JEA BOARD MEETING AGENDA

July 28, 2020 • 9:00 a.m.

WebEx **No physical location will be provided for this meeting.**

JEA Building Community®

I.	WELCOME	
	A.	Call to Order
	B.	Time of Reflection
	C.	Introductions
	D.	Adoption of the Agenda – Action
	E.	Safety Briefing – Paul McElroy, Interim Managing Director/CEO
	F.	Sunshine Law/Public Records Statement – Jody Brooks, Office of General Counsel

II.	COMMENTS / PRESENTATIONS		
	Item(s)		Speaker/Title
	A.	Council Liaison's Comments	Council Member Randy DeFoor
	B.	Comments from the Public	Public
	C.	Recognizing Lee Bradley's Retirement	Paul McElroy, Interim Managing Director/CEO

III.	CONSENT AGENDA		
	Definition: 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.		
	Item(s)		Discussion Action/Information
	Appendix A:	Board Meeting Minutes June 23, 2020	Action
	Appendix B:	Special Board Meeting Minutes June 26, 2020	Action
	Appendix C:	Monthly FY20 Communications & Engagement Calendar and Plan Update	Information
	Appendix D:	Monthly Financial Statements	Information
	Appendix E:	Corporate Campus and HQ2 Update	Information
	Appendix F:	Sole Source & Emergency Procurement/Procurement Appeals Board Report	Information

IV.	FOR BOARD CONSIDERATION				
	Item(s)			Speaker/Title	Discussion Action/Information
	A.	Monthly Operating and Financial Summary		Brian Roche, Interim Chief Financial Officer	Information
	B.	FY2021 Budget Adjustments to City Council		Brian Roche, Interim Chief Financial Officer	Action
	C.	Electric and Water/Wastewater System Bond Transactions		Joe Orfano, Treasurer	Information
	D.	Board Policy Review			
		a.	Debt Management Policy	Joe Orfano, Treasurer	Information
		b.	Investment Policy	Joe Orfano, Treasurer	Information

	E.	Utility Rate Making / APPA Webinar Series	Brian Roche, Interim Chief Financial Officer	Information
	F.	Customer Relationship Update	Bruce Dugan, Interim Chief Customer Update	Information
	G.	Jacksonville Small and Emerging Business (JSEB) Programs Report	Alan McElroy, Interim Supply Chain Officer	Information
	H.	ITN Invoices – Report and Recommendation	Office of General Counsel Steve Tuten, Interim Chief Compliance Officer	Action

V.	**BOARD AND COMMITTEE REPORTS**			
	Item(s)		Speaker/Title	Discussion/Action/ Information
	A.	CEO Search Committee	Bobby Stein, Chair	
	B.	Governance Committee	Joseph DiSalvo, Chair	

VI.	**OTHER BUSINESS**		
	Item(s)		Speaker/Title
	A.	Old Business	
	B.	Other New Business	
	C.	Open Discussion	
	D.	Managing Director/CEO's Report	Paul McElroy, Interim Managing Director/CEO
	E.	Chair's Report	John Baker, Chair

VII.	**ATTORNEY-CLIENT SESSION**			
	Item(s)		Speaker/Title	Discussion/Action/ Information
	A.	MEAG Litigation Strategy and Cost	Jody Brooks, Chief Legal Officer Paul McElroy, Interim Managing Director/CEO	Information

VIII.	**FOR BOARD CONSIDERATION**			
	Item(s)		Speaker/Title	Discussion Action/Information
	A.	MEAG Purchase Power Agreement – Plant Vogtle Update	Jody Brooks, Chief Legal Officer Paul McElroy, Interim Managing Director/CEO	Action

IX.	**CLOSING CONSIDERATIONS**	
	Item(s)	
	A.	Announcements – Next Board Meeting August 25, 2020
	B.	Adjournment

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.

X.	UPCOMING BOARD AGENDA ITEMS	
	Item(s)	
	A.	Board Policy Review

Board Calendar

Board Meetings: 9:00 a.m. – Fourth Tuesday of Every Month (exception(s): November 17, 2020 and December 15, 2020
(Subject to Change Based on Board Action)

Committees: Finance & Audit Committee: August 14, 2020 (Subject to Change)

Other Committee Meetings 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.

Florida's Government in the Sunshine Law
Office of General Counsel

This meeting is subject to Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times.

JEA BOARD MINUTES
June 23, 2020

The JEA Board met in regular session on Tuesday June 23, 2020, via WebEx. Pursuant to State of Florida Executive Order 20-69 (Emergency Management-COVID-19-Local Government Public Meetings), this meeting is permitted to be conducted by communications media technology. In attendance were John Baker, Joe DiSalvo, Dr. Zachary Faison, Jr., Dr. Leon Haley, Marty Lanahan, Bobby Stein, and Tom VanOsdol. Also in attendance was Paul McElroy and Jody Brooks, Office of General Counsel.

Agenda Item I – Welcome

A. Chair John Baker **called the meeting to order** at 9:02 am.

B. **Time of Reflection** was observed by all.

C. **Introductions** – All board members were in attendance.

D. **Adoption of Agenda** – On ***motion*** by Marty Lanahan and seconded by Tom VanOsdol the agenda was approved.

E. The **Safety Briefing** – was given by Paul McElroy.

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. Landon Todd, Manager, IT Infrastructure & Collaboration Platforms, provided WebEx instructions.

Agenda Item II – Comments / Presentations

A. **Comments from the Public**

1. Valerie Guitierrez – Address on File – Spoke to board members regarding the Neighbor-to-Neighbor Program.

2. Zachariah Cosner – Address on File – Spoke to board members regarding the delinquent accounts disconnection date.

B. **Comments from Council Liaison –** Council Member Becton's remarks can be found in Section VI. C. Open Discussion.

Agenda Item III. Consent Agenda

A. **Consent Agenda –** Used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On ***motion*** by Bobby Stein and seconded by Tom VanOsdol, appendices A and B were unanimously approved and appendices C and D were received for information only.

Appendix A: Board Meeting Minutes May 26, 2020 – approved

Appendix B: **Special Board Meeting Minutes May 21, 2020 –** approved

Appendix C: Monthly FY20 Communications & Engagement Calendar and Plan Update – information only

Appendix D: Simplified Earnings Report – Monthly Financial Statements – information only

<u>Agenda Item IV. For Board Consideration</u>

A. Introduction of Senior Leaders – Paul McElroy, Interim CEO, referring to materials previously provided to board members introduced each interim senior leader with a brief overview of their background and experience. Appreciative comments were offered by board members Bobby Stein and Dr. Zachary Faison.

B. Monthly Operations and Financial Dashboard – Joe Orfano, Treasurer, presented on the company's monthly operations and year-to-date financial results for May 2020 versus May 2019. He reviewed operating revenues and expenses for Electric Enterprise and Water and Sewer, and he discussed all performance metrics relative to the company's FY20 goals. He noted that May 2020 delivered a consistently stellar operating performance and the one environmental permit exceedance remained on-track relative to FY2020. Questions were asked and answered.

C. Monthly Proposed FY2021 Operating and Capital Budgets with COVID-19 Impacts – Joe Orfano, Treasurer, provided board members a thorough overview of the proposed FY2021 operating budget for both Energy and Water/Wastewater Systems. He reviewed unit sales growth, O&M expenses by category, capital program funding and government transfer history. Hearing all questions asked and answered, management asked the Board's approval on all budget timeline actions as previously provided to board members in the board package. Following a comment by the board and response by Interim CEO Paul McElroy and upon a ***motion*** by Dr. Zachary Faison and seconded by Marty Lanahan, the motion was unanimously approved.

Item IV.G. was moved ahead on the Agenda

D. Update on Bond Refunding Opportunities – Joe Orfano, Treasurer, citing materials previously distributed to board members, gave a brief overview of the company's current bond refunding opportunities. He noted the underwriter's analysis of the company's refunding transactions could result in a potential annual savings of approximately $3.7 million to the company. This bond offering could be launched the week of July 6th. A question was asked and answered and there was no further discussion.

E. Fuels and Generation Planning Update – Ricky Erixton, Interim G.M. Electric Systems, gave a thorough fuels and generation planning update to board members. He reviewed customer demand forecast by class; energy system overview; fuel volume and fuel expense forecasting; fuel revenues; fuel and regional supply diversity; energy fuel mix; energy market risk management and hedge strategies. There were questions asked and answered. Next, Joanie Teofilo, CEO of The Energy Authority (TEA), gave a brief presentation of the services that TEA provides to JEA and its customers. Lastly, Mr. Erixton summarized the company's Ten Year Site Plan which included its demand and energy forecast including actual and projected capacity factors. There was no further discussion.

F. **JEA/FPL Cooperation Agreement – Plant Scherer** – Paul McElroy, Interim CEO provided board members with a brief update of the Scherer discussions with management and asked board members to defer any action on this item until a later date. Board member Stein offered additional comments and board members took no action at this meeting.

G. **Pay for Performance Review** – Angie Hiers, Interim Chief of Human Resources, citing materials in the board package, presented on the company's Pay-For-Performance Plan. She provided feedback received since the board's May 29, 2020 compensation workshop. She reviewed strategic initiatives, key focus areas and the program provisions that would ensure appropriate financial controls and oversight. She also reviewed plan eligibility; plan cost; payout factors and plan financial impact. Following comments made and questions asked and answered and upon ***motion*** by Dr. Zachary Faison and seconded by Dr. Leon Haley the motion was unanimously approved.

H. **Hurricane Preparedness** – Alan McElroy, Interim Chief of Supply Chain, presented to the board on hurricane preparedness. He gave an overview of the 2019 season and what has been forecasted for the 2020 season. He outlined lessons learned; energy and water/wastewater resiliency programs; Covid-19 challenges and task force exercises; employee training; customer engagement action items; and the customer communication multimedia program (Restoration 1.2.3). Board members had no questions at this time.

I. **History of Water/Wastewater Expansion: Septic Phase-Out** – Hai Vu, Interim G.M. Water/Wastewater Systems, presented on the company's Wastewater Collection Programs and Alternatives (WCPA). Along with Josefin Hirst, Project Manager of Hazen and Sawyer, they reviewed the four phases of the company's Master Plan. The presentation contained a thorough overview of the current septic tank phase out project status including management strategies, funding sources, treatment technologies and institutional frameworks. Paul McElroy, Interim Managing Director/CEO, provided additional feedback with historical information on capital funding sources for the septic tank phase out. There were questions asked and answered and a brief discussion ensued.

J. **Board Policy Review**

1. Pricing Policy – Joe Orfano, Treasurer, reviewed the company's pricing policy. He also recognized Brian Roche, Interim CFO, and Juli Crawford, Director of Financial Planning and Analysis both instrumental in the history and management of the policy. In his review, he covered the history and major components of the pricing policy and its significance to the company's financial reporting structure. He noted an overhaul of the policy was needed as it had not been updated since August 2019. Board members had no questions at this time.

<u>Agenda Item V – Board and Committee Reports</u>

A. **CEO Search Committee** – Committee Chair Bobby Stein updated board members on the committee's progress and laid out the committee's CEO search strategy going forward. Next, Angie Hiers, Interim Chief of Human Resources, provided a brief introduction and biography on Carl Mycoff, Managing Director and Founder of Mycoff Frye the winning search firm.

1. Mycoff Frye LLC – Discussion with Carl Mycoff – Mr. Mycoff joined the meeting. He provided additional commentary on both his and the firm's experience and record of successful CEO searches in Florida. Questions were asked and answered. Next, Chair Stein discussed having a subset of the CEO Search Committee that would work to present candidates to the full board. The subset committee members would be Bobby Stein (Chair), John Baker, Joe DiSalvo and Dr. Leon Haley. Additional questions were asked and answered. Lastly, Board Chair Baker expressed appreciative comments to Mr. Mycoff and noted the board is looking forward to working with his firm for the CEO search. There were no additional questions at this time.

B. Corporate Headquarters and HQ2 – Board Member Bobby Stein opened the discussion with a very brief update on HQ2. He explained the search committee has found two viable sites and next step actions for HQ2. He then turned the discussion over to Jody Brooks, OGC, who led the discussion on HQ1.

1. Resolution 2020-05 A1: Amendment to Resolution 2020-05 – Ms. Brooks citing materials provided in the board package summarized Resolution 2020-05 A1 which purpose is to substitute the Exhibit A that board members originally approved. The proposal would allow for an increase in maximum indebtedness and a five year increase in the lease term. Upon ***motion*** by Dr. Leon Haley and seconded by Tom VanOsdol, the motion was unanimously approved.

C. Governance and Transparency Committee

1. Adoption of Governance and Transparency Committee Charter – Committee Chair Joe DiSalvo opened the discussion noting the committee name was misstated. The name of the committee should be JEA Board Governance Committee. Next, he named the committee membership as himself and Dr. Zachary Faison, Dr. Leon Haley and Tom VanOsdol. Lastly, he outlined the three core principles of the committee as outlined in its Charter. There were no questions or comments. Upon ***motion*** made by Committee Chair DiSalvo and seconded by Marty Lanahan and the acceptance of Marty Lanahan as an additional member of the governance committee, the Charter was unanimously approved.

<u>**Agenda Item VI– Other Business**</u>

A. Old Business – None

B. Other New Business – None

C. Open Discussion – Council Member Danny Becton thanked board members and offered positive comments on JEA's direction going forward. Chair Baker accepted Mr. Becton's remarks.

In other open discussion Chair Baker remarked on the public comment regarding the upcoming disconnection date of service for delinquent accounts. He asked Councilman Becton and Mr. McElroy for feedback on how we are properly communicating to the public regarding this matter. CM Becton offered comments on how to get the word out once the disconnection date is established. Mr. McElroy offered additional commentary on this matter to which board member Bobby Stein suggested Mr. McElroy and Councilman Becton work together to formulate a solution to this matter for the general public.

Lastly, Council Member Becton notified the board of a disconnection phone scam circulating the City that reached him personally. He provided management with a recording of the incident and asked that board members and the company be conscientious and aware of this matter.

D. Interim Managing Director/CEO's Report – Paul McElroy, Interim Managing Director/CEO provided board members with updates on key external matters. He covered the rating agency discussions which are going very well; discussions with the editorial board of Times Union have been positive; engagements with Nassau County are going very well; and the full senior leadership team continues to meet daily on Covid-19 and are pushing for more safety and requirements for masking. Mr. McElroy also stated Staff will continue to engage Vogtle and are hoping for a shade meeting on the topic in the next 30 days to discuss the path going forward. Mr. McElroy noted progress on the SJRPP land matter and its economic development opportunities. Lastly, he thanked Joe Orfano for his work in the CFO role and again welcomed Brian Roche back to the team as Interim CFO.

E. Chair's Report – Board Chair Baker offered closing comments and thanked Mr. McElroy and everyone for their efforts to the company in such a short period of time.

