Owners have the right to abandon the construction of the Plant Vogtle Units 3 and 4 if the revised cost estimate or the revised construction schedule is not approved by the GPSC or if there is a determination by the GPSC that any of Georgia Power's share of the total investment in Plant Vogtle Units 3 and 4 or Georgia Power's associated financing costs will not be recovered in Georgia Power's retail rates, because they are deemed by the GPSC to be unreasonable or imprudent.

The Vogtle Co-Owners entered into an amendment, dated as of November 2, 2017, to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the "Joint Ownership Agreements") to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Pursuant to the Joint Ownership Agreements, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain adverse events occur including: (1) termination or rejection in bankruptcy of certain agreements, including the Services Agreement or the Construction Agreement; (2) the GPSC or Georgia Power determines that any of Georgia Power's costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates because such costs are deemed unreasonable or imprudent; or (3) an increase in the construction budget contained in the Vogtle Construction Monitoring 17 Report of more than $1,000,000 or extension of the project schedule contained in the VCM 17 Report of more than one year. In addition, pursuant to the Joint Ownership Agreements, the required approval of holders of ownership interests in Plant Vogtle Units 3 and 4 is at least (1) 90% for a change of the primary construction contractor and (2) 67% for material amendments to the Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

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

On December 21, 2017, the GPSC took a series of actions related to the construction of Plant Vogtle Units 3 and 4 and issued its related order on January 11, 2018. Among other actions, the GPSC (i) accepted Georgia Power's recommendation to continue construction of Plant Vogtle Units 3 and 4, with Southern Nuclear serving as construction manager and Bechtel as primary contractor and (ii) approved the revised schedule placing Vogtle Unit 3 in service in November 2021 and Vogtle Unit 4 in service in November 2022. In its January 11, 2018 order, the GPSC stated if certain conditions change and assumptions upon which Georgia Power's VCM 17 Report are based do not materialize, the GPSC reserved the right to reconsider the decision to continue construction.

10. Fuel Purchase and Purchased Power Commitments (continued)

In August 2018, Georgia Power advised the other Vogtle co-owners that it had become aware that certain estimated future Vogtle project costs were projected to exceed the corresponding budgeted amounts. The base capital costs estimated to complete construction were expected to increase by approximately $1,400,000 (the aggregate 22.7% shares of the Vogtle Units 3 and 4 Project Entities were estimated at $317,800). Georgia Power stated that although it believed these increased costs to be reasonable and necessary to complete the project, Georgia Power did not intend to seek rate recovery for these cost increases included in the current base capital cost forecast (or any related financing costs). As a result of the increase in the total project capital cost forecast and Georgia Power's decision not to seek rate recovery of its allocation of the increase in the costs as described above, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 were required to vote to continue construction.

On September 26, 2018, the co-owners received the required vote to continue construction of Plant Vogtle Units 3 and 4. In connection with the vote to continue construction, Georgia Power entered into (i) a binding term sheet (the Vogtle Owner Term Sheet) with the other co-owners to take certain actions which partially mitigate potential financial exposure for the other co-owners, including amendments to the Vogtle Joint Ownership Agreements and the purchase of production tax credits (PTCs) from the other co-owners, and (ii) a binding term sheet (the MEAG Term Sheet and, together with the Vogtle Owner Term Sheet, the "Term Sheets") with MEAG and the Project J Entity to provide funding with respect to the Project J Entity's ownership interest in Plant Vogtle Units 3 and 4 under certain circumstances.

Under the Vogtle Owner Term Sheet, among other amendments to the Vogtle Joint Ownership Agreements, provisions of the Vogtle Joint Ownership Agreements requiring that co-owners holding 90% of the ownership interests in Plant Vogtle Units 3 and 4 vote to continue construction following certain adverse events would be amended. In particular, an increase in the construction cost estimate for Plant Vogtle Units 3 and 4 would no longer constitute an adverse event and thus would no longer require a vote. In addition, the adverse event relating to disallowances of cost recovery by Georgia Power would be amended to exclude any additional amounts paid by Georgia Power on behalf of the other co-owners pursuant to certain Vogtle Owner Term Sheet provisions and the first 6% of costs during any six-month VCM reporting period that are disallowed by the GPSC for recovery, or for which Georgia Power elects not to seek cost recovery, through retail rates. In addition, the Vogtle Owner Term Sheet provides that the Vogtle Joint Ownership Agreements would be revised to provide that Georgia Power may cancel the project at any time in its sole discretion.

Pursuant to the MEAG Term Sheet[1], if the Project J Entity is unable to make its payments due under the Vogtle Joint Ownership Agreements solely because (i) the conduct of JEA, such as JEA's continuation of its litigation challenging its obligations under the Additional Vogtle Units PPA, materially impedes access to capital markets for MEAG for Project J, or (ii) the Additional Vogtle Units PPA is declared void by a court of competent jurisdiction or rejected by JEA under the applicable provisions of the United States Bankruptcy Code (each of (i) and (ii), a JEA Default), Georgia Power will purchase from the Project J Entity the rights to PTCs attributable to the Project J Entity's share of Plant Vogtle Units 3 and 4 (approximately 206 MW) at varying prices dependent upon the stage of construction of Plant Vogtle Units 3 and 4.

[1] Information provided regarding the MEAG Term Sheet is based on information filed by MEAG with the Municipal Securities Rulemaking Board (the "MSRB"), through the MSRB's Electronic Municipal Market Access ("EMMA") website currently located at http://emma.msrb.org. JEA has not been able to independently review the MEAG Term Sheet.

10. Fuel Purchase and Purchased Power Commitments (continued)

At the option of MEAG, as an alternative or supplement to Georgia Power's purchase of PTCs as described above, Georgia Power has agreed to provide up to $250,000 in funding to MEAG for Project J in the form of loans (either advances under the Vogtle Joint Ownership Agreements or the purchase of Project J Bonds), subject to any required approvals of the GPSC and the DOE.

In the event the Project J Entity certifies to Georgia Power that it is unable to fund its obligations under the Vogtle Joint Ownership Agreements as a result of a JEA Default and Georgia Power becomes obligated to provide funding as described above, MEAG is required to (i) assign to Georgia Power its right to vote on any future adverse event and (ii) diligently pursue JEA for its breach of the Project J PPA.

Under the terms of the MEAG Term Sheet, Georgia Power may decline to provide any funding in the form of loans, including in the event of a failure to receive any required GPSC or DOE approvals, and cancel the project in lieu of providing such loan funding.

Litigation and Regulatory Proceedings

Litigation – As noted in the Overview section, on September 11, 2018, both MEAG and JEA filed court actions seeking declaratory judgment on the enforceability of the Additional Vogtle Units PPA. MEAG filed its action in the United States District Court for the Northern District of Georgia, Civil Action No.: 1:18-CV-04295-MHC and JEA and the City filed their action in the Circuit Court, Fourth Judicial Circuit, Duval County, Florida, Case No.: 16-2018-CA-006197-XXXX-CV-G, removed to the United States District Court for the Middle District of Florida, Case No.: 3:18-cv-174-J-39JRK. Both cases are engaged in extensive procedural litigation over the forum in which the substantive issues will be tried. JEA will vigorously defend and prosecute these actions, but provides no assurances regarding the outcome or consequences of the litigation.

Regulatory Proceedings – On September 17, 2018, JEA filed a petition with the Federal Energy Regulatory Commission (FERC) seeking a determination that FERC has exclusive jurisdiction pursuant to the Federal Power Act (FPA) over the Additional Vogtle Units PPA (FERC Petition). If FERC grants jurisdiction over the Additional Vogtle Units PPA, FERC will determine the validity of the Additional Vogtle Units PPA terms and conditions under the "just and reasonable" standard set forth in the FPA. Numerous entities, including MEAG, public utilities, municipalities, and trade groups, have filed comments with FERC challenging the theories of law and arguments raised in the FERC Petition. There is no deadline for FERC to render a decision on the FERC Petition.

10. Fuel Purchase and Purchased Power Commitments (continued)

Option to Purchase Interest in Lee Nuclear Station

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2026 with respect to Unit 1 and 2028 with respect to Unit 2. The total cost of the option was $7,500, payment of which has been completed. JEA obtained this option in furtherance of its 2010 policy target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The Lee Project COL was received from the NRC in December 2016. In August 2017, Duke Carolinas filed with the North Carolina Utilities Commission and the South Carolina Public Service Commission to cancel the plant. This cancellation allows Duke Carolinas to seek cost recovery for the expenditures on licensing the plant, however, the NRC license remains active and the cancellation is not permanent. There is currently no schedule for negotiating an EPC agreement.

Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and, if it does exercise the option, it must specify the percentage undivided ownership interest in the Lee Project that it will acquire.

After JEA exercises the option (should it elect to do so) and various regulatory approvals are obtained, JEA must pay Duke Carolinas the exercise price for the option. Such price is generally JEA's pro rata share, based on its percentage ownership interest in the Lee Project, of the development and pre construction cost for the Lee Project incurred by Duke Carolinas from the beginning of the Lee Project through the closing date of the option exercise. JEA is undecided as to the financing structure it would employ to finance its interest in the Lee Project, should it elect to exercise its option.

Under certain circumstances, should the Lee Project be terminated by Duke Carolinas, Duke may be obligated to provide JEA with options for alternative resources (but not necessarily from nuclear resources) to replace JEA's optionable portion of the projected Lee Project capacity.

Such alternative resources are to be available to JEA within two years of the projected online date for the Lee Project, once such date is set. No alternative resource for the Lee Project has yet been proposed by Duke Carolinas.

10. Fuel Purchase and Purchased Power Commitments (continued)

Solar Projects

In 2009, JEA entered into a 30-year purchased power agreement with Jacksonville Solar, LLC for the produced energy, as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and generated approximately 18,391 MWh of electricity in 2018 and 20,074 MWh of electricity in 2017. JEA pays only for the energy produced. Purchases of energy were $3,592 for fiscal year 2018 and $3,819 in 2017.

As part of JEA's continued commitment to the environment, and to increase JEA's level of carbon-free renewable energy generation, in December 2014, the Board established a solar policy to add up to 38 MWac of solar photovoltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Seven PPAs, representing 27 MWac, have been finalized. One other PPA, which had been finalized, was terminated due to the failure of the awardee (SunEdison) to establish site control within the time allowed by the contract. The solar PPAs are distributed around JEA's service territory.

The projects for this 2014 initiative are scheduled for completion in 2018. As of the end of fiscal year 2018, five of the seven projects had been completed: NW Jacksonville Solar, Old Plank Road Solar, Starratt Solar, Simmons Solar, and Blair Road Solar. JEA entered into 20-25 year purchased power agreements for the energy and the associate environmental attributes from each solar farm. The solar facilities generated approximately 36,755 MWh in 2018 and 5,394 MWh in 2017. JEA pays only for the energy produced. Purchases of energy were $2,703 for fiscal year 2018 and $354 in 2017.

The JEA Board approved a further solar expansion consisting of five 50 MWac solar facilities to be constructed on JEA owned property. These projects, totaling 250 MWac, will be structured as PPAs. EDF-DS was selected as the vendor for the sites and contract negotiations are currently underway. It is expected the facilities will be phased into service with all sites completed by 2022.

Trail Ridge Landfill

JEA purchases energy from two landfill gas-to-energy facilities through PPA agreements with Landfill Energy Systems (LES). Each agreement is for 9.6 MWs. Currently, JEA purchases 9.6 MW from Trail Ridge Landfill in Jacksonville, FL and 6.4 MW from Sarasota Landfill in Sarasota, FL. LES can supply the remaining 3.2 MW from Sarasota if it is expanded and becomes available. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville, which came online in January 2015. Purchases of landfill energy were 76,821 MWh for $4,554 in fiscal year 2018 and 89,682 MWh for $3,671 in 2017.

11. Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. In December 2017, JEA entered into a financial swap that locked in the monthly commodity price of natural gas for calendar year 2018 for approximately 40% of its expected annual natural gas requirements. In August and September 2018, JEA entered into financial swaps that locked in the monthly commodity price of natural gas for December 2019 through December 2021 for approximately 45% of its expected annual natural gas requirements in those years. There was no additional activity in the program during fiscal year 2017.

JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. Deferred charges of $1,851 were included in deferred inflows of resources on the statements of net position at September 30, 2018 and $0 at 2017. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position. For the year ended September 30, 2018, there was a realized gain included in fuel expense of $4,191 and a realized loss of $323 in 2017.

12. Pension Plans

Substantially all employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employee Retirement Plan (GERP), as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative. GERP, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the 2017 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at: http://www.coj.net/departments/finance/docs/accounting/city-of-jacksonville-2017-cafr-secure.aspx or by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418.

The first phase of pension reform was approved by the City of Jacksonville in April 2017. The reform provides for a dedicated funding source for the GERP, Corrections Officers Plan, and Police and Fire Pension Plan through the extension of the Better Jacksonville Plan half-cent sales tax. The surtax will remain in effect until the earlier of December 31, 2060 or when it is determined by the actuarial report to the Florida Department of Management Services that the funding level of each of the City's three defined benefit retirement plans, which are funded by surtax, is expected to reach or exceed 100%.

In order for the plan to benefit from the sales tax revenue, the GERP was closed to new members and employees as of September 30, 2017.

12. Pension Plans (continued)

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

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

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars ($5) multiplied by the number of years of credited service. This benefit may not exceed $150 per month.

Contributions – Florida law requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. In fiscal year 2018, JEA plan members were required to contribute 10% of their annual covered salary. In fiscal year 2017, JEA plan members were required to contribute 8% of their annual covered salary. JEA's contribution of the covered payroll for the JEA plan members was $35,459 (21.09%) in fiscal year 2018 and $48,942 (38.27%) in 2017. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Defined Contribution Plan

The City has, by ordinance, a defined contribution (DC) plan within the Jacksonville Retirement System for GERP participants as an employee choice alternative to the defined benefit (DB) plans. Beginning in fiscal year 2011, employees had the option to participate in a DC plan. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees hired prior to September 30, 2017 can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation. All employees hired after September 30, 2017 now enter this plan.

In fiscal years 2018 and 2017, JEA plan members of the defined contribution plan were required to contribute 8% of their annual covered salary. JEA's contribution for the members of the defined contribution plan was $1,886 (11.31%) in fiscal year 2018 and $982 (8%) in 2017. Any contribution forfeitures were used to offset plan expenses.

12. Pension Plans (continued)

Disability Program Fund

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated between the pension contribution and a disability program fund. Due to this change, a physical exam is not required to participate in the plans.

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

Net Pension Liability – JEA's net pension liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of September 30, 2017 and September 30, 2016, respectively. JEA's allocated share of the net pension liability is $527,680 (51.68%) as of September 30, 2018, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2017. JEA's allocated share of the net pension liability as of September 30, 2017 was $541,025 (50.37%), based on an allocation proportional to the actual contributions paid during the year ended September 30, 2016.

For the year ended September 30, 2018 and 2017, JEA's recognized pension expense is $77,111 and $74,849, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

(Dollars in Thousands)

12. Pension Plans (continued)

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

	September 30 2018	September 30 2017
Deferred outflows of resources		
Changes in assumptions	**$ 59,741**	$ 49,859
Contributions subsequent to the measurement date	**35,459**	48,942
Differences between expected and actual experience	**25,477**	24,354
Net difference between projected and actual earnings on pension investments	**–**	24,319
Changes in proportion	**16,452**	9,599
Total	**$ 137,129**	$ 157,073
Deferred inflows of resources		
Net difference between projected and actual earnings on pension investments	**$ (37,760)**	$ –
Changes in assumptions	**(3,730)**	(5,454)
Differences between expected and actual experience	**(1,543)**	(2,525)
Total	**$ (43,033)**	$ (7,979)

Contributions of $35,459 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2019	$ 28,251
2020	24,888
2021	8,622
2022	(3,124)
Total	$ 58,637

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00%-6.00%, of which 2.75% is the Plan's long-term payroll inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy post-retirement mortality rates	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled mortality rates	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females

The actuarial assumptions used in the valuations were based on the results of an experience study for the period October 1, 2007 to September 30, 2012. Data from the experience study is reviewed in conjunction with each annual valuation, and updates to the mortality improvement scale and discount rate have been made as of September 30, 2017.

(Dollars in Thousands)

12. Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Marco Advisors.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	35%	6.40%
International equity	20%	7.40%
Real estate	25%	5.10%
Fixed income	19%	1.75%
Cash	1%	1.10%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability is 7.20%. The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at their applicable contribution rates and that City contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 7.20% for 2018 and 7.40% for 2017, as well as what the Jacksonville GERP's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate used:

	Net Pension Liability	
	2018	**2017**
1% decrease	**$ 713,777**	$ 713,190
Current discount	**527,680**	541,025
1% increase	**372,518**	397,385

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the 2017 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

12. Pension Plans (continued)

St. Johns River Power Park Plan Description

Plan Description – The SJRPP Plan is a single employer contributory defined benefit plan that covers employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan is required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a five-member pension committee (Pension Committee). As part of the Asset Transfer Agreement with FPL related to the shutdown of SJRPP, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited in SJRPP Pension Fund.

The SJRPP Plan periodically issues stand-alone financial statements, with the most recent report issued for the year ended September 30, 2017. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

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

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

Upon reaching one of the three conditions for retirement described above, a member in Tier One is entitled to a retirement benefit of:

- 2.0% of final average earnings (FAE) multiplied by the number of years of credited service, not to exceed 15 years
- plus 2.4% of FAE multiplied by the number of years of credited service in excess of 15 years, but not to exceed 30 years
- plus .65% of the excess FAE over the Social Security Average Wages multiplied by years of credited service, not to exceed 35 years

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

(Dollars in Thousands)

12. Pension Plans (continued)

As of February 25, 2013, the accrued benefits in Tier One of newly classified Tier Two participants were frozen. Distribution of frozen Tier One Benefits is governed by the provisions applicable to Tier One. Tier Two Benefits employees receive annual pay credits to their Cash Balance accounts in the amount of 6.0% of earnings between February 25, 2013 and September 30, 2015 and 8.5% of earnings on or after October 1, 2015. Cash Balance Accounts are credited with interest at the rate of 4% per year. Benefits may be distributed as a lump sum, by rollover in accordance with the Internal Revenue Service Code or as an annuity, at the election of the participant.

For participants retired on or after October 1, 2003, each member and survivor of Tier One is entitled to a COLA. The COLA consists of a 1% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

Employees Covered by Benefit Terms – At September 30, 2018 and September 30, 2017, the following employees were covered by the benefit terms:

	2018	2017
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	**309**	299
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	**54**	49
Active Plan Members	**159**	209
Total Plan Members	**522**	557

Contributions – The SJRPP Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. In fiscal years 2018 and 2017, SJRPP plan members were required to contribute 4% of their annual covered salary, and SJRPP employer's contribution to the SJRPP Plan was $26,409 (454.62%) in 2018 and $8,039 (51.47%) in 2017.

Net Pension Liability – SJRPP's net pension liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of September 30, 2017 and September 30, 2016, respectively.

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions –The total pension liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	7.00%
Mortality rates	Mortality Rates used by the Florida Retirement System for classes other than Special Risk, described as follows: Healthy Mortality (Pre-Retirement and Post-Retirement) rates used: Females: RP2000 Healthy Annuitant rates with 100% White Collar adjustment, generationally projected from year 2000 using Scale BB. Males: RP2000 Healthy Annuitant rates with 50% White Collar/50% Blue Collar adjustment, generationally projected from year 2000 using Scale BB.

The actuarial assumptions used in the October 1, 2017 valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued. Mortality rates were developed by the Florida Retirement System in a recent experience study and are mandated by the State Statutes for funding valuations.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation at the measurement date of September 30, 2017, are summarized in the following table.

(Dollars in Thousands)

12. Pension Plans (continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	47%	6.56%
Fixed income	45%	2.20%
International equity	8%	5.50%
Total	100%	

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

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

	2018	2017
1% decrease	**$ 33,976**	$ 33,650
Current discount rate	**16,523**	16,640
1% increase	**1,896**	2,206

(Dollars in Thousands)

12. Pension Plans (continued)

Changes in the net pension liability are detailed below.

	2017	2016
Total pension liability		
Beginning balance	**$ 158,926**	$ 155,143
Service cost	**1,032**	1,210
Interest on the total pension liability	**10,768**	10,514
Changes in benefit terms	**–**	(59)
Difference between expected and actual experience	**10,826**	4,444
Changes in assumptions	**26**	–
Benefit payments	**(12,257)**	(12,326)
Ending balance	**169,321**	158,926
Plan fiduciary net postion		
Beginning balance	**142,286**	138,902
Employer contributions	**8,039**	2,142
Employee contributions	**625**	629
Pension plan net investment income (loss)	**14,571**	13,379
Benefit payments	**(12,257)**	(12,326)
Administrative expense	**(466)**	(440)
Ending balance	**152,798**	142,286
Net pension liability	**$ 16,523**	$ 16,640

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

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

(Dollars in Thousands)

12. Pension Plans (continued)

At September 30, 2017, the SJRPP Plan's cash and cash equivalents consist of the following:

Cash on hand	$	1
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account		3,365
Total cash and cash equivalents	$	3,366

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

At September 30, 2017, investments controlled by the SJRPP Plan that represent 5% or more of the SJRPP Plan's net position were the Alliance Domestic Passive Collective Trust with a basis of $17,581 and a fair market value of $44,328. This investment represent 29% of the fiduciary net position available for benefits.

Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the SJRPP Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. As of September 30, 2017, the average modified duration of the managed fixed securities portfolio was 4.8 years.

Credit risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The SJRPP Plan's rated debt instruments as of September 30, 2017 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization.

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

(Dollars in Thousands)

12. Pension Plans (continued)

Custodial Credit Risk

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

Concentration of Credit Risk

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

The fair value of the asset classes and portfolio as of September 30, 2017, and specific target allocations are as follows:

	Fair Value	Actual Percent	Target Percent
U.S. Government Securities and Agencies	$ 28,258	19%	N/A
Corporate bonds – non-convertible	30,658	20%	N/A
Money Market/Cash	3,366	2%	N/A
Total fixed income	62,282	41%	45%
S&P 500 Index Fund	44,328	29%	28%
S&P 400 Mid-Cap Index Fund	18,428	12%	15%
Small and Mid-Cap Value Fund	13,652	9%	4%
International equities	13,920	9%	8%
Total equities	$ 90,328	59%	55%
Total	$ 152,610		

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

For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments was 10.39%. This reflects the changing amounts actually invested.

(Dollars in Thousands)

12. Pension Plans (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through its investments in an international equity mutual fund. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 9% of total investments as of September 30, 2017.

Fair Value Disclosures

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The SJRPP Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

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

The table below summarizes the SJRPP Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices.

	Level 1	Level 2	Total
U.S. Government Securities and Agencies	$ 16,662	$ 11,596	$ 28,258
Corporate bonds - non-convertible	–	30,658	30,658
Money Market/Cash	3,366	–	3,366
Total fixed income	20,028	42,254	62,282
S&P 500 Index Fund	44,328	–	44,328
S&P 400 Mid-Cap Index Fund	17,852	576	18,428
Small and Mid-Cap Value Fund	12,430	1,222	13,652
International equities	–	13,920	13,920
Total equities	74,610	15,718	90,328
Total	$ 94,638	$ 57,972	$ 152,610

(Dollars in Thousands)

12. Pension Plans (continued)

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

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

Net Pension Liability – SJRPP's net pension liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of September 30, 2017 and September 30, 2016, respectively. SJRPP's net pension liability is $16,523 as of September 30, 2018 and $16,640 as of September 30, 2017. As discussed in note 3, St. Johns River Power Park, during fiscal year 2018, JEA assumed FPL's portion of the pension obligation in accordance with the shutdown agreement.

For the year ended September 30, 2018 and 2017, SJRPP recognized pension expense is $14,408 and $4,785, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

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

	September 30	
	2018	**2017**
Deferred outflows of resources		
Contributions subsequent to the measurement date	**$ 26,641**	$ 8,664
Net difference between projected and actual earnings on pension plan investments	**4,091**	6,136
Differences between expected and actual experience	**2,451**	4,022
Changes in assumptions	**1,055**	1,809
Total	**$ 34,238**	$ 20,631
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ (7,091)**	$ (4,976)
Total	**$ (7,091)**	$ (4,976)

(Dollars in Thousands)

12. Pension Plans (continued)

Contributions of $26,641 were reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the September 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30		Recognition of Deferred Outflows (Inflows)
2019	$	1,421
2020		1,679
2021		(1,643)
2022		(951)
Total	$	506

13. Other Postemployment Benefits

Plan Description

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

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

Plan membership – As of September 30, 2017 (the actuarial valuation date), the OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	502
Active plan members	2,041
Total	2,543

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Benefits provided – The postretirement benefit portion of the benefits plan (OPEB Plan) refers to the benefits applicable to current and future retirees and their beneficiaries. In addition, retirees are eligible to continue life insurance coverage through the plan sponsored by JEA. Premiums for the first $5,000 of coverage are being subsidized by the employer and, as such, are considered as other postemployment benefits for purposes of GASB Statement No. 75. As of January 1, 2017, the PPO plan out of pocket maximums increased to $5,000/$10,000, the deductible increased to $500 per year, the coinsurance changed to 80%/50%, and the specialist copay increased to $60. The HRA out of pocket maximum increased to $5,000/$10,000. The HSA deductible was set to $1,500 for in network and $2,500 for out of network. The copays for prescription drug benefits under all plan options increased to $10/$40/$60 and copays for specialty drugs increased to $250. Under the HSA Plan, the deductible must be satisfied before the prescription co-pay requirements. The table below outlines other key components of the OPEB plan.

	PPO		HRA		HSA	
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network
Annual deductible	$ 500	$ 1,000	$ 1,500	$ 3,000	$ 1,500	$ 2,500
Primary Care Physician co-pay	$ 25	40%	$ 25	40%	20%*	40%*
Specialist co-pay	$ 60	40%	$ 60	40%	20%*	40%*
Co-insurance	20%	40%	20%	40%	20%*	40%*

*After the annual deductible is met

Contributions – Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage and the member is responsible for payment of the applicable premiums.

Florida law prohibits JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups blended-rate premiums.

In 2008, JEA began to advance-fund the OPEB obligation. This was accomplished by establishing a separate trust into which JEA makes periodic deposits and withdrawals to reimburse operations for costs incurred on a pay-as-you-go basis.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Actuarial assumptions – The total OPEB liability in the October 1, 2016 and October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5%–12.5%, including inflation; varies by years of service
Investment rate of return	7.00%
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.57% (including the impact of the excise tax).
Mortality rates	Mortality tables used for Regular Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a state wide experience study covering the period 2008 through 2013.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation at the measurement date of September 30, 2016 and September 30, 2017, are summarized in the following table.

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

	2017		2016	
Asset Class	**Target Allocation**	**Long-term Expected Nominal Rate of Return**	**Target Allocation**	**Long-term Expected Nominal Rate of Return**
Large cap domestic equity	34%	8.0%	39%	9.0%
Global fixed income	18%	4.6%	24%	4.0%
International equity	15%	8.5%	10%	9.8%
Domestic fixed income	12%	4.3%	16%	3.5%
Small cap domestic equity	11%	8.5%	11%	9.8%
Real estate	10%	7.4%	0%	N/A
Total	100%		100%	

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Discount Rate – GASB Statement No. 75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As the assets are projected to be sufficient to meet benefit payments, the assumed valuation discount rate of 7.00% was used.

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

	2018	2017
1% decrease	**$ 23,779**	$ 46,273
Current discount rate	**18,835**	39,508
1% increase	**14,662**	33,799

Healthcare Cost Trend Rate – JEA followed the Getzen model with trend rates for costs and premiums declining over a 22-year period from 7.00% assumed for the year 2018 to the ultimate level of 4.57%.

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability, calculated using a healthcare cost trend rate of 7.0% down to 4.57%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current trend rate:

	2018	2017
1% decrease	**$ 14,401**	$ 33,442
Current healthcare cost trend rate	**18,835**	39,508
1% increase	**24,098**	46,709

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Changes in the net OPEB liability are detailed below.

	2018	2017
Total OPEB liability		
Beginning balance	**$ 60,949**	$ 62,554
Service cost	**811**	781
Interest on the total OPEB liability	**4,253**	4,203
Changes in benefit terms	**(11,556)**	–
Difference between expected and actual experience	**(7,891)**	–
Benefit payments	**(2,019)**	(6,589)
Ending balance	**44,547**	60,949
Plan fiduciary net postion		
Beginning balance	**21,441**	18,156
Employer contributions	**5,240**	5,061
Net investment income	**2,942**	2,135
Reimbursements to employer	**(3,911)**	(3,911)
Ending balance	**25,712**	21,441
Net OPEB liability	**$ 18,835**	$ 39,508
Plan fiduciary net position as a percentage of the total OPEB liability	**57.72%**	35.18%
Covered payroll	**$155,326**	$150,073
Net OPEB liability as a percentage of covered payroll	**12.13%**	26.33%

Plan Assets – The assets of the plan consist of shares held in the Florida Municipal Investment Trust (FMIT), which is administered by the Florida League of Cities. The FMIT is an interlocal governmental entity created under the laws of the State of Florida and an Authorized Investment under Sec. 163.01 Florida Statutes. It is considered an external investment pool for reporting purposes. JEA owns shares in the OPEB Fund A as directed in the Master Trust Agreement. OPEB Fund A target asset allocation is 60% equities and 40% fixed income.

At September 30, 2017, the OPEB Plan's cash and money market balance within the OPEB Fund A was $309.

Risk

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

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Interest Rate Risk

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

	September 30, 2017		September 30, 2016	
Fixed Income Fund	**Modified Duration**	**Weighted Average Maturity**	**Modified Duration**	**Weighted Average Maturity**
FMIT Broad Market High Quality Bond Fund	**4.74**	**6.10**	4.45	5.90
FMIT Core Plus Fixed Income Fund	**2.24**	**7.40**	2.04	6.84

Credit risk

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

The money-weighted rates of return for the September 30, 2017 and September 30, 2016 per the actuary are listed below.

Year Ended	Return
2016	7.90%
2017	13.35%

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Fair Value Disclosures

The table below summarizes the OPEB Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. JEA's investment is in shares of the FMIT OPEB Fund A. The disclosure below is based on the asset allocation provided by the FMIT of those investments held by OPEB Fund A at September 30, 2017.

	September 30, 2017			September 30, 2016		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
FMIT Broad Market High Quality Bond Fund	$ 3,831	$ –	$ 3,831	$ 3,280	$ –	$ 3,280
FMIT Core Plus Fixed Income Fund	–	5,785	5,785	–	4,996	4,996
Total fixed income	3,831	5,785	9,616	3,280	4,996	8,276
FMIT High Quality Growth Portfolio	2,057	–	2,057	1,630	–	1,630
FMIT Large Cap Diversified Value Portfolio	2,160	–	2,160	1,758	–	1,758
FMIT Russell 1000 Enhanced Index Portfolio	5,991	–	5,991	4,803	–	4,803
FMIT Diversified Small to Mid Cap Equity Portfolio	2,905	–	2,905	2,444	–	2,444
FMIT International Equity Portfolio	2,674	–	2,674	2,208	–	2,208
Total equities	15,787	–	15,787	12,843	–	12,843
Total	$ 19,618	$ 5,785	$ 25,403	$ 16,123	$ 4,996	$ 21,119

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

Net OPEB Liability – JEA's net OPEB liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of and with the measurement dates of September 30, 2017 and September 30, 2016, respectively. JEA's net OPEB liability is $18,835 as of September 30, 2018 and $39,508 as of September 30, 2017.

For the year ended September 30, 2018 and 2017, JEA recognized OPEB expense is ($9,272) and $3,508, respectively. As JEA has implemented regulatory accounting for OPEB, the difference between the recognized OPEB expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

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

	September 30	
	2018	**2017**
Deferred outflows of resources		
Contributions subsequent to the measurement date	**$ 4,078**	$ 5,240
Total	**$ 4,078**	$ 5,240
Deferred inflows of resources		
Differences between expected and actual experience	**$ (7,102)**	$ –
Net difference between projected and actual earnings on pension plan investments	**(1,610)**	(659)
Total	**$ (8,712)**	$ (659)

Contributions of $4,078 were reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the September 30, 2017 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	**Recognition of Deferred Outflows (Inflows)**
2019	$ (1,233)
2020	(1,233)
2021	(1,233)
2022	(1,068)
2023	(789)
Thereafter	(3,156)
Total	$ (8,712)

(Dollars in Thousands)

14. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For JEA, this statement applies to certain investments, interest rate swap agreements, and natural gas cash flow hedges.

JEA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

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

Investments

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). The local government investment pools transact with participants at a stable NAV and are recorded at NAV. Certain U.S. Treasury and government agency securities and commercial paper are measured at cost.

	2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
U.S. Treasury and government agency securities	$ 453,060	$ 453,060	$ –	$ –
State and local government securities	223,845	–	223,845	–
Total investments by fair value level	$ 676,905	$ 453,060	$ 223,845	$ –
Investments measured at NAV				
Local government investment pools	194,786			
Money market mutual funds	23,208			
Total investments measured at fair value	894,899			
Investments measured at cost				
Commercial paper	133,074			
U.S. Treasury and government agency securities	9,837			
Total investments by cost	142,911			
Total investments per statement of net position	$ 1,037,810			

(Dollars in Thousands)

14. Fair Value Measurements (continued)

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

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2018 and 2017 and standard cash flow present valuing techniques, which places them at Level 2 in the fair value hierarchy. The agreements are recorded at fair value as part of long-term debt in the statements of net position. The fair value of the interest rate swap agreements is detailed below.

	2018	**2017**
Electric	**$ (70,103)**	$ (101,350)
Water and Sewer	**(16,253)**	(23,919)
Total	**$ (86,356)**	$ (125,269)

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consisted of swap agreements for either a 3-month or 12-month period, covering calendar year 2018 and December 2019 through December 2021. These hedges were valued using prices observed on commodities exchanges and/or using industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which placed them at Level 3 in the fair value hierarchy. The fair market value changes in the hedges were recorded on a net basis in the statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2018 and 2017, deferred credits of $2,536 and $0 were included in deferred inflows of resources on the statements of net position, respectively.

15. Commitments and Contingent Liabilities

Grants

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

Regulatory Initiatives

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

Electric Enterprise System – On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO2) fossil fuel-fired electric generating units (EGUs):

- The Final Clean Power Plan (CPP), applicable to existing fossil fuel-fired electric EGUs.
- The Final Carbon Pollution Standards Rule (CPS), applicable to new, modified and reconstructed fossil fuel-fired EGUs.
- The Proposed Federal Plan applicable to states that fail to submit an approvable plan that achieves CPP goals.

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. On March 28, 2017, President Trump issued an Executive Order establishing a national policy "in favor of energy independence, economic growth, and the rule of law". The President has directed agencies to review existing regulations that potentially burden the development of domestic energy resources, and appropriately suspend, revise, or rescind regulations that unduly burden the development of U.S. energy resources beyond what is necessary to protect the public interest or otherwise comply with the law. The Executive Order specifically directed EPA to review and, if appropriate, initiate reconsideration proceedings to suspend, revise or rescind the new EPA Final Rules pertaining to CO^2 emissions. EPA initially obtained temporary court orders to hold the court challenge of the CPP and the CPS in abeyance, pending the completion of EPA's review of the rules. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

15. Commitments and Contingent Liabilities (continued)

On August 30, 2018, EPA a proposed rule to replace the CPP. The proposed rule is titled the Affordable and Clean Energy (ACE) Rule. ACE proposes new Existing Source Performance Standards (ESPS) to regulate CO2 emissions from fossil-fueled boilers. The ACE standards are significantly less stringent than the CPP standards. ACE also proposes to simplify and remove considerable ambiguity from EPA's New Source Review (NSR) rules applicable to major improvements to generating units. EPA has also promulgated but not issued proposed New Source Performance Standards (NSPS) for fossil-fueled units. Provisions of ACE are anticipated to be complied with without significant capital expenditure and do not represent significant cost exposure for JEA. Similarly, since JEA is not presently anticipating construction of any electric generation units that would be impacted by a new NSPS, the pending rule likewise does not represent significant cost exposure for JEA. Because these rules are either proposed or pending issuance, it is difficult to know when or if the rules will become "final" and enforceable. For this reason, JEA is unable, at this time, to definitively ascertain the impact to JEA to come from prospective regulation of CO2 emissions.

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act, because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter ($PM_{2.5}$), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO2 and NOx emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of $PM_{2.5}$ and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NOx emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule. However, the EPA has made known that it is in the early stages of developing a supplemental rule (CSAPR Update II) to address the 2015 ozone and $PM_{2.5}$ NAAQS. It is possible that the CSAPR Update II may mandate deeper emission reductions and an expansion of the geographic area for regulation, possibly to again include Florida. The EPA has not established a rulemaking schedule for the CSAPR Update II. Consequently, JEA is not able to estimate any impacts from the CSAPR Update II.

On December 21, 2011, the EPA issued its Mercury and Air Toxics Standards (MATS) rule, setting forth maximum achievable control technology (MACT) standards for coal and oil generating stations. The new standards regulate four categories of hazardous air pollutants (HAPS) emitted by coal- or oil-fired EGUs, namely mercury, HAP metals, acid gases, and organic HAP.

The compliance deadline for affected sources to have all necessary pollution controls installed was April 2015. JEA's units that are regulated under MATS comply with all rule requirements.

15. Commitments and Contingent Liabilities (continued)

In April 2015, the EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015 and established technical requirements for surface impoundments and landfills. The rule requires protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, is enforced only by citizen-initiated lawsuits, rather than by the EPA. However, with passage of the WIIN Act in 2016, the rule can now be reformed to provide the following: 1) conversion from a "self-implementing" program to a permit program the states or EPA would have primary responsibility to administer and enforce; and, 2) flexibility for state programs to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements.

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of CCRs at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. The currently operating cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule even after the plant was decommissioned in 2018. SJRPP's two closed byproduct storage areas (Areas I and II) are not affected by this rule. SJRPP has no regulated surface impoundments. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities is currently projected to run through 2030.

The EPA left in place the Bevill exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard, and other contained applications that should not involve any exposure by the public to unsafe contaminants.

On November 22, 2010, the EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for the EPA to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. The EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems.

15. Commitments and Contingent Liabilities (continued)

With few changes to the proposed rule, the EPA published the final rule in the Federal Register in August 2015. The new standards will not affect any JEA facilities other than NGS. NGS is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries, or oceans to cool their plants. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA) to improvements to the existing screening facilities or installation of cooling towers. A full two-year biological study is required to evaluate site-specific conditions and form a basis for assessing BTA and was initiated in 2018. Estimated final compliance deadlines are not expected until after 2024 and will depend on the level of upgrade ultimately required. Accordingly, costs of compliance have not been determined for NGS and are not included in JEA's capital program for the Electric System.

On September 30, 2016, the EPA issued the Effluent Limitation Guidelines for Steam Electric Power Plants. In setting the new and more stringent standards, the EPA evaluated the technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in as soon as possible on or after November 1, 2018, but no later than December 31, 2023. The costs of compliance at NGS and Scherer have been evaluated and are anticipated in operating budgets and in JEA's five-year capital program for the Electric System.

Water Supply System Regulatory Initiatives – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida, the Suwannee River Water Management District (SRWMD), Florida Department of Environmental Protection (FDEP), and the SJRWMD have set or are setting/revising Minimum Flows and Levels (MFLs) for water bodies in the region. MFLs are intended to assess the potential for ecological resource risks from water withdrawals and ensure sustainable supplies. In 2015, MFLs were adopted in the SRWMD and a determination required a recovery strategy. By permit, JEA will participate to the extent of its proportionate impact in prevention and recovery strategies that may be developed to ensure the groundwater resource remains sustainable.

15. Commitments and Contingent Liabilities (continued)

Wastewater Treatment System Regulatory Initiatives – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities. By virtue of exceeding its own regulatory obligation, JEA has generated nutrient reduction credits and has assisted the City in meeting a portion of their Municipal Separate Storm System nutrient requirements by transferring 33.44 short tons per year. This was recognized in JEA's annual contribution agreement negotiated in 2016. In 2013, both the FDEP and EPA reaffirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL.

Pollution Remediation Obligations

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities, the liability is estimated to be $20,726 at September 30, 2018. The accrual is related to the following environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; WSSC PCB Issue, Northside Generating Station RCRA Corrective Action program; and remediation at a number of miscellaneous petroleum sites. Of the $20,726 that JEA has accrued as environmental liabilities, approximately $15,795 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain and no accurate prediction of range of loss is possible at this time: Pickettville Road Landfill CERCLA site post-closure activities and the Ellis Road CERCLA site. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity. Costs associated with these obligations that were expensed prior to the approval of regulatory accounting for environmental projects are recorded in other noncurrent liabilities and total $16,818. The remaining liability is recognized as part of revenues to be used for future costs.

15. Commitments and Contingent Liabilities (continued)

Northside Generating Station Byproduct

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

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

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff is suing multiple defendants seeking damages allegedly resulting from construction defects at The Promenade, a retail shopping mall in D'Iberville, Mississippi. Plaintiff amended the complaint in April 2010 to add JEA as a defendant on various product liability theories, claiming that JEA's ash byproduct was allegedly incorporated as a component of the product of another party defendant and used by other party defendants at the subject project. Plaintiff seeks injunctive relief, to remediate the site, and damages. Multiple third party claims and cross claims were raised and remain pending. JEA believes it has good and meritorious defenses in this action and will vigorously defend the case. The plaintiff is seeking approximately $75,000; however, the trial court ruled that JEA is entitled to a sovereign immunity cap of $500. Plaintiff has appealed this ruling and the pre-trial rulings are currently being heard by the Mississippi Supreme Court.

General Litigation

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

16. Storm Costs

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

(Dollars in Thousands)

16. Storm Costs (continued)

JEA is in the midst of the cost reimbursement process through FEMA, which allows cost share of 87.5% of eligible cost (75.0% from FEMA and 12.5% from the State of Florida) of those costs not covered by insurance. As a result, $27,999 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with the 12.5%, or $4,000, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2017. Through September 30, 2018, JEA has received $9,033, which reduced the deferred costs to be recovered from future revenues. Of the $9,033 received, $6,970 was from insurance and $2,063 from FEMA. JEA believes it is probable that reimbursement from either insurance or FEMA will be received for the eligible cost incurred that is remaining.

17. Segment Information

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

Intercompany billing is employed between the Electric System, the Water and Sewer System, and DES and includes purchases of electricity, water, sewer, and chilled water services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the financial statements. See intercompany charges detailed below.