Agenda Item VII – Closing Considerations

A. Announcements – Next Board Meeting – July 28, 2020

B. Adjournment

Agenda Item IX – Upcoming Board Agenda Items

A. Utility Rate Making

B. Board Policy Review

1. **Investment Policy**
2. **Debt Management Policy**

With no further business claiming the attention of the Board, Chair John Baker adjourned the meeting at 12:12 p.m.

APPROVED BY:

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SECRETARY
DATE: ___________________________

Board Meeting recorded by:

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DeLisa A. Johnigarn, Executive Assistant

JEA BOARD MINUTES
June 26, 2020

The JEA Board met in special session on Friday, June 26, 2020, via WebEx. Pursuant to State of Florida Executive Order 20-69 (Emergency Management-COVID-19-Local Government Public Meetings), this meeting is permitted to be conducted by communications media technology, Jacksonville, Florida. In attendance were John Baker, Joe DiSalvo, Marty Lanahan, Bobby Stein, and Tom VanOsdol. Also in attendance was Paul McElroy and Jody Brooks, Office of General Counsel.

Agenda Item I – Welcome

A. Chair Baker **called the meeting to order** at 8:00 am

B. A **moment of reflection** was acknowledged by all.

C. **Adoption of Agenda** – On ***motion*** by Bobby Stein and seconded by Tom VanOsdol the amended agenda was approved.

D. The **Safety Briefing** was given by Paul McElroy.

E. **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 – Comments/Presentations

B. **Council Liaison Comments –** Councilman Danny Becton stated that the City passed the bill to provide citizens with grant funding to assist with debt to JEA and bring accounts current.

Agenda Item III – For Board Consideration

A. **JEA/FPL Cooperation Agreement and Term Sheets – Plant Scherer –** Bobby Stein, Board Vice-Chair provided opening statements. Mr. Stein stated that one of the things Mayor Curry and Council President Wilson were concerned with was JEA's carbon footprint. Mr. Stein also thanked Mr. Orfano, Jody Brooks, and Larry Pinkstaff for their work on this project and Paul McElroy, Interim Managing Director/CEO for his guidance. Mr. Stein stated that retiring this unit JEA will have $191 million present value savings; 10 year natural gas relationship with a fixed price; 10 year option with solar; and one million ton reduction in the carbon footprint. Mr. Stein stated that he met with the CEO of Florida Power and Light and made it known that JE A is not for sale but JEA wants to work with them on projects that make sense.

Joe Orfano, Treasurer, citing materials previously distributed to Board members, provided an overview of Robert W. Scherer Electric Generating Facility and the four main components of the Scherer 4 retirement.

*****There was a break in the presentation to allow for Public Comments*****

Agenda Item II – Comments/Presentations

A. Public Comments – Landon Todd, Manager IT Infrastructure & Collaboration Platforms provided instructions on how to submit public comments.

There were no public comments provided during the meeting, no call-ins, none in the chat window, and no emailed public comments.

Agenda Item III – For Board Consideration (continued)

A. Mr. Orfano continued the presentation by providing an overview of the financial, operational, and environmental benefits of retiring Scherer Unit 4. Mr. Orfano closed the presentation by outlining the next steps which are: requesting authorization from the Board to negotiate with FPL for the closure of Scherer Unit 4; replacement 20-year PPA based upon natural gas-fired system product with option to convert to solar energy facility based PPA after 10 years; and 10-year natural gas hedge. All of which would require Board approval. Mr. McElroy concluded the presentation by explaining the Financial Summary that was provided to the Board in advance. The meeting was then opened for questions and comments from the Board.

Jody Brooks, Office of General Counsel, read the motion to be approved by the Board.

JEA shall enter into a cooperation agreement with FPL for the closure of the jointly owned Scherer coal fired electric generation station located in Macon, Georgia and a PPA with FPL for the replacement of the capacity energy and the Board will delegate the authority to the Interim Managing Director to execute the cooperation agreement, the PPA, and all other transactional agreements that are required for the closure of Scherer.

Resolution 2020-06

A RESOLUTION TO DELEGATE AUTHORITY TO EXECUTE THE COOPERATION AGREEMENT AND REPLACEMENT POWER PURCHASE AGREEMENT WITH FLORIDA POWER AND LIGHT COMPANY FOR THE PROPOSED RETIREMENT OF PLANT ROBERT W. SCHERER UNIT NO. 4 TO THE INTERIMMANAGING DIRECTOR/CEO IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

On ***motion*** by Tom VanOsdol and seconded by Marty Lanahan Resolution 2020-06 passed unanimously.

Agenda Item IV – Other Business

A. Announcements – Next Board Meeting – July, 28, 2020

B. Adjournment

With no further business claiming the attention of the Board, Chair Baker adjourned the meeting at 8:32 AM.

APPROVED BY:

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SECRETARY
DATE: ____________________________

Board Meeting recorded by:

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Madricka L. Jones, Executive Staff Assistant

JEA Community Engagement Calendar May - July 2020

Date	Event/Activity	Location	Time	Type
May-20				
DUE TO COVID-19 JEA EMPLOYEE COMMUNITY PARTICIPATION EXCEPT VIRTUAL ACTIVITIES TITLED IN GREEN ARE SUSPENDED UNTIL FURTHER NOTICE				
5/5 - 5/8/2020	Virtual Volunteer - Communities in Schools	Communities in Schools	10am	Volunteer Activity
5/12/2020	Virtual Speaker - Tiger Academy Virtual Career Fair	Tiger Academy	12pm	Ambassador Speaker
5/18/2020	Virtual Speaker - Tiger Academy Virtual Career Fair	Tiger Academy	9am	Ambassador Speaker
5/18/2020	Virtual Speaker - Tiger Academy Virtual Career Fair	Tiger Academy	1pm	Ambassador Speaker
5/21/2020	Virtual Speaker - Tiger Academy Virtual Career Fair	Tiger Academy	10am	Ambassador Speaker
5/26/2020	Virtual Speaker - Tiger Academy Virtual Career Fair	Tiger Academy	11am	Ambassador Speaker
5/26/2020	Virtual Speaker - Tiger Academy Virtual Career Fair	Tiger Academy	4pm	Ambassador Speaker
5/28/2020	DESC Customer Contact	DESC App	9am	Ambassador Instructor
Jun-20				
6/2/2020	DESC Customer Call	DESC App	3pm	Ambassador Instructor
6/2/2020	DESC Customer Call	DESC App	4pm	Ambassador Instructor
6/4/2020	DESC Customer Contact	DESC App	9am	Ambassador Instructor
6/5/2020	DESC Customer Contact	DESC App	9am	Ambassador Instructor
6/8/2020	Junior Achievement Virtual Teaching	Junior Achievement Virtual	9am	Ambassador Instructor

JEA Community Engagement Calendar May - July 2020

Date	Event/Activity	Location	Time	Type
6/9/2020	DESC Customer Call	DESC App	10am	Ambassador Instructor
6/9/2020	DESC Customer Call	DESC App	2pm	Ambassador Instructor
6/16/2020	DESC Customer Contact	DESC App	9am	Ambassador Instructor
6/16/2020	DESC Customer Contact	DESC App	1pm	Ambassador Instructor
6/16/2020	Junior Achievement Virtual Teaching	Junior Achievement Virtual	11am	Ambassador Instructor
6/23/2020	DESC Customer Contact	DESC App	1pm	Ambassador Instructor
6/23/2020	DESC Customer Contact	DESC App	3pm	Ambassador Instructor
6/23/2020	DESC Customer Contact	DESC App	2pm	Ambassador Instructor
6/24/2020	DESC Customer Contact	DESC App	10am	Ambassador Instructor
6/25/2020	Center For Independent Living	Web Presentation	10am	Ambassador Speaker
6/26/2020	DESC Customer Contact	DESC App	11am	Ambassador Instructor
6/26/2020	DESC Customer Contact	DESC App	1pm	Ambassador Instructor
6/26/2020	Junior Achievement Virtual Teaching	Girls Inc. Virtual	1pm	Ambassador Instructor
6/30/2020	DESC Customer Contact	DESC App	1pm	Ambassador Instructor
Jul-20				
7/2/2020	DESC Customer Contact	DESC App	11am	Ambassador Instructor
7/3/2020	Mal Vi Washington Summer Camp	Virtual Web	10am	Ambassador Instructor
7/8/2020	DESC Customer Contact	DESC App	2pm	Ambassador Instructor
7/8/2020	DESC Customer Contact	DESC App	4pm	Ambassador Instructor
7/7/2020	MLK STEM Presentation	Virtual Web	4pm	Ambassador Speaker
7/24/2020	Junior Achievement Virtual Teaching	Girls Inc.	11am	Ambassador Instructor
Jul-20				
Ongoing	Virtual Volunteer - Communities in Schools	Communities in Schools	10am	Volunteer Activity

JEA Community Engagement Calendar May - July 2020

Date	Event/Activity	Location	Time	Type
Ongoing	Virtual Volunteer - Hope at Hand	Virtual Web	Open	Volunteer Activity

Improving Lives. Building Community.

JULY
2020

CUSTOMER & COMMUNITY ENGAGEMENT DEPARTMENT OVERVIEW AND UPDATE

The Customer & Community Engagement Team is responsible for developing employee communications, paid advertising campaigns, customer communications, digital/web communications, social media campaigns, videography, and community outreach and sponsorship opportunities.

CUSTOMER MESSAGING

Comprehensive Communications to Help Customers Stay Connected

After suspending disconnection of services to support those impacted by COVID-19, disconnections resumed on July 10. Over the past few months, JEA implemented several COVID-19 specific programs that were created to help customers who were at risk of disconnection. One of our top priorities during this time has been to communicate effectively and transparently to customers, keeping them informed of financial relief options and the timing of JEA returning to normal business operations. At the beginning of July, over 23,000 accounts were eligible for disconnection. Prior to disconnections resuming, each customer in pending disconnect status was contacted by letter, email and voice call and asked to contact JEA by phone or online to pay their balance, request a payment extension/arrangement, or sign up for the MyWay prepay billing program. We also used social media, paid advertising and sent press releases to media stations to communicate our message across all channels.

Messages also included:

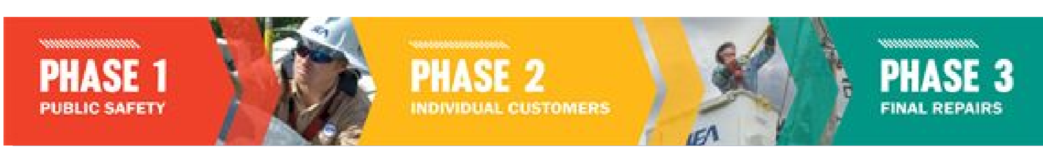
- 4 Easy Ways to Stay Connected
- 4 Easy Ways to Pay Your Bill
- An extension of disconnections to accommodate high call volumes
- Notices to JEA customers eligible for a $200 debit card, based on criteria set by the City of Jacksonville COVID-19 Utility Relief Program, to assist in paying outstanding balances
- Information about community based programs that can help provide additional relief

Restoration 1-2-3 Campaign

In July we launched a campaign featuring our Restoration 1-2-3 process. Once the height of a storm passes and weather reports indicate it is safe, JEA immediately enters the restoration phase of our emergency operations. Our "Restoration 1-2-3" process is designed to assess and repair our facilities and restore power across our 900-square-mile service territory as quickly and safely as possible.

Along with a 30-second TV commercial, the plan for the campaign includes corresponding radio, 15-social media, pre-roll segments and video posts, and digital out-of-home billboards promoting the process.

In addition, the July Bill Insert communication provided customers with additional information about Restoration 1-2-3 as well as tips on combating Hurricane Season while COVID-19 is still underway.



COVID-19 Updates and Other Messaging

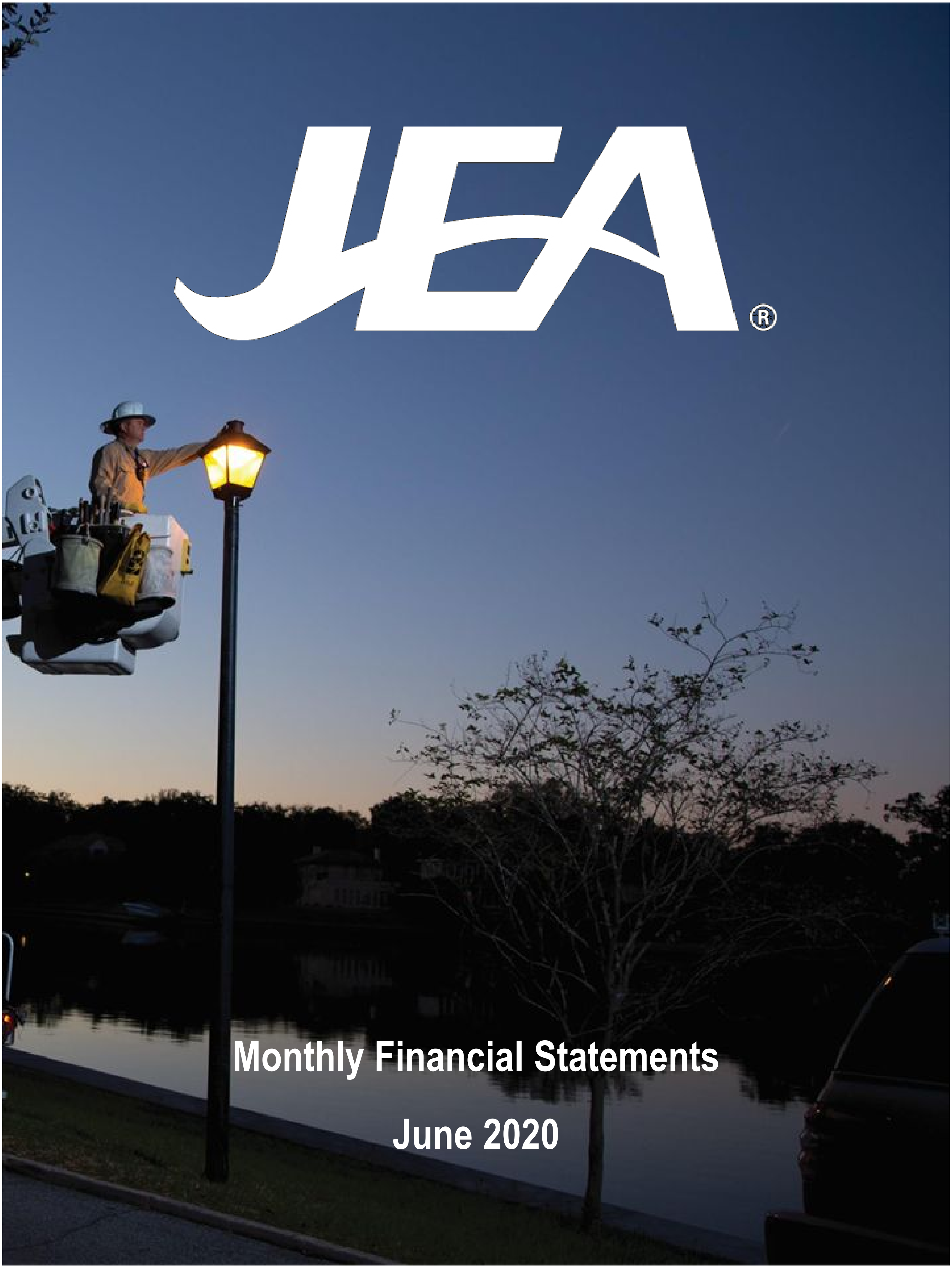
- We have continued to communicate operational changes, our commitment to safe practices, and COVID-19 savings tips through social media, email, and bill inserts.
- The **jea.com** homepage continues to serve as a helpful link to additional information for JEA customers who are faced with unexpected expenses and need more time or assistance to pay their bill. This link provides information about bill pay solutions, JEA Neighbor to Neighbor Fund and other community assistance for struggling families.
- We continued to used our social media channels to warn customers about scammers claiming to be from JEA who continue to target customers by phone. They threaten to disconnect services without an instant payment from a prepaid card or through an app. We assured customers that JEA will never demand an instant payment, and advised that if they received a call, to get the caller ID and callback number if given, hang up and report it to us at 665-6000.
- We shared energy conservation tips for customers who had called or written to express concern over high utility bills. For example, explaining that if your AC is set lower than 78 degress, it will use more energy to keep your home cool.
- We promoted the 2019 JEA Water Quality Report online and via social media. Each year, JEA performs more than 45,000 tests on drinking water. Those results are compiled in a report that provides a comprehensive summary of all the parameters that were found to be present in the most recent sampling period. The report indicates that JEA's water supply, the Floridan aquifer, is an excellent source of high-quality water.