	2018			2017		
	Electric	**W&S**	**DES**	**Electric**	**W&S**	**DES**
Electricity services	N/A	$ 13,422	$ 3,282	N/A	$ 13,324	$ 3,351
Water and sewer services	505	N/A	136	147	N/A	144
Chilled water services	–	408	N/A	–	507	N/A

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was $45,869 for fiscal year 2018 and $43,327 for 2017.

17. Segment Information (continued)

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System for $32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were $784 for fiscal year 2018 and $280 for 2017.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,284, respectively, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $2,030 for fiscal year 2018 and $1,999 for 2017.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement per account. Deposits are allocated to the Electric System or Water and Sewer System based on revenues. When the deposits are credited to customer accounts, they are allocated between the service agreements.

(Dollars in Thousands)

17. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2018 and 2017 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2018	2017	2018	2017	2018	2017	2018	2017
Condensed statements of net position								
Total current assets	$ 603,965	$ 604,305	$ 70,352	$ 117,017	$ 196,938	$ 204,171	$ 4,396	$ 4,355
Total noncurrent assets	740,394	754,337	358,767	276,865	574,441	589,523	3,445	3,257
Net capital assets	2,652,224	2,687,232	10,144	474,437	2,682,864	2,615,950	35,027	36,180
Deferred outflows of resources	241,405	278,864	67,596	27,339	125,501	131,037	194	203
Total assets and deferred outflows of resources	$ 4,237,988	$ 4,324,738	$ 506,859	$ 895,658	$ 3,579,744	$ 3,540,681	$ 43,062	$ 43,995
Total current liabilities	$ 163,168	$ 145,154	$ 7,668	$ 11,722	$ 37,101	$ 35,426	$ 103	$ 89
Total current liabilities payable from restricted assets	184,899	191,785	63,435	157,877	117,447	120,756	2,601	2,445
Total noncurrent liabilities	373,718	393,733	39,049	14,865	221,990	235,258	34	11
Total long-term debt	2,166,201	2,328,211	281,359	420,060	1,570,576	1,625,187	34,791	36,446
Total liabilities	2,887,986	3,058,883	391,511	604,524	1,947,114	2,016,627	37,529	38,991
Deferred inflows of resources	283,185	282,821	17,715	151,613	47,304	22,791	–	–
Net investment in (divestment of) capital assets	530,479	425,023	2,138	(3,751)	1,325,600	1,202,706	(1,492)	(1,818)
Restricted net position	316,700	336,210	26,164	39,530	195,319	211,166	2,738	2,539
Unrestricted net position	219,638	221,801	69,331	103,742	64,407	87,391	4,287	4,283
Total net position	1,066,817	983,034	97,633	139,521	1,585,326	1,501,263	5,533	5,004
Total liabilities, deferred inflows of resources, and net position	$ 4,237,988	$ 4,324,738	$ 506,859	$ 895,658	$ 3,579,744	$ 3,540,681	$ 43,062	$ 43,995
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	$ 1,275,255	$ 1,299,592	$ 147,838	$ 268,899	$ 435,682	$ 457,908	$ 8,756	$ 8,692
Depreciation	203,075	199,743	10,987	42,754	144,144	141,838	2,403	2,364
Other operating expenses	829,441	782,778	115,612	203,273	166,291	163,293	4,603	4,570
Operating income	242,739	317,071	21,239	22,872	125,247	152,777	1,750	1,758
Total nonoperating expenses, net	(67,484)	(72,558)	(18,028)	(22,153)	(44,079)	(52,807)	(1,221)	(1,322)
Total contributions, net	(91,472)	(92,271)	–	–	2,895	1,254	–	–
Total special items	–	–	(45,099)	–	–	–	–	–
Changes in net position	83,783	152,242	(41,888)	719	84,063	101,224	529	436
Net position, beginning of year	983,034	832,508	139,521	138,802	1,501,263	1,401,047	5,004	4,568
Effect of adoption of GASB Statement No. 75	–	(1,716)	–	–	–	(1,008)	–	–
Net position, beginning of year, restated	983,034	830,792	139,521	138,802	1,501,263	1,400,039	5,004	4,568
Net position, end of year	$ 1,066,817	$ 983,034	$ 97,633	$ 139,521	$ 1,585,326	$ 1,501,263	$ 5,533	$ 5,004
Condensed statements of cash flow information								
Net cash provided by operating activities	$ 457,242	$ 447,104	$ 38,185	$ 37,578	$ 276,662	$ 287,362	$ 3,880	$ 3,588
Net cash used in noncapital and related financing activities	(91,538)	(92,225)	–	–	(25,031)	(23,469)	–	–
Net cash used in capital and related financing activities	(389,543)	(396,544)	(193,269)	(63,622)	(291,095)	(259,443)	(4,064)	(5,139)
Net cash provided by (used in) investing activities	(30,410)	86,505	174,010	17,053	16,616	(21,679)	103	45
Net change in cash and cash equivalents	(54,249)	44,840	18,926	(8,991)	(22,848)	(17,229)	(81)	(1,506)
Cash and cash equivalents at beginning of year	340,063	295,223	121,027	130,018	145,909	163,138	7,035	8,541
Cash and cash equivalents at end of year	$ 285,814	$ 340,063	$ 139,953	$ 121,027	$ 123,061	$ 145,909	$ 6,954	$ 7,035

18. Subsequent Events

On October 11, 2018, Moody's Investors Service lowered its ratings with respect to the Bonds of JEA as follows:

(a) with respect to Electric System Revenue Bonds, Bulk Power Supply System Revenue Bonds, and SJRPP System Revenue Bonds, the long-term debt ratings were lowered from "Aa2" to "A2";

(b) with respect to Electric System Subordinated Revenue Bonds, the long-term ratings were lowered from "Aa3" to "A3";

(c) with respect to Water and Sewer Revenue Bonds and Water and Sewer Subordinated Revenue Bonds, the long-term ratings were lowered from "Aa2" to "A2"; and

(d) with respect to DES Revenue Bonds, the long-term ratings were lowered from "Aa3" to "A3".

As a result of the ratings change above, commitment fees related to Electric System VRDOs changed from a range of 0.38% to 0.40% to a range of 0.48% to 0.55% and commitment fees related to Water and Sewer System VRDOs remained unchanged within a range of 0.38% to 0.42%.

On November 1, 2018, as a result of the ratings change, the interest rate related to the Direct Purchased Bonds changed from SIFMA plus 40 basis points to SIFMA plus 55 basis points.

On November 1, 2018, JEA amended the revolving credit agreement to increase the maximum principal amount of the credit facility available for the Electric System by $200,000, for a total unsecured amount of $500,000.

On November 2, 2018, the revolving credit agreement was drawn upon by the Water and Sewer System for $2,000, with $495,000 available to be drawn.

On November 7, 2018, JEA extended the existing irrevocable direct-pay letter of credit and reimbursement agreement related to the Water and Sewer System 2008 Series A-2 VRDO to a stated expiration date of December 1, 2023. The new commitment fee is 0.42%.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information – Pension
(Dollars in Thousands)

September 30, 2018

Schedules of Required Supplementary Information

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

City of Jacksonville General Employees Retirement Plan

Last Five Fiscal Years*

	2018	2017	2016	2015	2014
Proportional share percentage	**51.68%**	50.37%	49.15%	48.85%	48.85%
Net pension liability	**$ 527,680**	$ 541,025	$ 480,353	$ 404,466	$ 386,789
Covered payroll	**$ 134,443**	$ 126,808	$ 127,440	$ 128,084	$ 129,922
Net pension liability as a percentage of covered payroll	**392.49%**	426.65%	376.92%	315.78%	297.71%
Plan fiduciary net pension as a percentage of the total pension liability	**63.71%**	63.00%	64.03%	69.06%	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years*

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2009	$ 13,280	$ 13,280	$ –	$ 120,727	11.00%
2010	16,257	16,257	–	125,054	13.00%
2011	17,195	17,195	–	132,269	13.00%
2012	22,301	22,301	–	127,434	17.50%
2013	27,038	27,038	–	129,990	20.80%
2014	34,149	34,149	–	129,922	26.28%
2015	40,179	40,179	–	128,084	31.37%
2016	43,156	43,156	–	127,440	33.86%
2017	48,942	48,942	–	126,808	38.60%
2018	35,459	35,459	–	134,443	26.37%

* All information is on measurement year basis.

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

Notes to Schedule of Contributions

Valuation date:	October 1, 2017
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 1.14% Annual Increases*
Remaining amortization period	All new bases are amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actual assumptions:	
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% – 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provision contains a 3.00% COLA.

* The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of *Florida Statutes*, an assumption of 1.14% was used for amortization purposes in the valuation.

JEA

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

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

	2017	2016	2015	2014
Total Pension Liability				
Beginning balance	**$ 158,926**	$ 155,143	$ 150,629	$ 146,521
Service cost	**1,032**	1,210	1,275	1,470
Interest	**10,768**	10,514	10,271	10,026
Changes in benefit terms	**–**	(59)	–	–
Difference between actual and expected experience	**10,826**	714	3,316	2,121
Changes in assumptions	**26**	3,730	–	–
Benefit payments	**(12,257)**	(12,326)	(10,348)	(9,509)
Total pension liability – ending	**$ 169,321**	$ 158,926	$ 155,143	$ 150,629
Plan Fiduciary Net Position				
Beginning balance	**$ 142,286**	$ 138,902	$ 145,425	$ 135,019
Contributions – employer	**8,039**	2,142	3,509	5,559
Contributions – employee	**625**	629	648	655
Net investment income	**14,571**	13,379	(266)	13,763
Benefit payments	**(12,257)**	(12,326)	(10,348)	(9,509)
Administrative expense	**(466)**	(440)	(66)	(62)
Plan fiduciary net position – ending	**$ 152,798**	$ 142,286	$ 138,902	$ 145,425
Net Pension Liability – Ending	**$ 16,523**	$ 16,640	$ 16,241	$ 5,204
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**90.24%**	89.53%	89.53%	96.55%
Covered Payroll	**$ 15,621**	$ 15,730	$ 16,665	$ 21,304
Net Pension Liability as a Percentage of Covered Payroll	**105.78%**	105.79%	97.46%	24.43%

* These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

SJRPP Plan – Investment Returns

Year Ended	Return
2008	-12.67%
2009	7.60%
2010	10.14%
2011	0.41%
2012	17.17%
2013	12.64%
2014	10.32%
2015	-0.19%
2016	9.99%
2017	10.39%

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

SJRPP Plan – Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	10,239	10,398	(159)	21,327	48.76%
2010	13,453	13,565	(112)	19,431	69.81%
2011	8,919	9,028	(109)	19,895	45.38%
2012	7,995	8,005	(10)	19,318	41.44%
2013	11,845	11,885	(40)	17,761	66.92%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	16,665	21.06%
2016	2,050	2,142	(92)	15,730	13.62%
2017	7,967	8,039	(72)	15,621	51.46%
2018	7,727	26,409	(18,682)	5,809	454.62%

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date:	October 1, 2017
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	2 years
Asset valuation method	Market value of assets
Actual assumptions:	
Investment rate of return	7.00% per year, compounded annually, net of investment expenses
Inflation rate	2.5%
Projected salary increases	2.5% – 12.5%, per year, including inflation
Retirement age	Experience-based table of rates based on year of eligibility.
Mortality	Mortality tables used for Regular Class and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

Required Supplementary Information – OPEB
(Dollars in Thousands)

September 30, 2018

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

	2017	2016
Total OPEB Liability		
Beginning balance	**$ 60,949**	$ 62,554
Service cost	**811**	781
Interest on the total OPEB liability	**4,253**	4,203
Changes in benefit terms	**(11,556)**	–
Difference between actual and expected experience	**(7,891)**	–
Benefit payments	**(2,019)**	(6,589)
Total OPEB liability – ending	**$ 44,547**	$ 60,949
Plan Fiduciary Net Position		
Beginning balance	**$ 21,441**	$ 18,156
Employer contributions	**5,240**	5,061
Net investment income	**2,942**	2,135
Reimbursements to employer	**(3,911)**	(3,911)
Plan fiduciary net position – ending	**$ 25,712**	$ 21,441
Net OPEB Liability – Ending	**$ 18,835**	$ 39,508
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	**57.72%**	35.18%
Covered Payroll	**$ 155,326**	$ 150,073
Net OPEB Liability as a Percentage of Covered Payroll	**12.13%**	26.33%

* These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

OPEB Plan – Investment Returns

Year Ended	Return
2008	0.03%
2009	1.44%
2010	6.74%
2011	-1.41%
2012	15.84%
2013	11.93%
2014	8.22%
2015	-0.46%
2016	7.90%
2017	13.35%

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

OPEB Plan – Schedule of Contributions*

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	$ 4,138	$ 5,240	$ (1,102)	$ 155,326	3.37%
2018	3,885	4,078	(193)	161,602	2.52%

* These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

Required Supplementary Information – OPEB
(Dollars in Thousands)

Notes to Schedule of Contributions

Assumptions below pertain to all years presented unless otherwise noted.

Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age Normal
Inflation	2.50%
Discount rate	7.00%
Salary increases	2.5% – 12.5% per year, including inflation; varies by years of service
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality tables used for Regular Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.57% as of October 1, 2017 and 4.59% as of October 1, 2016 (including the impact of the excise tax). The decrease is a result of the decrease in the load for excise tax.
Aging factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Investment returns are net of the investment expenses; and, administrative expenses related to operation of the health plan are included in the premium costs.
Other information:	
Notes	Health-related assumptions are based on experience over the plan year ending December 31, 2017.

JEA

Combining Statement of Net Position

(In Thousands)

September 30, 2018

	System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 285,611	$ 65,840	$ –	$ 351,451	$ 86,219	$ 3,536	$ 441,206
Investments	83,268	2,042	–	85,310	–	–	85,310
Accounts and interest receivable, net of allowance of $1,830	197,041	790	(1,912)	195,919	54,369	860	251,148
Inventories:							
Fuel	35,856	1,015	–	36,871	–	–	36,871
Materials and supplies	2,189	665	–	2,854	56,350	–	59,204
Total current assets	603,965	70,352	(1,912)	672,405	196,938	4,396	873,739
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	203	74,113	–	74,316	36,842	3,418	114,576
Investments	419,536	23,330	–	442,866	288,761	–	731,627
Accounts and interest receivable	7	47	–	54	8	–	62
Total restricted assets	419,746	97,490	–	517,236	325,611	3,418	846,265
Costs to be recovered from future revenues	301,805	261,277	–	563,082	244,987	27	808,096
Investment in The Energy Authority	6,811	–	–	6,811	–	–	6,811
Other assets	12,032	–	–	12,032	3,843	–	15,875
Total noncurrent assets	740,394	358,767	–	1,099,161	574,441	3,445	1,677,047
Net capital assets	2,652,224	10,144	–	2,662,368	2,682,864	35,027	5,380,259
Total assets	3,996,583	439,263	(1,912)	4,433,934	3,454,243	42,868	7,931,045
Deferred outflows of resources							
Unrealized pension contributions and losses	83,649	34,238	–	117,887	53,480	–	171,367
Unamortized deferred losses on refundings	85,165	4,185	–	89,350	54,178	194	143,722
Accumulated decrease in fair value of hedging derivatives	70,103	–	–	70,103	16,253	–	86,356
Unrealized asset retirement obligation	–	29,173	–	29,173	–	–	29,173
Unrealized OPEB contributions and losses	2,488	–	–	2,488	1,590	–	4,078
Total deferred outflows of resources	241,405	67,596	–	309,001	125,501	194	434,696
Total assets and deferred outflows of resources	$ 4,237,988	$ 506,859	$ (1,912)	$ 4,742,935	$ 3,579,744	$ 43,062	$ 8,365,741
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 118,901	$ 7,668	$ (796)	$ 125,773	$ 21,485	$ 103	$ 147,361
Customer deposits	44,267	–	–	44,267	15,616	–	59,883
Total current liabilities	163,168	7,668	(796)	170,040	37,101	103	207,244
Current liabilities payable from restricted assets:							
Debt due within one year	130,690	1,720	–	132,410	51,720	1,660	185,790
Renewal and replacement reserve	–	54,370	–	54,370	–	–	54,370
Interest payable	37,613	5,603	–	43,216	29,841	680	73,737
Construction contracts and accounts payable	16,596	1,742	(1,116)	17,222	35,886	261	53,369
Total current liabilities payable from restricted assets	184,899	63,435	(1,116)	247,218	117,447	2,601	367,266
Noncurrent liabilities:							
Net pension liability	321,885	16,523	–	338,408	205,795	–	544,203
Asset retirement obligation	–	22,526	–	22,526	–	–	22,526
Net OPEB liability	11,489	–	–	11,489	7,346	–	18,835
Other liabilities	40,344	–	–	40,344	8,849	34	49,227
Total noncurrent liabilities	373,718	39,049	–	412,767	221,990	34	634,791
Long-term debt:							
Bonds payable, less current portion	2,019,350	278,885	–	2,298,235	1,480,620	34,825	3,813,680
Unamortized premium (discount), net	76,748	2,474	–	79,222	73,703	(34)	152,891
Fair value of debt management strategy instruments	70,103	–	–	70,103	16,253	–	86,356
Total long-term debt	2,166,201	281,359	–	2,447,560	1,570,576	34,791	4,052,927
Total liabilities	2,887,986	391,511	(1,912)	3,277,585	1,947,114	37,529	5,262,228
Deferred inflows of resources							
Revenues to be used for future costs	249,085	10,624	–	259,709	27,123	–	286,832
Unrealized pension gains	26,250	7,091	–	33,341	16,783	–	50,124
Unrealized OPEB gains	5,314	–	–	5,314	3,398	–	8,712
Accumulated increase in fair value of hedging derivatives	2,536	–	–	2,536	–	–	2,536
Total deferred inflows of resources	283,185	17,715	–	300,900	47,304	–	348,204
Net position							
Net investment in (divestment of) capital assets	530,479	2,138	–	532,617	1,325,600	(1,492)	1,856,725
Restricted							
Debt service	130,072	1,843		131,915	53,799	1,660	187,374
Other purposes	186,628	24,321	1,116	212,065	141,520	1,078	354,663
Unrestricted	219,638	69,331	(1,116)	287,853	64,407	4,287	356,547
Total net position	1,066,817	97,633	–	1,164,450	1,585,326	5,533	2,755,309
Total liabilities, deferred inflows of resources, and net position	$ 4,237,988	$ 506,859	$ (1,912)	$ 4,742,935	$ 3,579,744	$ 43,062	$ 8,365,741

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2017

	System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 340,063	$ 41,950	$ –	$ 382,013	$ 103,741	$ 3,805	$ 489,559
Investments	20,629	4,493	–	25,122	–	–	25,122
Accounts and interest receivable, net of allowance of $2,101	203,433	16,597	(27,230)	192,800	52,094	550	245,444
Inventories:							
Fuel	38,044	34,728	–	72,772	–	–	72,772
Materials and supplies	2,136	19,249	–	21,385	48,336	–	69,721
Total current assets	604,305	117,017	(27,230)	694,092	204,171	4,355	902,618
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	–	79,077	–	79,077	42,168	3,230	124,475
Investments	442,080	192,794	–	634,874	301,834	–	936,708
Accounts and interest receivable	20	952	–	972	12	–	984
Total restricted assets	442,100	272,823	–	714,923	344,014	3,230	1,062,167
Costs to be recovered from future revenues	297,241	4,042	–	301,283	239,711	27	541,021
Investment in The Energy Authority	6,283	–	–	6,283	–	–	6,283
Other assets	8,713	–	–	8,713	5,798	–	14,511
Total noncurrent assets	754,337	276,865	–	1,031,202	589,523	3,257	1,623,982
Net capital assets	2,687,232	474,437	–	3,161,669	2,615,950	36,180	5,813,799
Total assets	4,045,874	868,319	(27,230)	4,886,963	3,409,644	43,792	8,340,399
Deferred outflows of resources							
Unrealized pension contributions and losses	95,814	16,505	–	112,319	61,259	–	173,578
Unamortized deferred losses on refundings	78,503	10,834	–	89,337	43,816	203	133,356
Accumulated decrease in fair value of hedging derivatives	101,350	–	–	101,350	23,919	–	125,269
Unrealized OPEB contributions and losses	3,197	–	–	3,197	2,043	–	5,240
Total deferred outflows of resources	278,864	27,339	–	306,203	131,037	203	437,443
Total assets and deferred outflows of resources	$ 4,324,738	$ 895,658	$ (27,230)	$ 5,193,166	$ 3,540,681	$ 43,995	$ 8,777,842
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 102,962	$ 11,722	$ (3,221)	$ 111,463	$ 20,340	$ 89	$ 131,892
Customer deposits	42,192	–	–	42,192	15,086	–	57,278
Total current liabilities	145,154	11,722	(3,221)	153,655	35,426	89	189,170
Current liabilities payable from restricted assets:							
Debt due within one year	135,105	41,330	–	176,435	51,020	1,640	229,095
Renewal and replacement reserve	–	82,577	–	82,577	–	–	82,577
Interest payable	40,458	9,571	–	50,029	31,501	691	82,221
Construction contracts and accounts payable	16,222	24,399	(24,009)	16,612	38,235	114	54,961
Total current liabilities payable from restricted assets	191,785	157,877	(24,009)	325,653	120,756	2,445	448,854
Noncurrent liabilities:							
Net pension liability	330,025	13,312	–	343,337	211,000	–	554,337
Net OPEB liability	24,100	–	–	24,100	15,408	–	39,508
Other liabilities	39,608	1,553	–	41,161	8,850	11	50,022
Total noncurrent liabilities	393,733	14,865	–	408,598	235,258	11	643,867
Long-term debt:							
Bonds payable, less current portion	2,171,305	408,885	–	2,580,190	1,555,485	36,485	4,172,160
Unamortized premium (discount), net	55,556	11,175	–	66,731	45,783	(39)	112,475
Fair value of debt management strategy instruments	101,350	–	–	101,350	23,919	–	125,269
Total long-term debt	2,328,211	420,060	–	2,748,271	1,625,187	36,446	4,409,904
Total liabilities	3,058,883	604,524	(27,230)	3,636,177	2,016,627	38,991	5,691,795
Deferred inflows of resources							
Revenues to be used for future costs	277,552	147,632	–	425,184	19,422	–	444,606
Unrealized pension gains	4,867	3,981	–	8,848	3,112	–	11,960
Unrealized OPEB gains	402	–	–	402	257	–	659
Total deferred inflows of resources	282,821	151,613	–	434,434	22,791	–	457,225
Net position							
Net investment in (divestment of) capital assets	425,023	(3,751)	–	421,272	1,202,706	(1,818)	1,622,160
Restricted							
Debt service	134,071	41,709	–	175,780	56,848	1,640	234,268
Other purpose	202,139	(2,179)	24,009	223,969	154,318	899	379,186
Unrestricted	221,801	103,742	(24,009)	301,534	87,391	4,283	393,208
Total net position	983,034	139,521	–	1,122,555	1,501,263	5,004	2,628,822
Total liabilities, deferred inflows of resources, and net position	$ 4,324,738	$ 895,658	$ (27,230)	$ 5,193,166	$ 3,540,681	$ 43,995	$ 8,777,842

JEA

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

Year Ended September 30, 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,253,139	$ 87,749	$ (56,982)	$ 1,283,906	$ –	$ –	$ (16,704)	$ 1,267,202
Water and sewer	–	–	–	–	424,121	–	(641)	423,480
District energy system	–	–	–	–	–	8,756	(408)	8,348
Other	22,116	60,089	–	82,205	11,561	–	(2,814)	90,952
Total operating revenues	1,275,255	147,838	(56,982)	1,366,111	435,682	8,756	(20,567)	1,789,982
Operating expenses								
Operations and maintenance:								
Fuel	356,877	64,175	–	421,052	–	–	–	421,052
Purchased power	166,176	–	(56,982)	109,194	–	–	–	109,194
Maintenance and other operating expenses	244,011	52,296	–	296,307	149,646	4,603	(20,567)	429,989
Depreciation	203,075	10,987	–	214,062	144,144	2,403	–	360,609
State utility and franchise taxes	60,831	–	–	60,831	10,476	–	–	71,307
Recognition of deferred costs and revenues, ne	1,546	(859)	–	687	6,169	–	–	6,856
Total operating expenses	1,032,516	126,599	(56,982)	1,102,133	310,435	7,006	(20,567)	1,399,007
Operating income	242,739	21,239	–	263,978	125,247	1,750	–	390,975
Nonoperating revenues (expenses)								
Interest on debt	(86,808)	(20,292)	–	(107,100)	(58,034)	(1,374)	–	(166,508)
Investment income	6,910	1,196	–	8,106	3,617	103	–	11,826
Allowance for funds used during construction	3,912	–	–	3,912	7,802	50	–	11,764
Other nonoperating income, net	6,025	1,068	–	7,093	2,764	–	–	9,857
Earnings from The Energy Authority	4,074	–	–	4,074	–	–	–	4,074
Other interest, net	(1,597)	–	–	(1,597)	(228)	–	–	(1,825)
Total nonoperating expenses, net	(67,484)	(18,028)	–	(85,512)	(44,079)	(1,221)	–	(130,812)
Income before contributions	175,255	3,211	–	178,466	81,168	529	–	260,163
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(91,472)	–	–	(91,472)	(25,148)	–	–	(116,620)
Developers and other	1,597	–	–	1,597	80,560	–	–	82,157
Reduction of plant cost through contributions	(1,597)	–	–	(1,597)	(52,517)	–	–	(54,114)
Total contributions, net	(91,472)	–	–	(91,472)	2,895	–	–	(88,577)
Special items								
SJRPP deferred revenues, net	–	451,037	–	451,037	–	–	–	451,037
SJRPP impairment loss	–	(496,136)	–	(496,136)	–	–	–	(496,136)
Total special items	–	(45,099)	–	(45,099)	–	–	–	(45,099)
Change in net position	83,783	(41,888)	–	41,895	84,063	529	–	126,487
Net position, beginning of year	983,034	139,521	–	1,122,555	1,501,263	5,004	–	2,628,822
Net position, end of year	1,066,817	97,633	–	1,164,450	1,585,326	5,533	–	2,755,309

JEA

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

(In Thousands)

Year Ended September 30, 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,270,144	$ 268,899	$ (140,162)	$ 1,398,881	$ –	$ –	$ (16,675)	$ 1,382,206
Water and sewer	–	–	–	–	448,348	–	(291)	448,057
District energy system	–	–	–	–	–	8,692	(507)	8,185
Other	29,448	–	–	29,448	9,560	–	(2,279)	36,729
Total operating revenues	1,299,592	268,899	(140,162)	1,428,329	457,908	8,692	(19,752)	1,875,177
Operating expenses								
Operations and maintenance:								
Fuel	289,949	168,845	–	458,794	–	–	–	458,794
Purchased power	217,618	–	(140,162)	77,456	–	–	–	77,456
Maintenance and other operating expenses	219,434	46,445	–	265,879	141,445	4,570	(19,752)	392,142
Depreciation	199,743	42,754	–	242,497	141,838	2,364	–	386,699
State utility and franchise taxes	59,121	–	–	59,121	10,562	–	–	69,683
Recognition of deferred costs and revenues, ne	(3,344)	(12,017)	–	(15,361)	11,286	–	–	(4,075)
Total operating expenses	982,521	246,027	(140,162)	1,088,386	305,131	6,934	(19,752)	1,380,699
Operating income	317,071	22,872	–	339,943	152,777	1,758	–	494,478
Nonoperating revenues (expenses)								
Interest on debt	(94,350)	(24,064)	–	(118,414)	(63,183)	(1,395)	–	(182,992)
Investment income	5,177	1,522	–	6,699	3,832	45	–	10,576
Allowance for funds used during construction	6,102	–	–	6,102	5,644	28	–	11,774
Other nonoperating income, net	4,595	389	–	4,984	934	–	–	5,918
Earnings from The Energy Authority	6,335	–	–	6,335	–	–	–	6,335
Other interest, net	(417)	–	–	(417)	(34)	–	–	(451)
Total nonoperating expenses, net	(72,558)	(22,153)	–	(94,711)	(52,807)	(1,322)	–	(148,840)
Income before contributions	244,513	719	–	245,232	99,970	436	–	345,638
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(92,271)	–	–	(92,271)	(23,552)	–	–	(115,823)
Developers and other	906	–	–	906	65,969	–	–	66,875
Reduction of plant cost through contributions	(906)	–	–	(906)	(41,163)	–	–	(42,069)
Total contributions, net	(92,271)	–	–	(92,271)	1,254	–	–	(91,017)
Change in net position	152,242	719	–	152,961	101,224	436	–	254,621
Net position, beginning of year	832,508	138,802	–	971,310	1,401,047	4,568	–	2,376,925
Effect of adoption of GASB Statement No. 75	(1,716)	–	–	(1,716)	(1,008)	–	–	(2,724)
Net position, beginning of year, as restated	830,792	138,802	–	969,594	1,400,039	4,568	–	2,374,201
Net position, end of year	983,034	139,521	–	1,122,555	1,501,263	5,004	–	2,628,822

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,249,048	$ 104,261	$ (34,089)	$ 1,319,220	$ 430,685	$ 8,446	$ (17,753)	$ 1,740,598
Payments to suppliers	(655,986)	(81,496)	34,089	(703,393)	(104,124)	(4,012)	20,567	(790,962)
Payments to employees	(160,943)	(44,669)	–	(205,612)	(61,403)	(554)	–	(267,569)
Other operating activities	25,123	60,089	–	85,212	11,504	–	(2,814)	93,902
Net cash provided by operating activities	457,242	38,185	–	495,427	276,662	3,880	–	775,969
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(91,538)	–	–	(91,538)	(25,031)	–	–	(116,569)
Net cash used in noncapital and related financing activities	(91,538)	–	–	(91,538)	(25,031)	–	–	(116,569)
Capital and related financing activities								
Defeasance of debt	(405,105)	(128,280)	–	(533,385)	(460,305)	–	–	(993,690)
Proceeds from issuance of debt, net	383,840	–	–	383,840	437,160	–	–	821,000
Acquisition and construction of capital assets	(180,050)	–	–	(180,050)	(203,474)	(1,053)	–	(384,577)
Repayment of debt principal	(135,105)	(41,330)	–	(176,435)	(51,020)	(1,640)	–	(229,095)
Interest paid on debt	(97,134)	(16,685)	–	(113,819)	(67,659)	(1,371)	–	(182,849)
Capital contributions	–	–	–	–	28,043	–	–	28,043
Other capital financing activities	44,011	(6,974)	–	37,037	26,160	–	–	63,197
Net cash used in capital and related financing activities	(389,543)	(193,269)	–	(582,812)	(291,095)	(4,064)	–	(877,971)
Investing activities								
Purchase of investments	(506,359)	(252,593)	–	(758,952)	(279,014)	–	–	(1,037,966)
Proceeds from sale and maturity of investments	462,211	428,653	–	890,864	288,607	–	–	1,179,471
Investment income	10,225	(2,050)	–	8,175	7,023	103	–	15,301
Distributions from The Energy Authority	3,513	–	–	3,513	–	–	–	3,513
Net cash provided by (used in) investing activities	(30,410)	174,010	–	143,600	16,616	103	–	160,319
Net change in cash and cash equivalents	(54,249)	18,926	–	(35,323)	(22,848)	(81)	–	(58,252)
Cash and cash equivalents at beginning of year	340,063	121,027	–	461,090	145,909	7,035	–	614,034
Cash and cash equivalents at end of year	$ 285,814	$ 139,953	$ –	$ 425,767	$ 123,061	$ 6,954	$ –	$ 555,782
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 242,739	$ 21,239	$ –	$ 263,978	$ 125,247	$ 1,750	$ –	$ 390,975
Adjustments:								
Depreciation and amortization	203,075	10,987	–	214,062	145,424	2,403	–	361,889
Recognition of deferred costs and revenues, net	1,546	(859)	–	687	6,169	–	–	6,856
Other nonoperating income, net	103	700	–	803	270	–	–	1,073
Changes in noncash assets and noncash liabilities:								
Accounts receivable	13,184	15,812	–	28,996	(2,200)	(310)	–	26,486
Accounts receivable, restricted	13	–	–	13	3	–	–	16
Inventories	2,136	52,297	–	54,433	(8,014)	–	–	46,419
Other assets	5,688	–	–	5,688	733	–	–	6,421
Accounts and accrued expenses payable	10,076	(10,441)	–	(365)	1,330	14	–	979
Current liabilities payable from restricted liabilities	–	(49,998)	–	(49,998)	–	–	–	(49,998)
Other noncurrent liabilities and deferred inflows	(21,318)	(1,552)	–	(22,870)	7,700	23	–	(15,147)
Net cash provided by operating activities	$ 457,242	$ 38,185	$ –	$ 495,427	$ 276,662	$ 3,880	$ –	$ 775,969
Non-cash activity								
Contribution of capital assets from developers	$ 1,597	$ –	$ –	$ 1,597	$ 52,517	$ –	$ –	$ 54,114
Unrealized gains (losses) on fair value of investments	$ (4,052)	$ 4,146	$ –	$ 94	$ (3,480)	$ –	$ –	$ (3,386)

JEA

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,207,855	$ 269,957	$ (143,764)	$ 1,334,048	$ 433,658	$ 8,282	$ (17,473)	$ 1,758,515
Payments to suppliers	(605,225)	(201,043)	143,764	(662,504)	(91,308)	(4,171)	19,752	(738,231)
Payments to employees	(159,127)	(31,336)	–	(190,463)	(58,234)	(496)	–	(249,193)
Other operating activities	3,601	–	–	3,601	3,246	(27)	(2,279)	4,541
Net cash provided by operating activities	447,104	37,578	–	484,682	287,362	3,588	–	775,632
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(92,225)	–	–	(92,225)	(23,469)	–	–	(115,694)
Net cash used in noncapital and related financing activities	(92,225)	–	–	(92,225)	(23,469)	–	–	(115,694)
Capital and related financing activities								
Defeasance of debt	(153,210)	–	–	(153,210)	(6,135)	–	–	(159,345)
Proceeds from issuance of debt, net	90,405	–	–	90,405	–	–	–	90,405
Acquisition and construction of capital assets	(128,665)	–	–	(128,665)	(177,345)	(2,123)	–	(308,133)
Repayment of debt principal	(102,240)	(43,785)	–	(146,025)	(33,875)	(1,625)	–	(181,525)
Interest paid on debt	(102,667)	(20,226)	–	(122,893)	(69,199)	(1,391)	–	(193,483)
Capital contributions	–	–	–	–	24,805	–	–	24,805
Other capital financing activities	(167)	389	–	222	2,306	–	–	2,528
Net cash used in capital and related financing activities	(396,544)	(63,622)	–	(460,166)	(259,443)	(5,139)	–	(724,748)
Investing activities								
Purchase of investments	(641,438)	(572,124)	–	(1,213,562)	(589,885)	–	–	(1,803,447)
Proceeds from sale and maturity of investments	714,603	585,322	–	1,299,925	561,671	–	–	1,861,596
Investment income	7,158	3,855	–	11,013	6,535	45	–	17,593
Distributions from The Energy Authority	6,182	–	–	6,182	–	–	–	6,182
Net cash provided by (used in) investing activities	86,505	17,053	–	103,558	(21,679)	45	–	81,924
Net change in cash and cash equivalents	44,840	(8,991)	–	35,849	(17,229)	(1,506)	–	17,114
Cash and cash equivalents at beginning of year	295,223	130,018	–	425,241	163,138	8,541	–	596,920
Cash and cash equivalents at end of year	$ 340,063	$ 121,027	$ –	$ 461,090	$ 145,909	$ 7,035	$ –	$ 614,034
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 317,071	$ 22,872	$ –	$ 339,943	$ 152,777	$ 1,758	$ –	$ 494,478
Adjustments:								
Depreciation and amortization	199,743	42,754	–	242,497	143,179	2,364	–	388,040
Recognition of deferred costs and revenues, net	(3,344)	(12,017)	–	(15,361)	11,286	–	–	(4,075)
Other nonoperating income, net	45	–	–	45	(1,117)	–	–	(1,072)
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(2,083)	1,058	–	(1,025)	(12,751)	(409)	–	(14,185)
Accounts receivable, restricted	28	–	–	28	4	–	–	32
Inventories	(1,582)	(19,603)	–	(21,185)	(3,507)	–	–	(24,692)
Other assets	(23,056)	–	–	(23,056)	(4,542)	(27)	–	(27,625)
Accounts and accrued expenses payable	21,878	(2,327)	–	19,551	3,780	(69)	–	23,262
Current liabilities payable from restricted liabilities	–	4,409	–	4,409	–	–	–	4,409
Other noncurrent liabilities and deferred inflows	(61,596)	432	–	(61,164)	(1,747)	(29)	–	(62,940)
Net cash provided by operating activities	$ 447,104	$ 37,578	$ –	$ 484,682	$ 287,362	$ 3,588	$ –	$ 775,632
Non-cash activity								
Contribution of capital assets from developers	$ 906	$ –	$ –	$ 906	$ 41,163	$ –	$ –	$ 42,069
Unrealized losses on fair value of investments	$ (2,193)	$ (2,556)	$ –	$ (4,749)	$ (2,961)	$ –	$ –	$ (7,710)

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

The Board of Directors
JEA
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of JEA, which comprise the statements of net position as of September 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ernst & Young LLP

Jacksonville, FL

December 3, 2018

BOND COMPLIANCE INFORMATION

Report of Independent Auditors on Schedules of Debt Service Coverage

The Board of Directors
JEA
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States, the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA Bulk Power Supply System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System and the JEA District Energy System for the years ended September 30, 2018 and 2017, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2018 and 2017 paragraph below.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the schedules of debt service coverage in conformity with the respective JEA Bond Resolutions. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules of debt service coverage that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedules of debt service coverage based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement.

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

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA Bulk Power Supply System, the JEA St. Johns River Power Park System, the JEA Water and

Sewer System, and the JEA District Energy System for the years ended September 30, 2018 and 2017, in conformity with the basis specified in the respective JEA Bond Resolutions.

Contractual Basis of Accounting

The method of calculating the schedules of debt service coverage is prescribed by the applicable JEA Bond Resolutions, which require the maintenance of certain minimum debt service coverage ratios. Our opinion is not modified with respect to this matter.

Report on Financial Statements as of September 30, 2018 and 2017

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of JEA as of and for the years ended September 30, 2018 and 2017, and have issued our report, with an unmodified opinion thereon, dated December 3, 2018.

Restrictions on Use

This report is intended solely for the information and use of management and the board of directors of JEA, and the bond trustees and is not intended to be and should not be used by anyone other than these specified parties.

December 3, 2018

JEA Electric System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2018	**2017**
Revenues		
Electric	**$ 1,229,625**	$ 1,206,919
Investment income (1)	**9,525**	5,939
Earnings from The Energy Authority	**4,074**	6,335
Other, net (2)	**22,216**	29,490
Plus: amounts paid from the rate stabilization fund into the revenue fund	**88,415**	79,216
Less: amounts paid from the revenue fund into the rate stabilization fund	**(64,901)**	(15,991)
Total revenues	**1,288,954**	1,311,908
Operating expenses (3)		
Fuel	**328,160**	253,204
Purchased power (4)	**244,478**	284,436
Other operations and maintenance	**204,982**	199,511
State utility taxes and franchise fees	**59,551**	57,951
Total operating expenses	**837,171**	795,102
Net revenues	**$ 451,783**	$ 516,806
Debt service	**$ 71,890**	$ 71,557
Less: investment income on sinking fund	**(1,436)**	(1,431)
Less: Build America Bonds subsidy	**(1,521)**	(1,516)
Debt service requirement	**$ 68,933**	$ 68,610
Senior debt service coverage (5), (min 1.20x)	**6.55 x**	7.53 x
Net revenues (from above)	**$ 451,783**	$ 516,806
Debt service requirement (from above)	**$ 68,933**	$ 68,610
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**129,469**	137,892
Less: Build America Bonds subsidy	**(2,045)**	(2,070)
Total debt service requirement and aggregate subordinated debt service	**$ 196,357**	$ 204,432
Senior and subordinated debt service coverage (6), (min 1.15x)	**2.30 x**	2.53 x

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

JEA Bulk Power Supply System

Schedule of Debt Service Coverage
(In Thousands)

	Year ended September 30	
	2018	**2017**
Revenues		
Operating	**$ 78,302**	$ 66,818
Investment income	**162**	150
Total revenues	**78,464**	66,968
Operating expenses (1)		
Fuel	**28,717**	36,745
Other operations and maintenance	**17,545**	14,522
Total operating expenses	**46,262**	51,267
Net revenues	**$ 32,202**	$ 15,701
Aggregate debt service	**$ 9,943**	$ 9,679
Less: Build America Bonds subsidy	**(667)**	(699)
Aggregate debt service	**$ 9,276**	$ 8,980
Debt service coverage (2)	**3.47 x**	1.75 x

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

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

JEA St. Johns River Power Park System, Second Resolution

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2018	**2017**
Revenues		
Operating	**$ 34,196**	$ 14,572
Investment income	**1,339**	250
Total revenues	**35,535**	14,822
Operating expenses (1)	**15,389**	–
Net revenues	**$ 20,146**	$ 14,822
Aggregate debt service	**$ 12,925**	$ 12,950
Less: Build America Bonds subsidy	**(367)**	(389)
Aggregate debt service	**$ 12,558**	$ 12,561
Debt service coverage (2)	**1.60 x**	1.18 x

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

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

JEA Water and Sewer System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30 2018	2017
Revenues		
Water	**$ 171,216**	$ 181,313
Water capacity fees	**9,730**	8,859
Sewer	**260,606**	264,469
Sewer capacity fees	**18,268**	15,916
Investment income	**7,097**	6,793
Other (1)	**11,831**	9,560
Plus: amounts paid from the rate stabilization fund into the revenue fund	**16,128**	26,842
Less: amounts paid from the revenue fund into the rate stabilization fund	**(23,829)**	(24,276)
Total revenues	**471,047**	489,476
Operating expenses		
Operations and maintenance (2)	**160,122**	152,007
Total operating expenses	**160,122**	152,007
Net revenues	**$ 310,925**	$ 337,469
Aggregate debt service	**$ 95,818**	$ 97,699
Less: Build America Bonds subsidy	**(2,495)**	(2,500)
Aggregate debt service	**$ 93,323**	$ 95,199
Senior debt service coverage (3), (min 1.25x)	**3.33 x**	3.54 x
Net revenues (from above)	**$ 310,925**	$ 337,469
Aggregate debt service (from above)	**$ 93,323**	$ 95,199
Plus: aggregate subordinated debt service on outstanding subordinated debt	**18,084**	17,592
Total aggregate debt service and aggregate subordinated debt service	**$ 111,407**	$ 112,791
Senior and subordinated debt service coverage excluding capacity fees (4)	**2.54 x**	2.77 x
Senior and subordinated debt service coverage including capacity fees (4)	**2.79 x**	2.99 x

(1) Excludes the Build America Bonds subsidy.
(2) Excludes depreciation and recognition of deferred costs and revenues, net.
(3) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.
(4) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges).