Community Engagement

- As we continue to work to find ways to safely engage with our customers, we have recently partnered with Downtown Ecumenical Service Council (DESC). DESC is a non-profit organization that administers dollars to assist those in need. JEA Ambassadors can now assist by making calls to DESC clients and provide helpful information. JEA Volunteers are now also able to participate in a new partnership with Hope at Hand, an organization that reaches the at-risk youth population in Jacksonville.
- To date this fiscal year, 181 JEA Ambassadors have participated in 420 events. Volunteer hours total 3,168.

Employee Messaging

- Daily email updates sharing COVID-19 impacts and cases
- Video of employees and families wearing masks to promote the importance of safety measures during the pandemic
- New volunteer opportunities with Hope at Hand
- Non-payment disconnection status update
- Technology updates: Mobile Device Security
- Training reminders: NERC training and retirement seminar
- "Step It Up Challenge" for Community Health Charities
- HR Updates: Exercise and health tips / paid paternal leave



JEA

Monthly Financial Statements

June 2020

Monthly Financial Statements

June 2020

Index

Appendix

JEA

Statements of Net Position
(in thousands)

	June 2020 (unaudited)	September 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 282,928	$ 414,438
Investments	59,245	2,399
Customer accounts receivable, net of allowance ($1,866 and $1,341, respectively)	218,002	227,331
Inventories:		
Materials and supplies	61,585	58,962
Fuel	39,702	30,898
Other current assets	17,542	19,109
Total current assets	679,004	753,137
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	141,748	265,784
Investments	338,864	380,250
Accounts and interest receivable	1,080	1,071
Total restricted assets	481,692	647,105
Costs to be recovered from future revenues	822,071	851,046
Other assets	23,307	19,016
Total noncurrent assets	1,327,070	1,517,167
Capital assets:		
Land and easements	196,423	195,461
Plant in service	11,848,218	11,563,873
Less accumulated depreciation	(7,082,906)	(6,836,311)
Plant in service, net	4,961,735	4,923,023
Construction work in progress	504,569	542,421
Net capital assets	5,466,304	5,465,444
Total assets	7,472,378	7,735,748
Deferred outflows of resources		
Unrealized pension contributions and losses	131,554	131,554
Unamortized deferred losses on refundings	100,289	108,875
Accumulated decrease in fair value of hedging derivatives	198,455	161,485
Unrealized asset retirement obligations	47,611	50,329
Unrealized OPEB contributions and losses	9,100	9,100
Total deferred outflows of resources	487,009	461,343
Total assets and deferred outflows of resources	$ 7,959,387	$ 8,197,091

JEA
Statements of Net Position
(in thousands)

	June 2020 (unaudited)	September 2019
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	$ 42,077	$ 53,813
Customer deposits and prepayments	70,560	73,974
Billings on behalf of state and local governments	23,954	26,292
Asset retirement obligations	16,222	18,884
Compensation and benefits payable	10,155	17,242
City of Jacksonville payable	10,585	10,269
Total current liabilities	173,553	200,474
Current liabilities payable from restricted assets:		
Debt due within one year	102,700	192,555
Interest payable	29,959	64,775
Renewal and replacement reserve	40,618	46,955
Construction contracts and accounts payable	15,202	66,775
Total current liabilities payable from restricted assets	188,479	371,060
Noncurrent liabilities:		
Net pension liability	566,372	566,372
Asset retirement obligations	31,389	31,445
Compensation and benefits payable	30,812	29,434
Net OPEB liability	18,256	18,256
Other liabilities	32,051	30,406
Total noncurrent liabilities	678,880	675,913
Long-term debt:		
Debt payable, less current portion	3,231,885	3,428,080
Unamortized premium, net	99,245	118,125
Fair value of debt management strategy instruments	185,015	149,887
Total long-term debt	3,516,145	3,696,092
Total liabilities	4,557,057	4,943,539
Deferred inflows of resources		
Revenues to be used for future costs	194,421	238,690
Unrealized pension gains	50,880	50,880
Unrealized OPEB gains	11,249	11,249
Accumulated increase in fair value of hedging derivatives	2,306	-
Total deferred inflows of resources	258,856	300,819
Net position		
Net investment in capital assets	2,574,556	2,248,863
Restricted for:		
Capital projects	163,035	165,186
Debt service	75,917	193,063
Other purposes	47,688	42,005
Unrestricted	282,278	303,616
Total net position	3,143,474	2,952,733
Total liabilities, deferred inflows of resources, and net position	$ 7,959,387	$ 8,197,091

JEA

Statements of Revenues, Expenses, and Changes in Net Position
(in thousands - unaudited)

	Month June 2020	Month June 2019	Year-to-Date June 2020	Year-to-Date June 2019
Operating revenues				
Electric - base	$ 75,896	$ 78,996	$ 622,647	$ 593,165
Electric - fuel and purchased power	29,599	40,417	229,617	314,417
Water and sewer	37,370	40,735	353,829	330,553
District energy system	621	756	5,661	5,806
Other	1,672	2,934	25,791	24,620
Total operating revenues	145,158	163,838	1,237,545	1,268,561
Operating expenses				
Operations and maintenance:				
Fuel	26,296	29,930	202,393	249,175
Purchased power	7,219	15,232	60,420	101,069
Maintenance and other operating expenses	35,078	29,596	304,195	290,854
Depreciation	30,010	29,995	272,769	272,297
State utility and franchise taxes	6,041	6,785	49,049	51,128
Recognition of deferred costs and revenues, net	2,146	3,478	22,046	16,598
Total operating expenses	106,790	115,016	910,872	981,121
Operating income	38,368	48,822	326,673	287,440
Nonoperating revenues (expenses)				
Interest on debt	(11,674)	(13,055)	(107,422)	(114,125)
Investment income	2,030	5,696	13,159	32,128
Allowance for funds used during construction	1,592	1,546	15,652	11,331
Other nonoperating income, net	580	807	5,486	6,095
Earnings from The Energy Authority	553	646	1,878	1,745
Other interest, net	(5)	(209)	716	(1,341)
Total nonoperating expenses, net	(6,924)	(4,569)	(70,531)	(64,167)
Income before contributions	31,444	44,253	256,142	223,273
Contributions (to) from				
General Fund, City of Jacksonville, Florida	(9,903)	(9,804)	(89,119)	(103,390)
Developers and other	12,654	7,482	78,923	68,312
Reduction of plant cost through contributions	(10,264)	(5,069)	(55,205)	(47,200)
Total contributions, net	(7,513)	(7,391)	(65,401)	(82,278)
Change in net position	23,931	36,862	190,741	140,995
Net position, beginning of period	3,119,543	2,859,442	2,952,733	2,755,309
Net position, end of period	$ 3,143,474	$ 2,896,304	$ 3,143,474	$ 2,896,304

Statement of Cash Flows
(in thousands - unaudited)

	Year-to-Date June 2020	Year-to-Date June 2019
Operating activities		
Receipts from customers	$ 1,182,171	$ 1,206,708
Payments to suppliers	(454,730)	(540,184)
Payments for salaries and benefits	(204,427)	(179,642)
Other operating activities	29,400	24,989
Net cash provided by operating activities	552,414	511,871
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(89,016)	(103,273)
Net cash used in noncapital and related financing activities	(89,016)	(103,273)
Capital and related financing activities		
Defeasance of debt	(93,495)	(195,045)
Proceeds received from debt	-	2,000
Acquisition and construction of capital assets	(307,495)	(326,463)
Repayment of debt principal	(192,555)	(185,790)
Interest paid on debt	(142,262)	(162,090)
Capital contributions	23,718	21,113
Other capital financing activities	(5,122)	(7,873)
Net cash used in capital and related financing activities	(717,211)	(854,148)
Investing activities		
Purchase of investments	(210,420)	(402,057)
Proceeds from sale and maturity of investments	198,169	605,016
Investment income	9,703	18,251
Distributions from The Energy Authority	815	1,641
Net cash provided by (used in) investing activities	(1,733)	222,851
Net change in cash and cash equivalents	(255,546)	(222,699)
Cash and cash equivalents at beginning of year	680,222	555,782
Cash and cash equivalents at end of period	$ 424,676	$ 333,083
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 326,673	$ 287,440
Adjustments:		
Depreciation and amortization	273,647	273,217
Recognition of deferred costs and revenues, net	22,046	16,598
Other nonoperating income, net	349	877
Changes in noncash assets and noncash liabilities:		
Accounts receivable	11,311	(2,541)
Inventories	(11,427)	1,188
Other assets	(3,834)	1,027
Accounts and accrued expenses payable	(21,440)	(23,971)
Current liabilities payable from restricted assets	(5,315)	(4,208)
Other noncurrent liabilities and deferred inflows	(39,596)	(37,756)
Net cash provided by operating activities	$ 552,414	$ 511,871
Noncash activity		
Contribution of capital assets from developers	$ 55,205	$ 47,200
Unrealized investment fair market value changes, net	$ 3,209	$ 13,445

(in thousands - unaudited) June 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 178,653	$ 54,651	$ -	$ 233,304	48,299	$ 1,325	$ 282,928
Investments	56,137	3,108	-	59,245	-	-	59,245
Customer accounts receivable, net of allowance ($1,866)	160,485	-	-	160,485	57,130	387	218,002
Inventories:							
Materials and supplies	2,348	-	-	2,348	59,237	-	61,585
Fuel	39,702	-	-	39,702	-	-	39,702
Other current assets	16,088	5,316	(9,401)	12,003	5,539	-	17,542
Total current assets	453,413	63,075	(9,401)	507,087	170,205	1,712	679,004
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	-	85,096	-	85,096	52,764	3,888	141,748
Investments	217,651	10,234	-	227,885	110,979	-	338,864
Accounts and interest receivable	1,052	21	-	1,073	7	-	1,080
Total restricted assets	218,703	95,351	-	314,054	163,750	3,888	481,692
Costs to be recovered from future revenues	332,518	244,144	-	576,662	245,375	34	822,071
Other assets	21,366	4,500	(4,500)	21,366	1,933	8	23,307
Total noncurrent assets	572,587	343,995	(4,500)	912,082	411,058	3,930	1,327,070
Capital assets:							
Land and easements	124,457	6,660	-	131,117	62,255	3,051	196,423
Plant in service	5,733,684	1,316,043	-	7,049,727	4,741,341	57,150	11,848,218
Less accumulated depreciation	(3,393,373)	(1,313,276)	-	(4,706,649)	(2,346,679)	(29,578)	(7,082,906)
Plant in service, net	2,464,768	9,427	-	2,474,195	2,456,917	30,623	4,961,735
Construction work in progress	199,139	-	-	199,139	302,094	3,336	504,569
Net capital assets	2,663,907	9,427	-	2,673,334	2,759,011	33,959	5,466,304
Total assets	3,689,907	416,497	(13,901)	4,092,503	3,340,274	39,601	7,472,378
Deferred outflows of resources							
Unrealized pension contributions and losses	78,089	3,539	-	81,628	49,926	-	131,554
Unamortized deferred losses on refundings	56,732	3,351	-	60,083	40,034	172	100,289
Accumulated decrease in fair value of hedging derivatives	158,557	-	-	158,557	39,898	-	198,455
Unrealized asset retirement obligations	32,224	15,387	-	47,611	-	-	47,611
Unrealized OPEB contributions and losses	5,551	-	-	5,551	3,549	-	9,100
Total deferred outflows of resources	331,153	22,277	-	353,430	133,407	172	487,009
Total assets and deferred outflows of resources	$ 4,021,060	$ 438,774	$ (13,901)	$ 4,445,933	$ 3,473,681	$ 39,773	$ 7,959,387