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30			
		2018		2017
Revenues				
Service revenues	**$**	**8,756**	$	8,692
Investment income		**103**		45
Total revenues		**8,859**		8,737
Operating expenses (1)				
Operations and maintenance		**4,603**		4,570
Total operating expenses		**4,603**		4,570
Net revenues	**$**	**4,256**	$	4,167
Aggregate debt service (2)	**$**	**3,019**	$	3,022
Debt service coverage (3), (min 1.15x)		**1.41 x**		1.38 x

(1) Excludes depreciation.

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

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

II. F.
12/3/2018
(F&A)

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Agenda

VI. A. 8.
12/11/2018

City of Jacksonville
General Employees Retirement Plan

Audit Report on Schedules of Pension-Related Amounts

September 30, 2017

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CPAs and Advisors

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INDEPENDENT AUDITOR'S REPORT

Jacksonville City Council
Board of Directors, JEA

We have audited the accompanying schedule of employer allocations and net pension liability of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan") as of September 30, 2017, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2017, total deferred outflows of resources, total deferred inflows of resources, and pension plan expense ("Specified Column Totals") included in the accompanying schedule of collective pension amounts of the Plan as of and for the year ended September 30, 2017, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Schedule and the Specified Column Totals based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule and Specified Column Totals are free from material misstatement.

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

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

Opinions

In our opinion the Schedule and Specified Column Totals referred to above present fairly, in all material respects, the employer allocations and net pension liability as of September 30, 2017, and the total deferred outflows of resources, total deferred inflows of resources, and pension expense for the Plan as of and for the year ended September 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Schedule and the Specified Column Totals are not intended to be a complete presentation of the Plan's financial statements. Our opinions are not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the City of Jacksonville, JEA, Jacksonville Housing Authority (JHA), North Florida Transportation Planning Organization and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
October 26, 2018

City of Jacksonville General Employees Retirement Plan
Schedule of Employer Allocations and Net Pension Liability

September 30, 2017

	Employer Contributions	Proportion of Net Pension Liability	Net Pension Liability
Entity			
City of Jacksonville	$ 43,911,000	46.37%	$ 473,462,095
JEA	48,942,000	51.68%	527,679,989
Jacksonville Housing Authority	1,697,000	1.79%	18,276,842
North Florida Transportation Planning Organization	150,000	0.16%	1,633,684
Total	$ 94,700,000	100.00%	$ 1,021,052,610

See accompanying notes.

City of Jacksonville General Employees Retirement Plan
Schedule of Collective Pension Amounts

As of and for the year ended September 30, 2017

		Deferred Outflows of Resources				Deferred Inflows of Resources					
Entity	Net Pension Liability September 30, 2017	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion	Total Deferred Outflows of Resources	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion	Total Deferred Inflows of Resources	Pension Plan Expense
City of Jacksonville	$ 473,462,095	$ 22,858,978	$ 53,603,046	$ -	$ 76,462,024	$ 33,879,861	$ 1,384,259	$ 3,346,886	$ 17,753,152	$ 56,364,158	$ 59,143,068
JEA	527,679,989	25,476,644	59,741,328	16,451,686	101,669,658	37,759,569	1,542,776	3,730,152	-	43,032,497	77,110,506
Jacksonville Housing Authority	18,276,842	882,415	2,069,214	1,796,356	4,747,985	1,307,849	53,436	129,198	658,556	2,149,039	3,210,841
North Florida Transportation Planning Organization	1,633,684	78,875	184,958	306,759	570,592	116,903	4,776	11,548	143,093	276,320	332,927
Total	$ 1,021,052,610	$ 49,296,912	$ 115,598,546	$ 18,554,801	$ 183,450,259	$ 73,064,182	$ 2,985,247	$ 7,217,784	$ 18,554,801	$ 83,267,213	$ 139,797,342

See accompanying notes.

NOTE 1 – SUMMARY OF THE PLAN

The City of Jacksonville sponsors the City of Jacksonville Retirement System (JRS) which includes the General Employees Retirement Plan (the "Plan"). The JRS arises out of Chapter 16 of the City Charter, Chapter 120 of Ordinance Code of the City of Jacksonville, and Chapter 112, Part VII, Florida Statutes. Provided other criteria are met, the Plan is available to City employees who are employed by one of the following entities: City of Jacksonville, JEA, Jacksonville Housing Authority (JHA), and North Florida Transportation Planning Organization (TPO). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the Plan. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios. All full-time City employees, the employees of JEA, JHA and the employees of TPO are eligible to participate in the Plan upon employment.

As of September 30, 2017, the General Employees Retirement Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,105
Terminated employees vested, not yet receiving benefits	195
Active employment plan members:	
Vested	3,534
Non-vested	1,110
Total plan membership	9,944

The Plan is open to employees of the JEA, JHA, TPO, and City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of the Retirement System. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in the Retirement System is mandatory for all full time employees of the City who otherwise meet the requirements for participation. Members of the Plan are eligible to retire with a normal pension benefit upon achieving one of the following:

(a) Completing thirty (30) years of credited service, regardless of age;

(b) Attaining age fifty-five (55) with twenty (20) years of credited service; or

(c) Attaining age sixty-five (65) with five (5) years of credited service.

There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of two and one-half (2.5) percent of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of eighty (80) percent of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first

NOTE 1 – SUMMARY OF THE PLAN (CONTINUED)

payday coincident with or next payday following the member's actual retirement and will continue until death, or the death of their surviving beneficiary, if this option is selected.

Each member and survivor is entitled to a cost of living adjustment ("COLA"). The COLA consists of a three (3) percent increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least four and one-half (4.5) years (and no more than five and one-half (5.5) years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars ($5) multiplied by the number of years of credited service. This benefit may not exceed one-hundred and fifty dollars ($150) per month.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board (GASB) Statement No. 67

The Plan is required to report pension information in its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, as amended.

The accompanying schedules relate only to certain pension-related amounts and they do not constitute a full set of financial statements for the Plan.

The accompanying schedules are a specific element of the City's financial statements and were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the accompanying schedules, adhere to the reporting requirements established by the GASB to the extent that they relate to the accompanying schedules.

Basis of Accounting

The Plan prepares its financial statements using the accrual basis of accounting.

Proportionate Share Allocation Methodology

The basis for each entity's proportion is actuarially determined by comparing the entity's employer contributions for the year ended September 30, 2017. This basis is intended to measure the proportion of each entity's long term funding requirements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of the Schedules

The preparation of these schedules in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Relationship to the Basic Financial Statements

The net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources reported in the Schedules of Pension-Related Accounts have been determined on the same basis as they will be reported by the Plan in the Comprehensive Annual Financial Report of The City of Jacksonville, Florida.

Investments

Investments are recorded at fair value. Investment values fluctuate and are subject to market volatility.

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS

The components of the net pension liability are as follows:

Total pension liability	$ 3,040,720,610
Plan fiduciary net position	2,019,668,000
Net pension liability	$ 1,021,052,610

The total pension liability was determined as of a measurement date of September 30, 2017, using an actuarial valuation date of October 1, 2017, and the following actuarial assumptions, applied to all periods included in the measurement:

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Inflation	2.75%
Salary increases assumption	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation.
Investment rate of return	7.20%, net of pension plan investment expense, including inflation.
Pre-retirement mortality rates	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy annuitant mortality rates	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled annuitant mortality rates	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2017.

The following changes in key actuarial assumptions occurred in 2017:

- The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.40% to 7.20%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation as of September 30, 2017 are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Macro Advisors.

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.40%
International equity	20%	7.40%
Fixed income	19%	1.75%
Real estate	25%	5.10%
Cash	1%	1.10%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability is 7.20%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

Proportional share of the Net Pension Liability	1% Decrease (6.20%)	Current Discount (7.20%)	1% Increase (8.20%)
City of Jacksonville	$ 640,438,131	$ 473,462,095	$ 334,242,565
JEA	713,777,068	527,679,989	372,517,915
Jacksonville Housing Authority	24,722,542	18,276,842	12,902,614
North Florida Transportation Planning Organization	2,209,836	1,633,684	1,153,306

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Plan Fiduciary Net Position

The Plan's fiduciary net position as a percentage of total pension liability is 66.42%.

NOTE 4 – INVESTMENTS

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock - Common	$ 542,751,622	$ 542,751,622	$ -	$ -
Registered Investment Companies	17,264,047	17,264,047	-	-
U.S. Government Securities	97,637,366	49,704,717	47,932,649	-
Corporate Debt Instruments	126,912,977	-	126,912,977	-
Common/Collective Trust	479,801,099	-	-	479,801,099
Partnership/Joint Venture Interest	435,915,236	74,918,474	-	360,996,762
Pooled Separate Accounts	85,445,689	-	-	85,445,688
*Other Investments	233,939,964	2,694,444	806,613	230,438,907
	$ 2,019,668,000	$ 687,333,304	$ 175,652,239	$ 1,156,682,457

* Composed of 103-12 investments, Other Short Term Bonds, Derivatives, and Cash/Dividend/Interest/Misc., Payables/Pending trades as of 9/30/17.

The Plan has the following recurring fair value measurements as of September 30, 2017:

- Corporate Stock (Common) – Values using the
- Registered Investment Co. – Valued at the daily closing net asset value (NAV) as reported by the fund and as supplied by third party vendors to the Plan's custodian. Short term fixed income investment funds (security maturities that do not exceed one year) may be valued using book value.
- U.S. Government Securities – Short term US government fixed income securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.

NOTE 4 – INVESTMENTS (CONTINUED)

- Corporate Debt Instruments – Short term corporate debt securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids or a measurable market close and are based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Common/Collective Trusts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the security is held.
- Partnership/Joint Venture Interests – Underlying equity investments valued using the primary exchange close price. Underlying non-equity investments valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.
- Pooled Separate Accounts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.

Interest Rate Risk

Interest rate risk is controlled primarily through duration, which is a measure that approximates the change in value of a bond, or bond portfolio, for a given change in interest rates. In general, shorter duration measures are less sensitive to interest rate shifts, while longer durations are more sensitive. To limit the portfolio volatility associated with changes in interest rates, the Plan's investment policy statement restricts the average duration of the overall portfolio to a range of 0.75 – 5.00 years, of which, no more than 7.5% of the individual securities in the portfolio can have a duration greater than eight and one-half (8.5) years. This guideline applies to all investment types underlying the portfolio including, but not limited to, government, agency, corporate, international, and mortgage backed securities.

Credit Quality

The portfolio measures credit quality of the fixed income holdings contained therein using Moody's rating schedule. Credit quality is reported on a quarterly basis and is monitored by the Pension Board of Trustees, staff to the board, and by the plan's consultant. Credit quality reports are provided on the overall portfolio to illustrate the credit risk at fiscal-year end.

Quality Breakdown	Portfolio (%)
Aaa	34%
Aa1-Aa3	3%
A1-A3	19%
Baa1-Baa3	17%
Ba1-Ba3	1%
Other	1%
Commingled	25%
	100%

NOTE 4 – INVESTMENTS (CONTINUED)

Rating definitions:

Treasury – United States Treasury Securities (Included in Aaa)
Agency – Government Agency Securities (Included in Aaa)
Aaa (AAA) – Highest Investment Grade Quality Rating
Aa1-Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating
A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating
Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating
Ba1-Ba3 (BB+ to BB-) – Highest Non-Investment Grade Quality Rating
Commingled – Securities that are not applicable to Quality Ratings – they predominantly represent mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

Custodial Credit Risk

The custodial relationship is governed by written agreements that are executed by all parties and specifies that, all securities owned and cash held by the Plan shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the Custodian, be designated as an asset of the City’s Pension Trust.

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October 26, 2018

To the Jacksonville City Council
Board of Directors, JEA

We are pleased to present the results of our audit of the schedule of employer allocations and net pension liability, and the column totals specified in our auditor's report of the schedule of collective pension amounts (the "Schedules") of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan").

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Schedules. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of you and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the Schedules as of and for the year ended September 30, 2017;

- Communicate directly with you and management regarding the results of our procedures;

- Address with you and management any accounting and financial reporting issues;

- Anticipate and respond to your concerns and those of management; and

- Address other audit-related projects as they arise and upon request.

We have audited the Schedules as of and for the year ended September 30, 2017, and have issued our report thereon dated October 26, 2018. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards	As stated in our engagement letter dated July 30, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the Plan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Plan and how they are disclosed.*	No such risks or exposures were noted.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Plan's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Plan in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 2 of the audit report. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedules in the proper period.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	None.
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.*	None.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Plan, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	No misstatements were detected as a result of our audit procedures.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	See "Internal Control Findings" section.
Fraud and illegal acts *Fraud involving senior management, the Plan Administrator or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Plan's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	Based on our procedures performed with respect to the Plan's investments, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from investment managers for approximately 100% of the asset values.	The Plan's policies are in accordance with all applicable accounting guidelines.
Pension-Related Amounts	Based on our procedures performed with respect to the Plan's total pension liability, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from actuarial experts to estimate the pension related amounts and how they should be allocated to the participating entities.	The Plan's policies are in accordance with all applicable accounting guidelines.

ONE CITY. ONE
JACKSONVILLE.

City of Jacksonville, Florida

Lenny Curry, Mayor

City Hall at St. James
117 W. Duval St.
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October 26, 2018

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL

This representation letter is provided in connection with your audit of the Schedules of Pension-Related Amount of the City of Jacksonville General Employees Retirement Plan, as of September 30, 2017, for the purpose of expressing an opinion as to whether the Schedule of Employee Allocations and Schedule of Collective Pension Amounts is presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 26, 2018, the following representations made to you during your audit.

Presentation of Specified Element

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 30, 2018, including our responsibility for the preparation and fair presentation of the Schedules of Pension-Related Amounts.
2) The Schedules of Pension-Related Amounts referred to above is fairly presented in conformity with accounting principles generally accepted in the United States of America.
3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of Pension-Related Amounts that is free from material misstatement, whether due to fraud or error.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the accounting principles generally accepted in the United States of America.
7) All events subsequent to the date of the Schedules of Pension-Related Amounts and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed.
8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
9) Material concentrations have been properly disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the specified element, such as records, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

12) All material transactions have been recorded in the accounting records and are reflected in the Schedules of Pension-Related Amounts.

13) We have disclosed to you the results of our assessment of the risk that the Schedules of Pension-Related Amounts may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the Schedules of Pension-Related Amounts.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's Schedules of Pension-Related Amounts communicated by employees, former employees, analysts, regulators, or others.

16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedules of Pension-Related Amounts.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the Schedules of Pension-Related Amounts.

18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

19) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Signature: ______________________

Title: Acting Treasurer

Signature: ______________________

Title: Acting CFO

Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

CRI CARR RIGGS & INGRAM
CPAs and Advisors

October 26, 2018

To the Jacksonville City Council
Board of Directors, JEA

In planning and performing our audit of the Schedules of Pension-Related Amounts (the "Schedules") for the City of Jacksonville's General Employees Retirement Plan (the "Plan") as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

However, we identified a deficiency in internal control that did not rise to the level of a significant deficiency or material weakness and is not required to be communicated but has been included to assist management in the evaluation of their procedures. This deficiency has been described in the table on the following page.

This communication is intended solely for the information and use of management, and others within the General Employees Retirement Plan for the City of Jacksonville, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness

ITEM	RATING	AREA	ITEM NOTED	SUGGESTION
1	D	Census data	When testing the September 30, 2017 year-end census data errors were noted relating to: the participant’s date of hire, eligible compensation, and the supplement amount. The impact of these errors was not material.	The census data should be periodically reviewed to ensure it is accurate and has been updated for all changes which have been communicated by the participants.

III. A.

Appendix A.

CEO Search Committee Minutes

October 31, 2018

Return to Agenda

III. A.
Appendix A
12/11/2018

JEA CEO SEARCH COMMITTEE MINUTES
October 31, 2018

The CEO Search Committee of JEA met on Wednesday, October 31, 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 Cumber called the meeting to order at 1:00 PM. Present were Committee Chair Cumber, Board Chair Alan Howard, April Green and John Campion. Also in attendance were Jody Brooks, Vice President & Chief Legal Officer, Angie Hiers, Vice President & Chief Human Resources Officer, Council Member Matt Schellenberg and Kay Fuhrman, Partner, Heidrick & Struggles (H&S).

B. Adoption of Agenda – The agenda was adopted on **motion** by Chair Howard and second by Mr. Campion.

C. Approval of Minutes – July 16, 2018 – On **motion** by Chair Howard and second by Ms. Green, the July 16, 2018 CEO Search Committee minutes were unanimously approved.

Agenda Item II – New Business

A. Discussion and Short List of Candidates – Committee Chair Cumber thanked the Committee Members for their time commitment. Committee Chair Cumber provided the Committee Members with today's process stating the Committee would review and discuss each candidate individually and he will call for a motion and a vote to select the short list of candidates. Committee Members held discussions regarding the process. Board Chair Howard noted he interviewed candidates telephonically due to a family emergency. Committee Chair Cumber called upon Ms. Brooks who stated this meeting is a publicly noticed meeting; however, the agenda does not call for a public comment period. Each Committee Member provided comments on the quality of the candidates. Committee Chair Cumber called upon each Committee Member to provide individual comments regarding each candidate including: Michael L. Deggendorf, Cris Eugster, Pamela Hill, Mark Ianni, Frankie McDermott, Terrance P. Naulty, Andrew M. Serri and Aaron F. Zahn. Committee Chair Cumber noted candidate numbers 3 and 9 withdrew from the interview process. Board Members held additional discussions about the process going forward and noted November 13, 2018 will be held for individual Board Member meetings with the candidates and November 27, 2018 will include interviews with the finalists at the regularly scheduled Board Meeting. Committee Members took a vote on each candidate and concluded with the short list of Cris Eugster, Pamela Hill, Frankie McDermott and Aaron Zahn.

B. Next Steps – Committee Chair Cumber called upon Ms. Fuhrman to review next steps. Chair Cumber reiterated the Board Members will hold individual interviews on November 13, 2018; final interviews will be held during the regularly scheduled Board Meeting on November 27, 2018; and a back-up date will be held at the regularly scheduled JEA Board Meeting on December 11, 2018. Committee Members held discussions regarding the background check process. Ms. Fuhrman stated H&S will conduct 360 degree reference checks, as well as verify education. Additional background checks will be conducted through a 3rd party vendor. Committee Members held discussions and requested the finalist to come back on November 13, 2018 for in-person interviews if they are available.

C. Announcements

1. No additional CEO Search Committee Meetings are needed at this time.

D. Adjournment – With no further business claiming the attention of this Committee, the meeting was adjourned at 2:32 PM.

APPROVED BY:

____
Husein Cumber, Committee Chair
Date: _________________

Submitted by:

____
Melissa Charleroy
Executive Assistant

III. A.

Appendix B.

Board Meeting Minutes

November 27, 2018

Return to Agenda

III. A.
Appendix B
12/11/2018

JEA
BOARD MINUTES
November 27, 2018

The JEA Board met in regular session on Tuesday, November 27, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Frederick Newbill, Kelly Flanagan, April Green, Camille Johnson and John Campion.

Agenda Item I – Welcome

A. The meeting was **called to order** at 12:02 PM by Chair Howard.

B. A **Moment of Reflection** was observed by all.

C. The **Pledge of Allegiance** was led by Chair Howard.

D. **Adoption of Agenda** – The agenda was approved on **motion** by Secretary Newbill and second by Ms. Johnson.

E. The **Safety Briefing** was given by Aaron Zahn, Interim Managing Director/Chief Executive Officer.

F. **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

A. **Comments from the Public**

1. Mr. David Bruderly addressed the Board regarding the CEO search.
2. Mr. Dane Grey addressed the Board regarding the CEO search.

B. **Council Liaison's Comments –** The Honorable Matt Schellenberg thanked the Board Members and applicants. Council Member Schellenberg stated he hopes the Board selects the candidate that will be beneficial to JEA, City of Jacksonville, St. Johns County and Nassau County.

Agenda Item III – Operations (Discussion / Action)

A. **Consent Agenda –** used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Vice Chair Cumber and second by Mr. Campion, Appendix A, C and D were unanimously approved and Appendix B, E through G were received for information.

Appendix A: Board Meeting Minutes October 16, 2018 – approved

Appendix B: Fiscal Year 2018 Pay For Performance Program – received for information

Appendix C: Fiscal Year 2018 Operating Budget Line Item Transfers – approved

Appendix D: St. Johns Power Park Regulatory Accounting – approved

Appendix E: Monthly Financial and Operations Dashboard – received for information

Appendix F: Monthly Financial Statements – received for information

Appendix G: Monthly FY18 Communications & Engagement Calendar and Plan Update – received for information

Agenda Item IV – Strategy (Discussion Only)

A. N/A

Agenda Item V – Subject Matter Exploration (Opportunities & Risks – Presentation)

A. N/A

Agenda Item VI – CEO Search and Selection

A. Search Committee Report on Actions to Date

1. **Approval of Minutes –** July 16, 2018 – On **motion** by Secretary Newbill and second by Ms. Green, the minutes were approved.

B. CEO Interviews – Chair Howard provided the process for today's interviews. Chair Howard stated prior to today's meeting, Ms. Brooks met with the three candidates and drew lots to determine the order in which they would present. Chair Howard stated the order would consist of Cris Eugster, Pamela Hill and Aaron Zahn. Each candidate will have 30 minutes with the Board, which will include 5 minutes of presentation time by the candidate and 25 minutes of question and answer time. Chair Howard added after each presentation, Board Members will have the opportunity to partake in a preliminary scoring of each candidate using a scoring guide, which has been provided to each Board Member. A copy of the scoring guide is located in the original Board Meeting package. After all candidates have presented, they will be excused to a secure location during Board discussion. Following the Board's discussion period, Board Members will conduct a final scoring of the three candidates. Upon completion of the final scoring, score sheets will be passed to Ms. Brooks and Ms. Fuhrman, who will tabulate the scores. Once all scores have been tabulated, Ms. Brooks will read each Board Member's individual scores and final combined scores for each candidate. Upon the conclusion of the reading of the scores, the Chair will entertain a motion to ratify the scores and approve the candidate with the highest combined score as the JEA Managing Director/CEO. Upon the passing of that motion, the candidate will work with the Office of General Counsel and the Board with negotiations of an employment contract. Chair Howard provided a review and clarifying remarks regarding recent news stories related to the CEO Search process.

1. Cris Eugster – Mr. Eugster provided a brief introduction of his qualifications and highlighted five things he would accomplish if selected as the CEO, including: operational excellence, transformation of the customer experience, moving beyond fossil fuels on the generation mix, electrification and bringing the community along in each item. Following his presentation, Mr. Eugster had the opportunity to answer questions from Members about his presentation and vision.

   Chair Howard stated Mr. Eugster was provided with 44 minutes for his introduction and question and answer period and noted Ms. Hill and Mr. Zahn will be provided 44 minutes as well. Following the question and answer period, the Board dismissed Mr. Eugster and Members completed the individual preliminary scoring for Mr. Eugster.

2. Pamela Hill – Ms. Hill provided a brief introduction of her qualifications and experience, highlighting within her first 90 days if selected, she would spend time

understanding what services JEA provides to its customers and what is needed, understanding the needs of the employees including their development, gaps and union. By the sixth month, ensuring JEA is strong within the community, as well as the business community. Ms. Hill plans to work with the small and emerging business community, as well as Council Members on critical issues. Ms. Hill added at the one year mark, she would work to ensure JEA was at the business line implementation. Following her presentation, Ms. Hill was provided the opportunity to answer questions from Members about her presentation and vision.

Following the question and answer period, the Board dismissed Ms. Hill and Board Members completed the individual preliminary scoring for Ms. Hill.

3. Aaron Zahn – Mr. Zahn thanked Board Members for the opportunity to work with them over the last seven months as the Interim Managing Director/CEO. Mr. Zahn provided a brief introduction of his qualifications and experience highlighting the work completed over the last seven months. If selected as the permanent Managing Director/CEO, over the next year, Mr. Zahn stated he would: 1) focus on JEA's culture 2) continue to drive alignment on a pervasive commitment to value and profitability 3) create a technology and communication architecture that will support customer choice 4) continue to be committed to derisking for the benefit of the customer and community 5) begin building a 10-year strategic plan. Following his presentation, Mr. Zahn had the opportunity to answer questions from Members about his presentation and vision.

   Following the question and answer period, the Board dismissed Mr. Zahn and Members completed the individual preliminary scoring for Mr. Zahn.

Chair Howard called upon Kay Fuhrman, Heidrick & Struggles (H&S) to provide a report on the reputation and education references for each candidate. Ms. Fuhrman stated the Board requested a reputational referencing on the finalists. Ms. Fuhrman stated H&S reached out to a significant number of candidates as they relate to a 360 degree view of the candidate's interactions. The feedback was focused on the priorities as outlined in the specification, skills, experience and leadership style. Ms. Fuhrman stated all education has been verified.

Board Members held discussions related to the process of tallying the scores. Vice Chair Cumber made the **motion** and second Mr. Campion to eliminate Mr. Eugster from the preliminary scoring process. Board Members held discussions and Chair Howard called for a vote, Board Members voted and the motion failed to pass.

Chair Howard called for Board Members to complete the final scoring for all three candidates. Chair Howard called upon Ms. Brooks and Ms. Furhman to tabulate the individual scores of each candidate from individual Board Members. Following the score tabulation by Ms. Brooks and verification by Ms. Furhman, Ms. Brooks announced the scores as follows:

	Howard	Cumber	Newbill	Flanagan	Green	Campion	Johnson	Combined Total
Cris Eugster	61.5	64	53	61	41	50.5	50	**381**
Pamela Hill	55.5	60	58	59	38	54	56.5	**381**
Aaron Zahn	60.5	64	66.5	61	53	56	59.5	**420.5**

Upon **motion** by Secretary Newbill and second by Ms. Green to offer Mr. Zahn the permanent position of Managing Director/CEO, Board Members held discussions. Vice Chair Cumber requested a friendly amendment to offer the permanent MD/CEO position to Mr. Zahn and require Board approval of the Chief Operating Officer position. Chair Howard requested the motion to be tabled until after the vote of the Managing Director/CEO. Board Members held further discussions regarding the motion on the table to offer Mr. Zahn the permanent position of Managing Director/CEO. Upon a vote, the Board unanimously approved Mr. Zahn as the Managing Director/CEO. Upon **motion** by Vice Chair Cumber and second by Secretary Newbill to adopt a Board policy to retain approval of the Chief Operating Officer position, Board Members held discussions and voted and the motion failed to pass.

Agenda Item VII – Other Business

A. Old Business – N/A

B. Other New Business – N/A

C. Open Discussion –

D. Chair's Report – Chair Howard had no further comments.

Agenda Item VIII – Closing Considerations

A. Announcements – Next Board Meeting – December 11, 2018

B. Adjournment

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 2:21 PM.

APPROVED BY:

____
SECRETARY
DATE: ______________________________

Board Meeting recorded by:

____
Melissa M. Charleroy
Executive Assistant

III. A.

Appendix C.

Appointment of Geraldine Lockett to Civil Service Board

Return to Agenda

III. A.
Appendix C
12/11/2018

Building Community

AGENDA ITEM SUMMARY

November 21, 2018

SUBJECT:	**APPOINTMENT OF GERALDINE LOCKETT TO CIVIL SERVICE BOARD**

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

Issue: Per Article 17 of the Jacksonville Municipal Code, JEA makes two appointments to the nine-member Civil Service Board ("CSB"). Appointees are limited to two 3-year terms. The incumbent Teala Johnson has chosen to resign effective upon her replacement's appointment. Ms. Lockett is eligible for appointment and has agreed to serve. If she is not approved, another candidate will need to be selected. Board approval is required for this appointment.

Significance: The majority of JEA's employees are "civil service"; therefore, fall under the auspices of the CSB.

Effect: CSB appeals are an end-point of JEA's progressive discipline process, particularly terminations for cause. CSB decisions, upholding (or not upholding), JEA's disciplinary actions materially influences JEA's ability to manage its workforce.

Cost or Benefit: Cost N/A. Benefit: Compliance with requirements of Article 17 of the Jacksonville Municipal Code.

Recommended Board action: Staff recommends that the Board approve the appointment of Ms. Geraldine Lockett to an initial 3-year term serving on the CSB and allow for the draft resolution attached to this agenda item be submitted to City Council for consideration of this appointment.

For additional information, contact: Jody Brooks, Vice President and Chief Legal Officer

Submitted by: AFZ/MHD/JLB

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Return to Agenda

III. A.
Appendix C
12/11/2018

Building Community

INTER-OFFICE MEMORANDUM
November 21, 2018

SUBJECT:	**APPOINTMENT OF GERALDINE LOCKETT TO CIVIL SERVICE BOARD**
FROM:	Aaron F. Zahn, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
Per Article 17 of the Jacksonville Municipal Code, JEA makes two appointments to the nine-member Civil Service Board ("CSB"). Appointees are limited to two 3-year terms. The incumbent Teala Johnson has chosen to resign effective upon her replacement's appointment. Ms. Lockett is eligible for appointment and has agreed to serve. If she is not approved, another candidate will need to be selected. Board approval is required for this appointment.

DISCUSSION:
The CSB functions include: "Hear and determine appeals initiated by employees who are charged with violations of the personnel provisions of this chapter and the civil service regulations authorized by ordinance or civil service rules ..." CSB appeals are an end-point of JEA's progressive discipline process, particularly terminations for cause. CSB decisions, upholding (or not upholding), JEA disciplinary actions materially influences JEA's ability to manage its workforce. After receiving documentary evidence and testimony, the CSB engages in deliberations before rendering a decision. While she will be a neutral member, during deliberations Ms. Lockett will be able to draw upon her knowledge of Human Resources to provide other CSB members with perspective as to "why" JEA pursued a particular course of action and providing them with the insight necessary toward reaching a just and proper result.

RECOMMENDATION:
Staff recommends that the Board approve the appointment of Ms. Geraldine Lockett to an initial 3-year term serving on the CSB and allow for the draft resolution attached to this agenda item be submitted to City Council for consideration of this appointment.

Aaron F. Zahn, Managing Director/CEO

AFZ/MHD/JLB/

RESOLUTION 2018-24

A RESOLUTION TO REQUEST THE APPOINTMENT OF GERALDINE LOCKETT, JEA REPRESENTATIVE TO THE CIVIL SERVICE BOARD OF THE CITY OF JACKSONVILLE, FORMERLY HELD BY TEALA JOHNSON, PURSUANT TO SECTION 17.02 OF THE CHARTER OF JACKSONVILLE; PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by the JEA Board of Directors:

Section 1. Request for Confirmation of Appointment. The JEA Board hereby requests that the City Council confirm and approve the appointment of Geraldine Lockett to the Civil Service Board, formerly held by Teala Johnson pursuant to Section 17.02 of the Charter of the City of Jacksonville, as a JEA appointment, for a first term to expire three years from the date appointment. Attached hereto as **Exhibit 1** is the *curriculum vitae* of Geraldine Lockett.

Section 2. Effective Date. This resolution shall become effective upon signature by the Chair.

Dated this ____ day of December, 2018.

JEA

By: ______________________________
G. Alan Howard, Chair

Attest:

____
Reverend Frederick Newbill, Secretary

Approved as to form:

____
Jody Brooks, Chief Legal Officer

III. A.
Appendix C
12/11/2018

GERALDINE (GEREE) LOCKETT

[redacted]

SUMMARY

Executive Professional with 30 years progressive experience within private, non-profit, K-12, and higher education. Executive, Management, and Generalists background with broad knowledge of higher education, K-12, call center operations, recruitment and retention, succession planning, strategic planning, talent management, change management, policy and procedure refinement and development, diversity, performance management, safety and security, compensation and benefits, risk management, organizational planning, employee and labor relations, counseling, and training and development.

SPECIAL SKILLS

- Well developed administrative skills and strong business acumen
- Experienced managing functional groups, such as business services, payroll, benefits, and human resources
- High energy level, comfortable performing multifaceted projects in conjunction with day-to-day activities; superior interpersonal abilities
- Ability to get along with diverse personalities, tactful, mature, and flexible
- Strategic and business visionary
- Excellent verbal and written communication skills; resourceful and well organized
- Participative management style-advocate of team concept
- Strong and credible human resource generalist background
- Ability to handle strategic with operational issues
- Strong negotiating and influential skills
- Strong personal integrity and ethical standards

EDUCATION

WALDEN UNIVERSITY, Minneapolis, Minnesota
Doctoral Candidate
Business Administration with Emphasis in Human Resources
2017 to Present

UNIVERSITY OF NORTH FLORIDA, Jacksonville, Florida
Master of Arts (M.A.) in Counseling (2007)

WEBSTER UNIVERSITY, Jacksonville, Florida
Master of Business Administration-MBA (2006)
Master of Arts in Human Resource Management-MHRM (2005)

UNIVERSITY OF PHOENIX, Jacksonville, Florida
Bachelor of Science in Business Administration Management (2001)

UNIVERSITY OF FLORIDA, Gainesville, Florida
Completed 50 hours of General Education classes (1985-1987, and 1996)

CAREER ACCOMPLISHMENTS

RIVER REGION HUMAN SERVICES, INC. Jacksonville, Florida
Vice President of Human Resources and Administration ***2018-Present***

As a key member of the Chief Executive Officer's executive leadership team, my role is to provide strategic leadership to attract, develop and retain the best talent available, and to position the Agency as an "employer of choice." My responsibility is to develop innovative strategies and implement systems designed to meet the goals of being a well-managed organization that provides exceptional services to clients and the community. Oversee the development and implementation of talent management/human resources policies, plans and services, including recruitment, selection, employee/supervisory development, legal compliance, employee benefits, employee engagement, recognition, compensation, employee relations, diversity and inclusion, employment practices and procedures, and employee communications.

- Serve on the RRHS Executive Council and function as the senior most talent/people executive in the organization.
- Serve as a strategic advisor, functional expert and coach to the CEO and executive/senior management team regarding key talent strategies and issues.
- Actively promote RRHS as a great place to work and build the RRHS employment brand.
- Create and implement talent strategies to support the strategic and tactical business plans.
- Plan, develop and drive a thorough Performance Management process to align staff with operational objectives and ensure organizational development and success.
- Develop and provide training and development opportunities for supervisors and above on best practices in supervisory skills; offer individual coaching and development for all Directors and above to build world class management skills throughout the Agency.
- Ensure that the Human Resources Director and the Human Resources team members receive the coaching, mentoring and training necessary to operate as efficiently as possible and develop skills that support the evolving organization.
- Ensure that all talent/people programs and processes create an equitable and consistent work environment that optimizes the potential of every employee.
- Implement and maintain effective succession planning, including management development and employee career path programs appropriate for supporting and sustaining the Agency's business plans.
- Drive the design and management of competitive compensation and workforce planning strategies for all levels of employees.
- Oversee the employee communication processes to ensure that all employees receive appropriate communication and have the opportunity for two-way dialogue across the Agency.
- Provide periodic reporting to the CEO regarding the status of all HR initiatives.
- Partner with counsel to assist in and monitor all open legal issues involving the Agency.
- Ensure that the Agency complies with all legal and regulatory requirements.
- Oversee risk management, including developing risk management plans, objectives, recommendations, metrics, methodology, policies, procedures, standards, and guidelines.

EDWARD WATERS COLLEGE, Jacksonville, Florida
President Cabinet Member
Director of Human Resources ***2017-10/2018***

Duties entailed overseeing the full scope of human resources. Directed staff in the areas of organizational structure, employment, compensation, employee database maintenance, payroll, benefits administration, employee and labor relations, orientation/training/development, and policy/procedure development. Responsible for development and monitoring of the human resources division budget.

- Responsible for the overall strategic direction of the Office of Human Resources with regards to the vision, strategy, integration, and implementation of all human resources policies, initiatives, operations, and systems, with an eye to Edward Waters College's mission, core values, and strategic goals.
- Provided strategic counsel to the College President, Vice-Presidents, and other leaders, while ensuring that all staff and faculty enjoy forward-looking policies and practices and have access to comprehensive services, balanced and responsive support, and confidential advisement.
- Directed, planned, and administered the implementation of Human Resources programs through Human Resources staff. Monitored administration to established standards and procedures. Identified opportunities for improvement and resolves any discrepancies.
- Oversaw and managed the work of reporting Human Resources staff. Encouraged the ongoing development of the Human Resources staff.
- Managed the institution compensation system to ensure pay rates were competitive to attract and retain high caliber employees. Conducted market salary research, establishes pay grades for new or reclassified positions, and managed the institution's performance review and pay-for performance plans.
- Ensured appropriate staffing, selection, employee retention and the development of a qualified pool via accurate job descriptions and various compensation, benefits, communication, and training programs.
- Managed union and employee relations and prepared, negotiated, and implemented labor agreement, directed research on work rules, pay practices and other pertinent information at comparable institutions; prepared cost analyses, exhibits and summaries of survey information in support of contract negotiations. Served as Grievance Hearing Officer.
- Counseled and trained supervisors and directors on employee relations issues, resolved employee grievances, conducted management exit interviews and examined all exit interviews for trends, implemented various employee relations programs to maintain a pro-employee environment that ultimately limited turnover.
- Conducted a continuing study of all Human Resources policies, programs, and practices to keep Cabinet Members informed of new developments.
- Oversaw institution Drug Testing Program to ensure compliance with Drug Free Workplace Act
- Responded to Equal Employment Opportunity Commission (EEOC), Unfair Labor Practices (ULP), and other legal complaints.
- Ensured institution compliance with federal, state, and local laws.
- Managed employee assistance program, reasonable accommodations, and fitness for duty assessments
- Developed, implemented, and managed a succession planning program to include conducting gap analysis to identify key areas and positions that would benefit from succession planning/knowledge transfer plan and developing the knowledge, skills, and abilities (KSA's) of existing employees to prepare them for advancement or promotion into more challenging roles

COMFORT KEEPERS, INCORPORATED, Orange Park, Florida
Vice-President of Human Resources/Human Resources Consultant 2008-2017
(Assisted with start-up and worked part-time, 5-days a week)
Company supports the elderly and disabled through home health care.

- Drove Comfort Keepers culture through its mission, vision, values, core strategies, expected behaviors, and customer service principles using implemented strategies, plans, and initiatives that effectively communicated and supported the company's overall objectives.
- Worked closely with senior management and supervisory staff to improve employee work relationships, engagement, retention, and performance.
- Identified workforce planning issues and partner with senior management to address these issues with focused solutions.
- Provided guidance and direction on business units and individual coaching needs.
- Worked with senior management in the design and execution of programs to meet training requirements and performance improvement.
- Participated and in conjunction with human resource staff in the evaluation and monitoring of success of training programs; ensures training objectives are met. Ensures business units have appropriate talent pipeline.
- Facilitated and managed change for organizational alignment
- Developed and executed innovative programs that drove business performance improvements and desired outcomes in collaboration with senior management and human resource staff.
- Served as a trusted advisor to guide business decisions and was sought out for perspectives in people-related decisions.
- Identified leadership development needs and provided solutions to improve the capability of managers to lead and manage their employees to achieve desired outcomes.
- Supported managers with the development of employee performance plans, and career development plans through effective coaching, mentoring and training activities.
- Resolved major and highly sensitive employee relation problems

DUVAL COUNTY SCHOOL BOARD (Wolfson High School), Jacksonville, Florida
Counseling Department Chair/Specialist 2006-2017
Equity Advocate

- Facilitated training on sexual harassment and diversity awareness as the Equity Advocate
- Facilitated training on Abuse, Suicide, and Bullying as the Department Chairperson
- Collaborated with administrators and stakeholders to ensure a comprehensive counseling program
- Managed and supervised a Counseling Advisory Board
- Managed and supervised a guidance and counseling responsive services program
- Conducted individual and group counseling sessions
- Managed and directed the college and career center
- Supervised a staff of Eight (Four Counselors; a Graduation Coach; Secretary; Data Entry Clerk; and a Registrar Clerk)

CSD COMMUNICATIONS RELAY SERVICES (New Call Center in Jacksonville, FL)
Human Resources Consultant (90-day summer assignment to assist with start-up) May 2005-August 2005

The organization supports the hearing impaired, blind, and hard of hearing population through 10 Relay Call Centers throughout the United States.

Selected Accomplishments

- Management consultation
- Heavy recruiting to attract and retain employees
- Performance management
- Training and employee development on policy and procedure interpretation to management and employees
- Risk management
- Sexual harassment and diversity awareness training
- Compensation and benefits administration

ST. PAUL COMMUNITY EMPOWERMENT CENTER INCORPORATED, Jacksonville, Florida
Employability Skills Training Consultant (Grant Position-Evening) 2001-2004
The Center supports 1500 adult and teen clients annually through its adult enrichment program offering GED preparation, job placement and computer classes; a Neighborhood Accountability Board; a Front Porch Initiative; and an out of school suspension program.

Consulted with and provided employee relations assistance for 30 employees at the Center. Extensive public speaking with community groups. Built partnerships with agencies, parents, community leaders and students. Provided students with academic and career coaching in such areas as short and long-term goal setting, job search techniques, and interviewing skills.

ST. PAUL MISSIONARY BAPTIST CHURCH, INC. Jacksonville, Florida
Human Resources Director 2001-2003
Established new HR Department for 68 employee organization. Developed human resource policies and programs. Addressed areas such as organizational planning, employment, orientation, risk management, employee relations, compensation and benefits, and employee services.

Selected Accomplishments:

- Developed human resource policies and programs for the entire organization. The major areas responsible for were organizational planning, organizational development, risk management, employment, indoctrination and training, employee relations, compensation and benefits, safety and health, and employee services.

- Determined and recommended employee relations practices necessary to establish a positive employer-employee relationship to promote a high level of employee morale.

- Identified legal requirements and government reporting regulations affecting human resources function (e.g. OSHA, EEO, ERISA, Wage & Hour (FLSA), FMLA, ADA). Monitored exposure of the company. Directed the preparation of information requested or required for compliance. Acted as primary contact with counsel and outside agencies.

- Established wage and salary structure, pay policies, performance appraisal programs, employee benefits programs and services, and company safety and health programs. Monitored for effectiveness and cost containment.

Comptroller - This 4000-member church has a budget of $2.1M. Supervised two staff and eight volunteers to accomplish accounting activities which included budget preparation, cash flow projections, financial statements, accounts payable, accounts receivable, payroll and inventory control of fixed assets. Worked closely with Board of Trustees on financial budget and financial performance.