(in thousands - unaudited) June 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 36,051	$ 5,586	$ (5,304)	$ 36,333	$ 5,734	$ 10	$ 42,077
Customer deposits and prepayments	52,909	-	-	52,909	17,651	-	70,560
Billings on behalf of state and local governments	19,859	(1)	-	19,858	4,096	-	23,954
Asset retirement obligations	834	15,388	-	16,222	-	-	16,222
Compensation and benefits payable	7,223	-	-	7,223	2,912	20	10,155
City of Jacksonville payable	8,477	-	-	8,477	2,108	-	10,585
Total current liabilities	125,353	20,973	(5,304)	141,022	32,501	30	173,553
Current liabilities payable from restricted assets:							
Debt due within one year	67,765	13,340	-	81,105	19,870	1,725	102,700
Interest payable	14,792	2,611	-	17,403	12,232	324	29,959
Renewal and replacement reserve	-	40,618	-	40,618	-	-	40,618
Construction contracts and accounts payable	4,835	4,881	(4,097)	5,619	9,502	81	15,202
Total current liabilities payable from restricted assets	87,392	61,450	(4,097)	144,745	41,604	2,130	188,479
Noncurrent liabilities:							
Net pension liability	343,046	4,001	-	347,047	219,325	-	566,372
Asset retirement obligations	31,389	-	-	31,389	-	-	31,389
Compensation and benefits payable	21,793	-	-	21,793	8,951	68	30,812
Net OPEB liability	11,136	-	-	11,136	7,120	-	18,256
Other liabilities	32,051	4,500	(4,500)	32,051	-	-	32,051
Total noncurrent liabilities	439,415	8,501	(4,500)	443,416	235,396	68	678,880
Long-term debt:							
Debt payable, less current portion	1,681,045	251,765	-	1,932,810	1,267,665	31,410	3,231,885
Unamortized premium (discount), net	46,120	945	-	47,065	52,205	(25)	99,245
Fair value of debt management strategy instruments	145,117	-	-	145,117	39,898	-	185,015
Total long-term debt	1,872,282	252,710	-	2,124,992	1,359,768	31,385	3,516,145
Total liabilities	2,524,442	343,634	(13,901)	2,854,175	1,669,269	33,613	4,557,057
Deferred inflows of resources							
Revenues to be used for future costs	173,297	-	-	173,297	21,124	-	194,421
Unrealized pension gains	27,276	6,166	-	33,442	17,438	-	50,880
Unrealized OPEB gains	6,862	-	-	6,862	4,387	-	11,249
Accumulated increase in fair value of hedging derivatives	2,306	-	-	2,306	-	-	2,306
Total deferred inflows of resources	209,741	6,166	-	215,907	42,949	-	258,856
Net position			-				
Net investment in (divestment of) capital assets	952,331	(10,095)	-	942,236	1,631,380	940	2,574,556
Restricted for:							
Capital projects	89,341	-	-	89,341	71,424	2,270	163,035
Debt service	49,551	10,370	-	59,921	14,702	1,294	75,917
Other purposes	6,219	31,209	4,097	41,525	6,163	-	47,688
Unrestricted	189,435	57,490	(4,097)	242,828	37,794	1,656	282,278
Total net position	1,286,877	88,974	-	1,375,851	1,761,463	6,160	3,143,474
Total liabilities, deferred inflows of resources, and net position	$ 4,021,060	$ 438,774	$ (13,901)	$ 4,445,933	$ 3,473,681	$ 39,773	$ 7,959,387

JEA
Combining Statement of Net Position
(in thousands) September 2019

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 282,069	$ 66,734	$ -	$ 348,803	$ 64,146	$ 1,489	$ 414,438
Investments	-	2,399	-	2,399	-	-	2,399
Customer accounts receivable, net of allowance ($1,341)	172,163	-	-	172,163	54,930	238	227,331
Inventories:							
Materials and supplies	2,219	106	-	2,325	56,637	-	58,962
Fuel	30,898	-	-	30,898	-	-	30,898
Other current assets	18,049	5,290	(8,638)	14,701	4,408	-	19,109
Total current assets	505,398	74,529	(8,638)	571,289	180,121	1,727	753,137
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	74,586	94,858	-	169,444	89,586	6,754	265,784
Investments	230,849	10,891	-	241,740	138,510	-	380,250
Accounts and interest receivable	1,053	11	-	1,064	7	-	1,071
Total restricted assets	306,488	105,760	-	412,248	228,103	6,754	647,105
Costs to be recovered from future revenues	343,247	253,706	-	596,953	254,059	34	851,046
Other assets	16,285	4,500	(4,500)	16,285	2,731	-	19,016
Total noncurrent assets	666,020	363,966	(4,500)	1,025,486	484,893	6,788	1,517,167
Capital assets:							
Land and easements	124,457	6,660	-	131,117	61,293	3,051	195,461
Plant in service	5,598,589	1,316,043	-	6,914,632	4,592,091	57,150	11,563,873
Less accumulated depreciation	(3,252,637)	(1,312,969)	-	(4,565,606)	(2,242,977)	(27,728)	(6,836,311)
Plant in service, net	2,470,409	9,734	-	2,480,143	2,410,407	32,473	4,923,023
Construction work in progress	203,901	-	-	203,901	337,716	804	542,421
Net capital assets	2,674,310	9,734	-	2,684,044	2,748,123	33,277	5,465,444
Total assets	3,845,728	448,229	(13,138)	4,280,819	3,413,137	41,792	7,735,748
Deferred outflows of resources							
Unrealized pension contributions and losses	78,089	3,539	-	81,628	49,926	-	131,554
Unamortized deferred losses on refundings	61,773	3,502	-	65,275	43,418	182	108,875
Accumulated decrease in fair value of hedging derivatives	130,219	-	-	130,219	31,266	-	161,485
Unrealized asset retirement obligations	32,282	18,047	-	50,329	-	-	50,329
Unrealized OPEB contributions and losses	5,551	-	-	5,551	3,549	-	9,100
Total deferred outflows of resources	307,914	25,088	-	333,002	128,159	182	461,343
Total assets and deferred outflows of resources	$ 4,153,642	$ 473,317	$ (13,138)	$ 4,613,821	$ 3,541,296	$ 41,974	$ 8,197,091

(in thousands) September 2019

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

Combining Statement of Revenues, Expenses, and Changes in Net Position
(in thousands - unaudited) for the month ended June 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 76,178	$ -	$ -	$ 76,178	$ -	$ -	$ (282)	$ 75,896
Electric - fuel and purchased power	30,657	2,029	(2,029)	30,657	-	-	(1,058)	29,599
Water and sewer	-	-	-	-	37,389	-	(19)	37,370
District energy system	-	-	-	-	-	654	(33)	621
Other	1,552	(446)	-	1,106	755	-	(189)	1,672
Total operating revenues	108,387	1,583	(2,029)	107,941	38,144	654	(1,581)	145,158
Operating expenses								
Operations and maintenance:								
Fuel	26,296	-	-	26,296	-	-	-	26,296
Purchased power	9,248	-	(2,029)	7,219	-	-	-	7,219
Maintenance and other operating expenses	18,690	3,952	-	22,642	13,628	389	(1,581)	35,078
Depreciation	16,958	34	-	16,992	12,812	206	-	30,010
State utility and franchise taxes	5,074	-	-	5,074	967	-	-	6,041
Recognition of deferred costs and revenues, net	612	1,104	-	1,716	430	-	-	2,146
Total operating expenses	76,878	5,090	(2,029)	79,939	27,837	595	(1,581)	106,790
Operating income	31,509	(3,507)	-	28,002	10,307	59	-	38,368
Nonoperating revenues (expenses)								
Interest on debt	(6,530)	(844)	-	(7,374)	(4,191)	(109)	-	(11,674)
Investment income	704	202	-	906	1,122	2	-	2,030
Allowance for funds used during construction	595	-	-	595	988	9	-	1,592
Other nonoperating income, net	348	27	-	375	205	-	-	580
Earnings from The Energy Authority	553	-	-	553	-	-	-	553
Other interest, net	(4)	-	-	(4)	(1)	-	-	(5)
Total nonoperating expenses, net	(4,334)	(615)	-	(4,949)	(1,877)	(98)	-	(6,924)
Income before contributions	27,175	(4,122)	-	23,053	8,430	(39)	-	31,444
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,823)	-	-	(7,823)	(2,080)	-	-	(9,903)
Developers and other	147	-	-	147	12,507	-	-	12,654
Reduction of plant cost through contributions	(147)	-	-	(147)	(10,117)	-	-	(10,264)
Total contributions, net	(7,823)	-	-	(7,823)	310	-	-	(7,513)
Change in net position	19,352	(4,122)	-	15,230	8,740	(39)	-	23,931
Net position, beginning of period	1,267,525	93,096	-	1,360,621	1,752,723	6,199	-	3,119,543
Net position, end of period	$ 1,286,877	$ 88,974	$ -	$ 1,375,851	$ 1,761,463	$ 6,160	$ -	$ 3,143,474

Combining Statement of Revenues, Expenses, and Changes in Net Position
(in thousands - unaudited) for the month ended June 2019

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 79,326	$ -	$ -	$ 79,326	$ -	$ -	$ (330)	$ 78,996
Electric - fuel and purchased power	41,652	2,164	(2,158)	41,658	-	-	(1,241)	40,417
Water and sewer	-	-	-	-	40,771	-	(36)	40,735
District energy system	-	-	-	-	-	792	(36)	756
Other	2,012	-	-	2,012	1,203	-	(281)	2,934
Total operating revenues	122,990	2,164	(2,158)	122,996	41,974	792	(1,924)	163,838
Operating expenses								
Operations and maintenance:								
Fuel	29,914	16	-	29,930	-	-	-	29,930
Purchased power	17,390	-	(2,158)	15,232	-	-	-	15,232
Maintenance and other operating expenses	18,627	418	-	19,045	12,051	424	(1,924)	29,596
Depreciation	16,626	34	-	16,660	13,136	199	-	29,995
State utility and franchise taxes	5,765	-	-	5,765	1,020	-	-	6,785
Recognition of deferred costs and revenues, net	(133)	1,172	-	1,039	2,439	-	-	3,478
Total operating expenses	88,189	1,640	(2,158)	87,671	28,646	623	(1,924)	115,016
Operating income	34,801	524	-	35,325	13,328	169	-	48,822
Nonoperating revenues (expenses)								
Interest on debt	(7,405)	(870)	-	(8,275)	(4,668)	(112)	-	(13,055)
Investment income	3,239	320	-	3,559	2,123	14	-	5,696
Allowance for funds used during construction	668	-	-	668	876	2	-	1,546
Other nonoperating income, net	356	29	-	385	422	-	-	807
Earnings from The Energy Authority	646	-	-	646	-	-	-	646
Other interest, net	(206)	-	-	(206)	(3)	-	-	(209)
Total nonoperating expenses, net	(2,702)	(521)	-	(3,223)	(1,250)	(96)	-	(4,569)
Income before contributions	32,099	3	-	32,102	12,078	73	-	44,253
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,746)	-	-	(7,746)	(2,058)	-	-	(9,804)
Developers and other	60	-	-	60	7,422	-	-	7,482
Reduction of plant cost through contributions	(60)	-	-	(60)	(5,009)	-	-	(5,069)
Total contributions, net	(7,746)	-	-	(7,746)	355	-	-	(7,391)
Change in net position	24,353	3	-	24,356	12,433	73	-	36,862
Net position, beginning of period, as restated	1,119,991	98,157	-	1,218,148	1,635,629	5,665	-	2,859,442
Net position, end of period	$ 1,144,344	$ 98,160	$ -	$ 1,242,504	$ 1,648,062	$ 5,738	$ -	$ 2,896,304

Combining Statement of Revenues, Expenses, and Changes in Net Position
(in thousands - unaudited) for the nine months ended June 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 625,093	$ -	$ -	$ 625,093	$ -	$ -	$ (2,446)	$ 622,647
Electric - fuel and purchased power	238,818	18,586	(18,587)	238,817	-	-	(9,200)	229,617
Water and sewer	-	-	-	-	353,996	-	(167)	353,829
District energy system	-	-	-	-	-	5,907	(246)	5,661
Other	17,282	(282)	-	17,000	10,904	-	(2,113)	25,791
Total operating revenues	881,193	18,304	(18,587)	880,910	364,900	5,907	(14,172)	1,237,545
Operating expenses								
Operations and maintenance:								
Fuel	202,393	-	-	202,393	-	-	-	202,393
Purchased power	79,007	-	(18,587)	60,420	-	-	-	60,420
Maintenance and other operating expenses	181,019	11,877	-	192,896	122,329	3,142	(14,172)	304,195
Depreciation	151,686	307	-	151,993	118,925	1,851	-	272,769
State utility and franchise taxes	40,890	-	-	40,890	8,159	-	-	49,049
Recognition of deferred costs and revenues, net	7,412	9,459	-	16,871	5,175	-	-	22,046
Total operating expenses	662,407	21,643	(18,587)	665,463	254,588	4,993	(14,172)	910,872
Operating income	218,786	(3,339)	-	215,447	110,312	914	-	326,673
Nonoperating revenues (expenses)								
Interest on debt	(59,360)	(7,600)	-	(66,960)	(39,478)	(984)	-	(107,422)
Investment income	7,441	1,745	-	9,186	3,918	55	-	13,159
Allowance for funds used during construction	5,931	-	-	5,931	9,679	42	-	15,652
Other nonoperating income, net	3,144	238	-	3,382	2,104	-	-	5,486
Earnings from The Energy Authority	1,878	-	-	1,878	-	-	-	1,878
Other interest, net	359	-	-	359	357	-	-	716
Total nonoperating expenses, net	(40,607)	(5,617)	-	(46,224)	(23,420)	(887)	-	(70,531)
Income before contributions	178,179	(8,956)	-	169,223	86,892	27	-	256,142
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(70,404)	-	-	(70,404)	(18,715)	-	-	(89,119)
Developers and other	1,096	-	-	1,096	77,827	-	-	78,923
Reduction of plant cost through contributions	(1,096)	-	-	(1,096)	(54,109)	-	-	(55,205)
Total contributions, net	(70,404)	-	-	(70,404)	5,003	-	-	(65,401)
Change in net position	107,775	(8,956)	-	98,819	91,895	27	-	190,741
Net position, beginning of year	1,179,102	97,930	-	1,277,032	1,669,568	6,133	-	2,952,733
Net position, end of period	$ 1,286,877	$ 88,974	$ -	$ 1,375,851	$ 1,761,463	$ 6,160	$ -	$ 3,143,474

Combining Statement of Revenues, Expenses, and Changes in Net Position
(in thousands - unaudited) for the nine months ended June 2019