The ARC of Jacksonville, Jacksonville, FL
Human Resources Manager ***1998 (7 months)***

- Provided human resource counsel and expertise to management and employees.
- Supervised two human resource and payroll clerks.
- Recruited exempt and non-exempt candidates
- Advised senior management on human resource issues such as disciplinary action, compliance with legal requirements, and employee concerns
- Conducted focus group with employees to share information and further communication.
- Partnered with supervisors to gain a consistent management approach to areas such as client focus, performance expectations, and attendance
- Served as a key leader in implementing an emergency management plan during hurricane season for staff and clients.
- Prepared and maintained risk management documentation, including risk management plans, objectives, recommendations, metrics, methodology, policies, procedures, standards, and guidelines.
- Recruited applicants through the following vehicles: billboards, job fairs, newspaper ads, and worldwide web job boards to meet monthly hiring and recruitment goals.
- Screened and interviewed applicants for exempt and non-exempt positions; and designed and facilitated a one-day orientation program for new hires.
- Determined and recommended employee relations practices necessary to establish a positive employer-employee relationship to promote a high level of employee morale.
- Developed a wellness program which included smoking cessation and a fitness program.

ADT SECURITY SERVICES, formerly SecurityLink, Inc., Jacksonville, FL **1998-2001**
Call Center Human Resources Manager
The major areas responsible for were organizational planning, organizational development, employment, training and development, employee relations, compensation and benefits, safety and health, and employee services.

- Provided human resource counsel and expertise to management and employees of 345 person; 24-hour Call Center. Supervised two human resource and payroll clerks. Recruited exempt and non-exempt candidates
- Advised senior management on human resource issues such as disciplinary action, compliance with legal requirements, and employee concerns
- Conducted focus group with employees on all three shifts to share information and further communication.
- Partnered with supervisors to gain a consistent management approach to areas such as customer focus, performance expectations, and attendance
- Gathered information and conducted interviews required for Equal Employment Opportunity Commission desk audit
- Served as a key leader in implementing a 24-hour emergency management plan during hurricane season for call center staff and customers
- Prepared and maintained risk management documentation, including risk management plans, objectives, recommendations, metrics, methodology, policies, procedures, standards, and guidelines.
- Recruited candidates through sources such as billboards, job fairs, ads, and colleges to hire 50 Call Center Representatives per month.

- Screened and interviewed applicants for exempt and non-exempt positions; and designed and facilitated a one-day orientation program for new hires.
- Developed a wellness program which included smoking cessation and a fitness program.

Additional experience includes:

Site Human Resource Representative **for Aramark Uniform Services, Inc. for 3 years,** which involved union contract negotiations for three unions, payroll and benefits administration, employee and labor relations, recruitment, and risk management.

Selected Accomplishments

- Collected, evaluated, and maintained data concerning employee injuries, claims, worker's compensation, and other risk related data
- Provided a quarterly summary to management on incidents, claims, and claim payments
- Served as the organization's liaison to the organization's insurance carrier-Alexsis Risk Management in Atlanta, Georgia
- Assisted in processing summonses and claims against the facility by working with legal counsel to coordinate investigations, processing, and defense of claims against the organization
- Actively participated in or facilitated trainings related to risk management, safety, and quality improvements
- Developed communication and education programs to maximize awareness
- Developed, implemented, managed, and updated ongoing recruitment and retention plans and executed companywide incentive and recognition programs
- Conducted employee opinion surveys and assisted with feedback sessions and action planning.
- Monitored and reviewed terminations; and conducted investigations and human resource audits
- Attended unemployment compensation hearings

Payroll and Insurance Specialist **for Lutheran Social Services of Northeast Florida, Inc. for 5 years.**

Responsibilities entailed administering payroll, benefits and HRIS processing. Processed payroll, including reviewing and importing hours from time and attendance, administered regulatory requirements, ex. garnishments, tax levies, support orders and other adjustments to pay as necessary. Performed internal audits and control procedures to ensure that all wages and taxes were accurate and payroll journal entries were correct. Administered an employee benefit programs, including enrollments, terminations, reconciling benefit invoices, bidding benefits, and maintained positive vendor relationships. Maintained the HRIS system and the electronic employee personnel files as it related to payroll and benefits.

PROFESSIONAL DEVELOPMENT

***Company Sponsored Training at SecurityLink*:**

New Manager Program-3 days   Leadership Development Program-4 days

Company Sponsored Training at Duval County Public Schools

Equity Advocate Training (Train the Trainer)-4 days

Society for Human Resource Management-National Conference in Chicago, IL -5 Days

Company Paid Trainings

- How to Build Effective Leaders in the 21st Century
- Effective Time Management
- Human Resources and the Law
- FMLA Compliance Update
- Managing Human Resources
- Payroll Law
- How to Avoid Wrongful Termination Lawsuits
- Interviewing for Emotional Intelligence
- Crisis Planning for Human Resources
- The Essentials of Employee Onboarding
- Wage and Hour Labor
- Human Resource Best Practices in the 21st Century
- How to Legally Terminate Employees with Attitude Problems
- How to handle Personality Clashes in the Workplace
- Essentials of Human Resource Training and Development

CERTIFICATIONS

Florida Department of Education-Counseling Certification-2007 (Expires 6/30/2022)
Florida Department of Education-Business Certification-2007 (Expires 6/30/2022)
Senior Certified Professional in Human Resources Examination-May 2019

SOFTWARE KNOWLEDGE

Proficient user of Microsoft Applications: Word, Excel, PowerPoint, Access, Publisher, and Project Management

MANAGEMENT INFORMATION SYSTEMS
(Payroll and Human Resources)

- PeopleSoft (Human Resources, Payroll, and Performance Management,
- PAYCOM
- JobScore
- Resumator
- ADP Human Resource Suite
- ADP Payroll
- Kronos
- Applicant Tracking System (ATS)
- Genesis
- FOCUS
- Automated Church System (ACS) for Payroll and Human Resources
- Great Plains

PROFESSIONAL AFFILIATIONS

American Counseling Association (ACA)
Society for Human Resource Management (SHRM)-National Chapter
Society for Human Resource Management (SHRM)-Jacksonville Chapter
Member of Jacksonville Human Resource Executives
Academy of Finance Advisory Board Member
First Coast Counseling Association (Past Board Membership Director)
Florida Counseling Association
School Advisory Council (SAC) Chairperson
LaVilla Dance Booster Board Member (Board President)
The Movement Jax, Inc. (Board President)
UNCF Council Member-Serves as an officer (Secretary) on the Executive Council
UF Health (Community Advisory Board Member)
College and University Professional Association for Human Resources (CUPA-HR)
Independent College and Universities Benefits Association (ICUBA)-Former Advisory Member

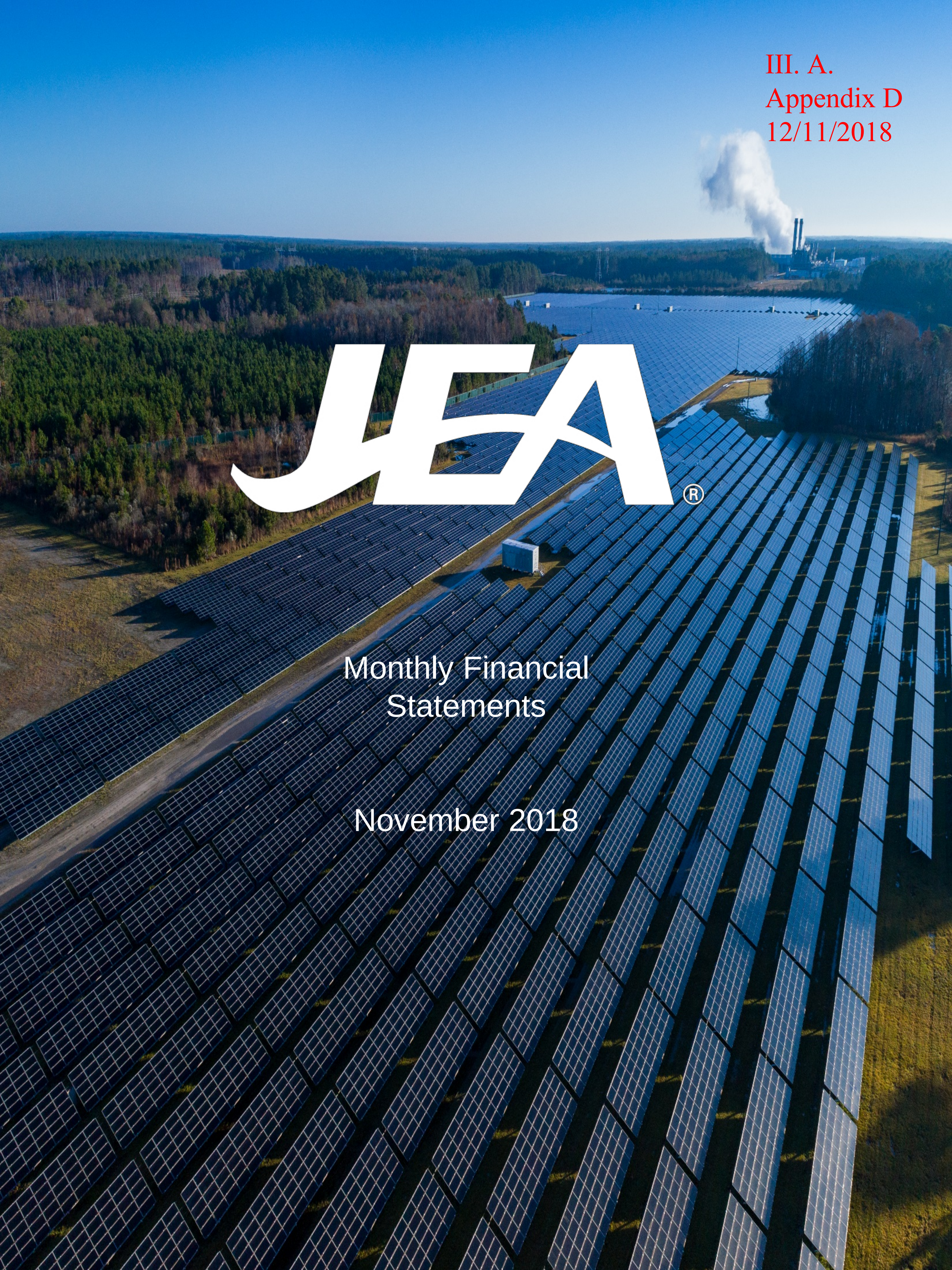
References Available Upon Request

III. A.

Appendix D.

Monthly Financial Statements

III. A.
Appendix D
12/11/2018



JEA

Monthly Financial Statements

November 2018

Monthly Financial Statements

November 2018

Index

JEA
Statements of Net Position
(in thousands - unaudited) November 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 225,021	$ 271,458
Investments	294,383	251,074
Customer accounts receivable, net of allowance ($1,922 in 2018 and $1,940 in 2017)	189,780	182,460
Miscellaneous accounts receivable	32,240	23,097
Interest receivable	3,633	2,268
Inventories:		
Fuel inventory - Electric System	37,357	62,528
Fuel inventory - Plant Scherer	5,506	5,278
Materials and supplies - Water and Sewer	56,641	50,571
Materials and supplies - Electric System	466	19,215
Materials and supplies - Plant Scherer	2,236	2,105
Total current assets	847,263	870,054
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	114,709	50,253
Investments	522,186	732,329
Accounts and interest receivable	74	1,055
Total restricted assets	636,969	783,637
Costs to be recovered from future revenues	803,070	539,258
Investment in The Energy Authority	6,799	6,234
Other assets	20,077	16,093
Total noncurrent assets	1,466,915	1,345,222
Capital assets:		
Land and easements	194,552	194,739
Plant in service	11,430,123	11,174,633
Less accumulated depreciation	(6,576,159)	(5,795,793)
Plant in service, net	5,048,516	5,573,579
Construction work in progress	300,058	219,957
Net capital assets	5,348,574	5,793,536
Total assets	7,662,752	8,008,812
Deferred outflows of resources		
Unrealized pension contributions and losses	171,367	173,578
Unamortized deferred losses on refundings	141,903	131,099
Accumulated decrease in fair value of hedging derivatives	86,356	125,269
Unrealized asset retirement obligation	26,955	-
Unrealized OPEB contributions and losses	4,078	5,240
Total deferred outflows of resources	430,659	435,186
Total assets and deferred outflows of resources	$ 8,093,411	$ 8,443,998

JEA

Statements of Net Position
(in thousands - unaudited) November 2018 and 2017

	2018	2017
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	$ 99,778	$ 76,934
Customer deposits	59,854	57,536
City of Jacksonville payable	9,816	9,893
Utility taxes and fees payable	8,984	8,522
Compensated absences due within one year	2,659	2,221
Total current liabilities	181,091	155,106
Current liabilities payable from restricted assets:		
Debt due within one year	192,555	223,990
Renewal and replacement reserve	53,614	82,767
Interest payable	24,657	27,268
Construction contracts and accounts payable	22,231	18,275
Total current liabilities payable from restricted assets	293,057	352,300
Noncurrent liabilities:		
Net pension liability	544,203	554,337
Asset retirement obligation	17,064	-
Compensated absences due after one year	27,023	28,869
Net OPEB liability	19,485	40,187
Environmental liabilities	16,818	17,671
Other liabilities	2,672	4,040
Total noncurrent liabilities	627,265	645,104
Long-term debt:		
Debt payable, less current portion	3,623,125	3,948,170
Unamortized premium, net	148,772	108,381
Fair value of debt management strategy instruments	86,356	125,269
Total long-term debt	3,858,253	4,181,820
Total liabilities	4,959,666	5,334,330
Deferred inflows of resources		
Revenues to be used for future costs	281,496	436,258
Unrealized pension gains	50,124	11,960
Unrealized OPEB gains	8,712	659
Accumulated increase in fair value of hedging derivatives	5,788	-
Total deferred inflows of resources	346,120	448,877
Net position		
Net investment in capital assets	2,005,478	1,880,153
Restricted for:		
Debt service	33,562	37,837
Other purposes	383,021	342,625
Unrestricted	365,564	400,176
Total net position	2,787,625	2,660,791
Total liabilities, deferred inflows of resources, and net position	$ 8,093,411	$ 8,443,998

JEA
Combining Statement of Net Position
(in thousands - unaudited) November 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 121,173	$ 61,470	$ -	$ 182,643	38,605	$ 3,773	$ 225,021
Investments	245,042	6,899	-	251,941	42,442	-	294,383
Customer accounts receivable, net of allowance ($1,922)	140,552	-	-	140,552	48,654	574	189,780
Miscellaneous accounts receivable	31,098	891	(1,967)	30,022	2,218	-	32,240
Interest receivable	2,212	20	-	2,232	1,401	-	3,633
Inventories:							
Fuel inventory - Electric System	37,357	-	-	37,357	-	-	37,357
Fuel inventory - Plant Scherer	5,506	-	-	5,506	-	-	5,506
Materials and supplies - Water and Sewer	-	-	-	-	56,641	-	56,641
Materials and supplies - Electric System	-	466	-	466	-	-	466
Materials and supplies - Plant Scherer	2,236	-	-	2,236	-	-	2,236
Total current assets	585,176	69,746	(1,967)	652,955	189,961	4,347	847,263
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	203	81,453	-	81,656	31,662	1,391	114,709
Investments	282,707	10,850	-	293,557	228,629	-	522,186
Accounts and interest receivable	7	59	-	66	8	-	74
Total restricted assets	282,917	92,362	-	375,279	260,299	1,391	636,969
Costs to be recovered from future revenues	300,590	258,910	-	559,500	243,543	27	803,070
Investment in The Energy Authority	6,799	-	-	6,799	-	-	6,799
Other assets	15,925	-	-	15,925	4,119	33	20,077
Total noncurrent assets	606,231	351,272	-	957,503	507,961	1,451	1,466,915
Capital assets:							
Land and easements	123,626	6,660	-	130,286	61,215	3,051	194,552
Plant in service	5,522,104	1,316,043	-	6,838,147	4,535,601	56,375	11,430,123
Less accumulated depreciation	(3,106,928)	(1,312,627)	-	(4,419,555)	(2,130,644)	(25,960)	(6,576,159)
Plant in service, net	2,538,802	10,076	-	2,548,878	2,466,172	33,466	5,048,516
Construction work in progress	90,581	-	-	90,581	208,313	1,164	300,058
Net capital assets	2,629,383	10,076	-	2,639,459	2,674,485	34,630	5,348,574
Total assets	3,820,790	431,094	(1,967)	4,249,917	3,372,407	40,428	7,662,752
Deferred outflows of resources							
Unrealized pension contributions and losses	83,649	34,238	-	117,887	53,480	-	171,367
Unamortized deferred losses on refundings	83,845	4,149	-	87,994	53,717	192	141,903
Accumulated decrease in fair value of hedging derivatives	70,103	-	-	70,103	16,253	-	86,356
Unrealized asset retirement obligation	-	26,955	-	26,955	-	-	26,955
Unrealized OPEB contributions and losses	2,488	-	-	2,488	1,590	-	4,078
Total deferred outflows of resources	240,085	65,342	-	305,427	125,040	192	430,659
Total assets and deferred outflows of resources	$ 4,060,875	$ 496,436	$ (1,967)	$ 4,555,344	$ 3,497,447	$ 40,620	$ 8,093,411

JEA
Combining Statement of Net Position
(in thousands - unaudited) November 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 77,738	$ 10,795	$ (662)	$ 87,871	$ 11,882	$ 25	$ 99,778
Customer deposits	44,252	-	-	44,252	15,602	-	59,854
City of Jacksonville payable	7,746	-	-	7,746	2,070	-	9,816
Utility taxes and fees payable	8,984	-		8,984	-	-	8,984
Compensated absences due within one year	1,622	-	-	1,622	1,014	23	2,659
Total current liabilities	140,342	10,795	(662)	150,475	30,568	48	181,091
Current liabilities payable from restricted assets:							
Debt due within one year	122,380	13,780	-	136,160	54,705	1,690	192,555
Renewal and replacement reserve	-	53,614	-	53,614	-	-	53,614
Interest payable	12,669	1,855	-	14,524	9,912	221	24,657
Construction contracts and accounts payable	7,956	1,904	(1,305)	8,555	13,676	-	22,231
Total current liabilities payable from restricted assets	143,005	71,153	(1,305)	212,853	78,293	1,911	293,057
Noncurrent liabilities:							
Net pension liability	321,885	16,523	-	338,408	205,795	-	544,203
Asset retirement obligation	-	17,064	-	17,064	-	-	17,064
Compensated absences due after one year	19,422	-	-	19,422	7,584	17	27,023
Net OPEB liability	11,873	-	-	11,873	7,612	-	19,485
Environmental liabilities	16,818	-	-	16,818	-	-	16,818
Other liabilities	2,386	-	-	2,386	286	-	2,672
Total noncurrent liabilities	372,384	33,587	-	405,971	221,277	17	627,265
Long-term debt:							
Debt payable, less current portion	1,896,970	265,105	-	2,162,075	1,427,915	33,135	3,623,125
Unamortized premium (discount), net	74,588	2,300	-	76,888	71,917	(33)	148,772
Fair value of debt management strategy instruments	70,103	-	-	70,103	16,253	-	86,356
Total long-term debt	2,041,661	267,405	-	2,309,066	1,516,085	33,102	3,858,253
Total liabilities	2,697,392	382,940	(1,967)	3,078,365	1,846,223	35,078	4,959,666
Deferred inflows of resources							
Revenues to be used for future costs	241,675	10,624	-	252,299	29,197	-	281,496
Unrealized pension gains	26,250	7,091	-	33,341	16,783	-	50,124
Unrealized OPEB gains	5,314	-	-	5,314	3,398	-	8,712
Accumulated increase in fair value of hedging derivatives	5,788	-	-	5,788	-	-	5,788
Total deferred inflows of resources	279,027	17,715	-	296,742	49,378	-	346,120
Net position			-				
Net investment in capital assets	648,109	1,464	-	649,573	1,355,875	30	2,005,478
Restricted for:							
Debt service	19,825	2,424	-	22,249	11,032	281	33,562
Other purposes	184,990	23,051	1,305	209,346	172,787	888	383,021
Unrestricted	231,532	68,842	(1,305)	299,069	62,152	4,343	365,564
Total net position	1,084,456	95,781	-	1,180,237	1,601,846	5,542	2,787,625
Total liabilities, deferred inflows of resources, and net position	$ 4,060,875	$ 496,436	$ (1,967)	$ 4,555,344	$ 3,497,447	$ 40,620	$ 8,093,411

(in thousands - unaudited) November 2017 Page 6

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 139,330	$ 36,562	$ -	$ 175,892	$ 91,290	$ 4,276	$ 271,458
Investments	236,984	4,493	-	241,477	9,597	-	251,074
Customer accounts receivable, net of allowance ($1,940)	133,121	-	-	133,121	49,082	257	182,460
Miscellaneous accounts receivable	27,723	10,180	(16,585)	21,318	1,779	-	23,097
Interest receivable	1,148	16	-	1,164	1,104	-	2,268
Inventories:							
Fuel inventory - Electric System	35,585	26,943	-	62,528	-	-	62,528
Fuel inventory - Plant Scherer	5,278	-	-	5,278	-	-	5,278
Materials and supplies - Water and Sewer	-	-	-	-	50,571	-	50,571
Materials and supplies - Electric System	-	19,215	-	19,215	-	-	19,215
Materials and supplies - Plant Scherer	2,105	-	-	2,105	-	-	2,105
Total current assets	581,274	97,409	(16,585)	662,098	203,423	4,533	870,054
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	-	48,816	-	48,816	15	1,422	50,253
Investments	278,449	182,876	-	461,325	271,004	-	732,329
Accounts and interest receivable	20	1,023	-	1,043	12	-	1,055
Total restricted assets	278,469	232,715	-	511,184	271,031	1,422	783,637
Costs to be recovered from future revenues	296,971	3,976	-	300,947	238,284	27	539,258
Investment in The Energy Authority	6,234	-	-	6,234	-	-	6,234
Other assets	10,058	-	-	10,058	6,022	13	16,093
Total noncurrent assets	591,732	236,691	-	828,423	515,337	1,462	1,345,222
Capital assets:							
Land and easements	123,612	6,660	-	130,272	61,416	3,051	194,739
Plant in service	5,404,709	1,315,600	-	6,720,309	4,398,550	55,774	11,174,633
Less accumulated depreciation	(2,901,828)	(857,856)	-	(3,759,684)	(2,011,619)	(24,490)	(5,795,793)
Plant in service, net	2,626,493	464,404	-	3,090,897	2,448,347	34,335	5,573,579
Construction work in progress	61,804	2,092	-	63,896	154,582	1,479	219,957
Capital assets, net	2,688,297	466,496	-	3,154,793	2,602,929	35,814	5,793,536
Total assets	3,861,303	800,596	(16,585)	4,645,314	3,321,689	41,809	8,008,812
Deferred outflows of resources							
Unrealized pension contributions and losses	95,814	16,505	-	112,319	61,259	-	173,578
Unamortized deferred losses on refundings	77,243	10,203	-	87,446	43,451	202	131,099
Accumulated decrease in fair value of hedging derivatives	101,350	-	-	101,350	23,919	-	125,269
Unrealized OPEB contributions and losses	3,197	-	-	3,197	2,043	-	5,240
Total deferred outflows of resources	277,604	26,708	-	304,312	130,672	202	435,186
Total assets and deferred outflows of resources	$ 4,138,907	$ 827,304	$ (16,585)	$ 4,949,626	$ 3,452,361	$ 42,011	$ 8,443,998

JEA
Combining Statement of Net Position
(in thousands - unaudited) November 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA	
Liabilities								
Current liabilities:								
Accounts and accrued expenses payable	$ 65,784	$ 1,201	$ (1,380)	$ 65,605	$ 11,306	$ 23	$ 76,934	
Customer deposits	42,345	-	-	42,345	15,191	-	57,536	
City of Jacksonville payable	7,623	-	-	7,623	2,270	-	9,893	
Utility taxes and fees payable	8,522	-	-	8,522	-	-	8,522	
Compensated absences due within one year	1,115	798	-	1,913	304	4	2,221	
Total current liabilities	125,389	1,999	(1,380)	126,008	29,071	27	155,106	
Current liabilities payable from restricted assets:								
Debt due within one year	129,895	40,715	-	170,610	51,720	1,660	223,990	
Renewal and replacement reserve	-	82,767	-	82,767	-	-	82,767	
Interest payable	13,743	2,876	-	16,619	10,422	227	27,268	
Construction contracts and accounts payable	5,832	15,808	(15,205)	6,435	11,755	85	18,275	
Total current liabilities payable from restricted assets	149,470	142,166	(15,205)	276,431	73,897	1,972	352,300	
Noncurrent liabilities:								
Net pension liability	330,025	13,312	-	343,337	211,000	-	554,337	
Compensated absences due after one year	19,679	1,148	-	20,827	8,001	41	28,869	
Net OPEB liability	24,521	-	-	24,521	15,666	-	40,187	
Environmental liabilities	17,671	-	-	17,671	-	-	17,671	
Other liabilities	2,912	-	-	2,912	1,128	-	4,040	
Total noncurrent liabilities	394,808	14,460	-	409,268	235,795	41	645,104	
Long-term debt:								
Debt payable, less current portion	2,041,410	368,170	-	2,409,580	1,503,765	34,825	3,948,170	
Unamortized premium (discount), net	53,401	10,413	-	63,814	44,605	(38)	108,381	
Fair value of debt management strategy instruments	101,350	-	-	101,350	23,919	-	125,269	
Total long-term debt	2,196,161	378,583	-	2,574,744	1,572,289	34,787	4,181,820	
Total liabilities	2,865,828	537,208	(16,585)	3,386,451	1,911,052	36,827	5,334,330	
Deferred inflows of resources								
Revenues to be used for future costs	268,475	145,832	-	414,307	21,951	-	436,258	
Unrealized pension gains	4,867	3,981	-	8,848	3,112	-	11,960	
Unrealized OPEB gains	402	-	-	402	257	-	659	
Total deferred inflows of resources	273,744	149,813	-	423,557	25,320	-	448,877	
Net position								
Net investment in capital assets	572,855	40,517	-	613,372	1,267,297	(516)	1,880,153	-
Restricted for:								
Debt service	20,634	4,356	-	24,990	12,570	277	37,837	-
Other purposes	178,660	1,148	15,205	195,013	146,694	918	342,625	-
Unrestricted	227,186	94,262	(15,205)	306,243	89,428	4,505	400,176	
Total net position	999,335	140,283	-	1,139,618	1,515,989	5,184	2,660,791	
Total liabilities, deferred inflows of resources, and net position	$ 4,138,907	$ 827,304	$ (16,585)	$ 4,949,626	$ 3,452,361	$ 42,011	$ 8,443,998	

Schedule of Cash and Investments
(in thousands - unaudited) November 2018

	Electric System and Bulk Power Supply	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments						
Operations	$ 90,412	$ 49,867	$ 140,279	$ 36,248	$ 1,036	$ 177,563
Rate stabilization:						
Fuel	69,373	-	69,373	-	-	69,373
Debt management	29,884	-	29,884	14,209	2,737	46,830
Environmental	43,007	-	43,007	14,988	-	57,995
Purchased Power	51,505	-	51,505	-	-	51,505
DSM/Conservation	4,077	-	4,077	-	-	4,077
Total rate stabilization funds	197,846	-	197,846	29,197	2,737	229,780
Customer deposits	44,217	-	44,217	15,602	-	59,819
General reserve	-	18,502	18,502	-	-	18,502
Self insurance reserve funds:						
Self funded health plan	6,922	-	6,922	-	-	6,922
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	16,922	-	16,922	-	-	16,922
Environmental liability reserve	16,818	-	16,818	-	-	16,818
Total unrestricted cash and investments	$ 366,215	$ 68,369	$ 434,584	$ 81,047	$ 3,773	$ 519,404
Restricted assets						
Renewal and replacement funds	$ 188,285	$ 50,099	$ 238,384	$ 142,018	$ 888	$ 381,290
Debt service reserve account	65,432	11,359	76,791	68,648	-	145,439
Debt service funds	32,292	4,279	36,571	18,864	503	55,938
Environmental funds	-	-	-	446	-	446
Construction funds	203	-	203	31,662	-	31,865
Subtotal	286,212	65,737	351,949	261,638	1,391	614,978
Unrealized holding gain (loss) on investments	(3,302)	66	(3,236)	(1,347)	-	(4,583)
Other funds	-	26,500	26,500	-	-	26,500
Total restricted cash and investments	$ 282,910	$ 92,303	$ 375,213	$ 260,291	$ 1,391	$ 636,895

JEA
Schedule of Cash and Investments
(in thousands - unaudited) November 2017

	Electric System and Bulk Power Supply	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments						
Operations	$ 78,704	$ 13,124	$ 91,828	$ 63,745	$ 1,539	$ 157,112
Rate stabilization:						
Fuel	123,791	-	123,791	-	-	123,791
Debt management	29,884	-	29,884	14,209	2,737	46,830
Environmental	37,615	-	37,615	7,742	-	45,357
Purchased Power	23,294	-	23,294	-	-	23,294
DSM/Conservation	3,988	-	3,988	-	-	3,988
Total rate stabilization funds	218,572	-	218,572	21,951	2,737	243,260
Customer deposits	42,255	-	42,255	15,191	-	57,446
General reserve	-	27,931	27,931	-	-	27,931
Self insurance reserve funds:						
Self funded health plan	9,111	-	9,111	-	-	9,111
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	19,111	-	19,111	-	-	19,111
Environmental liability reserve	17,672	-	17,672	-	-	17,672
Total unrestricted cash and investments	$ 376,314	$ 41,055	$ 417,369	$ 100,887	$ 4,276	$ 522,532
Restricted assets						
Renewal and replacement funds	$ 177,890	$ 82,647	$ 260,537	$ 143,831	$ 919	$ 405,287
Debt service reserve account	65,433	140,665	206,098	105,574	-	311,672
Debt service funds	34,376	7,232	41,608	18,763	503	60,874
Construction funds	-	-	-	15	-	15
Environmental funds	-	-	-	703	-	703
Subtotal	277,699	230,544	508,243	268,886	1,422	778,551
Unrealized holding gain (loss) on investments	750	(4,083)	(3,333)	2,133	-	(1,200)
Other funds	-	5,231	5,231	-	-	5,231
Total restricted cash and investments	$ 278,449	$ 231,692	$ 510,141	$ 271,019	$ 1,422	$ 782,582

JEA
Regulatory Accounting Balances
(in thousands - unaudited) November 2018

DESCRIPTION	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unfunded pension costs	264,486	-	**264,486**	169,097	-	**433,583**
SJRPP	5,094	256,821	**261,915**	-	-	**261,915**
Water environmental projects	-	-	**-**	58,433	-	**58,433**
Unfunded OPEB costs	14,316	-	**14,316**	9,154	-	**23,470**
Storm costs to be recovered	13,532	-	**13,532**	4,537	27	**18,096**
Debt issue costs	3,162	2,089	**5,251**	2,322	-	**7,573**
Costs to be recovered from future revenues	**300,590**	**258,910**	**559,500**	**243,543**	**27**	**803,070**
Fuel stabilization	69,373	-	**69,373**	-	-	**69,373**
Environmental	43,007	-	**43,007**	14,988	-	**57,995**
Nonfuel purchased power	51,505	-	**51,505**	-	-	**51,505**
Scherer	36,914	-	**36,914**	-	-	**36,914**
Debt management stabilization	29,884	-	**29,884**	14,209	-	**44,093**
Excess pension contributions	-	10,624	**10,624**	-	-	**10,624**
Self-insurance medical reserve	6,915	-	**6,915**	-	-	**6,915**
Customer benefit stabilization	4,077	-	**4,077**	-	-	**4,077**
Revenues to be used for future costs	**241,675**	**10,624**	**252,299**	**29,197**	**-**	**281,496**

JEA
Regulatory Accounting Balances
(in thousands - unaudited) November 2017

DESCRIPTION	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JFA
Unfunded pension costs	239,078	788	**239,866**	152,853	-	**392,719**
Scherer	10,631	-	**10,631**	-	-	**10,631**
Water environmental projects	-	-	**-**	66,984	-	**66,984**
Unfunded OPEB costs	21,305	-	**21,305**	13,622	-	**34,927**
Storm costs to be recovered	23,377	-	**23,377**	4,595	27	**27,999**
Debt issue costs	2,580	3,188	**5,768**	230	-	**5,998**
Costs to be recovered from future revenues	**296,971**	**3,976**	**300,947**	**238,284**	**27**	**539,258**
Fuel stabilization	123,792	-	**123,792**	-	-	**123,792**
Environmental	37,615	-	**37,615**	7,742	-	**45,357**
Nonfuel purchased power	23,294	-	**23,294**	-	-	**23,294**
SJRPP and Scherer	40,791	145,832	**186,623**	-	-	**186,623**
Debt management stabilization	29,884	-	**29,884**	14,209	-	**44,093**
Self-insurance medical reserve	9,111	-	**9,111**	-	-	**9,111**
Customer benefit stabilization	3,988	-	**3,988**	-	-	**3,988**
Revenues to be used for future costs	**268,475**	**145,832**	**414,307**	**$ 21,951**	**-**	**436,258**

JEA

Statements of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited)

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
Operating revenues				
Electric - base	$ 61,228	$ 56,755	$ 131,105	$ 128,558
Electric - fuel and purchased power	30,109	40,180	66,889	87,831
Water and sewer	32,433	34,564	72,417	70,650
District energy system	562	750	1,395	1,562
Other	3,029	2,436	6,126	5,163
Total operating revenues	127,361	134,685	277,932	293,764
Operating expenses				
Operations and maintenance:				
Fuel	23,182	33,619	55,935	74,020
Purchased power	11,022	4,586	19,640	10,155
Maintenance and other operating expenses	33,366	34,202	61,494	60,401
Depreciation	31,005	34,130	60,162	68,460
Utility taxes and fees	5,553	5,369	12,606	11,905
Recognition of deferred costs and revenues, net	1,121	(1,082)	2,348	(2,269)
Total operating expenses	105,249	110,824	212,185	222,672
Operating income	22,112	23,861	65,747	71,092
Nonoperating revenues (expenses)				
Interest on debt	(11,502)	(12,879)	(23,006)	(25,900)
Debt management strategy	(938)	(1,262)	(1,880)	(2,514)
Investment income, net	1,800	1,228	3,730	2,689
Allowance for funds used during construction	1,046	719	2,346	1,592
Other nonoperating income, net	588	604	1,186	1,205
Earnings from The Energy Authority	(290)	(62)	59	218
Other interest, net	(223)	(112)	(487)	(474)
Total nonoperating expenses, net	(9,519)	(11,764)	(18,052)	(23,184)
Income before contributions and special items	12,593	12,097	47,695	47,908
Contributions (to) from				
General Fund, City of Jacksonville, Florida	(9,804)	(9,717)	(19,608)	(19,436)
Developers and other	4,320	5,124	14,026	9,818
Reduction of plant cost through contributions	(2,445)	(3,614)	(9,797)	(6,321)
Total contributions	(7,929)	(8,207)	(15,379)	(15,939)
Change in net position	4,664	3,890	32,316	31,969
Net position, beginning of period	2,782,961	2,656,901	2,755,309	2,628,822
Net position, end of period	$ 2,787,625	$ 2,660,791	$ 2,787,625	$ 2,660,791

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended November 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 61,504	$ -	$ -	$ 61,504	$ -	$ -	$ (276)	$ 61,228
Electric - fuel and purchased power	30,969	2,562	(2,381)	31,150	-	-	(1,041)	30,109
Water and sewer	-	-	-	-	32,489	-	(56)	32,433
District energy system	-	-	-	-	-	594	(32)	562
Other	2,275	123	-	2,398	907	1	(277)	3,029
Total operating revenues	94,748	2,685	(2,381)	95,052	33,396	595	(1,682)	127,361
Operating expenses								
Operations and maintenance:								
Fuel	22,000	1,182	-	23,182	-	-	-	23,182
Purchased power	13,403	-	(2,381)	11,022	-	-	-	11,022
Maintenance and other operating expenses	21,609	701	-	22,310	12,353	385	(1,682)	33,366
Depreciation	18,214	34	-	18,248	12,553	204	-	31,005
Utility taxes and fees	4,713	-	-	4,713	840	-	-	5,553
Recognition of deferred costs and revenues, net	(238)	1,171	-	933	188	-	-	1,121
Total operating expenses	79,701	3,088	(2,381)	80,408	25,934	589	(1,682)	105,249
Operating income	15,047	(403)	-	14,644	7,462	6	-	22,112
Nonoperating revenues (expenses)								
Interest on debt	(6,100)	(870)	-	(6,970)	(4,420)	(112)	-	(11,502)
Debt management strategy	(774)	-	-	(774)	(164)	-	-	(938)
Investment income, net	1,079	215	-	1,294	495	11	-	1,800
Allowance for funds used during construction	339	-	-	339	704	3	-	1,046
Other nonoperating income, net	353	28	-	381	207	-	-	588
Earnings from The Energy Authority	(290)	-	-	(290)	-	-	-	(290)
Other interest, net	(225)	-	-	(225)	2	-	-	(223)
Total nonoperating expenses, net	(5,618)	(627)	-	(6,245)	(3,176)	(98)	-	(9,519)
Income before contributions	9,429	(1,030)	-	8,399	4,286	(92)	-	12,593
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,746)	-	-	(7,746)	(2,058)	-	-	(9,804)
Developers and other	2	-	-	2	4,318	-	-	4,320
Reduction of plant cost through contributions	(2)	-	-	(2)	(2,443)	-	-	(2,445)
Total contributions	(7,746)	-	-	(7,746)	(183)	-	-	(7,929)
Change in net position	1,683	(1,030)	-	653	4,103	(92)	-	4,664
Net position, beginning of period	1,082,773	96,811	-	1,179,584	1,597,743	5,634	-	2,782,961
Net position, end of period	$ 1,084,456	$ 95,781	$ -	$ 1,180,237	$ 1,601,846	$ 5,542	$ -	$ 2,787,625

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended November 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 57,042	$ -	$ -	$ 57,042	$ -	$ -	$ (287)	$ 56,755
Electric - fuel and purchased power	31,915	19,654	(10,312)	41,257	-	-	(1,077)	40,180
Water and sewer	-	-	-	-	34,614	-	(50)	34,564
District energy system	-	-	-	-	-	779	(29)	750
Other	1,879	-	-	1,879	775	-	(218)	2,436
Total operating revenues	90,836	19,654	(10,312)	100,178	35,389	779	(1,661)	134,685
Operating expenses								
Operations and maintenance:								
Fuel	20,892	12,727	-	33,619	-	-	-	33,619
Purchased power	14,898	-	(10,312)	4,586	-	-	-	4,586
Maintenance and other operating expenses	19,890	2,442	-	22,332	13,139	392	(1,661)	34,202
Depreciation	18,322	3,563	-	21,885	12,044	201	-	34,130
Utility taxes and fees	4,526	-	-	4,526	843	-	-	5,369
Recognition of deferred costs and revenues, net	(227)	(899)	-	(1,126)	44	-	-	(1,082)
Total operating expenses	78,301	17,833	(10,312)	85,822	26,070	593	(1,661)	110,824
Operating income	12,535	1,821	-	14,356	9,319	186	-	23,861
Nonoperating revenues (expenses)								
Interest on debt	(6,212)	(1,786)	-	(7,998)	(4,766)	(115)	-	(12,879)
Debt management strategy	(1,017)	-	-	(1,017)	(245)	-	-	(1,262)
Investment income, net	502	316	-	818	406	4	-	1,228
Allowance for funds used during construction	211	-	-	211	503	5	-	719
Other nonoperating income, net	329	30	-	359	245	-	-	604
Earnings from The Energy Authority	(62)	-	-	(62)	-	-	-	(62)
Other interest, net	(112)	-	-	(112)	-	-	-	(112)
Total nonoperating expenses, net	(6,361)	(1,440)	-	(7,801)	(3,857)	(106)	-	(11,764)
Income before contributions	6,174	381	-	6,555	5,462	80	-	12,097
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,622)	-	-	(7,622)	(2,095)	-	-	(9,717)
Developers and other	97	-	-	97	5,027	-	-	5,124
Reduction of plant cost through contributions	(97)	-	-	(97)	(3,517)	-	-	(3,614)
Total contributions	(7,622)	-	-	(7,622)	(585)	-	-	(8,207)
Change in net position	(1,448)	381	-	(1,067)	4,877	80	-	3,890
Net position, beginning of period	1,000,783	139,902	-	1,140,685	1,511,112	5,104	-	2,656,901
Net position, end of period	$ 999,335	$ 140,283	$ -	$ 1,139,618	$ 1,515,989	$ 5,184	$ -	$ 2,660,791

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the two months ended November 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 131,679	$ -	$ -	$ 131,679	$ -	$ -	$ (574)	$ 131,105
Electric - fuel and purchased power	68,440	5,800	(5,190)	69,050	-	-	(2,161)	66,889
Water and sewer	-	-	-	-	72,541	-	(124)	72,417
District energy system	-	-	-	-	-	1,468	(73)	1,395
Other	4,474	281	-	4,755	1,924	1	(554)	6,126
Total operating revenues	204,593	6,081	(5,190)	205,484	74,465	1,469	(3,486)	277,932
Operating expenses								
Operations and maintenance:								
Fuel	53,704	2,231	-	55,935	-	-	-	55,935
Purchased power	24,830	-	(5,190)	19,640	-	-	-	19,640
Maintenance and other operating expenses	36,995	1,982	-	38,977	25,142	861	(3,486)	61,494
Depreciation	35,154	68	-	35,222	24,533	407	-	60,162
Utility taxes and fees	10,814	-	-	10,814	1,792	-	-	12,606
Recognition of deferred costs and revenues, net	(370)	2,344	-	1,974	374	-	-	2,348
Total operating expenses	161,127	6,625	(5,190)	162,562	51,841	1,268	(3,486)	212,185
Operating income	43,466	(544)	-	42,922	22,624	201	-	65,747
Nonoperating revenues (expenses)								
Interest on debt	(12,196)	(1,740)	-	(13,936)	(8,846)	(224)	-	(23,006)
Debt management strategy	(1,550)	-	-	(1,550)	(330)	-	-	(1,880)
Investment income, net	2,285	375	-	2,660	1,045	25	-	3,730
Allowance for funds used during construction	777	-	-	777	1,562	7	-	2,346
Other nonoperating income, net	716	57	-	773	413	-	-	1,186
Earnings from The Energy Authority	59	-	-	59	-	-	-	59
Other interest, net	(426)	-	-	(426)	(61)	-	-	(487)
Total nonoperating expenses, net	(10,335)	(1,308)	-	(11,643)	(6,217)	(192)	-	(18,052)
Income before contributions	33,131	(1,852)	-	31,279	16,407	9	-	47,695
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(15,492)	-	-	(15,492)	(4,116)	-	-	(19,608)
Developers and other	282	-	-	282	13,744	-	-	14,026
Reduction of plant cost through contributions	(282)	-	-	(282)	(9,515)	-	-	(9,797)
Total contributions	(15,492)	-	-	(15,492)	113	-	-	(15,379)
Change in net position	17,639	(1,852)	-	15,787	16,520	9	-	32,316
Net position, beginning of year	1,066,817	97,633	-	1,164,450	1,585,326	5,533	-	2,755,309
Net position, end of period	$ 1,084,456	$ 95,781	$ -	$ 1,180,237	$ 1,601,846	$ 5,542	$ -	$ 2,787,625

JEA
Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the two months ended November 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 129,148	$ -	$ -	$ 129,148	$ -	$ -	$ (590)	$ 128,558
Electric - fuel and purchased power	69,389	43,628	(22,968)	90,049	-	-	(2,218)	87,831
Water and sewer	-	-	-	-	70,731	-	(81)	70,650
District energy system	-	-	-	-	-	1,632	(70)	1,562
Other	4,025	-	-	4,025	1,573	-	(435)	5,163
Total operating revenues	202,562	43,628	(22,968)	223,222	72,304	1,632	(3,394)	293,764
Operating expenses								
Operations and maintenance:								
Fuel	44,522	29,498	-	74,020	-	-	-	74,020
Purchased power	33,123	-	(22,968)	10,155	-	-	-	10,155
Maintenance and other operating expenses	34,817	5,257	-	40,074	22,880	841	(3,394)	60,401
Depreciation	36,404	7,126	-	43,530	24,531	399	-	68,460
Utility taxes and fees	10,172	-	-	10,172	1,733	-	-	11,905
Recognition of deferred costs and revenues, net	(454)	(1,799)	-	(2,253)	(16)	-	-	(2,269)
Total operating expenses	158,584	40,082	(22,968)	175,698	49,128	1,240	(3,394)	222,672
Operating income	43,978	3,546	-	47,524	23,176	392	-	71,092
Nonoperating revenues (expenses)								
Interest on debt	(12,522)	(3,572)	-	(16,094)	(9,577)	(229)	-	(25,900)
Debt management strategy	(2,025)	-	-	(2,025)	(489)	-	-	(2,514)
Investment income, net	1,096	727	-	1,823	859	7	-	2,689
Allowance for funds used during construction	491	-	-	491	1,091	10	-	1,592
Other nonoperating income, net	691	61	-	752	453	-	-	1,205
Earnings from The Energy Authority	218	-	-	218	-	-	-	218
Other interest, net	(381)	-	-	(381)	(93)	-	-	(474)
Total nonoperating expenses, net	(12,432)	(2,784)	-	(15,216)	(7,756)	(212)	-	(23,184)
Income before contributions	31,546	762	-	32,308	15,420	180	-	47,908
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(15,245)	-	-	(15,245)	(4,191)	-	-	(19,436)
Developers and other	186	-	-	186	9,632	-	-	9,818
Reduction of plant cost through contributions	(186)	-	-	(186)	(6,135)	-	-	(6,321)
Total contributions	(15,245)	-	-	(15,245)	(694)	-	-	(15,939)
Change in net position	16,301	762	-	17,063	14,726	180	-	31,969
Net position, beginning of year	983,034	139,521	-	1,122,555	1,501,263	5,004	-	2,628,822
Net position, beginning of year, as restated	983,034	139,521	-	1,122,555	1,501,263	5,004	-	2,628,822
Net position, end of period	$ 999,335	$ 140,283	$ -	$ 1,139,618	$ 1,515,989	$ 5,184	$ -	$ 2,660,791

Statement of Cash Flows
(in thousands - unaudited)

	Year-to-Date November 2018	Year-to-Date November 2017
Operating activities		
Receipts from customers	$ 300,205	$ 352,293
Payments to suppliers	(141,143)	(159,280)
Payments to employees	(50,140)	(54,567)
Other operating activities	3,108	(170)
Net cash provided by operating activities	112,030	138,276
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(19,526)	(19,227)
Net cash used in noncapital financing activities	(19,526)	(19,227)
Capital and related financing activities		
Proceeds received from debt	2,000	-
Acquisition and construction of capital assets	(56,383)	(83,079)
Interest paid on debt	(76,155)	(84,298)
Repayment of debt principal	(185,790)	(229,095)
Capital contributions	4,230	3,498
Other capital financing activities	193	549
Net cash used in capital and related financing activities	(311,905)	(392,425)
Investing activities		
Purchase of investments	(133,156)	(192,129)
Proceeds from sale and maturity of investments	133,524	170,555
Investment income, net	2,914	2,364
Distributions from The Energy Authority	67	263
Net cash provided by (used in) investing activities	3,349	(18,947)
Net change in cash and cash equivalents	(216,052)	(292,323)
Cash and cash equivalents, beginning of year	555,782	614,034
Cash and cash equivalents, end of period	$ 339,730	$ 321,711
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 65,747	$ 71,092
Adjustments:		
Depreciation and amortization	60,373	68,680
Recognition of deferred costs and revenues, net	2,348	(2,269)
Other nonoperating income, net	24	40
Changes in noncash assets and noncash liabilities:		
Accounts receivable	28,285	55,334
Inventories	(6,132)	2,799
Other assets	(3,537)	(1,797)
Accounts and accrued expenses payable	(30,982)	(42,591)
Current liabilities payable from restricted assets	(594)	(8,348)
Other noncurrent liabilities and deferred inflows	(3,502)	(4,664)
Net cash provided by operating activities	$ 112,030	$ 138,276
Noncash activity		
Contributions of capital assets	$ 9,797	$ 6,321
Unrealized losses on fair value of investments, net	$ -	$ -

Combining Statement of Cash Flows
(in thousands - unaudited) for the two months ended November 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 223,848	$ 5,744	$ (5,436)	$ 224,156	$ 77,227	$ 1,754	$ (2,932)	$ 300,205
Payments to suppliers	(124,095)	(3,697)	5,436	(122,356)	(21,426)	(847)	3,486	(141,143)
Payments to employees	(36,666)	(12)	-	(36,678)	(13,343)	(119)	-	(50,140)
Other operating activities	1,175	281	-	1,456	2,205	1	(554)	3,108
Net cash provided by operating activities	64,262	2,316	-	66,578	44,663	789	-	112,030
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(15,369)	-	-	(15,369)	(4,157)	-	-	(19,526)
Net cash used in noncapital financing activities	(15,369)	-	-	(15,369)	(4,157)	-	-	(19,526)
Capital and related financing activities								
Proceeds received from debt	-	-	-	-	2,000	-	-	2,000
Acquisition and construction of capital assets	(20,368)	-	-	(20,368)	(35,751)	(264)	-	(56,383)
Interest paid on debt	(39,461)	(5,603)	-	(45,064)	(30,411)	(680)	-	(76,155)
Repayment of debt principal	(130,690)	(1,720)	-	(132,410)	(51,720)	(1,660)	-	(185,790)
Capital contributions	-	-	-	-	4,230	-	-	4,230
Other capital financing activities	192	-	-	192	1	-	-	193
Net cash used in capital and related financing activities	(190,327)	(7,323)	-	(197,650)	(111,651)	(2,604)	-	(311,905)
Investing activities								
Purchase of investments	(87,554)	(20,043)	-	(107,597)	(25,559)	-	-	(133,156)
Proceeds from sale and maturity of investments	62,609	27,666	-	90,275	43,249	-	-	133,524
Investment income (loss), net	1,874	354	-	2,228	661	25	-	2,914
Distributions from The Energy Authority	67	-	-	67	-	-	-	67
Net cash provided by (used in) investing activities	(23,004)	7,977	-	(15,027)	18,351	25	-	3,349
Net change in cash and cash equivalents	(164,438)	2,970	-	(161,468)	(52,794)	(1,790)	-	(216,052)
Cash and cash equivalents, beginning of year	285,814	139,953	-	425,767	123,061	6,954	-	555,782
Cash and cash equivalents, end of period	$ 121,376	$ 142,923	$ -	$ 264,299	$ 70,267	$ 5,164	$ -	$ 339,730
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 43,466	$ (544)	$ -	$ 42,922	$ 22,624	$ 201	$ -	$ 65,747
Adjustments:								
Depreciation and amortization	35,154	68	-	35,222	24,744	407	-	60,373
Recognition of deferred costs and revenues, net	(370)	2,344	-	1,974	374	-	-	2,348
Other nonoperating income, net	24	-	-	24	-	-	-	24
Changes in noncash assets and noncash liabilities:								
Accounts receivable	25,163	(56)	-	25,107	2,892	286	-	28,285
Inventories	(7,055)	1,214	-	(5,841)	(291)	-	-	(6,132)
Other assets	(3,017)	-	-	(3,017)	(487)	(33)	-	(3,537)
Accounts and accrued expenses payable	(24,257)	(116)	-	(24,373)	(6,554)	(55)	-	(30,982)
Current liabilities payable from restricted assets	-	(594)	-	(594)	-	-	-	(594)
Other noncurrent liabilities and deferred inflows	(4,846)	-	-	(4,846)	1,361	(17)	-	(3,502)
Net cash provided by operating activities	$ 64,262	$ 2,316	$ -	$ 66,578	$ 44,663	$ 789	$ -	$ 112,030
Noncash activity								
Contributions of capital assets	$ 282	$ -	$ -	$ 282	$ 9,515	$ -	$ -	$ 9,797
Unrealized gains (losses) on fair value of investments, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

JEA
Combining Statement of Cash Flows
(in thousands - unaudited) for the two months ended November 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 243,145	$ 50,099	$ (14,225)	$ 279,019	$ 74,308	$ 1,925	$ (2,959)	$ 352,293
Payments to suppliers	(115,801)	(39,802)	14,225	(141,378)	(20,508)	(788)	3,394	(159,280)
Payments to employees	(36,107)	(5,609)	-	(41,716)	(12,753)	(98)	-	(54,567)
Other operating activities	(1,005)	-	-	(1,005)	1,270	-	(435)	(170)
Net cash provided by operating activities	90,232	4,688	-	94,920	42,317	1,039	-	138,276
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(15,312)	-	-	(15,312)	(3,915)	-	-	(19,227)
Net cash used in noncapital financing activities	(15,312)	-	-	(15,312)	(3,915)	-	-	(19,227)
Capital and related financing activities								
Acquisition and construction of capital assets	(47,546)	-	-	(47,546)	(35,481)	(52)	-	(83,079)
Interest paid on debt	(42,079)	(9,571)	-	(51,650)	(31,957)	(691)	-	(84,298)
Repayment of debt principal	(135,105)	(41,330)	-	(176,435)	(51,020)	(1,640)	-	(229,095)
Capital contributions	-	-	-	-	3,498	-	-	3,498
Other capital financing activities	526	-	-	526	23	-	-	549
Net cash used in capital and related financing activities	(224,204)	(50,901)	-	(275,105)	(114,937)	(2,383)	-	(392,425)
Investing activities								
Purchase of investments	(80,455)	(81,855)	-	(162,310)	(29,819)	-	-	(192,129)
Proceeds from sale and maturity of investments	27,731	91,772	-	119,503	51,052	-	-	170,555
Investment income, net	1,012	647	-	1,659	698	7	-	2,364
Distributions from The Energy Authority	263	-	-	263	-	-	-	263
Net cash provided by (used in) investing activities	(51,449)	10,564	-	(40,885)	21,931	7	-	(18,947)
Net change in cash and cash equivalents	(200,733)	(35,649)	-	(236,382)	(54,604)	(1,337)	-	(292,323)
Cash and cash equivalents, beginning of year	340,063	121,027	-	461,090	145,909	7,035	-	614,034
Cash and cash equivalents, end of period	$ 139,330	$ 85,378	$ -	$ 224,708	$ 91,305	$ 5,698	$ -	$ 321,711
Reconciliation of operating income to net cash provided by (used in) operating activities								
Operating income	$ 43,978	$ 3,546	$ -	$ 47,524	$ 23,176	$ 392	$ -	$ 71,092
Adjustments:								
Depreciation and amortization	36,404	7,126	-	43,530	24,751	399	-	68,680
Recognition of deferred costs and revenues, net	(454)	(1,799)	-	(2,253)	(16)	-	-	(2,269)
Other nonoperating income (loss), net	2	-	-	2	38	-	-	40
Changes in noncash assets and noncash liabilities:								
Accounts receivable	47,865	6,471	-	54,336	705	293	-	55,334
Inventories	(2,787)	7,820	-	5,033	(2,234)	-	-	2,799
Other assets	(1,340)	-	-	(1,340)	(444)	(13)	-	(1,797)
Accounts and accrued expenses payable	(26,081)	(9,723)	-	(35,804)	(6,725)	(62)	-	(42,591)
Current liabilities payable from restricted assets	-	(8,348)	-	(8,348)	-	-	-	(8,348)
Other noncurrent liabilities and deferred inflows	(7,355)	(405)	-	(7,760)	3,066	30	-	(4,664)
Net cash provided by operating activities	$ 90,232	$ 4,688	$ -	$ 94,920	$ 42,317	$ 1,039	$ -	$ 138,276
Noncash activity								
Contributions of capital assets	$ 186	$ -	$ -	$ 186	$ 6,135	$ -	$ -	$ 6,321
Unrealized losses on fair value of investments, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Electric System and Plant Scherer
Changes in Debt Service, R & R and Construction Funds
(in thousands - unaudited) for the two months ended November 2018 and November 2017

	November 2018			November 2017		
	Debt service funds	Renewal and replacement funds	Construction funds	Debt service funds	Renewal and replacement funds	Construction funds
Beginning balance	$ 232,915	$ 212,051	$ 203	$ 239,961	$ 225,985	$ -
Additions:						
Revenue transfers for debt service	33,244	-	-	34,871	-	-
R & R and OCO	-	31,741	-	-	30,935	-
Proceeds from property sales	-	193	-	-	177	-
Total additions	33,244	31,934	-	34,871	31,112	-
Deductions:						
Debt service payments	168,435	-	-	175,023	-	-
Increase in utility plant	-	11,727	-	-	37,150	-
Decrease in accounts payable	-	8,640	-	-	10,390	-
Total deductions	168,435	20,367	-	175,023	47,540	-
Ending balance	$ 97,724	$ 223,618	$ 203	$ 99,809	$ 209,557	$ -
Recap:						
Renewal and replacement fund:						
Cash & investments		$ 188,285			$ 177,890	
Storm costs to be recovered		13,532			23,377	
Accounts / notes receivable:						
Accounts receivable		21,794			8,270	
Street light & other customer loans		7			20	
		$ 223,618			$ 209,557	
Construction fund:						
Generation projects			$ 101			$ -
T&D and other capital projects			102			-
			$ 203			$ -

Water and Sewer System
Changes in Debt Service, R & R and Construction Funds
(in thousands - unaudited) for the two months ended November 2018 and November 2017

	November 2018				November 2017			
	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds
Beginning balance	$ 184,091	$ 146,727	$ 284	$ 1,160	$ 189,696	$ 155,284	$ 15	$ 1,838
Additions:								
R & R and OCO	-	28,385	-	-	-	24,504	-	-
Revenue transfers for debt service	19,209	-	-	-	18,964	-	-	-
Contribution in aid of construction	-	4,230	-	-	-	3,498	-	-
Bond proceeds	-	-	33,884	-	-	-	-	-
Proceeds from property sales	-	1	-	-	-	23	-	-
Total additions	19,209	32,616	33,884	-	18,964	28,025	-	-
Deductions:								
Debt service payments	81,586	-	-	-	82,410	-	-	-
Increase in utility plant	-	10,661	2,506	-	-	9,017	-	-
Debt service reserve releases	34,202	-	-	-	1,913	-	-	-
Decrease in accounts payable	-	21,498	-	714	-	25,344	-	1,135
Total deductions	115,788	32,159	2,506	714	84,323	34,361	-	1,135
Ending balance	$ 87,512	$ 147,184	$ 31,662	$ 446	$ 124,337	$ 148,948	$ 15	$ 703
Renewal and replacement fund:								
Cash & investments		$ 142,018				$ 143,831		
Storm costs to be recovered		4,537				4,595		
Accounts / notes receivable:								
Accounts receivable		621				510		
Notes receivable		8				12		
		$ 147,184				$ 148,948		
Construction fund:								
Project funds			$ 31,662				$ 15	
			$ 31,662				$ 15	
Environmental fund:								
Cash & investments				$ 446				$ 703
				$ 446				$ 703

JEA

Electric System

Budget vs. Actual November 2018 and 2017	**ANNUAL BUDGET 2018-19**	**Month BUDGET 2018-19**	**Month ACTUAL 2018-19**	**Month Variance %**	**Prior Year Month ACTUAL 2017-18**	**Prior Year Month Variance %**
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 422,782,362	$ 30,238,015	$ 28,913,756	-4.38%	$ 26,816,774	7.82%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	327,822,632	20,785,664	18,806,881		17,787,855	
Fuel Expense - SJRPP	1,554,666	518,222	-		7,961,893	
Other Purchased Power	108,921,904	9,240,265	11,474,388		6,118,209	
Subtotal Energy Expense	438,299,202	30,544,151	30,281,269	0.86%	31,867,957	4.98%
Transfer to (from) Rate Stabilization, Net	(16,151,013)	(358,984)	(1,388,105)		(5,051,183)	
Fuel Related Uncollectibles	634,173	52,848	20,592		-	
Total	422,782,362	30,238,015	28,913,756	4.38%	26,816,774	-7.82%
Fuel Balance	-	-	-		-	
Nonfuel Related Revenues						
Base Rate Revenues	812,153,353	58,086,398	55,709,385		51,627,628	
Conservation Charge Revenue	1,000,000	71,521	25,908		24,641	
Environmental Charge Revenue	8,039,817	575,020	549,688		508,564	
Investment Income	11,600,594	966,716	1,078,397		500,407	
Natural Gas Revenue Pass Through	2,464,374	205,365	44,369		32,785	
Other Revenues	28,263,290	2,355,274	2,569,989		2,183,323	
Total	863,521,428	62,260,294	59,977,736	-3.67%	54,877,348	9.29%
Nonfuel Related Expenses						
Non-Fuel O&M	221,286,372	20,923,677	16,390,040		15,647,149	
DSM / Conservation O&M	8,126,797	669,931	409,836		524,585	
Environmental O&M	2,271,529	161,292	325,050		(19,894)	
Rate Stabilization - DSM	(536,783)	(44,732)	75,656		(55,436)	
Rate Stabilization - Environmental	5,768,288	490,789	224,639		528,458	
Natural Gas Expense Pass Through	2,418,255	200,718	54,907		75,214	
Debt Principal - Electric System	116,230,000	9,685,833	9,685,833		10,348,750	
Debt Interest - Electric System	87,438,843	7,286,570	6,929,724		7,283,720	
R&R - Electric System	64,447,700	5,370,642	5,370,642		5,467,400	
Operating Capital Outlay	183,115,980	9,000,000	9,000,000		-	
City Contribution Expense	92,952,147	7,746,012	7,746,012		7,622,650	
Taxes & Uncollectibles	1,437,599	119,800	56,076		15,900	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	13,780,000	1,148,333	1,148,333		2,174,323	
* SJRPP D/S Interest	11,127,870	927,323	898,688		1,218,083	
** Other Non-Fuel Purchased Power	48,656,831	4,054,736	5,139,068		3,361,053	
Total Nonfuel Expenses	863,521,428	67,740,924	63,454,504	6.33%	54,191,955	-17.09%
Non-Fuel Balance	-	(5,480,630)	(3,476,768)		685,393	
Total Balance	-	(5,480,630)	(3,476,768)		685,393	
Total Revenues	**1,286,303,790**	**92,498,309**	**88,891,492**	-3.90%	**81,694,122**	8.81%
Total Expenses	**1,286,303,790**	**97,978,939**	**92,368,260**	5.73%	**81,008,729**	-14.02%
KWH Sold - Territorial	**13,180,028,000**	**942,654,955**	**898,455,025**	-4.69%	**833,994,000**	7.73%
KWH Sold - Off System	**-**	**-**	**15,146,000**		**1,904,000**	
	13,180,028,000	**942,654,955**	**913,601,025**	-3.08%	**835,898,000**	9.30%

* Gross debt service

** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

Electric System		Year-to-Date			Prior Year-to-Date	
Budget vs. Actual	**ANNUAL BUDGET**	**BUDGET**	**ACTUAL**	**Variance**	**ACTUAL**	**Variance**
November 2018 and 2017	**2018-19**	**2018-19**	**2018-19**	**%**	**2017-18**	**%**
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 422,782,362	$ 63,246,843	$ 61,725,964	-2.40%	$ 61,141,471	0.96%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	327,822,632	44,605,614	47,454,067		38,209,301	
Fuel Expense - SJRPP	1,554,666	1,036,444	-		18,108,875	
Other Purchased Power	108,921,904	18,855,144	19,202,728		12,744,082	
Subtotal Energy Expense	438,299,202	64,497,202	66,656,795	-3.35%	69,062,258	3.48%
Transfer to (from) Rate Stabilization, Net	(16,151,013)	(1,356,055)	(5,003,077)		(7,924,230)	
Fuel Related Uncollectibles	634,173	105,696	72,246		3,443	
Total	422,782,362	63,246,843	61,725,964	2.40%	61,141,471	-0.96%
Fuel Balance	-	-	-		-	
Nonfuel Related Revenues						
Base Rate Revenues	812,153,353	121,495,455	119,453,815		117,606,796	
Conservation Charge Revenue	1,000,000	149,597	110,326		83,980	
Environmental Charge Revenue	8,039,817	1,202,730	1,173,133		1,161,871	
Investment Income	11,600,594	1,933,432	2,284,125		1,092,909	
Natural Gas Revenue Pass Through	2,464,374	410,729	102,242		64,025	
Other Revenues	28,263,290	4,710,548	5,060,489		4,620,871	
Total	863,521,428	129,902,491	128,184,130	-1.32%	124,630,452	2.85%
Nonfuel Related Expenses						
Non-Fuel O&M	221,286,372	42,824,833	30,566,394		28,653,326	
DSM / Conservation O&M	8,126,797	1,383,675	542,280		783,275	
Environmental O&M	2,271,529	322,583	328,276		(36,144)	
Rate Stabilization - DSM	(536,783)	(89,464)	606,535		292,659	
Rate Stabilization - Environmental	5,768,288	869,345	844,857		1,198,015	
Natural Gas Expense Pass Through	2,418,255	406,256	114,403		115,018	
Debt Principal - Electric System	116,230,000	19,371,667	19,371,667		20,697,500	
Debt Interest - Electric System	87,438,843	14,573,140	13,857,108		14,658,795	
R&R - Electric System	64,447,700	10,741,283	10,741,283		10,934,800	
Operating Capital Outlay	183,115,980	21,000,000	21,000,000		20,000,000	
City Contribution Expense	92,952,147	15,492,025	15,492,025		15,245,299	
Taxes & Uncollectibles	1,437,599	239,600	172,823		38,419	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	13,780,000	2,296,667	2,296,667		4,348,646	
* SJRPP D/S Interest	11,127,870	1,854,645	1,797,375		2,436,166	
** Other Non-Fuel Purchased Power	48,656,831	8,109,472	9,588,679		4,324,523	
Total Nonfuel Expenses	863,521,428	139,395,727	127,320,372	8.66%	123,690,297	-2.93%
Non-Fuel Balance	-	(9,493,236)	863,758		940,155	
Total Balance	-	(9,493,236)	863,758		940,155	
Total Revenues	**1,286,303,790**	**193,149,334**	**189,910,094**	-1.68%	**185,771,923**	2.23%
Total Expenses	**1,286,303,790**	**202,642,570**	**189,046,336**	6.71%	**184,831,768**	-2.28%
KWH Sold - Territorial	**13,180,028,000**	**1,971,688,651**	**1,917,069,579**	-2.77%	**1,899,919,000**	0.90%
KWH Sold - Off System	**-**	**-**	**44,539,000**		**9,483,000**	
	13,180,028,000	**1,971,688,651**	**1,961,608,579**	-0.51%	**1,909,402,000**	2.73%

* Gross debt service

** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

Water and Sewer System

Budget vs. Actual November 2018 and 2017	ANNUAL BUDGET 2018-19	Month BUDGET 2018-19	Month ACTUAL 2018-19	Month Variance %	Prior Year Month ACTUAL 2017-18	Prior Year Month Variance %
REVENUES						
Water & Sewer Revenues	$ 457,315,688	$ 35,425,296	$ 32,553,459		$ 35,029,653	
Capacity & Extension Fees	24,500,000	1,656,221	1,875,713		1,510,714	
Investment Income	6,318,534	526,544	494,649		402,135	
Other Income	40,244,423	2,812,766	3,085,919		1,023,705	
Total	528,378,645	40,420,827	38,009,740	-5.96%	37,966,207	0.11%
EXPENSES						
O & M Expenses	161,824,556	13,509,342	11,485,876		13,001,351	
Debt Principal - Water & Sewer	54,705,000	4,558,750	4,558,750		4,310,000	
Debt Interest - Water & Sewer	65,430,545	5,452,545	5,236,619		5,416,427	
Rate Stabilization - Environmental	-	-	864,740		1,212,201	
R&R - Water & Sewer	23,552,350	1,962,696	1,962,696		2,039,483	
Operating Capital Outlay	156,553,034	9,198,901	9,198,901		7,712,602	
Operating Capital Outlay - Capacity/Extension	24,500,000	2,041,666	1,875,713		1,510,714	
Operating Capital Outlay - Environmental	15,431,798	1,283,056	187,184		44,211	
City Contribution Expense	24,695,388	2,057,949	2,057,949		2,095,668	
Uncollectibles & Fees	685,974	57,164	40,000		47,000	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	528,378,645	40,122,069	37,468,428	6.61%	37,389,657	-0.21%
Total Balance	$ -	$ 298,758	$ 541,312		$ 576,550	
Sales kgals						
Water	42,000,000	3,225,080	2,861,650	-11.27%	3,036,726	-5.77%
Sewer	34,650,000	2,494,440	2,371,718	-4.92%	2,450,492	-3.21%
Total	76,650,000	5,719,520	5,233,368	-8.50%	5,487,218	-4.63%

Budget vs. Actual November 2018 and 2017	ANNUAL BUDGET 2018-19	Year-To-Date BUDGET 2018-19	Year-To-Date ACTUAL 2018-19	Year-To-Date Variance %	Prior Year to Date ACTUAL 2017-18	Prior Year to Date Variance %
REVENUES						
Water & Sewer Revenues	$ 457,315,688	$ 74,153,839	$ 72,908,272		$ 71,624,078	
Capacity & Extension Fees	24,500,000	3,328,133	4,229,594		3,487,783	
Capital Contributions	-	-	-		9,920	
Investment Income	6,318,534	1,053,089	1,044,427		851,852	
Other Income	40,244,423	5,712,673	6,344,131		2,033,114	
Total	528,378,645	84,247,734	84,526,424	0.33%	78,006,747	8.36%
EXPENSES						
O & M Expenses	161,824,556	27,742,912	24,421,969		22,216,998	
Debt Principal - Water & Sewer	54,705,000	9,117,500	9,117,499		8,620,000	
Debt Interest - Water & Sewer	65,430,545	10,905,091	10,481,909		10,877,982	
Rate Stabilization - Environmental	-	-	2,073,987		2,528,885	
R&R - Water & Sewer	23,552,350	3,925,392	3,925,392		4,078,967	
Operating Capital Outlay	156,553,034	24,459,336	24,459,336		20,425,204	
Operating Capital Outlay - Capacity/Extension	24,500,000	4,083,334	4,229,594		3,487,783	
Operating Capital Outlay - Contributions	-	-	-		9,920	
Operating Capital Outlay - Environmental	15,431,798	2,566,112	373,679		(15,589)	
City Contribution Expense	24,695,388	4,115,898	4,115,898		4,191,337	
Uncollectibles & Fees	685,974	114,329	86,000		97,000	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	528,378,645	87,029,904	83,285,263	4.30%	76,518,487	-8.84%
Total Balance	$ -	$ (2,782,170)	$ 1,241,161		$ 1,488,260	
Sales kgals						
Water	42,000,000	6,836,643	6,073,954	-11.16%	6,028,941	0.75%
Sewer	34,650,000	5,515,540	5,035,413	-8.70%	4,848,475	3.86%
Total	76,650,000	12,352,183	11,109,367	-10.06%	10,877,416	2.13%

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District Energy System

Budget vs. Actual November 2018 and 2017	ANNUAL BUDGET 2018-19	Month BUDGET 2018-19	Month ACTUAL 2018-19	Month Variance %	Prior Year Month ACTUAL 2017-18	Prior Year Month Variance %
REVENUES						
Revenues	$ 9,256,655	$ 772,477	$ 593,923		$ 778,880	
Investment Income	-	-	10,706		3,661	
Total	9,256,655	772,477	604,629	-21.73%	782,541	-22.74%
EXPENSES						
O & M Expenses	5,127,648	402,904	384,865		393,249	
Debt Principal - DES	1,690,000	140,833	140,833		138,333	
Debt Interest - DES	1,330,449	110,871	110,871		113,257	
R&R - DES	442,950	36,913	36,913		36,404	
Operating Capital Outlay	665,608	-	-		-	
Total Expenses	9,256,655	691,521	673,482	2.61%	681,243	1.14%
Total Balance	$ -	$ 80,956	$ (68,853)		$ 101,298	

Budget vs. Actual November 2018 and 2017	ANNUAL BUDGET 2018-19	Year-To-Date BUDGET 2018-19	Year-To-Date ACTUAL 2018-19	Year-To-Date Variance %	Prior-Year-to-Date ACTUAL 2017-18	Prior-Year-to-Date Variance %
REVENUES						
Revenues	$ 9,256,655	$ 1,668,545	$ 1,468,559		$ 1,632,223	
Investment Income	-	-	25,004		7,001	
Total	9,256,655	1,668,545	1,493,563	-10.49%	1,639,224	-8.89%
EXPENSES						
O & M Expenses	5,127,648	844,558	859,161		838,332	
Debt Principal - DES	1,690,000	281,667	281,667		276,667	
Debt Interest - DES	1,330,449	221,742	221,741		226,514	
R&R - DES	442,950	73,825	73,825		72,808	
Operating Capital Outlay	665,608	-	-		-	
Total Expenses	9,256,655	1,421,792	1,436,394	-1.03%	1,414,321	-1.56%
Total Balance	$ -	$ 246,753	$ 57,169		$ 224,903	

Electric System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
Revenues				
Electric	$ 90,391	$ 83,435	$ 194,579	$ 190,214
Investment income (1)	898	376	1,923	845
Earnings from The Energy Authority	(290)	(62)	59	218
Other, net (2)	2,284	1,853	4,499	4,010
Plus: amount paid from the rate stabilization fund into the revenue fund	2,792	6,522	7,534	10,602
Less: amount paid from the revenue fund into the rate stabilization fund	(710)	(1,000)	(1,994)	(2,279)
Total revenues	95,365	91,124	206,600	203,610
Operating expenses (3)				
Fuel	18,807	17,788	47,454	38,209
Purchased power (4)	20,052	21,761	36,717	44,401
Other operations and maintenance	19,075	17,006	33,174	31,646
State utility taxes and fees	4,581	4,423	10,579	9,923
Total operating expenses	62,515	60,978	127,924	124,179
Net revenues	$ 32,850	$ 30,146	$ 78,676	$ 79,431
Debt service	$ 6,917	$ 5,895	$ 13,781	$ 11,781
Less: investment income on sinking fund	(181)	(126)	(362)	(251)
Less: Build America Bonds subsidy	(128)	(126)	(255)	(253)
Debt service requirement	$ 6,608	$ 5,643	$ 13,164	$ 11,277
Senior debt service coverage (5), (min 1.20x)	4.97 x	5.34 x	5.98 x	7.04 x
Net revenues (from above)	$ 32,850	$ 30,146	$ 78,676	$ 79,431
Debt service requirement (from above)	$ 6,608	$ 5,643	$ 13,164	$ 11,277
Plus: aggregate subordinated debt service on outstanding subordinated bonds	8,897	10,718	17,779	21,433
Less: Build American Bonds subsidy	(167)	(171)	(334)	(341)
Total debt service requirement and aggregate subordinated debt service	$ 15,338	$ 16,190	$ 30,609	$ 32,369
Senior and subordinated debt service coverage (6), (min 1.15x)	2.14 x	1.86 x	2.57 x	2.45 x
Fixed charge coverage (7)	1.54 x	1.31 x	1.90 x	1.78 x

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

JEA
Bulk Power Supply System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
Revenues				
Operating	$ 6,648	$ 6,863	$ 11,886	$ 11,278
Investment income	8	12	16	23
Total revenues	6,656	6,875	11,902	11,301
Operating expenses [1]				
Fuel	3,193	3,104	6,250	6,313
Other operations and maintenance	1,338	1,632	2,212	2,693
Total operating expenses	4,531	4,736	8,462	9,006
Net revenues	$ 2,125	$ 2,139	$ 3,440	$ 2,295
Aggregate debt service	$ 843	$ 828	$ 1,685	$ 1,657
Less: Build America Bonds subsidy	(52)	(55)	(104)	(111)
Aggregate debt service	$ 791	$ 773	$ 1,581	$ 1,546
Debt service coverage [2]	2.69 x	2.77 x	2.18 x	1.48 x

[1] Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues.
[2] Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

St. Johns River Power Park System
Schedule of Debt Service Coverage - Second Resolution
(in thousands - unaudited)

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
Revenues				
Operating	$ 3,398	$ 1,047	$ 6,762	$ 2,093
Investment income	216	13	375	33
Total revenues	3,614	1,060	7,137	2,126
Operating expenses	1,182	-	2,231	-
Net revenues	$ 2,432	$ 1,060	$ 4,906	$ 2,126
Aggregate debt service	$ 2,076	$ 1,077	$ 4,151	$ 2,154
Less: Build America Bonds subsidy	(29)	(30)	(57)	(61)
Aggregate debt service	$ 2,047	$ 1,047	$ 4,094	$ 2,093
Debt service coverage [1]	1.19 x	1.01 x	1.20 x	1.02 x

[1] Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

Water and Sewer
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
Revenues				
Water	$ 13,160	$ 14,207	$ 29,911	$ 29,390
Water capacity fees	622	574	1,438	1,274
Sewer	20,194	21,619	44,704	43,870
Sewer capacity fees	1,253	936	2,791	2,214
Investment Income	495	406	1,045	859
Other [(1)]	907	813	1,924	1,611
Plus: amounts paid from the rate stabilization fund into the revenue fund	1,031	782	1,950	1,444
Less: amounts paid from the revenue fund into the rate stabilization fund	(1,896)	(1,994)	(4,024)	(3,973)
Total revenues	35,766	37,343	79,739	76,689
Operating expenses				
Operations and maintenance [(2)]	13,193	13,982	26,934	24,613
Total operating expenses	13,193	13,982	26,934	24,613
Net revenues	$ 22,573	$ 23,361	$ 52,805	$ 52,076
Aggregate debt service	$ 8,105	$ 8,035	$ 16,199	$ 16,071
Less: Build America Bonds subsidy	(206)	(207)	(413)	(415)
Aggregate debt service	$ 7,899	$ 7,828	$ 15,786	$ 15,656
Senior debt service coverage [(3)], (min 1.25x)	2.86 x	2.98 x	3.35 x	3.33 x
Net revenues (from above)	$ 22,573	$ 23,361	$ 52,805	$ 52,076
Aggregate debt service (from above)	$ 7,899	$ 7,828	$ 15,786	$ 15,656
Plus: aggregate subordinated debt service on outstanding subordinated debt	1,499	1,473	2,992	2,948
Total aggregate debt service and aggregate subordinated debt service	$ 9,398	$ 9,301	$ 18,778	$ 18,604
Senior and subordinated debt service coverage excluding capacity fees[(4)]	2.20 x	2.35 x	2.59 x	2.61 x
Senior and subordinated debt service coverage including capacity fees[(4)]	2.40 x	2.51 x	2.81 x	2.80 x
Fixed charge coverage	2.18 x	2.29 x	2.59 x	2.57 x

(1) Excludes the Build America Bonds subsidy.
(2) Excludes depreciation and recognition of deferred costs and revenues, net.
(3) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.
(4) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity

District Energy System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
Revenues				
Service revenues	$ 595	$ 779	$ 1,469	$ 1,632
Investment income	11	4	25	7
Total revenues	606	783	1,494	1,639
Operating expenses [(1)]				
Operations and maintenance	385	392	861	841
Total operating expenses	385	392	861	841
Net revenues	$ 221	$ 391	$ 633	$ 798
Aggregate debt service [(2)]	$ 251	$ 251	$ 503	$ 503
Debt service coverage [(3)], (min 1.15x)	0.88 x	1.56 x	1.26 x	1.59 x

(1) Excludes depreciation.
(2) On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, the JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last business day of the then current month.
(3) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

JEA
Electric System, St. Johns River Power Park System and Scherer
Principal Amount of Debt Outstanding and Average Interest Rates
November 2018

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Electric System - Fixed Rate Bonds				
Series Three 2004 A	5.000%	2039	$ 5,000	$ -
Series Three 2005 B	4.750%	2033	100,000	-
Series Three 2009 D - BABs	6.056%	2033-2044	45,955,000	-
Series Three 2010 A	4.000%	2019	5,070,000	5,070,000
Series Three 2010 C	4.125 - 4.500%	2026-2031	1,950,000	-
Series Three 2010 D	4.250 - 5.000%	2020-2038	1,205,000	-
Series Three 2010 E - BABs	5.350 - 5.482%	2028-2040	34,255,000	-
Series Three 2012A	4.000 - 4.500%	2023-2033	16,995,000	-
Series Three 2012B	2.000 - 5.000%	2019-2039	85,615,000	725,000
Series Three 2013A	3.000 - 5.000%	2019-2026	65,765,000	8,990,000
Series Three 2013B	3.000 - 5.000%	2026-2038	7,500,000	-
Series Three 2013C	4.600 - 5.000%	2019-2030	15,040,000	1,700,000
Series Three 2014A	3.400 - 5.000%	2019-2034	10,810,000	1,285,000
Series Three 2015A	2.750 - 5.000%	2019-2041	69,830,000	155,000
Series Three 2015B	3.375 - 5.000%	2019-2031	17,225,000	6,945,000
Series Three 2017A	5.000%	2019	18,670,000	18,670,000
Series Three 2017B	3.375 - 5.000%	2026-2039	198,095,000	-
Total Fixed Rate Senior Bonds			**594,085,000**	**43,540,000**
2009 Series F - BABs	4.900 - 6.406%	2019-2034	62,155,000	1,550,000
2009 Series G	4.000 - 5.000%	2019-2019	14,665,000	14,665,000
2010 Series B	4.000 - 5.000%	2019-2024	3,680,000	960,000
2010 Series D - BABs	4.150 - 5.582%	2019-2027	42,050,000	2,705,000
2012 Series A	3.250 - 5.000%	2019-2033	56,490,000	2,655,000
2012 Series B	3.250 - 5.000%	2019-2037	50,415,000	2,215,000
2013 Series A	3.000 - 5.000%	2019-2030	43,055,000	2,780,000
2013 Series B	3.000 - 5.000%	2019-2026	18,535,000	2,870,000
2013 Series C	1.375 - 5.000%	2019-2038	77,155,000	885,000
2013 Series D	4.000 - 5.250%	2019-2035	74,535,000	20,830,000
2014 Series A	4.000 - 5.000%	2019-2039	110,330,000	14,635,000
2017 Series A	3.000 - 5.000%	2019-2019	1,290,000	1,290,000
2017 Series B	3.375 - 5.000%	2019-2034	184,950,000	1,055,000
Total Fixed Rate Subordinated Bonds			**739,305,000**	**69,095,000**
Total Fixed Rate Electric System Bonds/4.558%			**1,333,390,000**	**112,635,000**
Electric System - Variable Rate Bonds	Current Interest Rates (1)			
Series Three 2008 A - Weekly	1.819%	2027-2036	51,680,000	-
Series Three 2008 B-1 - Weekly	2.198%	2019-2040	59,620,000	425,000
Series Three 2008 B-2 - Weekly	1.819%	2025-2040	41,900,000	-
Series Three 2008 B-3 - Weekly	1.819%	2024-2036	37,000,000	-
Series Three 2008 B-4 - Weekly	2.198%	2019-2036	49,010,000	425,000
Series Three 2008 C-1 - Weekly	1.786%	2024-2034	44,145,000	-
Series Three 2008 C-2 - Weekly	1.786%	2024-2034	43,900,000	-
Series Three 2008 C-3 - Flex	1.780%	2030-2038	25,000,000	-
Series Three 2008 D-1 - Weekly	2.198%	2019-2036	106,275,000	2,745,000
Total Variable Rate Senior Bonds			**458,530,000**	**3,595,000**
Series 2000 A - Flex	1.917%	2021-2035	30,965,000	-
Series 2000 F-1 - Flex	1.879%	2026-2030	37,200,000	-
Series 2000 F-2 - Flex	2.018%	2026-2030	24,800,000	-
Series 2008 D - Daily	1.777%	2024-2038	39,455,000	-
Total Variable Rate Subordinated Bonds			**132,420,000**	**-**
Total Variable Rate Bonds			**590,950,000**	**3,595,000**
Total Electric System Bonds			**1,924,340,000**	**116,230,000**
St. Johns River Power Park - Fixed Rate Bonds				
Issue 3 Series 1	4.500%	2037	100,000	-
Issue 3 Series 2	5.000%	2034-2037	29,370,000	-
Issue 3 Series 4 - BABs	4.700 - 5.450%	2019-2028	20,690,000	1,775,000
Issue 3 Series 6	2.375 - 5.000%	2019-2037	91,330,000	5,680,000
Issue 3 Series 7	2.000 - 5.000%	2019-2033	79,500,000	4,120,000
Issue 3 Series 8	2.000 - 5.000%	2019-2039	57,895,000	2,205,000
Total Fixed Rate St. Johns River Power Park Bonds/4.014%			**278,885,000**	**13,780,000**
Bulk Power Supply System, Scherer 4 Project - Fixed Rate Bonds				
Series 2010A - BABs	4.800 - 5.920%	2019-2030	34,355,000	2,140,000
Series 2014A	2.000 - 4.125%	2019-2038	60,655,000	4,010,000
Total Fixed Rate Bulk Power Supply System Bonds/4.324%			**95,010,000**	**6,150,000**
Weighted Average Cost(2) / Total Outstanding Debt	3.472%		**$ 2,298,235,000**	**$ 136,160,000**

(1) Current month interest rate excluding variable debt fees.