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 595,707	$ -	$ -	$ 595,707	$ -	$ -	$ (2,542)	$ 593,165
Electric - fuel and purchased power	322,482	22,201	(20,704)	323,979	-	-	(9,562)	314,417
Water and sewer	-	-	-	-	330,915	-	(362)	330,553
District energy system	-	-	-	-	-	6,076	(270)	5,806
Other	17,090	459	-	17,549	9,572	3	(2,504)	24,620
Total operating revenues	935,279	22,660	(20,704)	937,235	340,487	6,079	(15,240)	1,268,561
Operating expenses								
Operations and maintenance:								
Fuel	244,513	4,662	-	249,175	-	-	-	249,175
Purchased power	121,773	-	(20,704)	101,069	-	-	-	101,069
Maintenance and other operating expenses	184,209	2,430	-	186,639	116,291	3,164	(15,240)	290,854
Depreciation	157,262	307	-	157,569	112,892	1,836	-	272,297
State utility and franchise taxes	43,121	-	-	43,121	8,007	-	-	51,128
Recognition of deferred costs and revenues, net	(1,300)	10,546	-	9,246	7,352	-	-	16,598
Total operating expenses	749,578	17,945	(20,704)	746,819	244,542	5,000	(15,240)	981,121
Operating income	185,701	4,715	-	190,416	95,945	1,079	-	287,440
Nonoperating revenues (expenses)								
Interest on debt	(63,823)	(7,828)	-	(71,651)	(41,464)	(1,010)	-	(114,125)
Investment income	17,526	3,382	-	20,908	11,107	113	-	32,128
Allowance for funds used during construction	4,155	-	-	4,155	7,153	23	-	11,331
Other nonoperating income, net	3,207	258	-	3,465	2,630	-	-	6,095
Earnings from The Energy Authority	1,745	-	-	1,745	-	-	-	1,745
Other interest, net	(1,270)	-	-	(1,270)	(71)	-	-	(1,341)
Total nonoperating expenses, net	(38,460)	(4,188)	-	(42,648)	(20,645)	(874)	-	(64,167)
Income before contributions	147,241	527	-	147,768	75,300	205	-	223,273
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(69,714)	-	-	(69,714)	(33,676)	-	-	(103,390)
Developers and other	4,649	-	-	4,649	63,663	-	-	68,312
Reduction of plant cost through contributions	(4,649)	-	-	(4,649)	(42,551)	-	-	(47,200)
Total contributions, net	(69,714)	-	-	(69,714)	(12,564)	-	-	(82,278)
Change in net position	77,527	527	-	78,054	62,736	205	-	140,995
Net position, beginning of year, as restated	1,066,817	97,633	-	1,164,450	1,585,326	5,533	-	2,755,309
Net position, end of period	$ 1,144,344	$ 98,160	$ -	$ 1,242,504	$ 1,648,062	$ 5,738	$ -	$ 2,896,304

Combining Statement of Cash Flows
(in thousands - unaudited) for the nine months ended June 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 841,624	$ 23,101	$ (19,448)	$ 845,277	$ 343,195	$ 5,758	$ (12,059)	$ 1,182,171
Payments to suppliers	(390,894)	(13,692)	19,448	(385,138)	(81,058)	(2,706)	14,172	(454,730)
Payments for salaries and benefits	(139,395)	(8,246)	-	(147,641)	(56,222)	(564)	-	(204,427)
Other operating activities	21,097	(282)	-	20,815	10,698	-	(2,113)	29,400
Net cash provided by operating activities	332,432	881	-	333,313	216,613	2,488	-	552,414
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(70,327)	-	-	(70,327)	(18,689)	-	-	(89,016)
Net cash used in noncapital and related financing activities	(70,327)	-	-	(70,327)	(18,689)	-	-	(89,016)
Capital and related financing activities								
Defeasance of debt	(48,070)	-	-	(48,070)	(45,425)	-	-	(93,495)
Acquisition and construction of capital assets	(155,799)	-	-	(155,799)	(149,126)	(2,570)	-	(307,495)
Repayment of debt principal	(122,380)	(13,780)	-	(136,160)	(54,705)	(1,690)	-	(192,555)
Interest paid on debt	(75,060)	(10,786)	-	(85,846)	(55,103)	(1,313)	-	(142,262)
Capital contributions	-	-	-	-	23,718	-	-	23,718
Other capital financing activities	(4,095)	159	-	(3,936)	(1,186)	-	-	(5,122)
Net cash used in capital and related financing activities	(405,404)	(24,407)	-	(429,811)	(281,827)	(5,573)	-	(717,211)
Investing activities								
Purchase of investments	(163,969)	(23,820)	-	(187,789)	(22,631)	-	-	(210,420)
Proceeds from sale and maturity of investments	122,862	23,768	-	146,630	51,539	-	-	198,169
Investment income	5,589	1,733	-	7,322	2,326	55	-	9,703
Distributions from The Energy Authority	815	-	-	815	-	-	-	815
Net cash provided by (used in) investing activities	(34,703)	1,681	-	(33,022)	31,234	55	-	(1,733)
Net change in cash and cash equivalents	(178,002)	(21,845)	-	(199,847)	(52,669)	(3,030)	-	(255,546)
Cash and cash equivalents at beginning of year	356,655	161,592	-	518,247	153,732	8,243	-	680,222
Cash and cash equivalents at end of period	$ 178,653	$ 139,747	$ -	$ 318,400	$ 101,063	$ 5,213	$ -	$ 424,676
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 218,786	$ (3,339)	$ -	$ 215,447	$ 110,312	$ 914	$ -	$ 326,673
Adjustments:								
Depreciation and amortization	151,686	307	-	151,993	119,803	1,851	-	273,647
Recognition of deferred costs and revenues, net	7,412	9,459	-	16,871	5,175	-	-	22,046
Other nonoperating income, net	87	-	-	87	262	-	-	349
Changes in noncash assets and noncash liabilities:								
Accounts receivable	14,078	55	-	14,133	(2,673)	(149)	-	11,311
Inventories	(8,933)	106	-	(8,827)	(2,600)	-	-	(11,427)
Other assets	(3,917)	-	-	(3,917)	91	(8)	-	(3,834)
Accounts and accrued expenses payable	(17,115)	1,331	-	(15,784)	(5,497)	(159)	-	(21,440)
Current liabilities payable from restricted assets	-	(5,315)	-	(5,315)	-	-	-	(5,315)
Other noncurrent liabilities and deferred inflows	(29,652)	(1,723)	-	(31,375)	(8,260)	39	-	(39,596)
Net cash provided by operating activities	$ 332,432	$ 881	$ -	$ 333,313	$ 216,613	$ 2,488	$ -	$ 552,414
Noncash activity								
Contribution of capital assets from developers	$ 1,096	$ -	$ -	$ 1,096	$ 54,109	$ -	$ -	$ 55,205
Unrealized investment fair market value changes, net	$ 1,831	$ -	$ -	$ 1,831	$ 1,378	$ -	$ -	$ 3,209

JEA
Combining Statement of Cash Flows
(in thousands - unaudited) for the nine months ended June 2019

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 884,024	$ 22,914	$ (22,314)	$ 884,624	$ 328,504	$ 6,316	$ (12,736)	$ 1,206,708
Payments to suppliers	(489,697)	(10,032)	22,314	(477,415)	(75,228)	(2,781)	15,240	(540,184)
Payments for salaries and benefits	(129,157)	41	-	(129,116)	(50,080)	(446)	-	(179,642)
Other operating activities	18,250	458	-	18,708	8,782	3	(2,504)	24,989
Net cash provided by operating activities	283,420	13,381	-	296,801	211,978	3,092	-	511,871
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(69,591)	-	-	(69,591)	(33,682)	-	-	(103,273)
Net cash used in noncapital and related financing activities	(69,591)	-	-	(69,591)	(33,682)	-	-	(103,273)
Capital and related financing activities								
Defeasance of debt	(100,090)	-	-	(100,090)	(94,955)	-	-	(195,045)
Proceeds received from debt	-	-	-	-	2,000	-	-	2,000
Acquisition and construction of capital assets	(192,155)	-	-	(192,155)	(133,643)	(665)	-	(326,463)
Repayment of debt principal	(130,690)	(1,720)	-	(132,410)	(51,720)	(1,660)	-	(185,790)
Interest paid on debt	(86,731)	(11,167)	-	(97,898)	(62,847)	(1,345)	-	(162,090)
Capital contributions	-	-	-	-	21,113	-	-	21,113
Other capital financing activities	(5,133)	172	-	(4,961)	(2,912)	-	-	(7,873)
Net cash used in capital and related financing activities	(514,799)	(12,715)	-	(527,514)	(322,964)	(3,670)	-	(854,148)
Investing activities								
Purchase of investments	(234,322)	(85,712)	-	(320,034)	(82,023)	-	-	(402,057)
Proceeds from sale and maturity of investments	341,296	93,336	-	434,632	170,384	-	-	605,016
Investment income	9,538	3,284	-	12,822	5,316	113	-	18,251
Distributions from The Energy Authority	1,641	-	-	1,641	-	-	-	1,641
Net cash provided by investing activities	118,153	10,908	-	129,061	93,677	113	-	222,851
Net change in cash and cash equivalents	(182,817)	11,574	-	(171,243)	(50,991)	(465)	-	(222,699)
Cash and cash equivalents at beginning of year	285,814	139,953	-	425,767	123,061	6,954	-	555,782
Cash and cash equivalents at end of period	$ 102,997	$ 151,527	$ -	$ 254,524	$ 72,070	$ 6,489	$ -	$ 333,083
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 185,701	$ 4,715	$ -	$ 190,416	$ 95,945	$ 1,079	$ -	$ 287,440
Adjustments:								
Depreciation and amortization	157,262	307	-	157,569	113,812	1,836	-	273,217
Recognition of deferred costs and revenues, net	(1,300)	10,546	-	9,246	7,352	-	-	16,598
Other nonoperating income (loss), net	106	-	-	106	771	-	-	877
Changes in noncash assets and noncash liabilities:								
Accounts receivable	9,993	(6,048)	-	3,945	(6,726)	240	-	(2,541)
Inventories	(873)	1,470	-	597	591	-	-	1,188
Other assets	1,172	-	-	1,172	(140)	(5)	-	1,027
Accounts and accrued expenses payable	(23,858)	1,653	-	(22,205)	(1,720)	(46)	-	(23,971)
Current liabilities payable from restricted assets	-	(4,208)	-	(4,208)	-	-	-	(4,208)
Other noncurrent liabilities and deferred inflows	(44,783)	4,946	-	(39,837)	2,093	(12)	-	(37,756)
Net cash provided by operating activities	$ 283,420	$ 13,381	$ -	$ 296,801	$ 211,978	$ 3,092	$ -	$ 511,871
Noncash activity								
Contribution of capital assets from developers	$ 4,649	$ -	$ -	$ 4,649	$ 42,551	$ -	$ -	$ 47,200
Unrealized investment fair market value changes, net	$ 7,887	$ 61	$ -	$ 7,948	$ 5,497	$ -	$ -	$ 13,445

Debt Service Coverage
June 2020
(unaudited)

	Month June 2020	Month June 2019	Year-to-Date June 2020	Year-to-Date June 2019
Electric System				
Senior debt service coverage, (annual minimum 1.20x)	12.61 x	8.00 x	9.81 x	5.86 x
Senior and subordinated debt service coverage, (annual minimum 1.15x)	5.49 x	3.47 x	4.44 x	2.53 x
Bulk Power Supply System				
Debt service coverage, (annual minimum 1.15x)	1.60 x	1.10 x	2.11 x	2.27 x
St. Johns River Power Park, Second Resolution				
Debt service coverage, (annual minimum 1.15x)	0.91 x	1.18 x	1.14 x	1.20 x
Water and Sewer System				
Senior debt service coverage, (annual minimum 1.25x)	5.34 x	4.23 x	5.78 x	3.50 x
Senior and subordinated debt service coverage excluding capacity fees [1]	4.36 x	3.28 x	4.66 x	2.68 x
Senior and subordinated debt service coverage including capacity fees [1]	4.80 x	3.54 x	5.13 x	2.94 x
District Energy System				
Debt service coverage, (annual minimum 1.15x)	1.06 x	1.52 x	1.25 x	2.54 x

[1] Annual minimum 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
Electric System
Operating Statistics
(unaudited)

	Month June 2020	Month June 2019	Variance	Year-to-Date June 2020	Year-to-Date June 2019	Variance
Electric revenues sales (000s omitted):						
Residential	$ 59,638	$ 62,174	-4.08%	$ 421,219	$ 435,876	-3.36%
Commercial	31,354	36,335	-13.71%	263,706	283,172	-6.87%
Industrial	16,317	16,551	-1.41%	136,364	144,060	-5.34%
Public street lighting	1,142	1,101	3.72%	9,994	9,837	1.60%
Electric revenues - territorial	108,451	116,161	-6.64%	831,283	872,945	-4.77%
Sales for resale - off system	235	184	27.72%	1,405	3,288	-57.27%
Electric revenues	108,686	116,345	-6.58%	832,688	876,233	-4.97%
Rate stabilization & recovery	(767)	4,794	-116.00%	32,864	43,020	-23.61%
Allowance for doubtful accounts	(1,084)	(161)	573.29%	(1,641)	(1,064)	54.23%
Net electric revenues	106,835	120,978	-11.69%	863,911	918,189	-5.91%
MWh sales						
Residential	533,636	551,992	-3.33%	3,770,482	3,804,426	-0.89%
Commercial	338,308	382,530	-11.56%	2,772,123	2,903,710	-4.53%
Industrial	240,187	229,577	4.62%	1,963,351	1,995,786	-1.63%
Public street lighting	4,933	4,556	8.27%	41,844	43,079	-2.87%
Total MWh sales - territorial	1,117,064	1,168,655	-4.41%	8,547,800	8,747,001	-2.28%
Sales for resale - off system	566	6,792	-91.67%	16,423	83,307	-80.29%
Total MWh sales	1,117,630	1,175,447	-4.92%	8,564,223	8,830,308	-3.01%
Number of accounts (1)						
Residential	429,711	420,737	2.13%	426,181	417,678	2.04%
Commercial	53,697	53,214	0.91%	53,474	52,923	1.04%
Industrial	196	193	1.55%	195	195	0.00%
Public street lighting	3,925	3,879	1.19%	3,921	3,841	2.08%
Total average accounts	487,529	478,023	1.99%	483,771	474,637	1.92%
Residential averages						
Revenue per account - $	138.79	147.77	-6.08%	988.36	1,043.57	-5.29%
kWh per account	1,242	1,312	-5.34%	8,847	9,109	-2.87%
Revenue per kWh - ¢	11.18	11.26	-0.78%	11.17	11.46	-2.49%
Degree days						
Heating degree days	-	-	-	822	972	(150)
Cooling degree days	440	531	(91)	1,689	1,709	(20)
Total degree days	440	531	(91)	2,511	2,681	(170)
Degree days - 30 year average	449			2,561		

(1) The year-to-date column represents a fiscal year-to-date average.