(2) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and excludes variable debt liquidity/remarketing fees and interest rate swap payments.

	Current YTD	Prior YTD	Year End Target
• Debt Ratio - Electric Enterprise Func	71.0%	65.2%	66.0%

		Electric System	Power Park Issue Three
• Remaining New Money Authorization	$	465,160,992	103,865,000
• Remaining Senior Refunding Authorizatior	$	1,022,837,381	250,810,000
• Remaining Subordinated Refunding Authorizatioi	$	634,898,000	n/a

JEA
Water and Sewer System
Principal Amount of Debt Outstanding and Average Interest Rates
November 2018

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2009 Series B	3.750 - 5.000%	2019	$ 8,915,000	$ 8,915,000
2010 Series A - BABs	6.210 - 6.310%	2026-2044	83,115,000	-
2010 Series B - Taxable	5.200 - 5.700%	2019-2025	12,110,000	1,730,000
2010 Series C	5.000%	2020	3,000,000	-
2010 Series D	4.000 - 5.000%	2019-2039	38,625,000	5,015,000
2010 Series E	4.000 - 5.000%	2021-2039	11,865,000	-
2010 Series F - BABs	3.900 - 5.887%	2019-2040	42,095,000	2,395,000
2012 Series A	3.000 - 5.000%	2019-2041	162,430,000	1,070,000
2012 Series B	2.000 - 5.000%	2019-2037	74,600,000	1,280,000
2013 Series A	4.500 - 5.000%	2019-2027	51,720,000	12,580,000
2014 Series A	2.000 - 5.000%	2019-2040	212,960,000	5,625,000
2017 Series A	3.125 - 5.000%	2020-2041	378,220,000	-
Total Fixed Rate Senior Bonds			**1,079,655,000**	**38,610,000**
2010 Series A	5.000%	2019-2022	5,620,000	2,790,000
2010 Series B	3.000 - 5.000%	2020-2025	3,255,000	-
2012 Series A	3.000%	2021	1,440,000	-
2012 Series B	3.250 - 5.000%	2030-2043	29,685,000	-
2013 Series A	2.125 - 5.000%	2019-2029	31,730,000	5,365,000
2017 Series A	2.750 - 5.000%	2021-2034	58,940,000	-
Total Fixed Rate Subordinated Bonds			**130,670,000**	**8,155,000**
Total Fixed Rate Bonds/4.531%			**1,210,325,000**	**46,765,000**
Variable Rate Bonds	Current Interest Rates (1)			
2006 Series B - CPI Bonds	3.931% (2)	2019-2022	24,850,000	5,740,000
2008 Series A-2 - Weekly	1.619%	2028-2042	51,820,000	-
2008 Series B - Weekly	1.788%	2023-2041	85,290,000	-
Total Variable Rate Senior Bonds			**161,960,000**	**5,740,000**
2008 Series A-1 - Daily	1.663%	2019-2038	48,850,000	2,200,000
2008 Series A-2 - Weekly	1.678%	2030-2038	25,600,000	-
2008 Series B-1 - Weekly	1.693%	2030-2036	30,885,000	-
Total Variable Rate Subordinated Bonds			**105,335,000**	**2,200,000**
Total Variable Rate Bonds			**267,295,000**	**7,940,000**
Other Obligations				
Revolving Credit Agreement	3.445%	2021	5,000,000	-
Total Other Obligations			**5,000,000**	**-**
Weighted Average Cost(3) / Total Outstanding Debt		**3.636%**	**$ 1,482,620,000**	**$ 54,705,000**

(1) Current month interest rate excluding variable debt fees.
(2) Designated swap obligation. The rate shown is the weighted average of the variable CPI Index rates for the 6 month re-set period.
(3) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and excludes variable debt liquidity/remarketing fees and interest rate swap payments.

	Current YTD	Prior YTD	Year End Target
• Debt Ratio - Water and Sewer	50.6%	52.9%	48.2%

- Remaining New Money Authorization $ 218,078,023
- Remaining Refunding Authorization $ 794,813,942

JEA
District Energy System
Principal Amount of Debt Outstanding and Average Interest Rates
November 2018

Issue/Average Coupon	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2013 Series A/4.184%	2.065 - 4.538%	2019-2034	$ 34,825,000	$ 1,690,000
Weighted Average Cost(1) / Total Outstanding Debt		**4.188%**	**$ 34,825,000**	**$ 1,690,000**

(1) Weighted Average Cost of debt is net of original issue premiums/discounts.

- Remaining New Money Authorization $ 54,321,245
- Remaining Refunding Authorization $ 106,670,000

JEA
INVESTMENT PORTFOLIO REPORT
November 2018
All Funds

	INVESTMENT	BOOK VALUE	YIELD	% OF TOTAL	LAST MONTH	6 MONTH AVERAGE
*	Treasuries	$ 194,663,828	2.24%	16.83%	12.35%	14.95%
	Agencies					
	Federal Farm Credit Bank	57,372,254	1.81%	4.96%	4.17%	5.31%
	Federal Home Loan Bank	238,195,992	2.24%	20.59%	17.33%	19.45%
	Total	295,568,246	2.16%	25.56%	21.50%	24.76%
	Municipal Bonds	203,526,793	2.70%	17.60%	16.23%	17.16%
	Commercial Paper	186,621,159	2.56%	16.14%	9.68%	14.66%
	U.S. Treasury Money Market Funds (1)	74,640,573	2.15%	6.45%	1.42%	6.28%
	Agency Money Market Funds (2)	4,425,000	2.15%	0.38%	0.25%	1.29%
	FEITF Money Market Fund	7,500,000	2.35%	0.65%	4.18%	2.76%
	Florida Prime Fund	168,400,000	2.50%	14.56%	9.96%	9.56%
	Wells Fargo Bank Accounts (3)					
	Electric, Scherer	11,292,200	2.08%	0.98%	14.11%	4.15%
	SJRPP	8,933,396	2.08%	0.77%	4.09%	3.03%
	Water & Sewer, DES	1,009,139	2.08%	0.09%	6.21%	1.39%
	Total Portfolio	$1,156,580,336	2.39%	100.00%	100.00%	100.00%

* Backed by Full Faith and Credit of U. S. Government

Weighted Avg. Annual Yield for November 2018, Excluding Bank & Money Market Funds: 2.39%

Weighted Avg. Annual Yield for November 2018, Including Bank & Money Market Funds: 2.39%

Some investments listed above may be classified as Cash Equivalents on the Statements of Net Position in accordance with generally accepted accounting principles.

(1) Fidelity Treasury Fund
(2) State Street Government Fund
(3) Month-end bank balances

JEA
Interest Rate Swap Position Report
November 2018

JEA Debt Management Swaps Variable to Fixed

ID	Dealer	Effective Date	Termination Date	Electric System Allocation	Water/Sewer Allocation	Fixed Rate	Floating Rate (1)	Spread	Rate Cap	Index
1	Goldman Sachs	9/18/2003	9/18/2033	$ 84,800,000	$ -	3.717	1.564	2.153	n/a	68% 1 mth Libor
3	Morgan Stanley	1/27/2005	10/1/2039	82,575,000	-	4.351	1.648	2.703	n/a	SIFMA
4	JPMorgan	1/27/2005	10/1/2035	85,200,000	-	3.661	1.564	2.097	n/a	68% 1 mth Libor
6	JPMorgan	1/27/2005	10/1/2037	39,175,000	-	3.716	1.564	2.152	n/a	68% 1 mth Libor
7	Morgan Stanley	10/31/2006	10/1/2022	-	24,850,000	4.039	3.931	0.108	n/a	CPI
8	Morgan Stanley	1/31/2007	10/1/2031	62,980,000	-	3.907	1.648	2.259	n/a	SIFMA
9	Merrill Lynch	3/8/2007	10/1/2041	-	85,290,000	3.895	1.648	2.247	n/a	SIFMA
10	Goldman Sachs	1/31/2008	10/1/2036	51,680,000	-	3.836	1.648	2.188	n/a	SIFMA
			Total	$ 406,410,000	$ 110,140,000	Wtd Avg Spread		2.165		

Note: (1) The "Floating Rate" column is the average of the floating rate for each instrument for this month.

Electric System
Operating Statistics

	Month November 2018	Month November 2017	Variance	Year-to-Date November 2018	Year-to-Date November 2017	Variance
Electric revenues sales (000's omitted):						
Residential	$ 40,923	$ 37,289	9.75%	$ 94,808	$ 90,123	5.20%
Commercial	31,168	28,101	10.91%	63,617	61,779	2.98%
Industrial	16,556	15,413	7.42%	32,322	33,049	-2.20%
Public street lighting	1,068	1,060	0.75%	2,166	2,134	1.50%
Sales for resale - territorial	48	1,530	-96.86%	96	2,811	-96.58%
Electric revenues - territorial	89,763	83,393	7.64%	193,009	189,896	1.64%
Sales for resale - off system	687	42	1535.71%	1,781	318	460.06%
Electric revenues	90,450	83,435	8.41%	194,790	190,214	2.41%
Less: rate stabilization & recovery	2,082	5,522	62.30%	5,540	8,323	33.44%
Less: allowance for doubtful accounts	(60)	-		(212)	-	
Net electric revenues	92,472	88,957	3.95%	200,118	198,537	0.80%
MWh sales						
Residential	351,866	319,309	10.20%	822,394	781,537	5.23%
Commercial	318,091	287,647	10.58%	647,793	630,295	2.78%
Industrial	223,874	206,186	8.58%	437,302	450,179	-2.86%
Public street lighting	4,623	4,782	-3.32%	9,580	9,815	-2.39%
Sales for resale - territorial	-	16,070	-100.00%	-	28,093	-100.00%
Total MWh sales - territorial	898,454	833,994	7.73%	1,917,069	1,899,919	0.90%
Sales for resale - off system	15,146	1,904	695.48%	44,539	9,483	369.67%
Total MWh sales	913,600	835,898	9.30%	1,961,608	1,909,402	2.73%
Number of accounts (1)						
Residential	415,396	407,272	1.99%	414,965	406,911	1.98%
Commercial	52,741	52,153	1.13%	52,728	52,115	1.18%
Industrial	195	200	-2.50%	196	200	-2.00%
Public street lighting	3,824	3,765	1.57%	3,821	3,759	1.65%
Sales for resale	1	2	-50.00%	1	2	-50.00%
Total average accounts	472,157	463,392	1.89%	471,711	462,987	1.88%
Residential averages						
Revenue per account - $	98.52	91.56	7.60%	228.47	221.48	3.16%
kWh per account	847	784	8.04%	1,982	1,921	3.18%
Revenue per kWh - ¢	11.63	11.68	-0.43%	11.53	11.53	0.00%
Degree days						
Heating degree days	138	64	74	149	96	53
Cooling degree days	90	73	17	393	391	2
Total degree days	228	137	91	542	487	55
Degree days - 30 year average	206			431		

(1) The year-to-date column represents a fiscal year-to-date average.

	Month November 2018	Month November 2017	Variance	Year-to-Date November 2018	Year-to-Date November 2017	Variance
Water						
Revenues (000's omitted):						
Residential	$ 6,805	$ 7,350	-7.41%	$ 16,099	$ 15,507	3.82%
Commercial and industrial	3,721	3,990	-6.74%	7,938	8,058	-1.49%
Irrigation	2,650	2,886	-8.18%	5,908	5,864	0.75%
Total water revenues	13,176	14,226	-7.38%	29,945	29,429	1.75%
Less: rate stabilization	(1,163)	(1,207)	-3.65%	(2,455)	(2,409)	1.91%
Less: allowance for doubtful accounts	(16)	(19)	-15.79%	(34)	(39)	-12.82%
Net water revenues	$ 11,997	$ 13,000	-7.72%	$ 27,456	$ 26,981	1.76%
Kgal sales (000s omitted)						
Residential	1,284,515	1,370,119	-6.25%	2,825,464	2,736,606	3.25%
Commercial and industrial	1,127,831	1,179,232	-4.36%	2,258,175	2,313,932	-2.41%
Irrigation	449,304	487,375	-7.81%	990,315	978,403	1.22%
Total kgals sales	2,861,650	3,036,726	-5.77%	6,073,954	6,028,941	0.75%
Number of accounts (1):						
Residential	289,875	282,830	2.49%	289,617	282,590	2.49%
Commercial and industrial	25,823	25,580	0.95%	25,830	25,570	1.02%
Irrigation	37,122	36,977	0.39%	37,123	36,974	0.40%
Total average accounts	352,820	345,387	2.15%	352,570	345,134	2.15%
Residential averages:						
Revenue per account - $	23.48	25.99	-9.66%	55.59	54.87	1.31%
Kgals per account	4.43	4.84	-8.47%	9.76	9.68	0.83%
Revenue per kgals - $	5.30	5.36	-1.12%	5.70	5.67	0.53%
Sewer						
Revenues (000's omitted):						
Residential	$ 10,285	$ 11,274	-8.77%	$ 23,851	$ 23,181	2.89%
Commercial and industrial	8,435	9,136	-7.67%	17,878	18,282	-2.21%
Total sewer revenues	18,720	20,410	-8.28%	41,729	41,463	0.64%
Less: rate stabilization	298	(5)	-6060.00%	381	(120)	-417.50%
Less: allowance for doubtful accounts	(24)	(28)	-14.29%	(52)	(58)	-10.34%
Net sewer revenues	18,994	20,377	-6.79%	42,058	41,285	1.87%
Kgal sales (000s omitted)						
Residential	1,113,511	1,187,600	-6.24%	2,472,647	2,348,600	5.28%
Commercial and industrial	927,105	987,087	-6.08%	1,900,174	1,951,967	-2.65%
Total kgals sales	2,040,616	2,174,687	-6.17%	4,372,821	4,300,567	1.68%
Number of accounts (1):						
Residential	256,802	250,034	2.71%	256,556	249,817	2.70%
Commercial and industrial	18,411	18,276	0.74%	18,413	18,266	0.80%
Total average accounts	275,213	268,310	2.57%	274,969	268,083	2.57%
Residential averages:						
Revenue per account - $	40.05	45.09	-11.18%	92.97	92.79	0.19%
kgals per account	4.34	4.75	-8.63%	9.64	9.40	2.55%
Revenue per kgals - $	9.24	9.49	-2.63%	9.65	9.87	-2.23%
Reuse						
Revenues (000's omitted):						
Reuse revenues	$ 1,498	$ 1,237	21.10%	$ 3,027	$ 2,465	22.80%
Kgal sales (000s omitted)						
Reuse sales (kgals)	331,102	275,805	20.05%	662,592	547,908	20.93%
Number of accounts (1):						
Reuse accounts	13,201	10,649	23.96%	13,064	10,559	23.72%
Rainfall			Diff in inches			Diff in inches
Normal	2.11	2.11		6.04	6.04	
Actual	5.21	2.61	2.60	6.51	6.62	(0.11)
Rain Days	11	4	7	19	14	5

(1) The year-to-date column represents a fiscal year-to-date average.

	Month November 2018	Month November 2017	Variance	Year-to-Date November 2018	Year-to-Date November 2017	Variance
Generated power:						
Steam:						
Fuel oil						
Fuel expense	$ (4,996)	$ -		$ (4,996)	$ -	
Barrels #6 oil consumed	(46)	-		(46)	-	
$/ per barrel consumed	$ 108.61	$ -		$ 108.61	$ -	
kWh oil generated (1)	231,943	-		231,943	-	
Cost per MWh - oil	$ (21.54)	$ -		$ (21.54)	$ -	
Natural gas units #1-3						
Gas expense - variable	$ 6,577,983	$ 319,262	1960.37%	$ 15,268,455	$ 3,437,187	344.21%
MMBTU's consumed	1,706,714	138,194	1135.01%	4,008,444	1,045,591	283.37%
$/ per MMBTU consumed	$ 3.85	$ 2.31	66.83%	$ 3.81	$ 3.29	15.87%
kWh - gas generated (1)	157,581,419	12,252,280	1186.14%	377,063,072	92,531,871	307.50%
Cost per MWh - gas	$ 41.74	$ 26.06	60.20%	$ 40.49	$ 37.15	9.01%
Cost per MWh - gas & oil - steam	$ 41.65	$ 26.06	59.84%	$ 40.45	$ 37.15	8.91%
Coal						
Coal expense	$ 517,083	$ 1,135,422	-54.46%	$ 1,443,802	$ 2,812,077	-48.66%
kWh generated	6,666,678	32,794,859	-79.67%	54,141,066	87,427,631	-38.07%
Cost per MWh - coal	$ 77.56	$ 34.62	124.03%	$ 26.67	$ 32.16	-17.09%
Pet coke and limestone						
Expense	$ 684,689	$ 2,134,210	-67.92%	$ 5,050,791	$ 5,540,356	-8.84%
kWh generated	10,961,690	60,386,309	-81.85%	108,210,768	161,432,149	-32.97%
Cost per MWh - pet coke and limestone	$ 62.46	$ 35.34	76.73%	$ 46.68	$ 34.32	36.00%
Cost per MWh - coal & petcoke - steam	$ 68.17	$ 35.09	94.28%	$ 40.00	$ 33.56	19.19%
Combustion turbine:						
Fuel oil						
Fuel expense	$ 251,129	$ 112,453	123.32%	$ 452,463	$ 163,687	176.42%
Barrels #2 oil consumed	2,175	585	271.79%	3,761	758	396.17%
$/ per barrel consumed	$ 115.46	$ 192.23	-39.93%	$ 120.30	$ 215.95	-44.29%
kWh - oil generated	704,754	142,457	394.71%	1,372,206	190,938	618.67%
Cost per MWh - oil	$ 356.34	$ 789.38	-54.86%	$ 329.73	$ 857.28	-61.54%
Natural gas (includes landfill)						
Gas expense Kennedy & landfill - variable	$ 253,171	$ 218,127	16.07%	$ 572,301	$ 323,732	76.78%
MMBTU's consumed	65,540	69,976	-6.34%	145,925	102,076	42.96%
$/ per MMBTU consumed	$ 3.86	$ 3.12	23.92%	$ 3.92	$ 3.17	23.66%
kWh - gas generated (1)	5,457,351	6,014,463	-9.26%	12,341,562	8,351,481	47.78%
Cost per MWh - gas	$ 46.39	$ 36.27	27.91%	$ 46.37	$ 38.76	19.63%
Gas expense BB simple - variable	$ 565,382	$ 118,847	375.72%	$ 1,102,634	$ 260,790	322.81%
MMBTU's consumed	$ 151,909	38,849	291.02%	323,213	86,547	273.45%
$/ per MMBTU consumed	$ 3.72	$ 3.06	21.66%	$ 3.41	$ 3.01	13.21%
kWh - gas generated (1)	13,542,377	3,121,208	333.88%	28,883,070	7,278,972	296.80%
Cost per MWh - gas simple	$ 41.75	$ 38.08	9.64%	$ 38.18	$ 35.83	6.55%
Gas expense BB combined - variable	$ 9,307,652	$ 7,735,766	20.32%	$ 17,665,166	$ 14,625,959	20.78%
MMBTU's consumed	2,502,110	2,539,037	-1.45%	5,141,322	4,970,657	3.43%
$/ per MMBTU consumed	$ 3.72	$ 3.05	22.10%	$ 3.44	$ 2.94	16.77%
kWh - gas generated (1)	361,726,853	362,722,931	-0.27%	735,956,091	709,384,795	3.75%
Cost per MWh - gas combined	$ 25.73	$ 21.33	20.65%	$ 24.00	$ 20.62	16.42%
Gas expense GEC simple - variable	$ 840,966	$ 559,021	50.44%	$ 1,651,157	$ 1,220,037	35.34%
MMBTU's consumed	174,291	267,008	-34.72%	685,297	565,468	21.19%
$/ per MMBTU consumed	$ 4.83	$ 2.09	130.46%	$ 2.41	$ 2.16	11.67%
kWh - gas generated	14,131,974	24,360,709	-41.99%	61,109,624	51,644,970	18.33%
Cost per MWh - gas simple	$ 59.51	$ 22.95	159.32%	$ 27.02	$ 23.62	14.38%
Cost per MWh - gas & oil ct	$ 28.36	$ 22.06	28.55%	$ 25.54	$ 21.36	19.56%
Natural gas expense - fixed	$ 3,090,652	$ 2,993,021	3.26%	$ 6,264,780	$ 6,129,075	2.21%
Total generated power:						
Fuels expense	$ 22,083,711	$ 15,326,129	44.09%	$ 49,466,553	$ 34,512,900	43.33%
kWh generated	571,005,039	501,795,216	13.79%	1,379,309,402	1,118,242,807	23.35%
Cost per MWh	$ 38.68	$ 30.54	26.63%	$ 35.86	$ 30.86	16.20%

(1) Allocation of kWh generated is based upon a ratio of gas MBTU's (adjusted to oil equivalent - 95.5%) and oil MBTU's.

Cost of fuels	Month 2018	Month 2017	YTD 2018	YTD 2017
Fuel oil #6	$ (4,996)	$ -	$ (4,996)	$ -
Natural gas units #1-3 with landfill - variable	6,577,983	319,262	15,268,455	3,437,187
Coal	517,083	1,135,422	1,443,802	2,812,077
Petcoke	684,689	2,134,210	5,050,791	5,540,356
Fuel oil #2	251,129	112,453	452,463	163,687
Natural gas - simple cycle (BB & GEC) - variable	1,659,519	895,995	3,326,092	1,804,559
Natural gas - combined (BB) - variable	9,307,652	7,735,766	17,665,166	14,625,959
Natural gas - fixed	3,090,652	2,993,021	6,264,780	6,129,075
Total	$ 22,083,711	$ 15,326,129	$ 49,466,553	$ 34,512,900

	Month November 2018	2017	Variance	Year-to-Date November 2018	2017	Variance
Production Statistics (Continued)						
Purchased power:						
Plant Scherer						
Purchases	$ 2,039,933	$ 6,089,692	-66.50%	$ 10,305,220	$ 9,731,989	5.89%
kWh purchased	127,936,000	110,484,000	15.80%	242,360,000	230,801,000	5.01%
Cost per MWh	$ 15.94	$ 55.12	-71.07%	$ 42.52	$ 42.17	0.84%
TEA & other						
Purchases	$ 11,022,701	$ 4,585,991	140.36%	$ 19,640,006	$ 10,155,392	93.39%
kWh purchased	238,375,309	78,104,357	205.20%	425,683,953	190,989,740	122.88%
Cost per MWh	$ 46.24	$ 58.72	-21.25%	$ 46.14	$ 53.17	-13.23%
SJRPP						
Purchases	$ 2,380,924	$ 10,312,107	-76.91%	$ 5,190,433	$ 22,967,533	-77.40%
kWh purchased	-	191,122,000	-100.00%	-	433,381,000	-100.00%
Cost per MWh		$ 53.96			$ 53.00	
Total purchased power:						
Purchases	$ 15,443,558	$ 20,987,790	-26.42%	$ 35,135,659	$ 42,854,914	-18.01%
kWh purchased	366,311,309	379,710,357	-3.53%	668,043,953	855,171,740	-21.88%
Cost per MWh	$ 42.16	$ 55.27	-23.72%	$ 52.59	$ 50.11	4.95%
Subtotal - generated and purchased power:	$ 37,527,269	$ 36,313,919	3.34%	$ 84,602,212	$ 77,367,814	9.35%
Fuel interchange sales	(687,484)	(42,829)	1505.18%	(1,781,121)	(318,485)	459.25%
Earnings of The Energy Authority	290,065	62,865	361.41%	(61,228)	(225,102)	-72.80%
Realized and Unrealized (Gains) Losses	(4,750,200)	-		(5,434,520)	-	
Fuel procurement and handling	896,718	931,248	-3.71%	2,094,271	1,495,827	40.01%
By product reuse	576,649	1,530,475	-62.32%	1,327,761	2,200,571	-39.66%
Total generated and net purchased power:						
Cost, net	33,853,017	38,795,678	-12.74%	80,747,375	80,520,625	0.28%
kWh generated and purchased	937,316,348	881,505,573	6.33%	2,047,353,355	1,973,414,547	3.75%
Cost per MWh	$ 36.12	$ 44.01	-17.94%	$ 39.44	$ 40.80	-3.34%
Reconciliation:						
Generated and purchased power per above	$ 33,853,017	$ 36.12		$ 80,747,375	$ 39.44	
SJRPP operating expenses:						
SJRPP O & M	(287,320)	(0.31)		(940,899)	(0.46)	
SJRPP debt service	(1,837,974)	(1.96)		(3,738,275)	(1.83)	
SJRPP R & R	(255,630)	(0.27)		(511,259)	(0.25)	
SCHERER operating expenses:						
Scherer power production	(734,302)	(0.78)		(1,208,234)	(0.59)	
Scherer R & R	2,490,995	2.66		(1,842,790)	(0.90)	
Scherer transmission	(472,291)	(0.50)		(769,580)	(0.38)	
Scherer taxes	(131,357)	(0.14)		(234,408)	(0.11)	
Florida and other capacity	(1,349,768)	(1.44)		(2,856,392)	(1.40)	
MEAG	(994,105)	(1.06)		(1,988,746)	(0.97)	
Rounding	4	0.00		3	0.00	
Energy expense per budget page	$ 30,281,269	$ 32.31		$ 66,656,795	$ 32.56	

	Month November 2018	Month November 2017	Year-to-Date November 2018	Year-to-Date November 2017
MWh sales				
JEA	-	191,122	-	433,381
FPL saleback	-	113,693	-	271,297
FPL direct portion	-	76,204	-	176,170
Total MWh sales	-	381,019	-	880,848
Fuel costs	$ 281,806	$ 7,979,014	$ 937,377	$ 18,140,088
(Includes fuel handling expenses)				
Less interest credits: inventory bank	(1,888)	(18,203)	(3,787)	(30,851)
Plus (less): true-up interest	(104)	1,082	(846)	(362)
Total	279,814	7,961,893	932,744	18,108,875
Cost per MWh		$ 41.66		$ 41.79
Operating and maintenance expenses	7,506	1,233,823	8,156	2,724,964
Less: operations bank interest	-	(2,800)	-	(6,344)
Less: annual variable o & m true-up	-	-	-	-
Total	7,506	1,231,023	8,156	2,718,620
Cost per MWh		$ 6.44		$ 6.27
Debt service contribution				
Principal	1,148,333	2,174,323	2,296,667	4,348,646
Interest	927,324	1,248,704	1,854,645	2,497,408
Less credits:				
Reserve Issue 2	-	(196,955)	-	(393,476)
Reserve Issue 3	(50,511)	(11,842)	(64,621)	(28,516)
Debt service Issue 2	-	(1,353)	-	(6,809)
Debt service Issue 3	-	(62)	(4,630)	(62)
Bond proceeds COB	(74,771)	(3,860)	(74,771)	(3,860)
General reserve Issue 2	(416)	(19,535)	(828)	(35,717)
General reserve Issue 3	(11,598)	(798)	(43,921)	(4,382)
Build America Bonds subsidy	(28,635)	(30,621)	(57,270)	(61,242)
Inventory carrying costs	-	(63,572)	-	(125,394)
Total	1,909,726	3,094,429	3,905,271	6,186,596
Cost per MWh		$ 16.19		$ 14.28
R & R contribution	255,629	293,240	511,259	586,480
Less: interest credit	(71,751)	(58,478)	(166,997)	(213,038)
Less: cumulative capital recovery amount	-	(2,210,000)	-	(4,420,000)
Total	183,878	(1,975,238)	344,262	(4,046,558)
Cost per MWh		$ (10.33)		$ (9.34)
Debt service coverage	-	-	-	-
Transfer to JEA	-	-	-	-
Total	-	-	-	-
Cost per MWh		$ -		$ -
Total	$ 2,380,924	$ 10,312,107	$ 5,190,433	$ 22,967,533
kWh purchased	-	191,122,000	-	433,381,000
Cost per MWh		$ 53.96		$ 53.00

III. A.

Appendix E.

Monthly Financial and Operations Detail

Return to Agenda

Board of Directors Meeting:

December 11, 2018

III. A.
Appendix E
12/11/2018

OPERATIONS UPDATE

as of October 31, 2018

DECEMBER 2018

Electric System Update

Electric Monthly Operations Scorecard

Electric System	FY2018	FY2019 Goal	FY2019 YTD	Status
JEA Safety RIR	1.48	1.40	**1.71**	
Sales Forecast (million MWh)	12.4	12.4	**12.6**	
T&D Grid Performance Customer Outage				
Frequency (outages/year)	*1.4*	*1.8*	***1.2***	
Electric Outage Duration (minutes/year)	*67*	*80*	***57***	
Transmission Line Faults (# per 100 miles)	*2.2*	*2.5*	***2.4***	
$CEMI_5$ (% cust. > 5 outages/year)	*0.4*	*0.8*	***0.56***	
Generating Plant Performance				
Generation Fleet Reliability (forced outages rate)	2.1	2.0	**0.3**	
Environmental Compliance (permit exceedances)	2	4	**0**	

Significant Occurrences or Concerns This Month

- JEA launched a new program last year aimed at reducing outage duration.
- The JEA fleet Forced Outage Rate has been running in line with prior 7-year performance and performed slightly better than the target.
- A number of planned outages are currently underway this fall.
- High unit reliability contributes to lower fuel and non-fuel expenses.

Financial Results and Cost Metrics

($ in thousands)

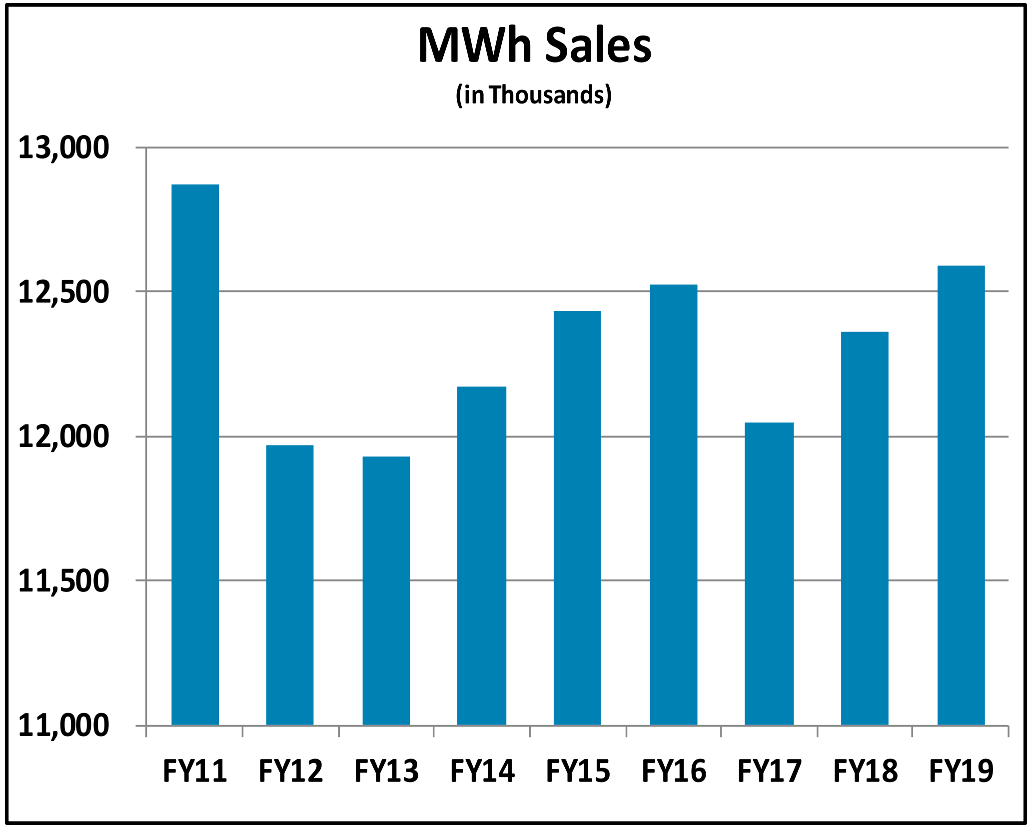
Revenues	FY19 Forecast	FY18 Actual	FY19 Budget	FY19 vs FY18 (%)	Variance (%)
Fuel Revenue	$404,023	$398,293	$402,650	$5,730	1.4%
Base Revenue	785,519	772,155	782,136	13,364	1.7%
Other Revenue	42,555	37,174	42,328	5,381	14.5%
Total Revenues	**$1,232,097**	**$1,207,622**	**$1,227,114**	**$24,475**	**2.0%**
		$5m			
Select Expenses					
Fuel Expense	$426,424	$455,633	$418,169	$29,209	6.4%
Fuel Fund Transfers	(22,401)	(57,339)	(15,517)	(34,938)	
O & M Expense	225,493	207,551	233,679	(17,942)	(8.6%)
Non-fuel Purchased Power	95,379[3]	140,575	73,565	45,196	32.2%
Net Revenues	**$494,869**	**$449,545**	**$507,359**	**$45,324**	**10.1%**
		($12m)			
Capital Expenditures	$318,174[2]	$174,320	$334,588[1]	($143,854)	(82.5%)
Debt Service	$183,518	$196,288	$190,618	$12,770	6.5%

Fuel Fund	($ in millions)
Beginning Balance	$74.4
Surplus/Defecit	(22.4)
Ending Balance	52.0

Financial Metrics	FY19 Forecast
Coverage:	2.7x
Days Liquidity/Cash:	305 / 138
Debt/Asset:	66%
Total Debt:	$2.3B ($132m lower)

[1] Council approved limit for capital expenditures in FY19 is $335 million
[2] Includes $57 million for Brandy Branch upgrades and $8 million for Solar Land purchase
[3] Includes $18 million contribution to Rate Stabilization – Non-fuel Purchased Power for Plant Vogtle

Electric System MWh Sales



Month	FY19	FY18	%
Oct	1,018,615	1,065,925	(4.4%)
YTD	**1,018,615**	**1,065,925**	**(4.4%)**
Nov		833,994	
Dec		989,619	
Jan		1,205,005	
Feb		733,718	
Mar		889,143	
Apr		855,216	
May		1,050,255	
Jun		1,124,820	
Jul		1,170,996	
Aug		1,249,276	
Sep		1,196,374	
Forecast/Total	**12,364,339**	**12,364,339**	

Unit Sales Driver: FY19 MWh decrease due to cooler weather, evidenced by 10% decrease in Degree Days.

Total System	(4.4%)
Residential	1.8%
Comm./Industrial	(7.20%)
Interruptible	(8.3%)
Wholesale (FPU)	(100.0%)

DECEMBER 2018

Electric System Update

YTD Degree Days		
30-yr. Avg.	FY19	FY18
225	314	350

YTD Customer Accounts		
FY19	FY18	%
471,262	462,580	1.9%

FY2019 Electric System Performing Objectives

T&D Grid Performance	Metric	FY2019	FY2019 Target	FY2018	FY2017
Customer Outage Frequency	# of Outages per Year	1.2	**1.6**	1.39	1.55
Electric Outage Duration	# of Minutes out per Year	57.3	**75**	66.9	99.5
Transmission Line Faults	# of Faults per 100 miles	2.4	**2.5**	2.2	1.9
$CEMI_5$	% Customers > 5 outages per yr	0.56	**0.8**	0.4	1.07

Electric Service Reliability

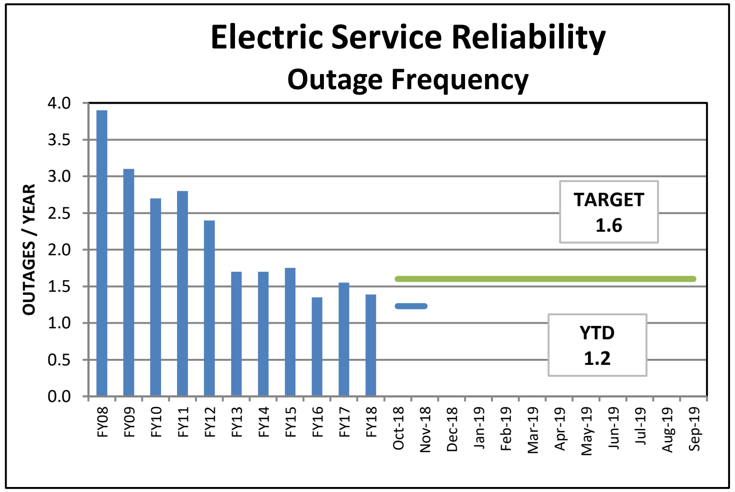
- Outage frequency and duration have been reduced significantly over the last 9 years; running flat over last several years
- The typical JEA customer sees 1.2 outages per year and a total outage duration of about 57 minutes
- Improvement trend over past three years for $CEMI_5$. 2,735 (0.56%) of our customers have experienced more than 5 outages in the past 12 months

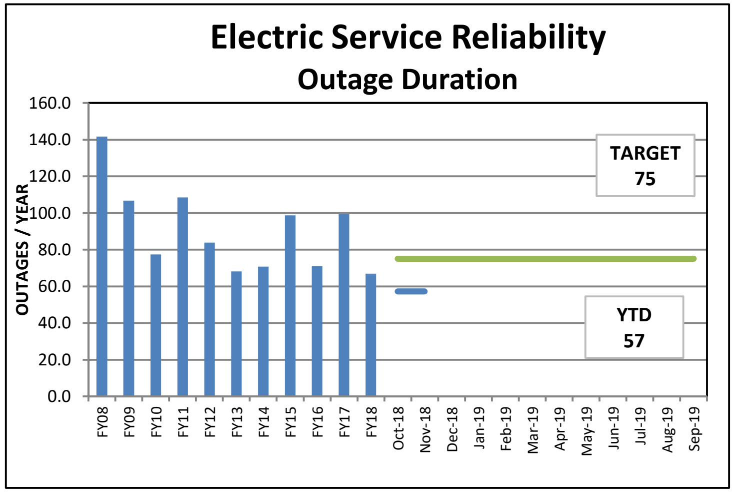
Transmission Line Reliability

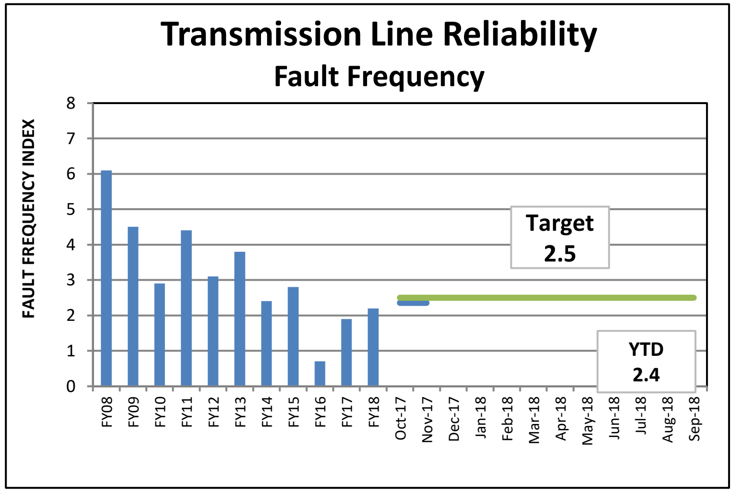
- Overall downward trend over the last eight years
- FY18 (2.2) is better than target.

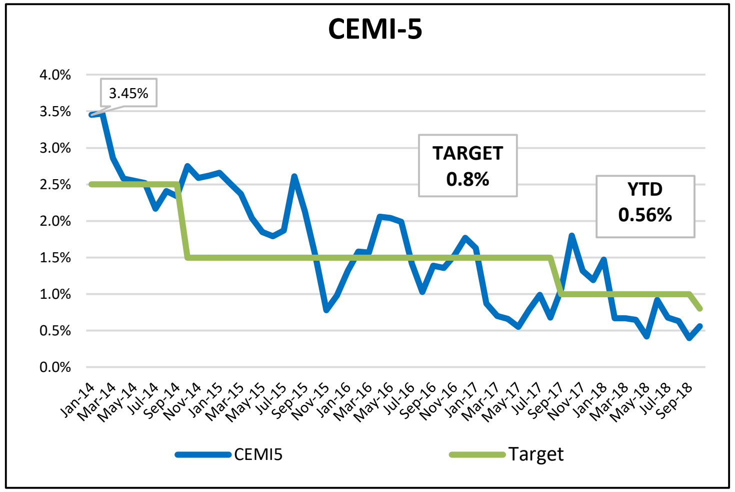
Other Operational Metrics

- Continue showing favorable trends over time





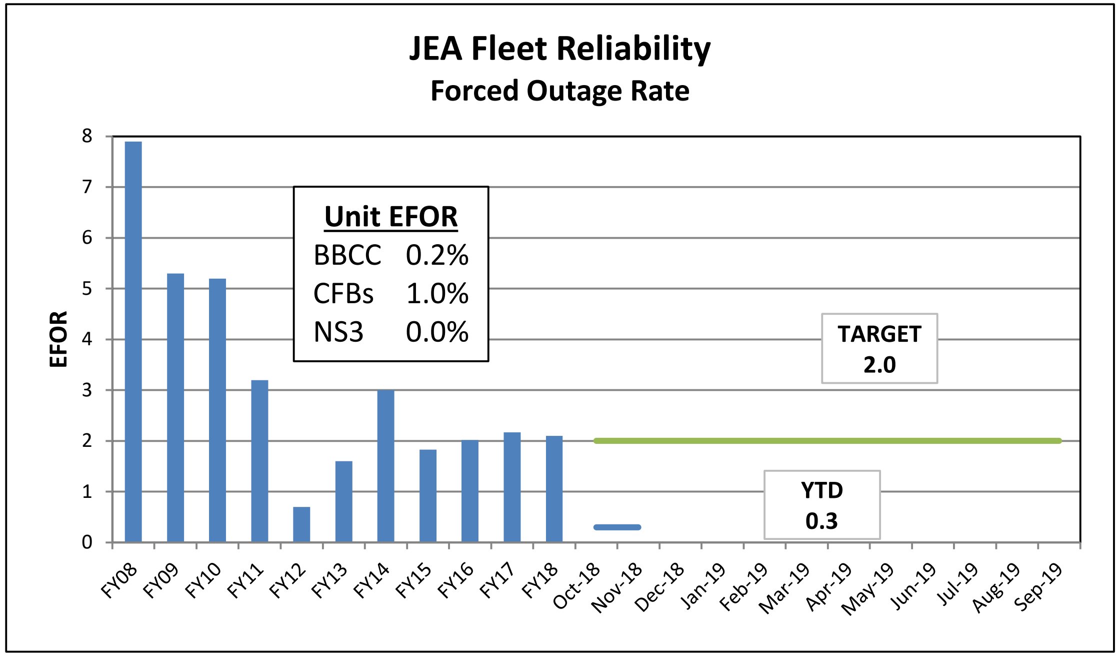


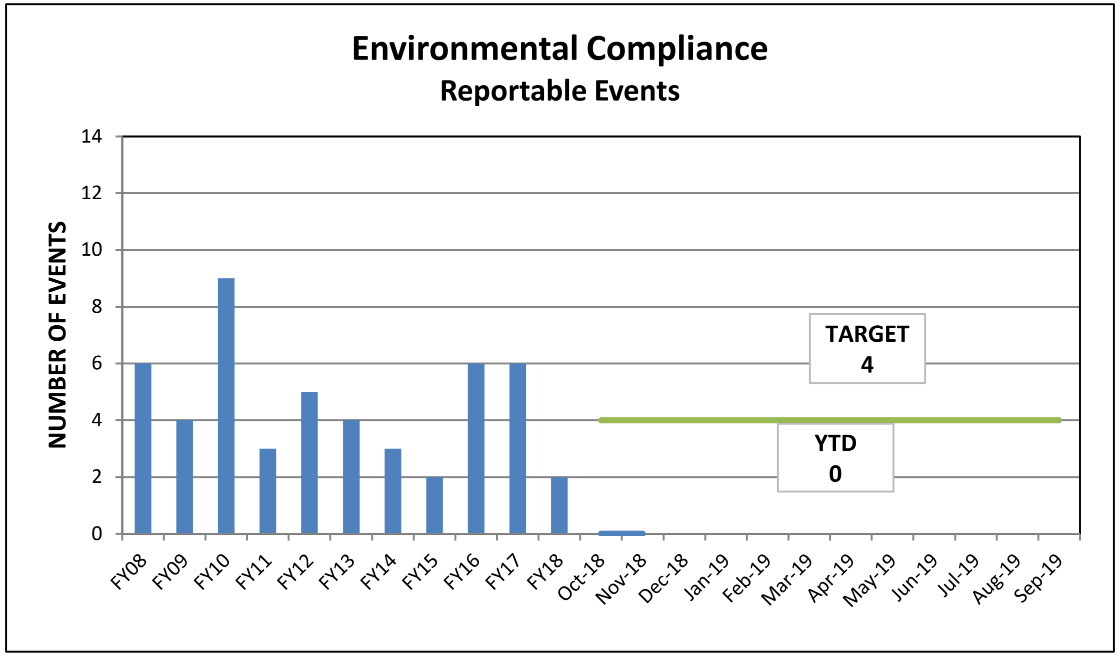


Reliability Metrics

FY2019 Performing Objectives

Generating Plant Performance	Metric	FY2019 YTD	FY2019 Target	FY2018	FY2017
Generation Fleet Reliability	Forced Outages Rate	0.3	**2.0**	2.1	2.17
Environmental Compliance	Permit Exceedances	0	**4**	2	6





Generating Fleet Reliability

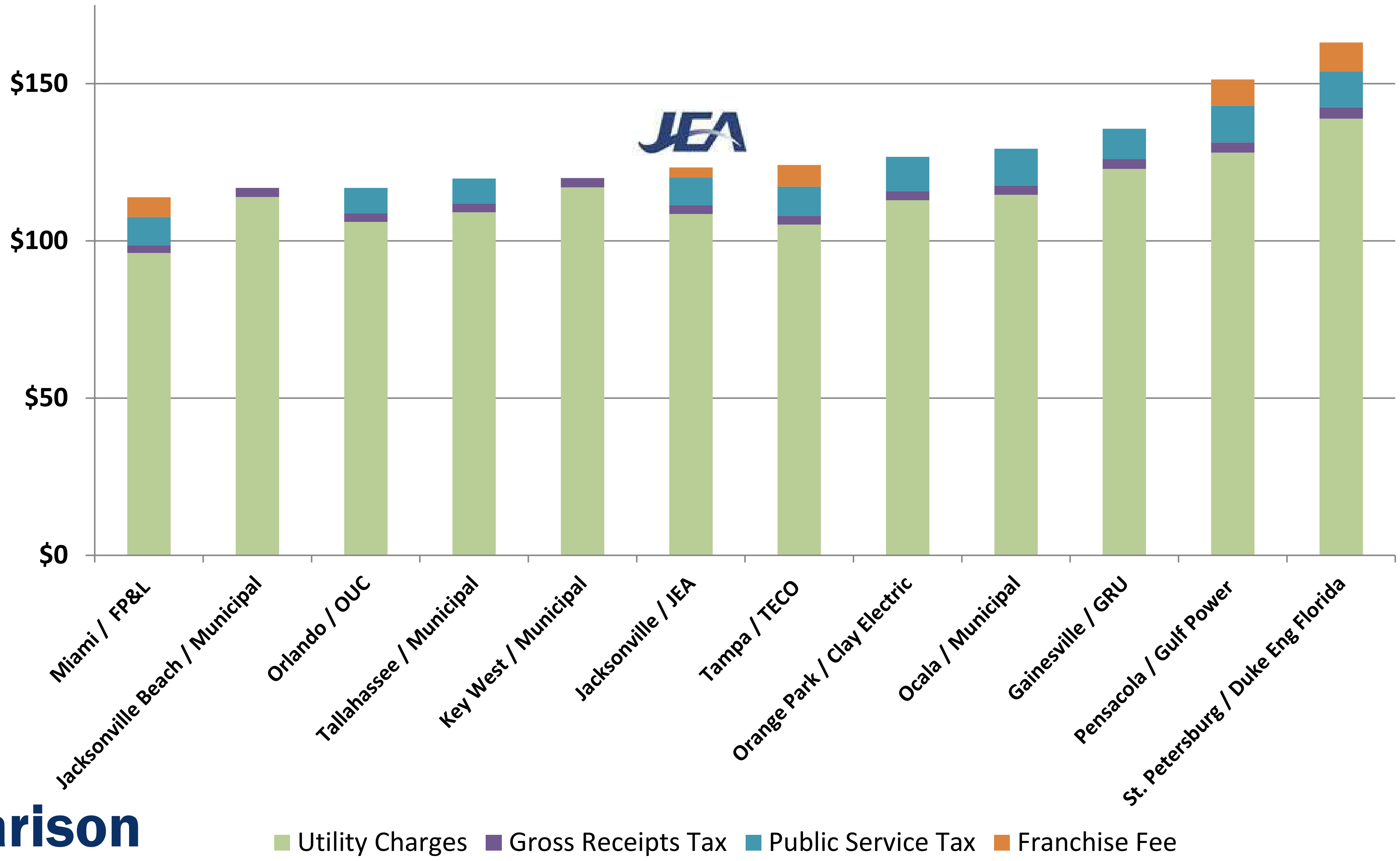
- JEA launched a new program last year aimed at reducing outage duration.
- The JEA fleet Forced Outage Rate has been running in line with prior 7-year performance and performed slightly better than the target.
- A number of planned outages are currently underway this fall.
- High unit reliability contributes to lower fuel and non-fuel expenses.

Environmental Compliance

- Excellent environmental performance in prior years. No air permit exceedances occurred in FY16 or FY17.
- We have experienced 0 reportable events thus far during FY2019.
- JEA remains actively engaged in and preparing for all new and emerging environmental regulations.

Florida Utilities Monthly Residential Electric Bill Comparison

(Consumption @ 1,000 kWh)
Residential Rates as of October 2018



DECEMBER 2018

Bill Comparison

DECEMBER 2018

Water Wastewater System Update

Water & Wastewater Monthly Operations Scorecard

Water & Wastewater	FY2018	FY2019 Goal	FY2019YTD	Status
JEA Safety RIR	1.48	1.40	**1.71**	
Water Sales Forecast (kGals in 1000's)	36,187	37,615	**39,773**	
Water Unplanned Outages (# cust.)	4.79%	2%	**0.12%**	
CUP Compliance	Yes	Yes	**Yes**	
Nitrogen to the River (tons)	550	616	**29**	
Sanitary Sewer Overflows (SSO's per 100 miles of pipe)	0.63	0.58	**0.07**	

Significant Occurrences or Concerns This Month

- Three (3) OSHA recordable safety incidents for JEA in the month of October
- Unplanned Water Main Outages: 409 customers experienced an outage in the month of October
- CUP: Average daily flow of 113 MGD was 16% below CY limit of 135 MGD; reclaimed usage at 17 MGD
- Nitrogen to River: 29 tons YTD; JEA has a limit of 683 tons per year and provides the COJ with 37 tons
- SSO's Impacting Waters of the US: 4 YTD, root cause analysis is performed on each SSO

OSHA – Occupational Safety and Health Administration, CUP – Consumptive Use Permit, MGD – Million Gallons Per Day, COJ – City of Jacksonville

Financial Results and Cost Metrics

($ in thousands)

Revenues	FY19 Forecast	FY18 Actual	FY19 Budget	FY19 vs FY18 ($)	Variance (%)
Water & Sewer Revenues	$446,831	$421,937	$444,081	$24,894	5.9%
Other Revenue	72,126	70,902	71,063	1,224	1.7%
Total Revenues	**$518,957**	**$492,839**	**$515,144**	**$26,118**	**5.3%**
		$4m			
Select Expenses					
O&M Expense	$160,531	$147,334	$161,825	($13,197)	(9.0%)
Net Revenues	**$357,770**	**$344,913**	**$352,653**	**$12,857**	**3.7%**
		$5m			
Capital Expenditures	$235,866	$199,314	$248,461[1]	($36,552)	(18.3%)
Debt Service	$112,572	$111,407	$115,964	($1,165)	(1.0%)

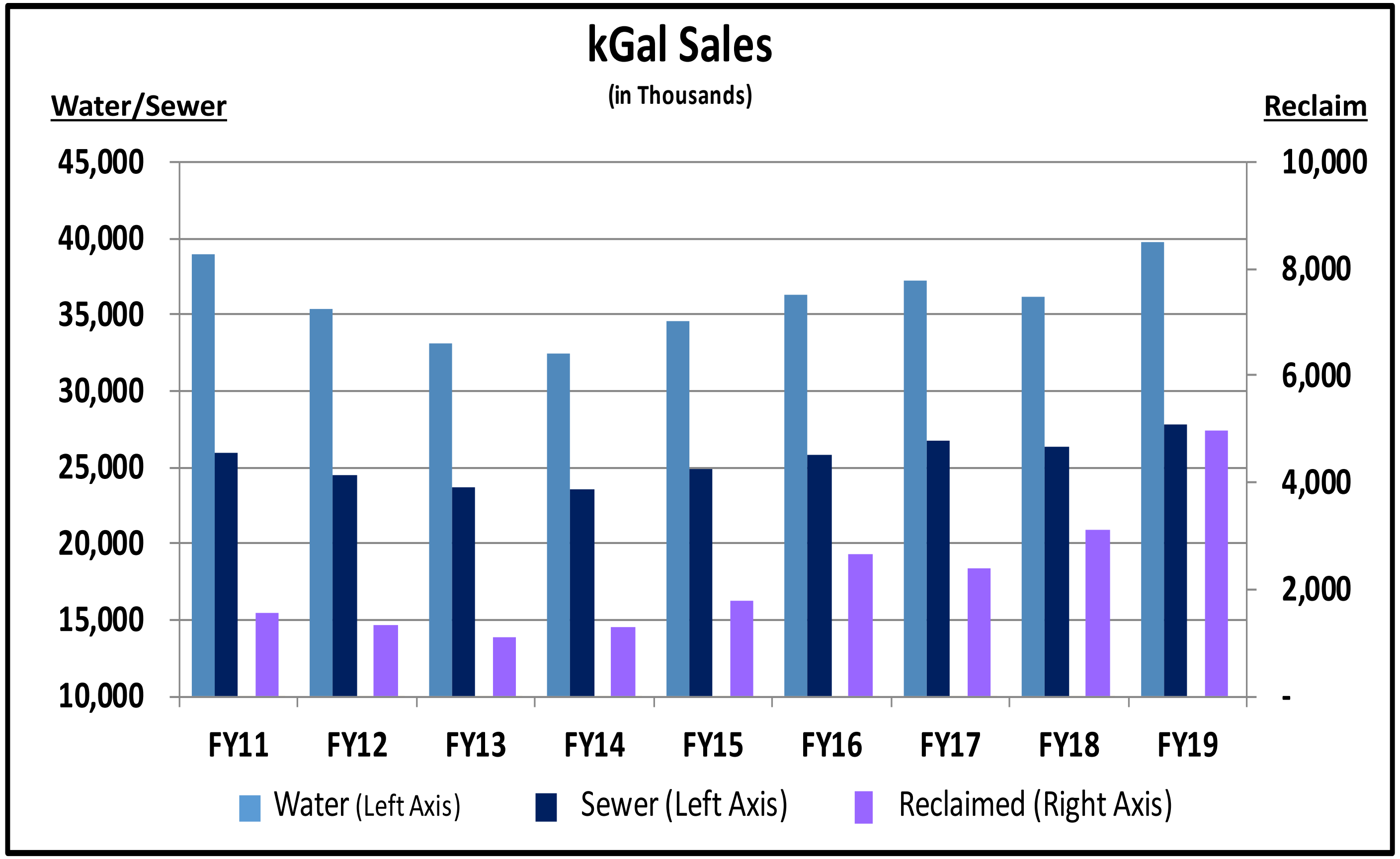
[1] Council approved limit for capital expenditures in FY19 is $248 million

Metrics	FY19 Forecast
Coverage:	3.2x
Days Liquidity/Cash	390 / 228
Debt/Asset:	48%
Total Debt:	$1.5B ($50m lower)

DECEMBER 2018

Water Wastewater System Update

Water and Sewer System kGal Sales



Month	FY19	FY18	%
Oct	3,212	2,992	7.4%
YTD	**3,212**	**2,992**	**7.4%**
Nov		3,037	
Dec		2,883	
Jan		2,790	
Feb		2,553	
Mar		3,191	
Apr		3,006	
May		3,270	
Jun		3,001	
Jul		3,133	
Aug		3,157	
Sep		3,174	
Forecast/Total	**36,187**	**36,187**	

Unit Sales Driver: FY19 rain days up 2.0 days. Irrigation for FY19 up 10.2% versus FY18.

DECEMBER 2018

Water Wastewater System Update

YTD Customer Accounts	FY19	FY18	%
Water	352,320	344,881	2.2%
Sewer	274,725	267,856	2.6%
Reclaimed	12,927	10,468	23.5%

YTD Rainfall	30-Yr. Avg.	FY19	FY18
Inches	3.9	1.3	4.0
Days	8.2	8.0	10.0

Total System	7.4%
Residential	12.8%
Comm./Industrial	(0.4%)
Irrigation	10.2%

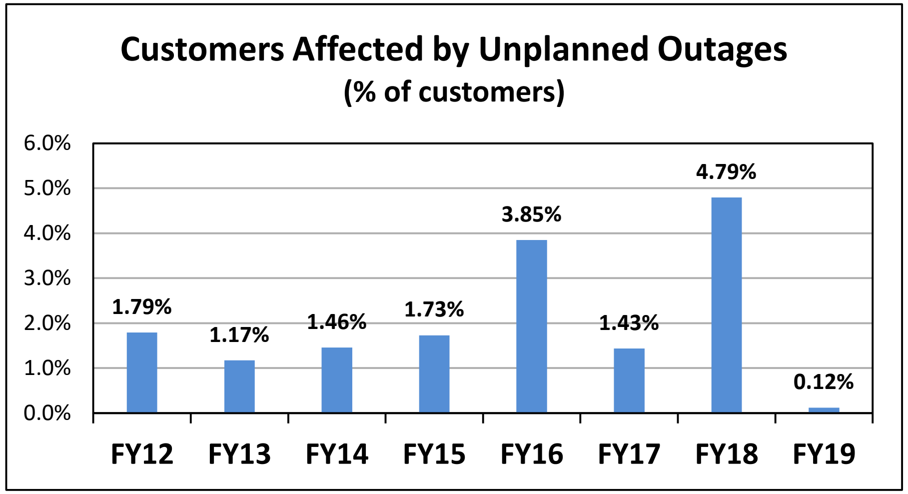
Customer Reliability

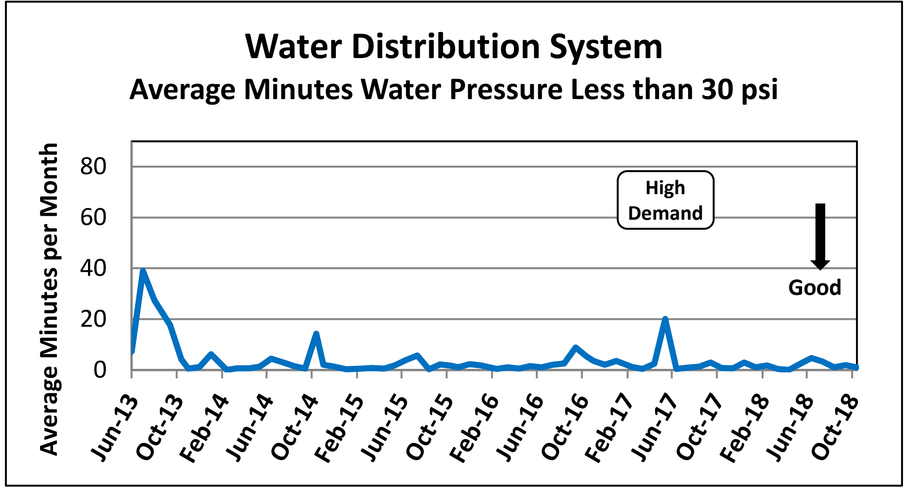
Water Grid Performance	Metric	FY2019	FY2019 Target	FY2018	FY2017
Water Main Outages	% of Customers per Year	0.12%	2%	4.79%	1.43%

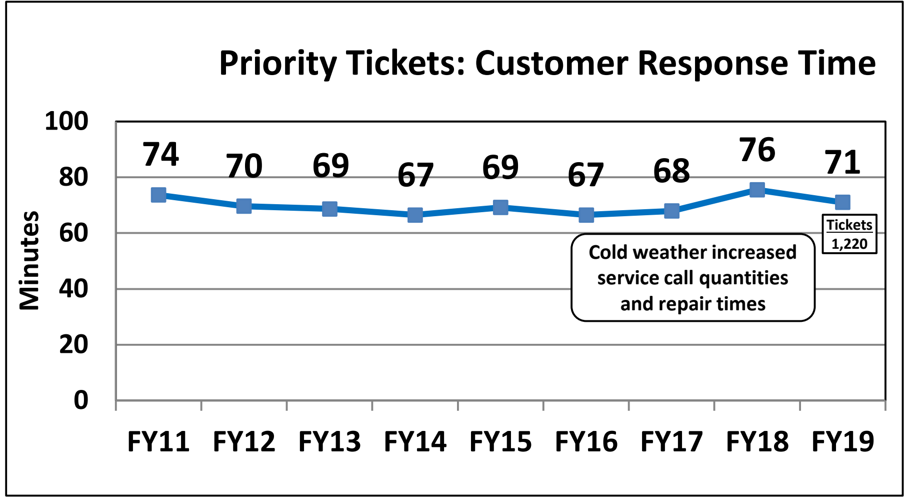
Unplanned Water Outages
Percentage of customers affected by unplanned outages

Water Pressure (minutes per month < 30 psi)
Measured by 130 pressure monitoring stations in the distribution system. Pressure must be greater than 30 psi, and is expected to be greater than 50 psi.

Customer Response Time
Average time from a customer call to the ticket completion or transfer to a field crew for a more extensive repair







DECEMBER 2018

Water Wastewater System Update

*Aligned with the PSC Rule for Electric Reliability Reporting, the Operational Metrics will exclude the impact of all service interruptions associated with a storm named by the National Hurricane Center.

Environmental - Water Consumptive Use Permit (CUP)

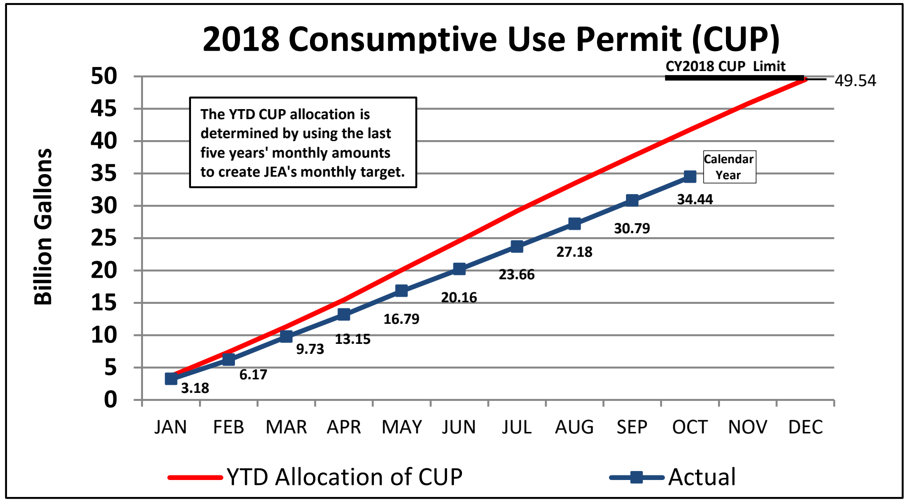
St. Johns River Water Management District CUP

Condition 12: YTD average daily flow is 16% below CY limit of 135 MGD

Condition 44: South Grid Wellfields are 6% below the base limit in CY18, and have annual operational flexibility of 20% above allocation limits.

Conditions 37/38: Use of reclaimed water *"to the maximum extent technologically, economically, and environmentally feasible".* The annual CUP limit continues to increase beginning in FY21 if 32 MGD is achieved.

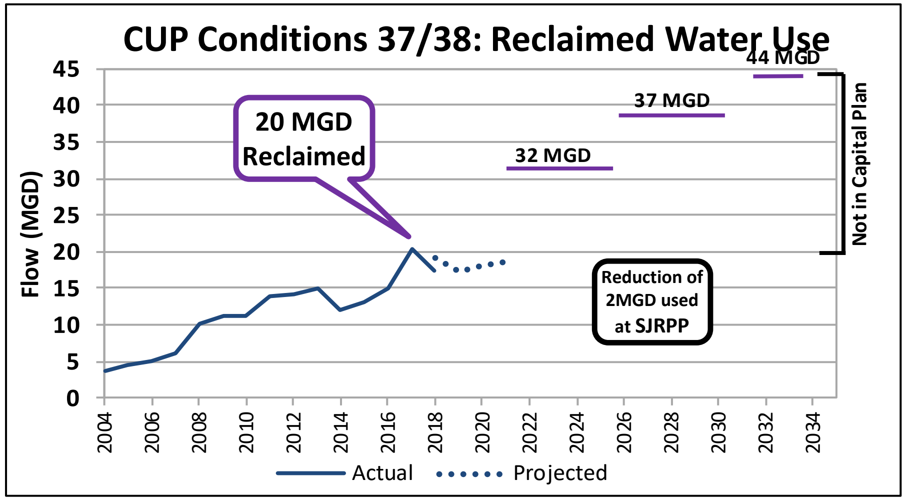
Compliance	Metric – CY Basis	CY2018	2018 Target	2017	2016	2015
Water	CUP Limits (MGD)	113	135 limit	114 (133 limit)	112 (131 limit)	107 (129 limit)
South Grid	Wellfield Allocation (MGD)	47.72	< 50.23 limit	48.62 (<50.23 limit)	52.95 (<50.23 limit)	47.50 (<50.23 limit)
Reclaim	Usage (MGD)	17.32	17	20	16	13



CUP Condition 44: South Grid Wellfield Allocation Limits

Actuals

Critical Wellfields	2013	2014	2015	2016	2017	CY 2018	Post Sep -14 Limit
Deerwood III	6.96	7.01	6.67	7.88	7.64	7.39	7.00
Ridenour	5.97	6.39	6.66	7.64	6.68	6.73	6.85
Oakridge	8.78	6.23	4.99	5.79	5.49	5.97	5.65
Greenland		1.53	4.27	4.16	3.99	4.31	4.53
Brierwood	5.58	4.53	2.84	3.36	2.98	2.53	3.02
Subtotal	27.29	25.69	25.43	28.83	26.78	26.93	27.05
Other Wellfields	22.21	20.92	22.07	24.12	21.85	20.79	23.18
Total South Grid	49.50	46.61	47.50	52.95	48.62	47.72	50.23
Total System ADF MGD	100	104	107	112	114	113	135



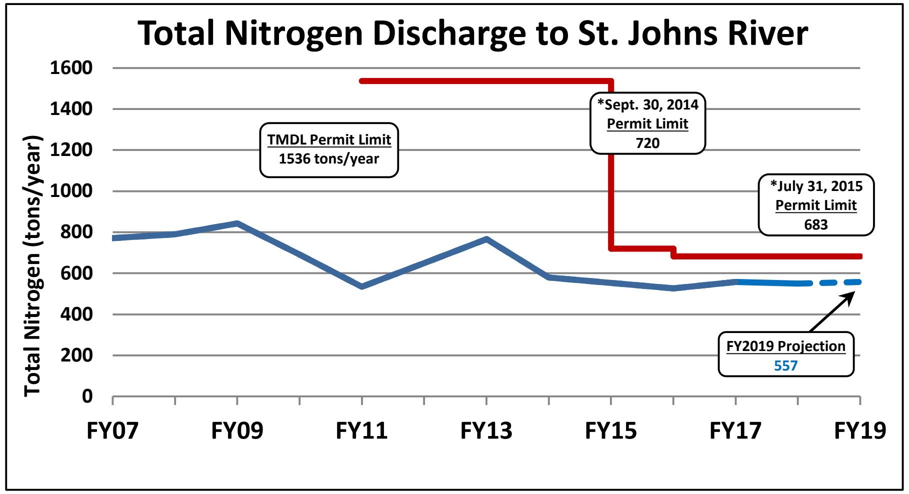
MGD – Million Gallons Per Day

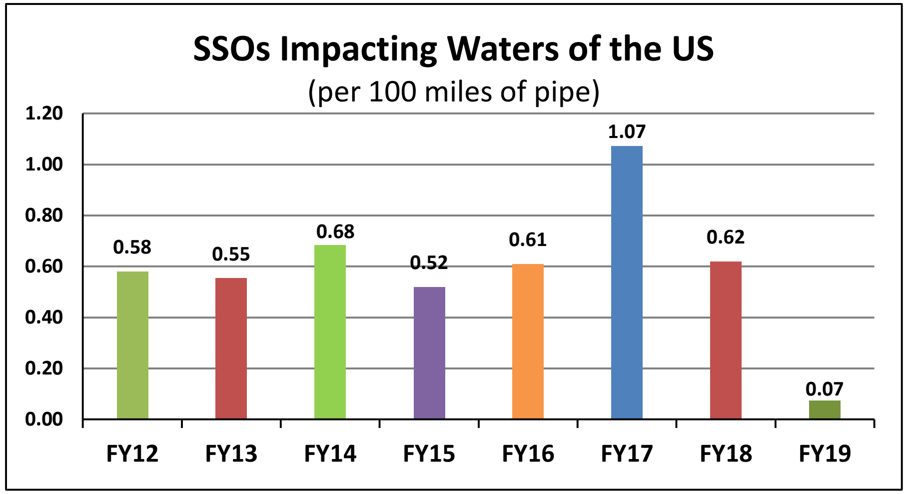
DECEMBER 2018

Water Wastewater System Update

Environmental Compliance Wastewater

Compliance	Metric	FY2019	FY2019 Target	FY2018	FY2017
Sewer	Nitrogen (N) Tons – FY basis	29	616	550(TMDL of 683*)	527 (TMDL of 683*)
Sewer	SSOs – US Waters (per 100 miles of pipe)	0.07	0.58	0.62	1.07



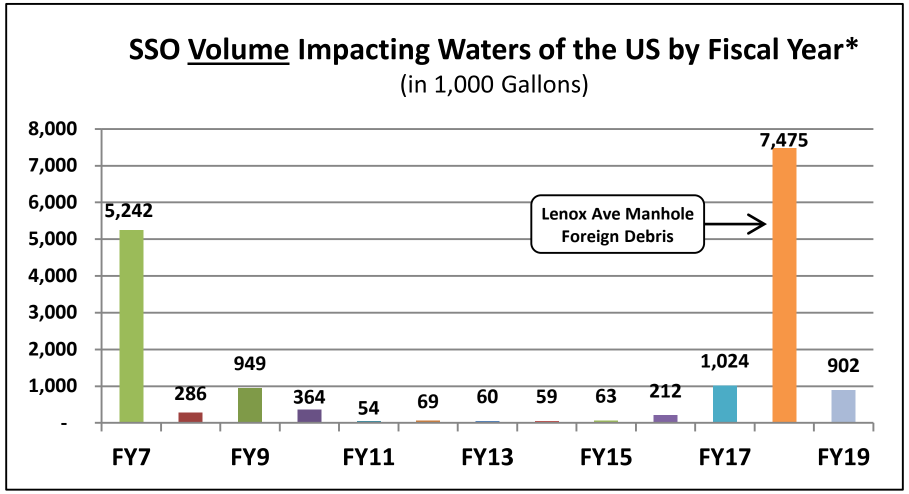


Nitrogen Discharge to St. Johns River

- Total Maximum Daily Load (TMDL) is 683 tons (rolling 12 month total).
- FY19 projection is 557 tons supported by treatment efficiency during warm weather periods.

Sanitary Sewer Overflows (SSOs to US Waters)

- FY04 – FY07: 54 per year average
- FY08 – FY16: 30 per year average
- Four (4) SSO's impacting US Waters during FY19



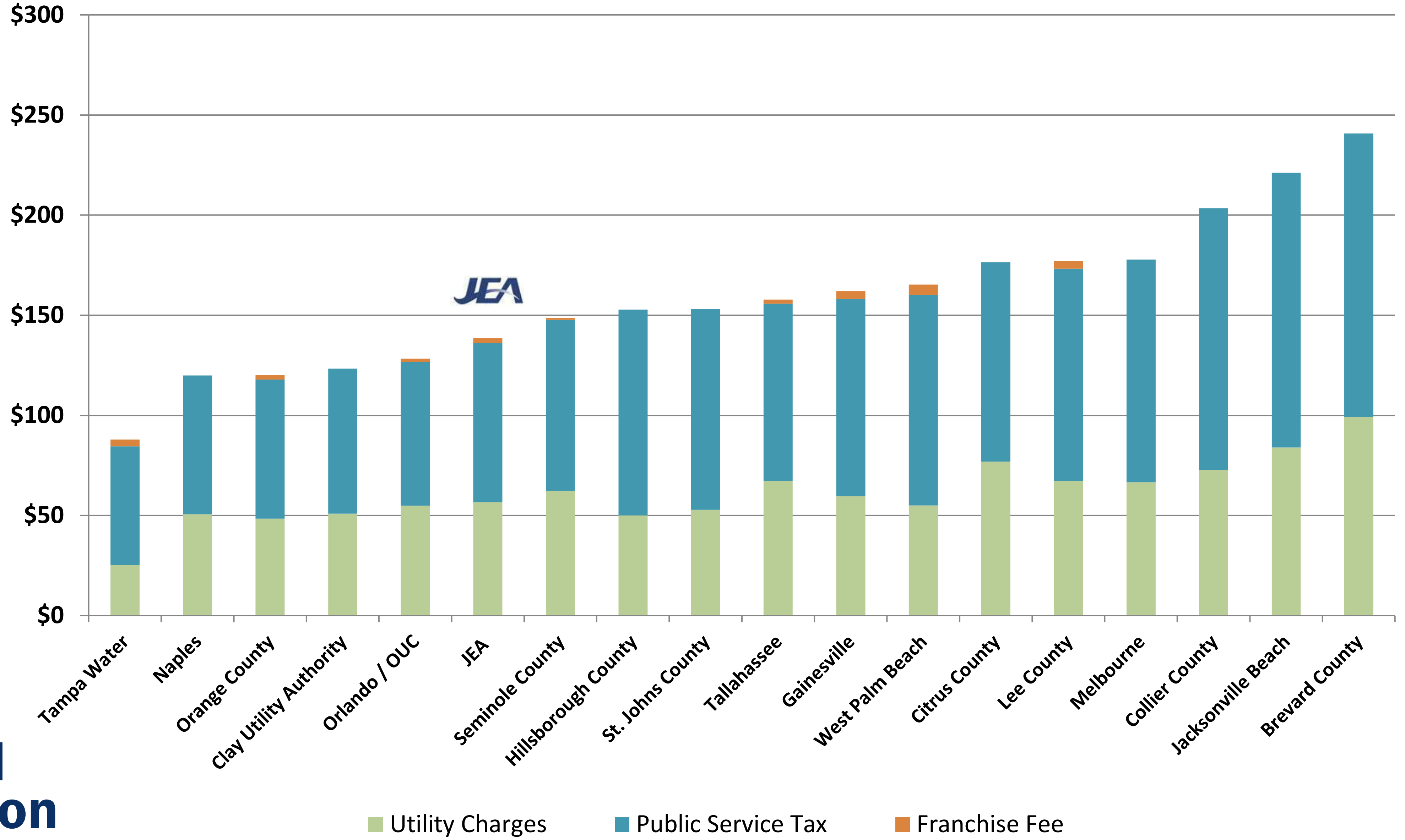
*Aligned with the PSC Rule for Electric Reliability Reporting, the Operational Metrics will exclude the impact of all service interruptions associated with a storm named by the National Hurricane Center.

DECEMBER 2018

Water Wastewater System Update

Florida Utilities Monthly Residential Water & Sewer Bill Comparison

Residential Service with a 5/8" meter and 6 kgals of Consumption
Residential Rates as of October 2018



DECEMBER 2018

Water Bill Comparison

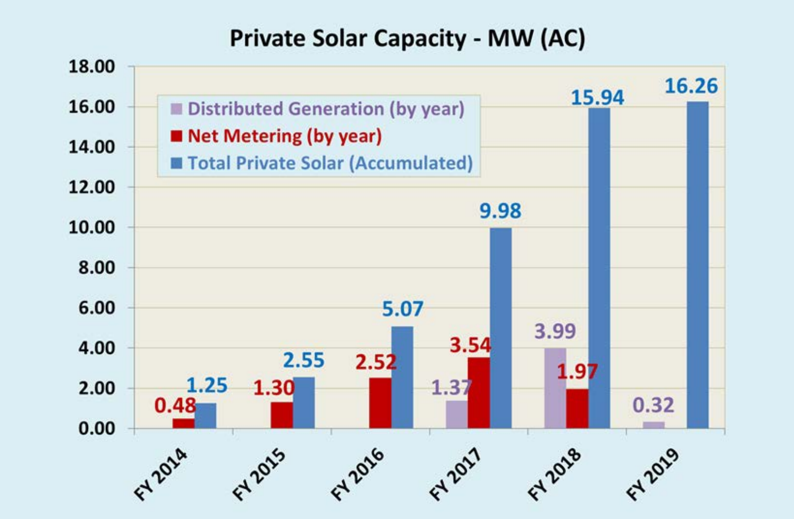
DECEMBER 2018

Customer Experience Update

Monthly Operations Scorecard

Customer Experience	FY2016	FY2017	FY2018	FY2019	Status
JDP Customer Satisfaction Index - Residential	2nd Q	1st Q	2nd Q	**2nd Q**	
JDP Customer Satisfaction Index - Business	1st Q	1st Q	1st Q	**NA till Jan**	
Overall First Contact Resolution Index	79.4%	79.4%	78.9%	**82.9%**	
Self Service Utilization	76.0%	79.6%	82.0%	**82.2%**	
Net Write-Offs	0.14%	0.15%	0.13%	**0.13%**	

Significant Occurrences or Concerns This Month



	New Residential Solar 2017 vs. 2018							
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Total**
2017	20	46	37	28	32	15	29	210
2018	33	18	17	17	15	16	26	142

	New Solar + Battery Incentive Program							
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Total**
2018	9	5	3	2	0	1	2	22

DECEMBER 2018

Customer Experience

FY19 Customer Satisfaction Goal

Achieve 1st Quartile Ranking for JD Power Customer Satisfaction Index for both Residential and Business Studies

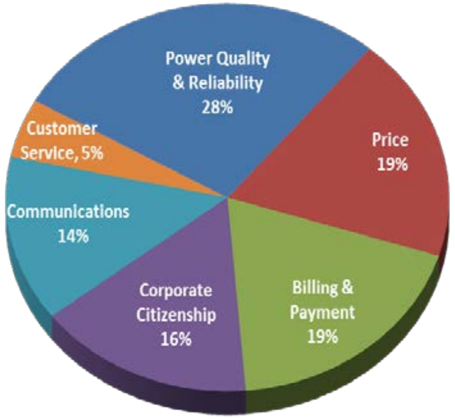
Residential (R)

FY17	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
1Q 747	2Q 737	2Q 750				2Q 750

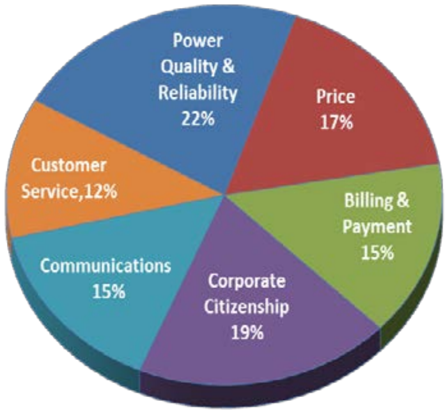
Business (B)

FY17	FY18	Per 1	Per 2	YTD 19
1Q 779	1Q 802			

Residential



Business



FY19 Residential # of companies ranked: 142
FY18 Business # of companies ranked: 86

1Q= 1st quartile 2Q= 2nd quartile 3Q = 3rd quartile 4Q = 4th quartile

Achieve 1st Quartile Ranking on All Drivers

Be Easy to Do Business With

Customer Service

	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
R	2Q 788	1Q 849				1Q 849
B	1Q 843					

Power Quality & Reliability

	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
R	2Q 781	2Q 792				2Q 792
B	1Q 823					

Empower Customers to Make Informed Decisions

Billing & Payment

	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
R	2Q 794	2Q 811				2Q 811
B	1Q 844					

Communication

	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
R	1Q 696	2Q 695				2Q 695
B	1Q 796					

Price

	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
R	2Q 675	1Q 706				1Q 706
B	1Q 760					

Demonstrate Community Responsibility

Corporate Citizenship

	FY18	Per 1	Per 2	Per 3	Per 4	YTD 19
R	2Q 684	2Q 682				2Q 682
B	1Q 765					

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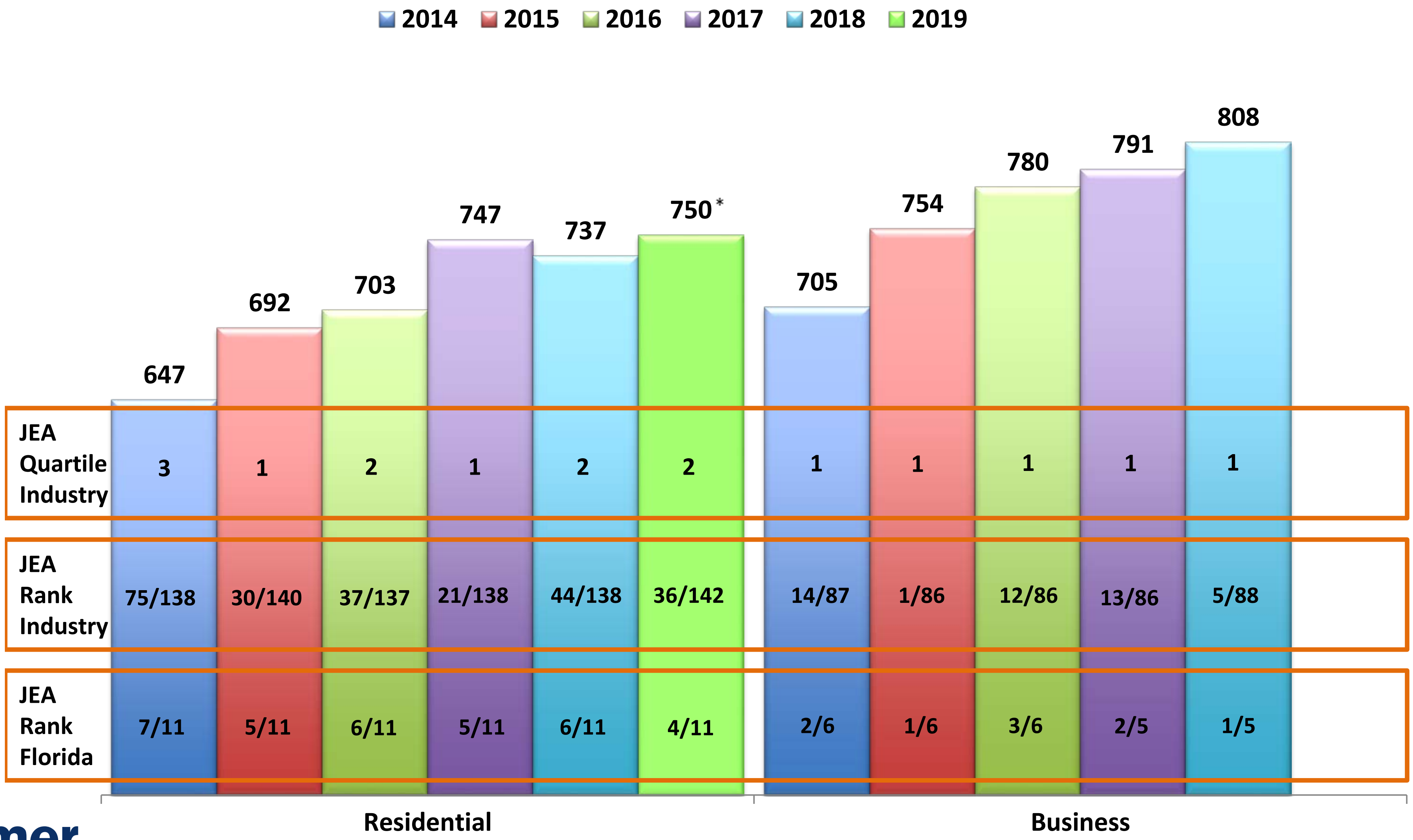
Customer Experience