	Month June 2020	Month June 2019	Variance	Year-to-Date June 2020	Year-to-Date June 2019	Variance
Water						
Revenues (000s omitted):						
Residential	$ 8,591	$ 8,885	-3.31%	$ 74,755	$ 71,838	4.06%
Commercial and industrial	3,729	3,713	0.43%	34,918	35,167	-0.71%
Irrigation	3,152	4,189	-24.76%	26,132	25,214	3.64%
Total water revenues	15,472	16,787	-7.83%	135,805	132,219	2.71%
Rate stabilization	(218)	363	-160.06%	3,443	(1,088)	-416.45%
Allowance for doubtful accounts	(170)	(23)	639.13%	(319)	(152)	109.87%
Net water revenues	$ 15,084	$ 17,127	-11.93%	$ 138,929	$ 130,979	6.07%
Kgal sales (000s omitted)						
Residential	1,562,912	1,727,088	-9.51%	14,031,081	13,265,640	5.77%
Commercial and industrial	1,029,900	1,069,300	-3.68%	9,953,450	10,155,378	-1.99%
Irrigation	542,537	780,969	-30.53%	4,400,190	4,164,374	5.66%
Total kgals sales	3,135,349	3,577,357	-12.36%	28,384,721	27,585,392	2.90%
Number of accounts (1):						
Residential	301,725	293,968	2.64%	298,808	291,554	2.49%
Commercial and industrial	26,248	26,032	0.83%	26,158	25,930	0.88%
Irrigation	37,692	37,338	0.95%	37,452	37,156	0.80%
Total average accounts	365,665	357,338	2.33%	362,418	354,640	2.19%
Residential averages:						
Revenue per account - $	28.47	30.22	-5.79%	250.18	246.40	1.53%
Kgals per account	5.18	5.88	-11.90%	46.96	45.50	3.21%
Revenue per kgals - $	5.50	5.14	7.00%	5.33	5.42	-1.66%
Sewer						
Revenues (000s omitted):						
Residential	$ 12,673	$ 12,659	0.11%	$ 113,434	$ 108,190	4.85%
Commercial and industrial	8,492	8,178	3.84%	81,448	81,079	0.46%
Total sewer revenues	21,165	20,837	1.57%	194,882	189,269	2.97%
Rate stabilization	(369)	587	-162.86%	5,329	(1,660)	-421.02%
Allowance for doubtful accounts	(257)	(34)	655.88%	(480)	(228)	110.53%
Net sewer revenues	20,539	21,390	-3.98%	199,731	187,381	6.59%
Kgal sales (000s omitted)						
Residential	1,357,656	1,474,027	-7.89%	12,212,059	11,507,815	6.12%
Commercial and industrial	888,847	859,065	3.47%	8,704,331	8,716,982	-0.15%
Total kgals sales	2,246,503	2,333,092	-3.71%	20,916,390	20,224,797	3.42%
Number of accounts (1):						
Residential	268,224	260,754	2.86%	265,425	258,428	2.71%
Commercial and industrial	18,681	18,565	0.62%	18,625	18,486	0.75%
Total average accounts	286,905	279,319	2.72%	284,050	276,914	2.58%
Residential averages:						
Revenue per account - $	47.25	48.55	-2.68%	427.37	418.65	2.08%
kgals per account	5.06	5.65	-10.44%	46.01	44.53	3.32%
Revenue per kgals - $	9.33	8.59	8.61%	9.29	9.40	-1.17%
Reuse						
Revenues (000s omitted):						
Reuse revenues	$ 1,766	$ 2,254	-21.65%	$ 15,336	$ 12,555	22.15%
Kgal sales (000s omitted)						
Reuse sales (kgals)	354,976	486,758	-27.07%	3,204,680	2,671,538	19.96%
Number of accounts (1):						
Reuse accounts	17,641	14,839	18.88%	16,701	13,918	20.00%
Rainfall			Diff in inches			Diff in inches
Normal	6.45	6.45		30.85	30.85	
Actual	9.86	4.41	5.45	35.44	28.44	7.00
Rain Days	11	13	(2)	72	83	(11)

(1) The year-to-date column represents a fiscal year-to-date average.

Appendix

JEA
Schedule of Cash and Investments
(in thousands - unaudited) June 2020

	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	$ 21,672	$ 37,071	$ 58,743	$ 10,095	$ 1,325	$ 70,163
Rate stabilization:						
Fuel	61,198	-	61,198	-	-	61,198
Environmental	22,048	-	22,048	21,124	-	43,172
Purchased Power	42,836	-	42,836	-	-	42,836
DSM/Conservation	4,955	-	4,955	-	-	4,955
Total rate stabilization funds	131,037	-	131,037	21,124	-	152,161
Customer deposits	44,027	-	44,027	17,080	-	61,107
General reserve	-	20,688	20,688	-	-	20,688
Self insurance reserve funds:						
Self funded health plan	11,486	-	11,486	-	-	11,486
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	21,486	-	21,486	-	-	21,486
Environmental liability reserve	16,568	-	16,568	-	-	16,568
Total unrestricted cash and investments	$ 234,790	$ 57,759	$ 292,549	$ 48,299	$ 1,325	$ 342,173
Restricted assets						
Renewal and replacement funds	$ 88,138	$ 40,618	$ 128,756	$ 43,818	$ 2,270	$ 174,844
Debt service reserve account	58,800	10,522	69,322	59,324	-	128,646
Debt service funds	64,343	12,981	77,324	26,839	1,618	105,781
Construction funds	-	-	-	27,599	-	27,599
Environmental funds	151	-	151	560	-	711
Subtotal	211,432	64,121	275,553	158,140	3,888	437,581
Unrealized holding gain (loss) on investments	6,219	107	6,326	5,603	-	11,929
Other funds	-	31,102	31,102	-	-	31,102
Total restricted cash and investments	$ 217,651	$ 95,330	$ 312,981	$ 163,743	$ 3,888	$ 480,612

JEA
Schedule of Cash and Investments
(in thousands) September 2019

	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	$ 35,605	$ 49,322	$ 84,927	$ 17,961	$ 1,489	$ 104,377
Rate stabilization:						
Fuel	47,152	-	47,152	-	-	47,152
Debt management	29,884	-	29,884	14,209	-	44,093
Environmental	25,632	-	25,632	15,687	-	41,319
Purchased Power	56,870	-	56,870	-	-	56,870
DSM/Conservation	4,363	-	4,363	-	-	4,363
Total rate stabilization funds	163,901	-	163,901	29,896	-	193,797
Customer deposits	44,785	-	44,785	16,289	-	61,074
General reserve	-	19,811	19,811	-	-	19,811
Self insurance reserve funds:						
Self funded health plan	11,210	-	11,210	-	-	11,210
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	21,210	-	21,210	-	-	21,210
Environmental liability reserve	16,568	-	16,568	-	-	16,568
Total unrestricted cash and investments	$ 282,069	$ 69,133	$ 351,202	$ 64,146	$ 1,489	$ 416,837
Restricted assets						
Renewal and replacement funds	$ 81,964	$ 46,955	$ 128,919	$ 48,796	$ 4,398	$ 182,113
Debt service reserve account	65,433	10,973	76,406	63,441	-	139,847
Debt service funds	153,650	19,635	173,285	80,775	2,356	256,416
Construction funds	-	-	-	28,968	-	28,968
Environmental funds	-	-	-	1,891	-	1,891
Subtotal	301,047	77,563	378,610	223,871	6,754	609,235
Unrealized holding gain (loss) on investments	4,388	107	4,495	4,225	-	8,720
Other funds	-	28,079	28,079	-	-	28,079
Total restricted cash and investments	$ 305,435	$ 105,749	$ 411,184	$ 228,096	$ 6,754	$ 646,034

JEA
INVESTMENT PORTFOLIO REPORT
June 2020
(unaudited)
All Funds

	INVESTMENT	BOOK VALUE	YIELD	% OF TOTAL
*	Treasuries	$ 9,988,281	1.56%	1.23%
	Federal Home Loan Bank	110,880,466	2.28%	13.64%
	Municipal Bonds	132,312,995	3.15%	16.28%
	Commercial Paper	132,979,279	1.44%	16.36%
	U.S. Treasury Money Market Funds (1)	127,573,072	0.13%	15.70%
	Agency Money Market Funds (2)	72,575,000	0.13%	8.93%
	PALM Money Market Fund	40,500,000	0.55%	4.98%
	Florida Prime Fund	109,168,000	0.57%	13.43%
	Wells Fargo Bank Accounts (3)			
	Electric, Scherer	43,017,982	0.08%	5.29%
	SJRPP	17,371,211	0.08%	2.14%
	Water & Sewer, DES	16,268,082	0.08%	2.00%
	Total Portfolio	$ 812,634,368	1.26%	100.00%

* Backed by Full Faith and Credit of U. S. Government

Weighted Avg. Annual Yield for June 2020, Excluding Bank & Money Market Funds: 2.27%

Weighted Avg. Annual Yield for June 2020, Including Bank & Money Market Funds: 1.26%

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
Schedule of Outstanding Indebtedness
June 2020

	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Electric Enterprise				
Electric System				
Fixed Rate Senior	3.000-6.056%	2020-2044	515,615,000	18,555,000
Fixed Rate Subordinated	3.000-6.406%	2020-2039	556,980,000	35,730,000
Variable Rate Senior	0.155-0.619%	2020-2040	454,935,000	6,505,000
Variable Rate Subordinated	0.129-0.398%	2021-2038	132,420,000	-
Total Electric System	2.751% (wtd avg)	2020-2044	1,659,950,000	60,790,000
Bulk Power Supply System				
Fixed Rate Senior	2.000-5.920%	2020-2038	88,860,000	6,975,000
St. Johns River Power Park				
Fixed Rate Senior	2.000-5.450%	2020-2039	265,105,000	13,340,000
Total Electric Enterprise	2.949% (wtd avg)	2020-2044	2,013,915,000	81,105,000
Water and Sewer System				
Fixed Rate Senior	2.000-6.310%	2020-2044	929,290,000	8,375,000
Fixed Rate Subordinated	2.750-5.000%	2023-2043	93,890,000	-
Variable Rate Senior	0.087-3.474%	2020-2042	156,220,000	9,195,000
Variable Rate Subordinated	0.077-0.165%	2020-2038	103,135,000	2,300,000
Other Obligations	1.324%	2021	5,000,000	-
Total Water and Sewer System	3.303% (wtd avg)	2020-2044	1,287,535,000	19,870,000
District Energy System				
Fixed Rate Senior	2.415 - 4.538%	2020-2034	33,135,000	1,725,000
Total JEA	3.099% (wtd avg)	2020-2044	3,334,585,000	102,700,000

JEA
Debt Ratio
June 2020

	Current YTD	Year End Target
Electric Enterprise	62.9%	62.1%
Water and Sewer System	42.8%	42.0%

JEA
Interest Rate Swap Position Report
June 2020
(unaudited)

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	9/16/2033	$ 84,800,000	$ -	3.717	0.117	3.600	n/a	68% 1 mth Libor
3	Morgan Stanley	1/27/2005	10/1/2039	82,575,000	-	4.351	0.119	4.231	n/a	SIFMA
4	JPMorgan	1/27/2005	10/1/2035	84,775,000	-	3.661	0.117	3.544	n/a	68% 1 mth Libor
6	JPMorgan	1/27/2005	10/1/2037	39,175,000	-	3.716	0.117	3.599	n/a	68% 1 mth Libor
7	Morgan Stanley	10/31/2006	10/1/2022	-	19,110,000	4.054	3.474	0.580	n/a	CPI
8	Morgan Stanley	1/31/2007	10/1/2031	62,980,000	-	3.907	0.119	3.788	n/a	SIFMA
9	Merrill Lynch	3/8/2007	10/1/2041	-	85,290,000	3.895	0.119	3.776	n/a	SIFMA
10	Goldman Sachs	1/31/2008	10/1/2036	51,680,000	-	3.836	0.119	3.717	n/a	SIFMA
			Total	$ 405,985,000	$ 104,400,000	Wtd Avg Spread		3.644		

Note: (1) The "Floating Rate" column is the average of the floating rate for each instrument for this month.

JEA
Electric System
Production Statistics
(unaudited)

	Month June 2020	Month June 2019	Variance	Year-to-Date June 2020	Year-to-Date June 2019	Variance
Generated power:						
Steam:						
Fuel oil						
Fuel expense	$ 200,132	$ 28,601	599.74%	$ 265,308	$ 375,462	-29.34%
Barrels #6 oil consumed	1,846	264	599.24%	2,447	3,513	-30.34%
$/ per barrel consumed	$ 108.41	$ 108.34	0.07%	$ 108.42	$ 106.88	1.44%
kWh oil generated (1)	1,060,132	-		1,201,578	1,220,989	-1.59%
Cost per MWh - oil	$ 188.78	$ -		$ 220.80	$ 307.51	-28.20%
Natural gas units #1-3						
Gas expense - variable	$ 3,407,007	$ 5,493,500	-37.98%	$ 33,200,691	$ 47,228,619	-29.70%
MMBTU's consumed	1,976,273	2,115,985	-6.60%	16,124,845	14,837,608	8.68%
$/ per MMBTU consumed	$ 1.72	$ 2.60	-33.60%	$ 2.06	$ 3.18	-35.31%
kWh - gas generated (1)	179,111,606	197,011,133	-9.09%	1,482,730,504	1,388,276,727	6.80%
Cost per MWh - gas	$ 19.02	$ 27.88	-31.78%	$ 22.39	$ 34.02	-34.18%
Cost per MWh - gas & oil - steam	$ 20.02	$ 28.03	-28.57%	$ 22.55	$ 34.26	-34.17%
Coal						
Coal expense	$ 2,307,003	$ 2,384,971	-3.27%	$ 12,393,328	$ 20,085,821	-38.30%
kWh generated	101,809,942	62,635,677	62.54%	501,818,832	509,999,012	-1.60%
Cost per MWh - coal	$ 22.66	$ 38.08	-40.49%	$ 24.70	$ 39.38	-37.29%
Pet coke and limestone						
Expense	$ 4,404,121	$ 4,136,646	6.47%	$ 25,736,946	$ 32,966,066	-21.93%
kWh generated	185,449,922	122,495,790	51.39%	1,051,365,824	925,197,988	13.64%
Cost per MWh - pet coke and limestone	$ 23.75	$ 33.77	-29.68%	$ 24.48	$ 35.63	-31.30%
Cost per MWh - coal & petcoke - steam	$ 23.36	$ 35.23	-33.68%	$ 24.55	$ 36.96	-33.59%
Combustion turbine:						
Fuel oil						
Fuel expense	$ 134,179	$ 78,656	70.59%	$ 1,374,993	$ 1,185,156	16.02%
Barrels #2 oil consumed	1,136	386	194.30%	11,091	8,270	34.11%
$/ per barrel consumed	$ 118.12	$ 203.77	-42.04%	$ 123.97	$ 143.31	-13.49%
kWh - oil generated	461,302	219,715	109.95%	4,171,893	2,849,922	46.39%
Cost per MWh - oil	$ 290.87	$ 357.99	-18.75%	$ 329.58	$ 415.86	-20.75%
Natural gas (includes landfill)						
Gas expense Kennedy & landfill - variable	$ 170,079	$ 569,581	-70.14%	$ 1,658,555	$ 4,559,097	-63.62%
MMBTU's consumed	99,230	220,268	-54.95%	736,666	1,463,032	-49.65%
$/ per MMBTU consumed	$ 1.71	$ 2.59	-33.72%	$ 2.25	$ 3.12	-27.75%
kWh - gas generated (1)	8,559,677	19,561,204	-56.24%	61,780,941	128,785,299	-52.03%
Cost per MWh - gas	$ 19.87	$ 29.12	-31.76%	$ 26.85	$ 35.40	-24.17%
Gas expense BB simple - variable	$ 303,223	$ 571,135	-46.91%	$ 2,111,144	$ 4,509,663	-53.19%
MMBTU's consumed	$ 223,384	220,770	1.18%	1,206,659	1,441,203	-16.27%
$/ per MMBTU consumed	$ 1.36	$ 2.59	-47.53%	$ 1.75	$ 3.13	-44.09%
kWh - gas generated (1)	21,097,004	20,062,656	5.16%	121,247,091	129,101,603	-6.08%
Cost per MWh - gas simple	$ 14.37	$ 28.47	-49.51%	$ 17.41	$ 34.93	-50.15%
Gas expense BB combined - variable	$ 4,698,300	$ 6,956,329	-32.46%	$ 50,669,400	$ 53,874,683	-5.95%
MMBTU's consumed	2,737,256	2,663,994	2.75%	24,281,542	15,800,152	53.68%
$/ per MMBTU consumed	$ 1.72	$ 2.61	-34.27%	$ 2.09	$ 3.41	-38.80%
kWh - gas generated (1)	405,446,608	387,643,840	4.59%	3,622,583,624	2,295,402,710	57.82%
Cost per MWh - gas combined	$ 11.59	$ 17.95	-35.43%	$ 13.99	$ 23.47	-40.41%
Gas expense GEC simple - variable	$ 1,115,323	$ 1,368,820	-18.52%	$ 7,219,134	$ 9,040,177	-20.14%
MMBTU's consumed	507,592	528,697	-3.99%	3,203,881	3,156,923	1.49%
$/ per MMBTU consumed	$ 2.20	$ 2.59	-15.13%	$ 2.25	$ 2.86	-21.31%
kWh - gas generated	46,746,034	48,475,546	-3.57%	291,829,580	286,537,116	1.85%
Cost per MWh - gas simple	$ 23.86	$ 28.24	-15.50%	$ 24.74	$ 31.55	-21.59%
Cost per MWh - gas & oil ct	$ 13.31	$ 20.05	-33.61%	$ 15.37	$ 25.74	-40.29%
Natural gas expense - fixed	$ 3,622,782	$ 3,460,753	4.68%	$ 29,035,482	$ 29,924,609	-2.97%
Total generated power:						
Fuels expense	$ 20,362,149	$ 25,048,992	-18.71%	$ 163,664,981	$ 203,749,353	-19.67%
kWh generated	949,742,227	858,105,561	10.68%	7,138,729,867	5,667,371,366	25.96%
Cost per MWh	$ 21.44	$ 29.19	-26.55%	$ 22.93	$ 35.95	-36.23%