Customer Satisfaction Index Scores

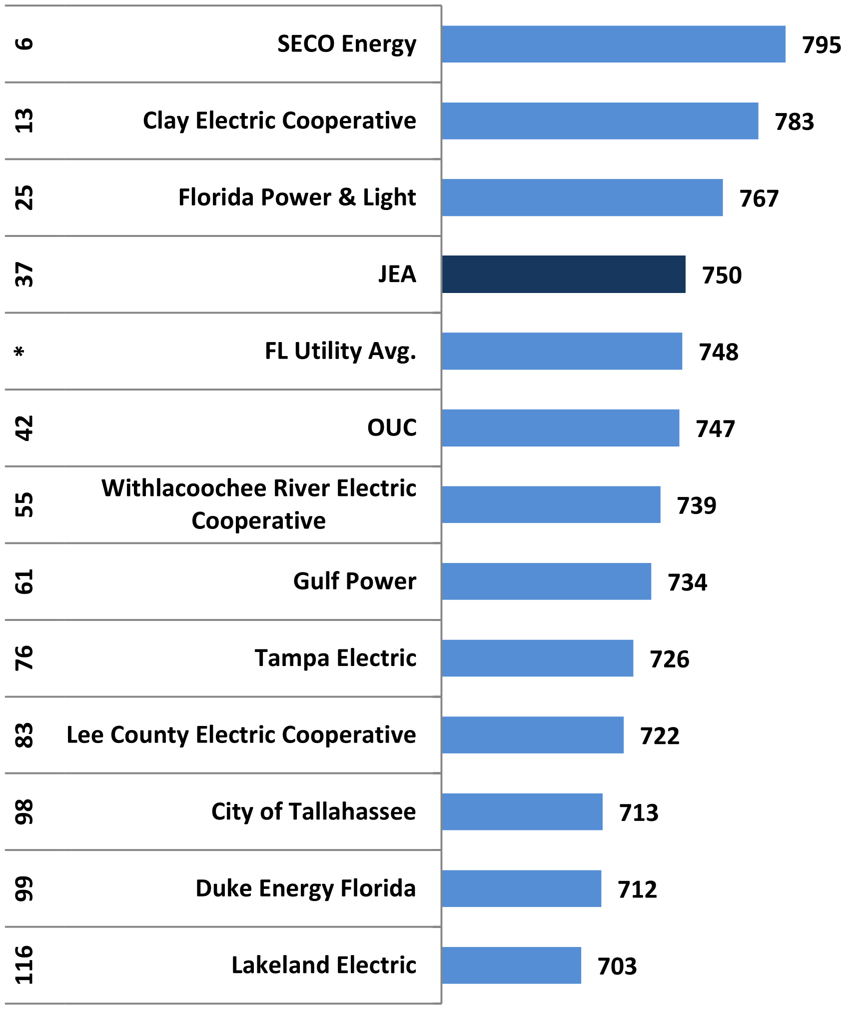


* 2019 Residential W1 YTD

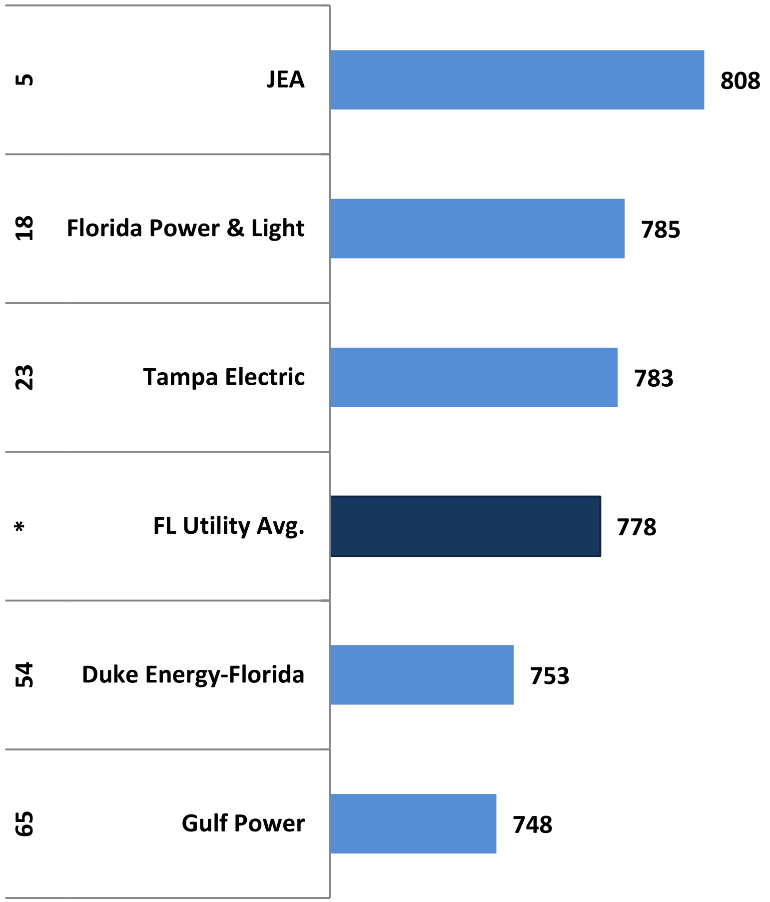
Customer Experience

Customer Satisfaction Index Scores – Florida Utilities

Residential 2019 WV1



Business 2018 W1



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Customer Experience

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Safety Update

Safety Performance

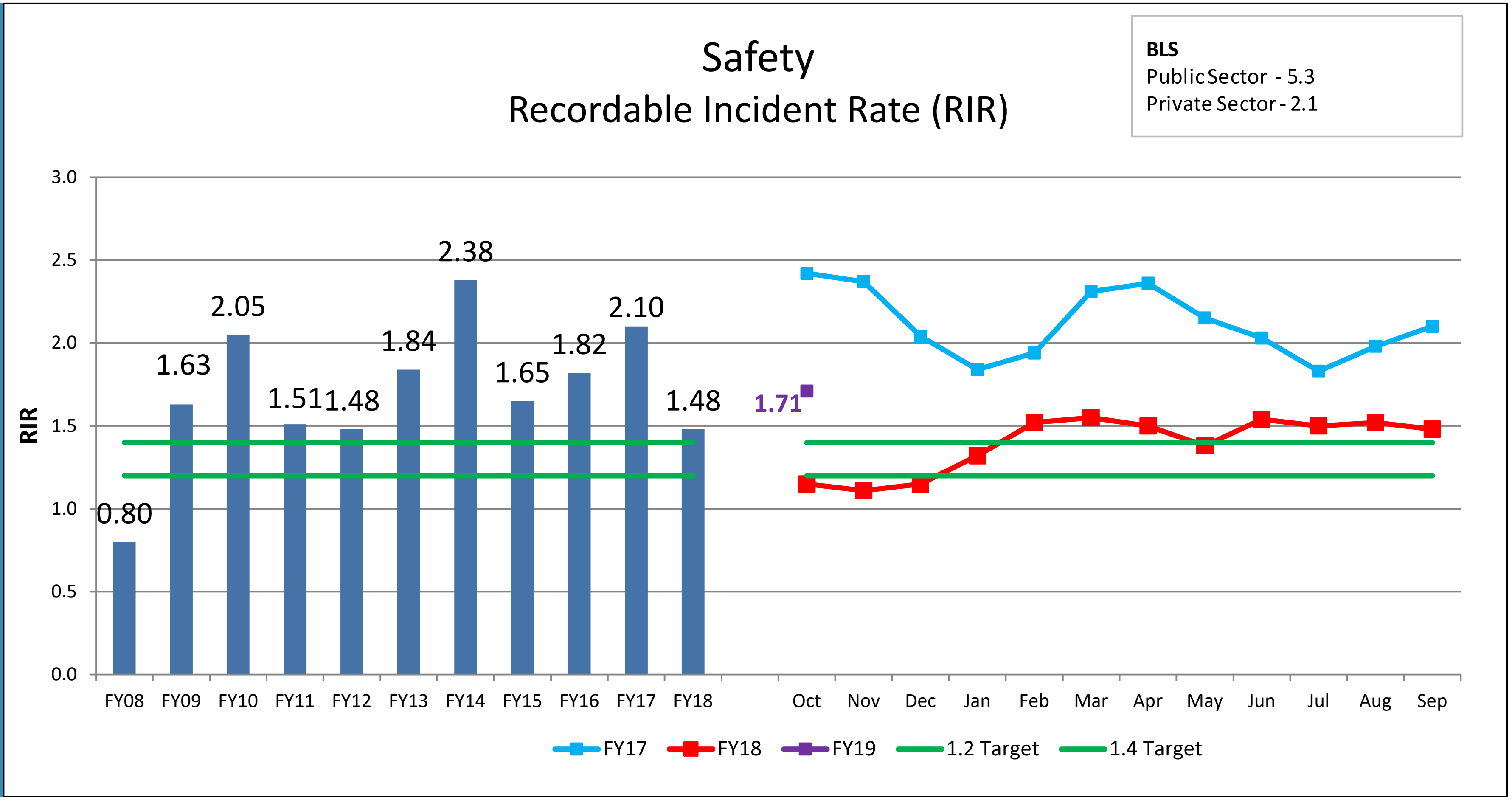
FY2018

- RIR = 1.48
- # of Recordables = 31

FY2019

- October Recordables = 3
  - Customer Relationships = 1
  - Electric Systems = 2
- Lost Time Incidents=1
- Continuing to “Plan for Zero”
- Maintain focus on:
  - Complacency
  - Hand/Finger
  - 0-5 Year Employees
  - PPE Use
  - Strains, Sprains, Slip/Trip/Fall
  - Repeat Occurrences
  - Job Briefings
  - Training

Industry Benchmark* RIR – 5.3



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Safety Update

Units	FY2019	FY2019 Target	FY2018	FY2017
RIR	1.71	1.4	1.48	2.10

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Financial Update

Key Financial Metrics

	Year-to-Date		FY2019 Full Year		
Electric System	**FY2019**	**FY2018**	**Forecast**	**Target**	**Result**
Debt Service Coverage	2.8x	3.1x	**2.7x**	≥ 2.2x	✓
Days Liquidity	382	331	**305**	150 to 250 days[1]	✓
Days Cash on Hand	221	230	**138**		✓
Debt to Asset %	71%	65%	**66%**	61%[2]	✓

Water and Sewer System	**FY2019**	**FY2018**	**Forecast**	**Target**	**Result**
Debt Service Coverage	3.2x	3.1x	**3.2x**	≥ 1.8x	✓
Days Liquidity	572	593	**390**	150 to 250 days[1]	✓
Days Cash on Hand	417	494	**228**		✓
Debt to Asset %	51%	53%	**48%**	49%[3]	✓

[1] Moody's Aa benchmark: 150 to 250 days
[2] Long-term target is 60.9%: per Moody's Sector In-Depth Report "Public Power Medians: "Stability Continues Amid Low Energy Prices, Clean Energy Shift", Sept. 2018
[3] Long-term target is 49%: calculated peer group from Moody's 214 Aa rated public water-sewer utilities, Dec. 2016

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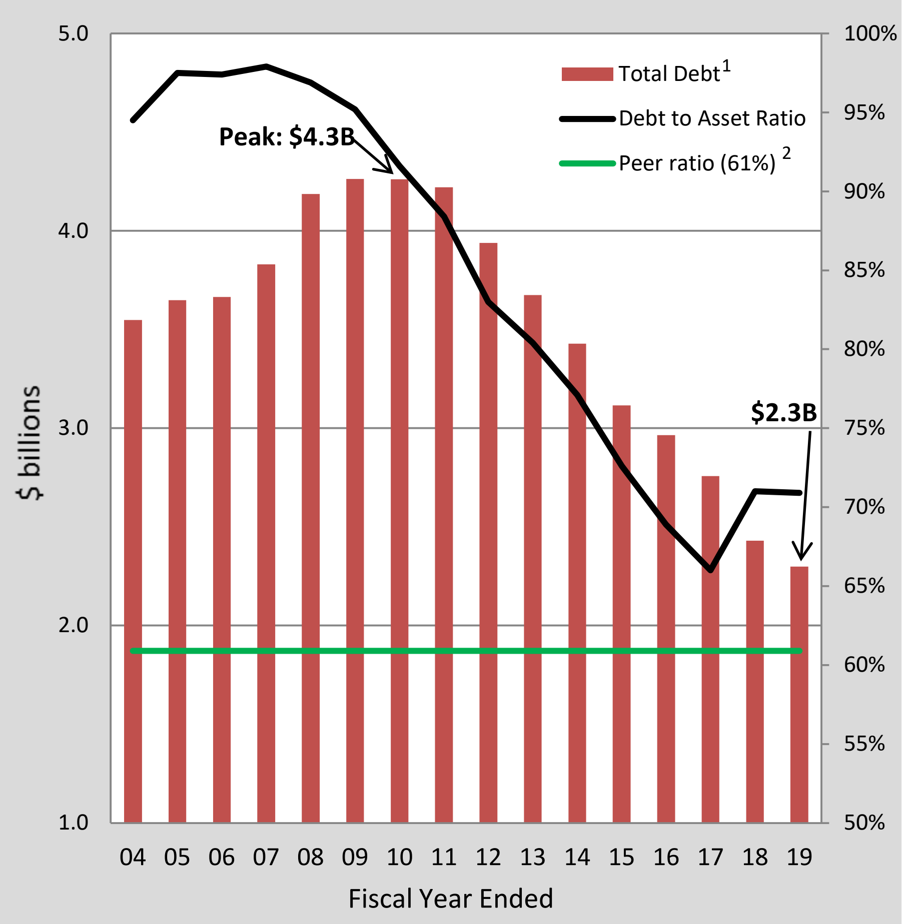
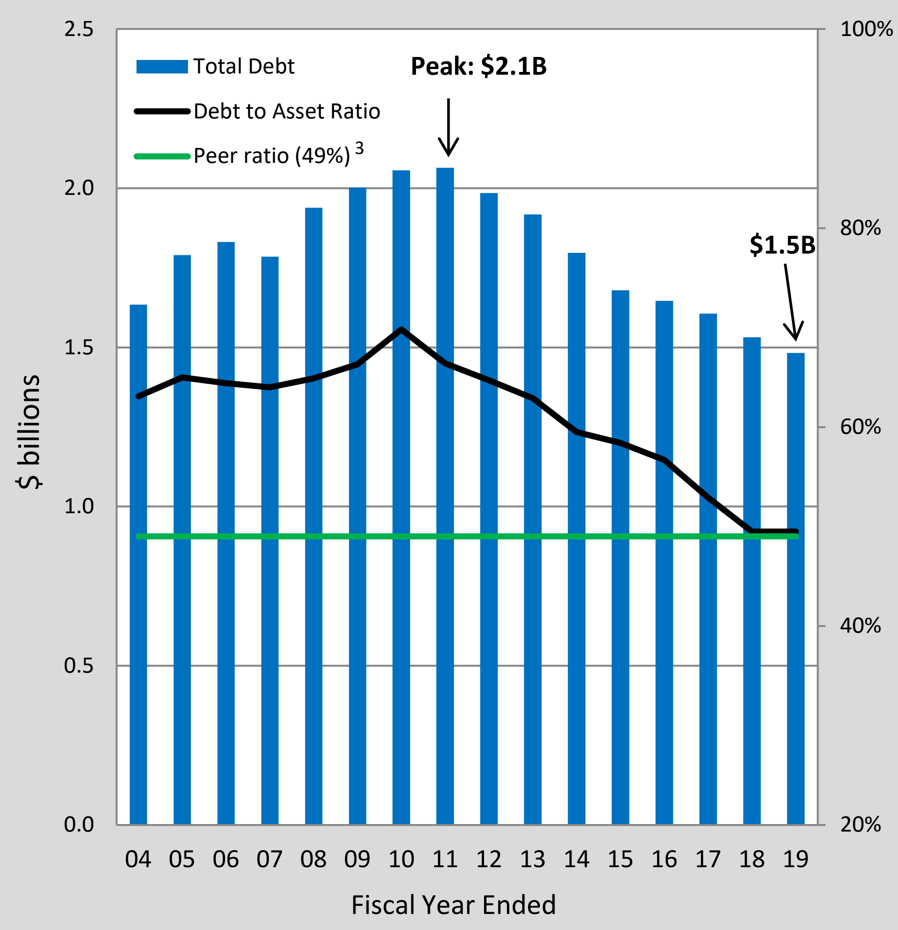
Financial Metrics

Debt and Debt to Asset Ratios

Electric System



Water and Sewer System

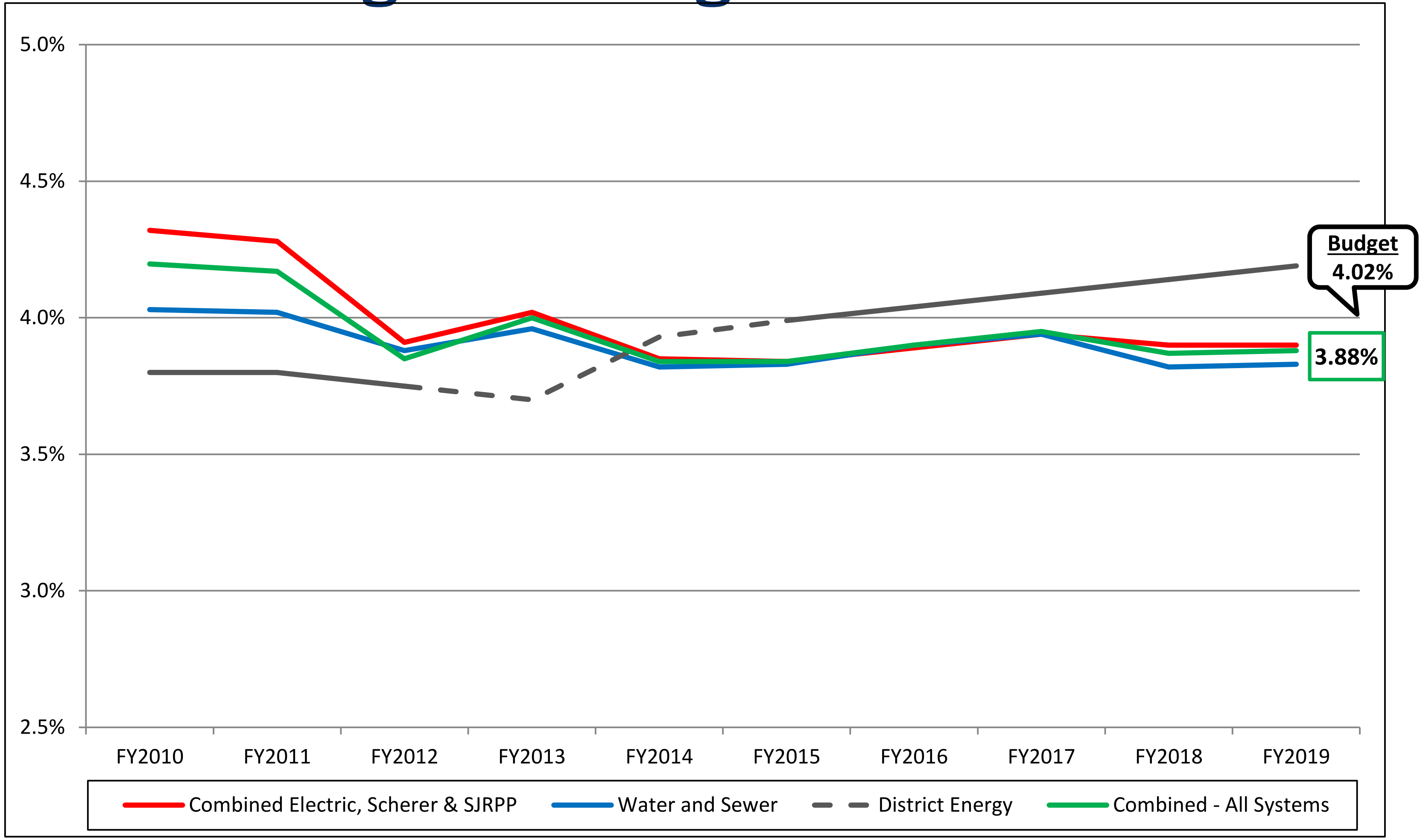


[1] Includes JEA, Scherer and SJRPP
[2] Per Moody's Sector In-Depth Report "Public Power Medians: Stability Continues Amid Low Energy Prices, Clean Energy Shift", Sept. 2018
[3] As calculated from Moody's Municipal Financial Ratio Analysis database of 209 Aa rated public water-sewer utilities, Jan. 10, 2017

Financial Metrics

Combined Debt Outstanding

Weighted Average Interest Rates*

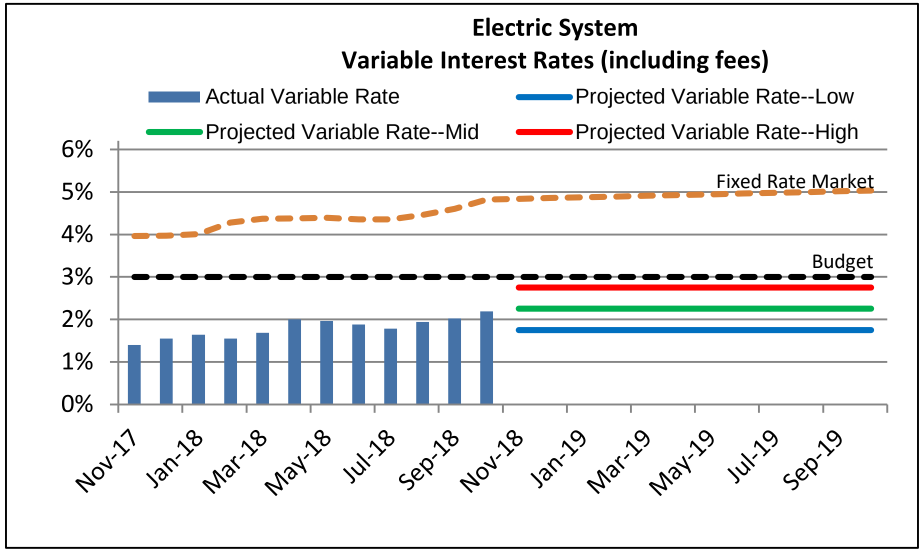


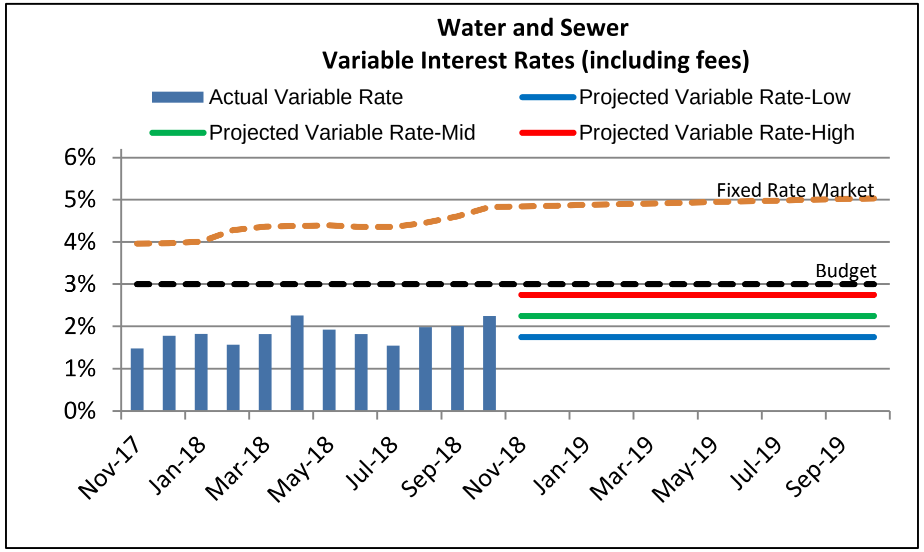
DECEMBER 2018

Financial Metrics

- Fiscal year end interest rates are net of BABs subsidy, original issue premiums / discounts and includes variable debt liquidity / remarketing fees and interest rate swap payments.
- – – – During FY2010 – FY2013 DES was funded with variable rate debt at an average of 1 percent.

Variable Debt Risk Analysis





Total variable rate debt of $862 with $516 swapped to fixed rate

Liquidity Facilities and Direct Purchase Bonds (DPBs)			
Bank	Moody's/S&P/Fitch	$ (in millions)	%
Wells Fargo Bank N.A. (100% DPBs)	Aa2/A+/AA-	$215	26
JP Morgan Chase Bank N.A.	Aa2/A+/AA	199	24
Royal Bank of Canada	A2/AA-/AA	193	23
US Bank, N.A.	A1/AA-/AA-	144	17
Sumitomo	A1/A/A	52	6
State Street Bank	Aa3/AA-/AA	31	4
Total		$834	

Swap Providers			
Bank	Moody's/S&P/Fitch	$ (in millions)	%
Morgan Stanley Capital Services	A3/BBB+/A	$171	33
Goldman Sachs Mitsui Marine Derivative Products	Aa2/AA-/NR	136	26
JP Morgan Chase Bank N.A.	Aa2/A+/AA	124	24
Merrill Lynch	A3/A-/A+	85	17
Total		$516	

Items of Interest

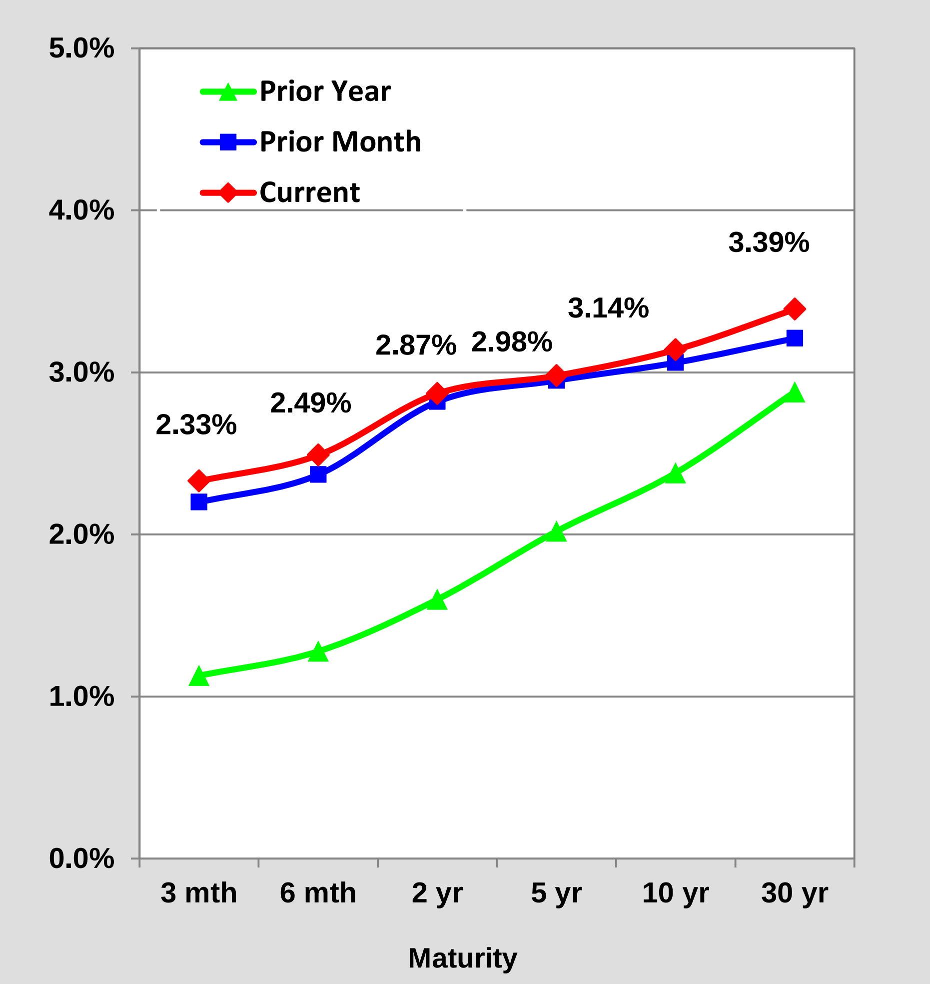
- Variable debt as a percentage of total debt:
  - Unhedged variable at 8% for Electric and 11% for Water and Sewer
  - Hedged variable at 18% for Electric and 7% for Water and Sewer
- Liquidity facilities / direct purchase bonds are with highly rated providers
- State Street liquidity facility renewed in Feb 2018
- US Bank liquidity renewal in Oct 2017 and Jun 2018
- Royal Bank of Canada liquidity renewal in Aug 2018
- Sumitomo liquidity renewal in Nov 2018
- Remaining 2018 liquidity renewals include: Wells Fargo Bank
- Variable rate reserve to mitigate risk of higher rates – $44 million
- Used $18 million of variable rate reserve on 2017 debt defeasances

DECEMBER 2018

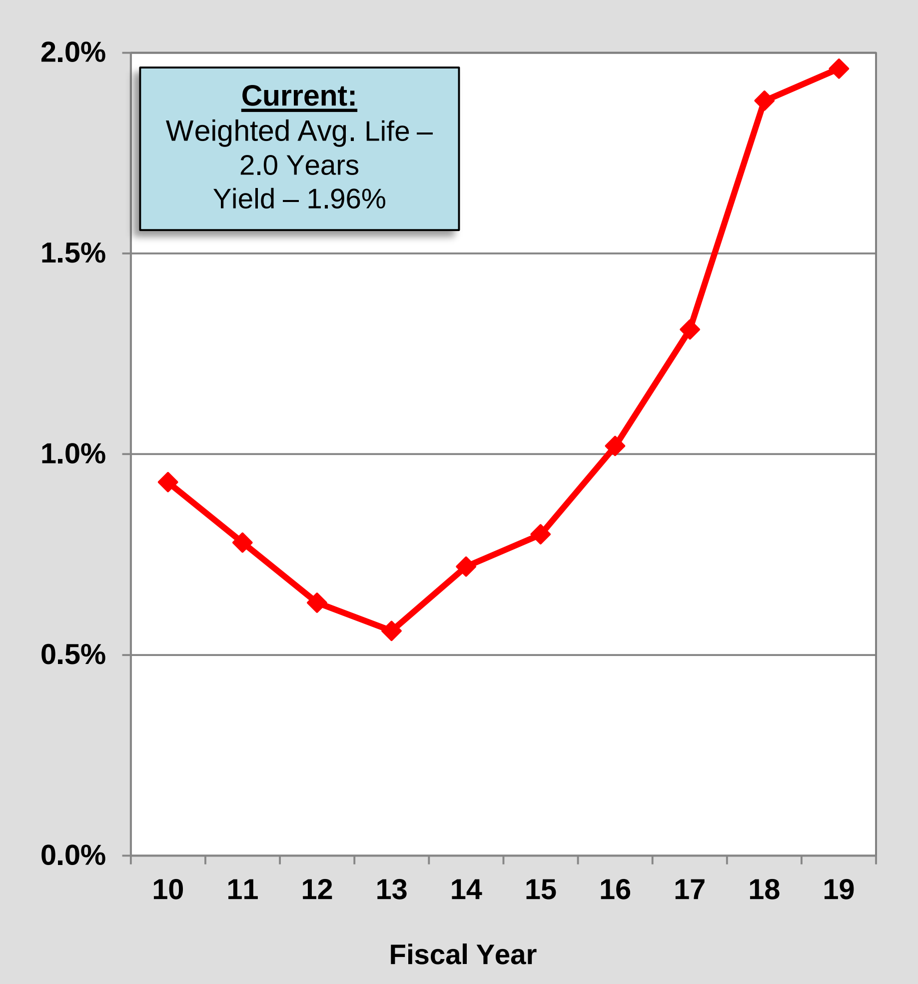
Financial Metrics

Combined Investments Outstanding

U. S. Treasury Yield Curve



Investment Portfolio Yield



DECEMBER 2018

Financial Metrics

III. A.

Appendix F.

Monthly FY18 Communications & Engagement Calendar and Plan Update

Return to Agenda

III. A.
Appendix F
12/11/2018

JEA Community Engagement Calendar - November - January 2019

	A	B	C	D	E
1	**Date**	**Event/Activity**	**Location**	**Time**	**Type**
2	**Nov-18**				
3	11/1/2018	Water Treatment Group	NGS	9am	Ambassador Facility Tour
4	11/1/2018	BGS Electric	Brandy Branch	8am	Ambassador Facility Tour
5	11/1/2018	River Rising Symposium	MOSH	9am	Ambassador Event
6	11/2/2018	UNF Engineering Students	Buckman Plant Tour	8:45am	Ambassador Facility Tour
7	11/2/2018	olic Charities Festival d' Vine E	Treaty Oak Park	9:30am	Volunteer Activity
8	11/2/2018	Chapter PLT Steering Committ	JAX ZOO	1pm	Ambassador Facility Tour
9	11/3/2018	Tree Planting Demo	JAX ZOO	8am	Ambassador Instructors
10	11/3/2018	FL Chapter PLT	JAX ZOO	9am	Ambassador Speaker
11	11/7/2018	UF Health ER Prep Exercise	665 W. 8th St.	7:30am	Volunteer Activity
12	11/6/2018	CBF & AQCS Outage Tour	NGS	9am	Ambassador Facility Tour
13	11/7 - 11/8/2018	PACE Center for Girls	2933 University Blvd.	9am	Volunteer Activity
14	11/7/ - 11/9/2018	Aging True	4250 Lakeside Dr. #116	9:30am	Volunteer Activity
15	11/8/2018	Hope at Hand	3886 Atlantic Blvd.	1pm	Volunteer Activity
16	11/9/2018	Barnabas Empty Bowl Event	2500 Atlantic Ave.	10:30am	Volunteer Activity
17	11/9/2018	Tulsa Welding School	Blair Rd Solar Tour	9:30am	Ambassador Facility Tour
18	11/9/2018	UNF Engineering Students	Buckman Plant Tour	8:45am	Ambassador Facility Tour
19	11/10/2018	Lutheran Presbyterian Event	1901 Philips Highway	10am	Ambassador Event
20	11/12/2018	Veterans Day Event	TIAA Stadium	11:01am	Ambassador Event
21	11/13/2018	Science Extravaganza	Lake Lucina Elem.	5:30pm	Ambassador Event
22	11/13/2018	Ponte La Vista Garden Club	4062 San Jose	10am	Ambassador Speaker
23	11/13 - 11/14/2018	USO Food Pantry	2560 Mayport Rd.	9am	Volunteer Activity
24	11/14/2018	tholic Charities Turkey Giveaw	134 E. Church St.	9:30am	Volunteer Activity
25	11/14/2018	Girl Scouts	Main St Lab Tour	2pm	Ambassador Facility Tour
26	11/14/2018	Junior Achievement Girls	Waverly Academy	8am	Ambassador Instructors
27	11/14/2018	Greenscape Board	1468 Hendricks	12pm	Ambassador Speaker
28	11/14/2018	Geometrica	NGS	9am	Ambassador Facility Tour
29	11/14/2018	Small Business Night	Ice Men Veterans Arena	7pm	Ambassador Event

JEA Community Engagement Calendar - November - January 2019

	A	B	C	D	E
30	**Date**	**Event/Activity**	**Location**	**Time**	**Type**
31	11/14 - 11/15/2018	Aging True	4250 Lakeside Dr. #116	9:30am	Volunteer Activity
32	11/15/2018	ation Army Thanksgiving Asser	900 W. Adams St.	8am	Volunteer Activity
33	11/15/2018	Eden Gardens	9179 Garden St.	8am	Volunteer Activity
34	11/16/2018	UNF Engineering Students	Buckman Plant Tour	8:45am	Ambassador Facility Tour
35	11/16/2018	St. Johns Rotary	SJG & Country Club	7am	Ambassador Speaker
36	11/16/2018	Feeding NE FL Food Bank	1116 Edgewood Ave.	8:30am	Volunteer Activity
37	11/16/2018	Light the Night Walk Event	TIAA Stadium	10am	Volunteer Activity
38	11/17/2018	St. Clair Elem. Tree Planting	Moncrief Rd.	8am	Ambassador Instructors
39	11/18/2018	City Council Group	Buckman Plant Tour	1pm	Ambassador Facility Tour
40	11/20/2018	tion Army Thanksgiving Distrib	900 W. Adams St.	8am	Volunteer Activity
41	11/21/2018	scue Mission Thanksgiving Lur	234 W. State St.	9:30am	Volunteer Activity
42	11/26/2018	Callahan Food Distribution	543350 US Hwy 1	11:30am	Volunteer Activity
43	11/27/2018	Hillard Senior High	Buckman Plant Tour	9:30am	Ambassador Facility Tour
44	11/27 - 11/30/2018	FCNMHP Mega Adoption	Fairgrounds	8am	Volunteer Activity
45	11/30/2018	Bartram Sprgs. Careers on Wheels	Bartram Elem.	8am	Ambassador Event
46	11/30/2018	FSCJ Engineering Students	Buckman Plant Tour	1:15pm	Ambassador Facility Tour
47	11/30/2018	HabiJax Builds	2404 Hubbard St.	7:30am	Volunteer Activity
48	11/30/2018	ICS-400 ICS Command/Staff for Complex Incidents	UNF	9am	Ambassador Instructors
49	11/30/2018	Catty Shack Custom Project	1860 Starrat St.	10am	Volunteer Activity
50	**Dec-18**				
51	12/1/2018	Marine Science Inst.	2800 University Blvd. N	1pm	Ambassador Speaker
52	12/1/2018	FCNMHP Mega Adoption	Fairgrounds	8am	Volunteer Activity
53	12/1/2018	COJ Holiday Festival for Seniors	Prime Osborn	8am	Volunteer Activity
54	12/1/2018	e Cure American Diabetes Asso	Wold Golf Village	7am	Volunteer Activity
55	12/3/2018	USO NDD	2560 Mayport Rd.	10am	Volunteer Activity
56	12/6 - 12/7/2018	Aging True	4250 Lakeside Dr. #116	9:30am	Volunteer Activity
57	12/7/2018	FSCJ Engineering Class	Buckman Plant Tour	1pm	
58	12/7/2018	Catty Shack Ranch	1860 Starrat St.	10am	Volunteer Activity

JEA Community Engagement Calendar - November - January 2019

	A	B	C	D	E
59	**Date**	**Event/Activity**	**Location**	**Time**	**Type**
60	12/10/2018	Callahan Food Distribution	543350 US Hwy 1	11:30am	Volunteer Activity
61	12/11/2018	Salvation Army Toy Shop	Regency Square	8am	Volunteer Activity
62	12/12/2018	tholic Charities Turkey Giveaw	134 E. Church St.	9:30am	Volunteer Activity
63	12/13 - 12/14/2018	Salvation Army Toy Shop	Regency Square	8am	Volunteer Activity
64	12/14/2018	Feeding NE FL Food Bank	Edgewood Ave.	8:30am	Volunteer Activity
65	12/15/2018	liday Zoo Party for Foster Fami	JAX ZOO	9am	Volunteer Activity
66	12/17 - 12/18/2018	Salvation Army Toy Shop	Regency Square	8am	Volunteer Activity
67	12/19/2018	JA School Takeover	Biscayne Elem.	8:30am	Ambassador Instructors
68	12/19/2018	JEA Senior Day	CC Lobby	8:30am	Ambassador Event
69	12/20/2018	CRM Holiday Luncheon	234 W. State St.	10am	Volunteer Activity
70	12/20/2018	JA School Takeover	Oceanway Elem.	9am	Ambassador Instructors
71	12/20/2018	LaVilla School	501 N. Davis	8:30am	Ambassador Instructors
72	12/20/2018	North Shore Elem. Science Day	5701 Silver Plaza	9am	Ambassador Instructors
73	12/20/2018	BEAM Food Bank	Jacksonville Beach	1pm	Volunteer Activity
74	12/21/2018	HabiJax Builds	Hubbard St.	7:30am	Volunteer Activity
75	12/21/2018	Global Outreach Academy	Buckman Plant Tour	9:30am	Ambassador Facility Tour
76					
77	**Jan-19**				
78	1/9/2019	DCPS Science Fair Awards	UNF	6pm	Ambassador Speaker
79	1/18/2019	Catty Shack	1860 Starratt Rd.	10am	Volunteer Activity
80	1/24/2019	Feeding NE FL Food Bank	Edgewood Ave.	8:30am	Volunteer Activity
81	1/25/2019	HabiJax Builds	Hubbard St.	7:30am	Volunteer Activity

Return to Agenda

III. A.
Appendix F
12/11/2018

Building Community

December FY19

Customer & Community Engagement Overview and Update

Each month, we update the board on Customer & Community Engagement activities for the previous and current months. The purpose is to keep you apprised on these activities so that you are knowledgeable about JEA's efforts to keep our customers informed, to assist them in the management of their utility services and to be a good corporate citizen.

Customer Communications

In November, we focused messages on JEA eBill, electric safety, and energy conservation.

- JEA eBill is JEA's version of electronic billing. Customers on eBill receive a bill notification email in their inbox each month when their bill is ready to be viewed. The program allows customers to receive their bill anytime, anywhere. This is extremely helpful to those who travel or are on the go.

- There are many things people can do to stay safe around electricity. From replacing frayed or damaged cords to not overloading electrical outlets, by providing our customers with meaningful safety tips they may be able to prevent an injury or home fire.

- Energy conservation is not only a way to save on energy costs, it is also good for the environment. This month we focused messaging on using LED bulbs which are more efficient and last longer than incandescent bulbs. By encouraging our customers to switch household and seasonal lights to LED bulbs, we are helping them to not only save energy, but also money.

Community Engagement

JEA employees participated in numerous Ambassador events and Volunteer activities throughout the month of November, with Ambassadors participating in 29 activities and 74 volunteers serving 324 hours in the community.

JEA Ambassadors

In November, JEA Ambassadors participated in the city's 2018 Veteran's Day Parade to show support of our JEA veterans and all veterans who have served or are serving to protect our country. Currently about 20% of JEA's workforce are veterans. Last month, ambassadors conducted 12 facility tours and delivered five presentations to groups including St. Johns Rotary, Ponte La Vista Garden Club, and Greenscape. Ambassadors also had the opportunity to teach students at Waverly Girls STEM Academy about careers in the STEM fields.

Employee Volunteerism

In November, 74 JEA employees volunteered 324 hours in the community, connecting with customers and assisting with numerous nonprofit projects and activities. From volunteering at Aging True to packing and serving Thanksgiving Turkeys at the Salvation Army, JEA employees gave generously of their time and talents for the benefit of our community. JEA employees also volunteered time at Hope at Hand, PACE Center for Girls, Barnabas Empty Bowls event, Catholic Charities,and Light the Night Walk events hosted by the Leukemia & Lymphoma Society, City Rescue Mission, Catty Shack Ranch, No More Homeless Pets Mega Adoption and HabiJax Builds.

JEA employees also donated to the Annual Food Drive in November benefiting the Clara White Mission and Five Star Veterans Services. Over 1,000 food items were donated by employees throughout the company.

JEA employees take great pride in the Ambassador and Volunteer programs, which are a tangible demonstration for our customers and our community of the "Heart of JEA."