(1) Allocation of kWh generated is based upon a ratio of gas MBTU's (adjusted to oil equivalent - 95.5%) and oil MBTU's.

	Month June 2020	Month June 2019	Variance	Year-to-Date June 2020	Year-to-Date June 2019	Variance
Production Statistics (Continued)						
Cost of fuels						
Natural gas	$ 13,316,714	$ 18,420,118	-27.71%	$ 123,894,406	$ 149,136,848	-16.93%
Petcoke	4,404,121	4,136,646	6.47%	25,736,946	32,966,066	-21.93%
Coal	2,307,003	2,384,971	-3.27%	12,393,328	20,085,821	-38.30%
Fuel oil #2	134,179	78,656	70.59%	1,374,993	1,185,156	16.02%
Fuel oil #6	200,132	28,601	599.74%	265,308	375,462	-29.34%
Total	$ 20,362,149	$ 25,048,992	-18.71%	$ 163,664,981	$ 203,749,353	-19.67%
Purchased power:						
Plant Scherer						
Purchases	$ 3,670,965	$ 4,223,103	-13.07%	$ 33,225,025	$ 48,985,851	-32.17%
kWh purchased	63,627,000	101,382,000	-37.24%	462,082,000	1,064,677,000	-56.60%
Cost per MWh	$ 57.70	$ 41.66	38.51%	$ 71.90	$ 46.01	56.28%
TEA & other						
Purchases	$ 7,219,474	$ 15,232,584	-52.61%	$ 60,420,259	$ 101,069,216	-40.22%
kWh purchased	151,709,023	278,989,571	-45.62%	1,263,112,963	2,441,002,399	-48.25%
Cost per MWh	$ 47.59	$ 54.60	-12.84%	$ 47.83	$ 41.40	15.53%
SJRPP						
Purchases	$ 2,028,676	$ 2,157,607	-5.98%	$ 18,586,973	$ 20,703,543	-10.22%
kWh purchased	-	-		-	-	
Cost per MWh						
Total purchased power:						
Purchases	$ 12,919,115	$ 21,613,294	-40.23%	$ 112,232,257	$ 170,758,610	-34.27%
kWh purchased	215,336,023	380,371,571	-43.39%	1,725,194,963	3,505,679,399	-50.79%
Cost per MWh	$ 60.00	$ 56.82	5.59%	$ 65.05	$ 48.71	33.56%
Subtotal - generated and purchased power:	$ 33,281,264	$ 46,662,286	-28.68%	$ 275,897,238	$ 374,507,963	-26.33%
Fuel interchange sales	(235,016)	(131,623)	78.55%	(1,299,405)	(2,827,175)	-54.04%
Earnings of The Energy Authority	(553,499)	(646,213)	-14.35%	(1,878,406)	(1,747,831)	7.47%
EPA Allowance Purchases	-	-		(17,000)	-	
Realized and Unrealized (Gains) Losses	2,462,330	707,420	248.07%	12,713,310	(2,984,620)	-525.96%
Fuel procurement and handling	1,007,793	1,083,736	-7.01%	9,933,697	10,178,632	-2.41%
By product reuse	362,992	166,882	117.51%	2,861,940	4,646,066	-38.40%
Total generated and net purchased power:						
Cost, net	36,325,864	47,842,488	-24.07%	298,211,374	381,773,035	-21.89%
kWh generated and purchased	1,165,078,250	1,238,477,132	-5.93%	8,863,924,830	9,173,050,765	-3.37%
Cost per MWh	$ 31.18	$ 38.63	-19.29%	$ 33.64	$ 41.62	-19.16%
Reconciliation:						
Generated and purchased power per above	$ 36,325,864	$ 31.18		$ 298,211,374	$ 33.64	
SJRPP operating expenses:						
SJRPP O & M	-	-		520	0.00	
SJRPP debt service	(1,784,228)	(1.53)		(16,387,466)	(1.85)	
SJRPP R & R	(244,447)	(0.21)		(2,200,027)	(0.25)	
Scherer operating expenses:						
Scherer power production	(416,049)	(0.36)		(6,654,367)	(0.75)	
Scherer R & R	(502,482)	(0.43)		(8,234,319)	(0.93)	
Scherer transmission	(541,256)	(0.46)		(4,068,391)	(0.46)	
Scherer taxes	(110,140)	(0.09)		(1,031,904)	(0.12)	
Florida and other capacity	(680,852)	(0.58)		(8,074,534)	(0.91)	
MEAG	(1,617,288)	(1.39)		(14,034,073)	(1.58)	
Rounding	(1)	(0.00)		-	-	
Energy expense per budget page	$ 30,429,121	$ 26.12		$ 237,526,813	$ 26.80	

JEA Electric System Budget vs. Actual June 2020 and 2019 (unaudited)	ANNUAL BUDGET 2019-20	Month BUDGET 2019-20	ACTUAL 2019-20	Variance %	Prior Year Month ACTUAL 2018-19	Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 410,912,768	$ 38,470,955	$ 32,976,078	-14.28%	$ 37,681,232	-12.49%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	297,844,914	27,117,425	24,195,264		27,007,029	
Other Purchased Power	94,282,216	8,719,367	6,233,857		14,508,821	
Subtotal Energy Expense	392,127,130	35,836,792	30,429,121	15.09%	41,515,850	26.70%
Transfer to (from) Rate Stabilization, Net	18,169,269	2,582,799	2,196,227		(3,891,952)	
Fuel Related Uncollectibles	616,369	51,364	350,730		57,334	
Total	410,912,768	38,470,955	32,976,078	14.28%	37,681,232	12.49%
Fuel Balance	-	-	-		-	
Nonfuel Related Revenues						
Base Rate Revenues	791,145,587	74,069,556	69,646,746		71,941,870	
Conservation Charge Revenue	768,600	71,959	86,936		125,740	
Environmental Charge Revenue	7,814,100	731,581	684,755		716,618	
Investment Income	11,378,365	948,197	448,793		739,595	
Natural Gas Revenue Pass Through	1,000,000	83,333	51,276		55,589	
Other Revenues	51,779,028	2,209,093	1,840,524		2,306,167	
Total	863,885,680	78,113,719	72,759,030	-6.85%	75,885,579	-4.12%
Nonfuel Related Expenses						
Non-Fuel O&M	267,651,025	16,727,160	15,770,482		16,607,708	
DSM / Conservation O&M	8,072,869	642,706	304,243		690,293	
Environmental O&M	2,027,284	168,243	132,912		76,344	
Rate Stabilization - DSM	(899,269)	(74,375)	320,678		28,451	
Rate Stabilization - Environmental	5,786,816	482,364	(132,863)		640,274	
Natural Gas Expense Pass Through	960,991	78,841	59,403		63,719	
Debt Principal - Electric System	60,790,000	5,065,833	5,065,833		9,685,833	
Debt Interest - Electric System	77,259,892	6,438,324	6,497,046		7,336,327	
Bond Buy-Back Principal - Electric System	25,269,913	-	-		-	
R&R - Electric System	65,623,650	5,468,637	5,468,637		5,370,642	
Operating Capital Outlay	175,125,724	24,000,000	24,000,000		22,000,000	
Operating Capital Outlay - Environmental	-	-	684,706		-	
City Contribution Expense	93,870,968	7,822,581	7,822,581		7,746,012	
Taxes & Uncollectibles	1,399,517	116,626	758,154		126,863	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	13,340,000	1,111,667	1,111,667		1,148,333	
* SJRPP D/S Interest	10,444,195	870,350	843,913		898,688	
** Other Non-Fuel Purchased Power	52,162,105	4,162,849	3,165,463		3,499,481	
Total Nonfuel Expenses	863,885,680	73,081,806	71,872,855	1.65%	75,918,968	5.33%
Non-Fuel Balance	-	5,031,913	886,175		(33,389)	
Total Balance	-	5,031,913	886,175		(33,389)	
Total Revenues	**1,274,798,448**	**116,584,674**	**105,735,108**	-9.31%	**113,566,811**	-6.90%
Total Expenses	**1,274,798,448**	**111,552,761**	**104,848,933**	6.01%	**113,600,200**	7.70%
KWH Sold - Territorial	**12,810,000,000**	**1,199,313,000**	**1,117,063,491**	-6.86%	**1,168,654,208**	-4.41%
KWH Sold - Off System	**-**	**-**	**566,000**		**6,792,000**	
	12,810,000,000	**1,199,313,000**	**1,117,629,491**	-6.81%	**1,175,446,208**	-4.92%

* Gross debt service
** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

JEA Electric System Budget vs. Actual June 2020 and 2019 (unaudited)	ANNUAL BUDGET 2019-20	Year-to-Date BUDGET 2019-20	Year-to-Date ACTUAL 2019-20	Year-to-Date Variance %	Prior Year-to-Date ACTUAL 2018-19	Prior Year-to-Date Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 410,912,768	$ 290,412,278	$ 252,106,581	-13.19%	$ 281,820,176	-10.54%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	297,844,914	211,414,680	189,156,927		215,589,431	
Other Purchased Power	94,282,216	67,446,189	48,369,886		104,033,433	
Subtotal Energy Expense	392,127,130	278,860,869	237,526,813	14.82%	319,622,864	25.69%
Transfer to (from) Rate Stabilization, Net	18,169,269	11,089,132	14,046,671		(38,185,314)	
Fuel Related Uncollectibles	616,369	462,277	533,097		382,626	
Total	410,912,768	290,412,278	252,106,581	13.19%	281,820,176	10.54%
Fuel Balance	-	-	-		-	
Nonfuel Related Revenues						
Base Rate Revenues	791,145,587	559,141,526	532,961,921		542,834,235	
Conservation Charge Revenue	768,600	543,207	350,729		430,001	
Environmental Charge Revenue	7,814,100	5,522,609	5,238,495		5,357,050	
Investment Income	11,378,365	8,533,774	5,610,511		9,636,334	
Natural Gas Revenue Pass Through	1,000,000	750,000	494,797		528,358	
Other Revenues	51,779,028	45,151,750	42,760,016		128,420,838	
Total	863,885,680	619,642,866	587,416,469	-5.20%	687,206,816	-14.52%
Nonfuel Related Expenses						
Non-Fuel O&M	267,651,025	191,326,991	150,509,230		158,307,644	
DSM / Conservation O&M	8,072,869	6,024,837	4,021,830		3,785,036	
Environmental O&M	2,027,284	1,518,355	755,715		1,729,687	
Rate Stabilization - DSM	(899,269)	(669,377)	592,150		1,028,061	
Rate Stabilization - Environmental	5,786,816	4,340,752	(3,584,548)		3,627,364	
Natural Gas Expense Pass Through	960,991	719,502	565,914		599,632	
Debt Principal - Electric System	60,790,000	45,592,500	45,592,500		87,172,500	
Debt Interest - Electric System	77,259,892	57,944,919	54,956,251		63,003,320	
Bond Buy-Back Principal - Electric System	25,269,913	25,269,913	55,154,065		108,694,829	
Rate Stabilization - Debt Management	-	-	(29,884,152)		-	
R&R - Electric System	65,623,650	49,217,737	49,217,738		48,335,775	
Operating Capital Outlay	175,125,724	122,000,000	122,000,000		80,000,000	
Operating Capital Outlay - Environmental	-	-	8,067,327		-	
City Contribution Expense	93,870,968	70,403,226	70,403,226		69,714,110	
Taxes & Uncollectibles	1,399,517	1,049,638	1,313,722		894,633	
Emergency Reserve	5,000,000	-	-		-	
* SJRPP D/S Principal	13,340,000	10,005,000	10,005,000		10,335,000	
* SJRPP D/S Interest	10,444,195	7,833,146	7,595,216		8,088,189	
** Other Non-Fuel Purchased Power	52,162,105	39,673,556	38,834,561		41,351,019	
Total Nonfuel Expenses	863,885,680	632,250,695	586,115,745	7.30%	686,666,799	14.64%
Non-Fuel Balance	-	(12,607,829)	1,300,724		540,017	
Total Balance	-	(12,607,829)	1,300,724		540,017	
Total Revenues	**1,274,798,448**	**910,055,144**	**839,523,050**	-7.75%	**969,026,992**	-13.36%
Total Expenses	**1,274,798,448**	**922,662,973**	**838,222,326**	9.15%	**968,486,975**	13.45%
KWH Sold - Territorial	**12,810,000,000**	**9,053,458,000**	**8,547,799,767**	-5.59%	**8,747,001,105**	-2.28%
KWH Sold - Off System	**-**	**-**	**16,423,000**		**83,307,000**	
	12,810,000,000	**9,053,458,000**	**8,564,222,767**	-5.40%	**8,830,308,105**	-3.01%

* Gross debt service
** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

Water and Sewer System		Month			Prior Year Month	
Budget vs. Actual	**ANNUAL BUDGET**	**BUDGET**	**ACTUAL**	**Variance**	**ACTUAL**	**Variance**
June 2020 and 2019 (unaudited)	**2019-20**	**2019-20**	**2019-20**	**%**	**2018-19**	**%**
REVENUES						
Water & Sewer Revenues	$ 450,736,934	$ 37,287,547	$ 37,435,019		$ 38,858,687	
Capacity & Extension Fees	27,600,000	3,080,887	2,389,317		2,413,535	
Capital Contributions	-	-	-		-	
Investment Income	4,308,356	359,030	231,541		461,887	
Other Income	45,792,672	1,031,552	919,752		4,258,080	
Total	528,437,962	41,759,016	40,975,629	-1.88%	45,992,189	-10.91%
EXPENSES						
O & M Expenses	185,838,461	14,529,282	13,092,242		11,984,343	
Debt Principal - Water & Sewer	19,870,000	1,655,833	1,655,833		4,558,750	
Debt Interest - Water & Sewer	58,666,036	4,888,836	4,637,460		5,177,719	
Bond Buy-Back - Water & Sewer	33,986,631	-	-		-	
Rate Stabilization - Environmental	-	-	587,025		(950,064)	
R&R - Water & Sewer	25,138,950	2,094,913	2,094,913		1,962,696	
Operating Capital Outlay	136,914,124	13,712,602	13,712,602		16,859,373	
Operating Capital Outlay - Capacity/Extension	27,600,000	2,300,000	2,389,317		2,413,535	
Operating Capital Outlay - Contributions	-	-	-		-	
Operating Capital Outlay - Environmental	13,393,063	1,134,197	429,179		2,439,046	
City Contribution Expense	24,953,042	2,079,420	2,079,420		2,057,949	
Uncollectibles & Fees	540,884	45,074	426,875		57,755	
Interlocal Agreements	536,771	-	-		-	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	528,437,962	42,440,157	41,104,866	3.15%	46,561,102	11.72%
Total Balance	$ -	$ (681,141)	$ (129,237)		$ (568,913)	
Sales kgals						
Water	39,900,000	3,315,545	3,135,349	-5.43%	3,577,357	-12.36%
Sewer	33,180,000	2,772,139	2,601,479	-6.16%	2,819,850	-7.74%
Total	73,080,000	6,087,684	5,736,828	-5.76%	6,397,207	-10.32%

		Year-To-Date			Prior Year to Date	
Budget vs. Actual	**ANNUAL BUDGET**	**BUDGET**	**ACTUAL**	**Variance**	**ACTUAL**	**Variance**
June 2020 and 2019 (unaudited)	**2019-20**	**2019-20**	**2019-20**	**%**	**2018-19**	**%**
REVENUES						
Water & Sewer Revenues	$ 450,736,934	$ 332,776,436	$ 337,863,412		$ 326,036,715	
Capacity & Extension Fees	27,600,000	19,944,203	23,658,050		21,083,032	
Capital Contributions	-	-	60,000		29,759	
Investment Income	4,308,356	3,231,267	2,537,534		5,605,748	
Other Income	45,792,672	43,032,393	44,386,378		129,961,121	
Total	528,437,962	398,984,299	408,505,374	2.39%	482,716,375	-15.37%
EXPENSES						
O & M Expenses	185,838,461	137,317,365	118,489,591		113,810,744	
Debt Principal - Water & Sewer	19,870,000	14,902,501	14,902,501		41,028,750	
Debt Interest - Water & Sewer	58,666,036	43,999,527	40,899,877		46,485,932	
Bond Buy-Back - Water & Sewer	33,986,631	33,986,631	48,195,881		99,188,560	
Rate Stabilization - Debt Management	-	-	(14,209,250)		-	
Rate Stabilization - Environmental	-	-	5,436,978		2,747,914	
R&R - Water & Sewer	25,138,950	18,854,213	18,854,213		17,664,262	
Operating Capital Outlay	136,914,124	125,013,415	125,013,414		96,949,189	
Operating Capital Outlay - Capacity/Extension	27,600,000	20,700,000	23,658,050		21,083,032	
Operating Capital Outlay - Contributions	-	-	60,000		29,759	
Operating Capital Outlay - Environmental	13,393,063	9,990,470	5,174,663		7,352,043	
City Contribution Expense	24,953,042	18,714,782	18,714,782		18,521,541	
Uncollectibles & Fees	540,884	405,663	799,552		380,741	
Interlocal Agreements	536,771	536,771	536,771		15,521,392	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	528,437,962	424,421,338	406,527,023	4.22%	480,763,859	15.44%
Total Balance	$ -	$ (25,437,039)	$ 1,978,351		$ 1,952,516	
Sales kgals						
Water	39,900,000	29,264,483	28,384,721	-3.01%	27,585,392	2.90%
Sewer	33,180,000	24,447,717	24,121,070	-1.34%	22,896,335	5.35%
Total	73,080,000	53,712,200	52,505,791	-2.25%	50,481,727	4.01%

District Energy System

Budget vs. Actual June 2020 and 2019 (unaudited)		ANNUAL BUDGET 2019-20		Month BUDGET 2019-20		ACTUAL 2019-20	Variance %		Prior Year Month ACTUAL 2018-19	Variance %
REVENUES										
Revenues	$	9,044,699	$	780,283	$	654,187		$	791,844	
Investment Income		-		-		1,834			13,921	
Total		9,044,699		780,283		656,021	-15.93%		805,765	-18.58%
EXPENSES										
O & M Expenses		5,164,460		403,699		386,461			422,942	
Debt Principal - Water & Sewer		1,725,000		143,750		143,750			140,833	
Debt Interest - Water & Sewer		1,295,550		107,963		107,963			110,871	
Rate Stabilization - Debt Management		-		-		-			-	
R&R - Water & Sewer		589,200		49,100		49,100			36,913	
Operating Capital Outlay		270,489		-		-			-	
Total Expenses		9,044,699		704,512		687,274	2.45%		711,559	3.41%
Total Balance	$	-	$	75,771	$	(31,253)		$	94,206	

Budget vs. Actual June 2020 and 2019 (unaudited)		ANNUAL BUDGET 2019-20		Year-To-Date BUDGET 2019-20		ACTUAL 2019-20	Variance %		Prior-Year-to-Date ACTUAL 2018-19	Variance %
REVENUES										
Revenues	$	9,044,699	$	6,333,843	$	5,907,199		$	6,078,680	
Investment Income		-		-		55,015			113,280	
Total		9,044,699		6,333,843		5,962,214	-5.87%		6,191,960	-3.71%
EXPENSES										
O & M Expenses		5,164,460		3,819,179		3,123,214			3,157,200	
Debt Principal - Water & Sewer		1,725,000		1,293,750		1,293,750			1,267,500	
Debt Interest - Water & Sewer		1,295,550		971,663		971,663			997,836	
Rate Stabilization - Debt Management		-		-		-			(2,737,164)	
R&R - Water & Sewer		589,200		441,900		441,900			332,213	
Operating Capital Outlay		270,489		-		-			2,737,164	
Total Expenses		9,044,699		6,526,492		5,830,527	10.66%		5,754,749	-1.32%
Total Balance	$	-	$	(192,649)	$	131,687		$	437,211	

INTER-OFFICE MEMORANDUM
July 10, 2020

SUBJECT:	**CORPORATE HEADQUARTERS AND HQ2 UPDATE**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
JEA has been planning for a new corporate headquarters (HQ) for several years to address business continuity risks while meeting our headquarter needs in a cost-effective manner. The Board approved a lease with Ryan Companies US, Inc. (Ryan) at its June 25, 2019 meeting and the lease was executed on July 9, 2019 after approval of the site purchase and sale agreement between Ryan and the City of Jacksonville. Recent reviews by the JEA Board and its newly formed Corporate Headquarters Committee resulted in approved changes to the scope of the HQ project including reducing two floors from the main building and the parking garage.

DISCUSSION:
The second amendment to the lease incorporating recent changes to building size and scope was executed by Ryan Companies and JEA on June 23, 2020. Ryan Companies closed on its loan and the land purchase from the City of Jacksonville on June 29, 2020. JEA received design drawings from Ryan on June 26 and those are under review and comments from JEA staff. Ryan plans to secure the site with fencing and fence wrap in late July and begin site work in August. Ryan and JEA are currently planning a virtual groundbreaking for late September or early October to occur before vertical construction start.

Preliminary scoping and site reviews are underway for the complementary hardened facility with EOC (HQ2). More information on potential site selection and scope for HQ2 will be presented at a future board meeting.

FINANCIAL IMPACT:
The change in scope for the main headquarters resulted in savings over the January 2020 program to allow for development of a separate hardened facility.

RECOMMENDATION:
This is provided as information only.

Paul E. McElroy, Interim Managing Director/CEO

PEM/NKV

INTER-OFFICE MEMORANDUM
July 10, 2020

SUBJECT:	**SOLE SOURCE & EMERGENCY PROCUREMENT/PROCUREMENT APPEALS BOARD REPORT**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
Sections 1-113 and 1-114 of the JEA Purchasing Code require the Chief Procurement Officer to submit a report on all Sole Source and Emergency procurements and all Procurement Appeals Board decisions to the JEA Board on a quarterly basis.

DISCUSSION:
This report is submitted for the quarter ending June 30, 2020. Summary information for all awards is provided below. A detailed listing for the Formal Sole Source and Emergency Awards is attached. Detailed back-up information for all other awards is retained by the Chief Procurement Officer and is available upon request. There were no Procurement Appeals Board (PAB) actions this quarter.

Quarter Ending June 30, 2020

Formal Awards	**Number**	**%**	**Dollar Amount**	**%**
Total	50		$93,003,313.44	
Sole Source Awards	1	2.00%	$409,803.00	0.44%
Emergency Awards	0	0.00%	$0.00	0.00%

Informal Awards	**Number**	**%**	**Dollar Amount**	**%**
Total	1801		$18,652,886.52	
Sole Source Awards	1	0.06%	$260,984.34	1.40%
Emergency Awards	1	0.06%	$117,921.18	0.63%

FINANCIAL IMPACT:
No financial impact at this time. This presentation is provided as information.

RECOMMENDATION:
This item is submitted for information. No action by the Board is required.

Paul McElroy, Interim Managing Director/CEO

PEM/ADM/JGM

Formal Sole Source Awards by Department - Detailed Listing

12 months ending June 30, 2020

Sole Source Awards (3 Items totaling $4,008,244.00)

Award Date	Amount	Requesting Dept.	Vendor	Description	Sourcing Basis
10/3/2019	$1,092,000.00	Customer	Fiserv	Customer eBill Distribution Implementation and Services	**Sole Source:** JEA has negotiated a five (5) year agreement with Fiserv for eBill distribution services to maximize customer paperless bill adoption and expand customer choice. This service will allow customers to use their existing banking services eBill feature to pay their JEA bill reaching customers beyond JEA's own website to augment paperless billing options and convenience for JEA customers. Fiserv has been selected as a sole source for new Customer Ebill Distributions services due to market monopolization strength and product capability. Fiserv is recognized as pioneer in digitization of bill pay solutions and sends 94% of all payment ebills delivered to U.S financial institutions. Fiserv has exclusive access to more than 4,000 financial institutions and 20 million customers. JEA extensively negotiated with Fiserv and compared other similar public contracts and pricing to ensure a competitive offer including no cost for implementation.
12/12/2019	$2,506,441.00	Customer	Exceleron Software, LLC	Customer MyWay Pre-Paid Account Management Software Support	**Sole Source:** The scope of this request is for Customer Pre-Paid Account Management Software Support Services for JEA Customer MyWay Pre-Paid Accounts. JEA offers customers prepaid services to offer an alternative to traditional payment methods, and to accommodate JEA customer growth. Exceleron Customer MyWay Prepaid Software was originally competitively bid in 2012 and is now being awarded a new sole source contract for software support as a follow up service. Exceleron has provided JEA a high level of service since 2012 and is currently partnering with JEA to develop the prepaid version of the complex flex pricing billing regime which JEA is considering. Continuing a sole source contract with Exceleron requires no new implementation or integration costs which are estimated at $2.7M and 18 months of JEA IT resources if JEA were to change vendors. Half of the original implementation cost was paid for by the federal government. In addition a limited number of companies offer prepaid software. JEA negotiated with Exceleron and received rate reductions of 2.5% in year 1, 6% in year 2, and 7% in year 3 in exchange for a new contract.
5/7/2020	$409,803.00	Energy	Powerplus Cleaning Systems	N01 CFB HRA Impulse Cleaning System	**Sole Source:** This request is for the purchase of an impulse cleaning system on the N01 CFB HRA to improve heat transfer which would improve overall unit efficiency. The Northside Generating Station Circulating Fluidized Bedboilers (CFB's) heat recovery area (HRA) are prone to ash build up, which decreases the thermal efficiency of the HRA, causing the HRA outlet gas temperature to be elevated (35 degrees higher than design). This elevated temperature causes increase limestone consumption in the air quality control system (AQCS), approximately 9%, and an overall unit heat rate degradation for each 1 degree over design at the HRA exit of 2.51 BTU/KWH. This project is designed to bring the HRA exit gas temperature closer to design temperature through impulse cleaning. There are several technologies for ash removal which include; detonation (impulse cleaning), soot blowers and acoustic wave. JEA has soot blowers which are maintenance intensive, provide limited overage and potentially damage tubes. Acoustic wave has been used by JEA with limited success in removing build up. Based on research detonation (impulse cleaning) is the selected technology and demonstrates a quick return on investment.
Total	**$4,008,244.00**				

Formal Emergency Awards by Department - Detailed Listing

12 months ending June 30, 2020

Emergency Awards (2 Items totaling $2,409,454.42)

Award Date	Amount	Requesting Dept.	Vendor	Description	Sourcing Basis
10/3/2019	$2,064,333.56	W/WW	TB Landmark Construction, Inc.	Collins Road Force Main (FM) Relocation - Whispering Pines Dr. to Blanding Blvd.	**Emergency:** This request is to procure construction services for the installation of approximately 5,200 linear feet (LF) of 12-inch wastewater FM including 184 LF of flanged 316L stainless steel bridge-mounted river crossing with associated bridge hangers and approximately 5,016 LF of 12-inch DR-18 PVC FM with associated fittings and appurtenances. This project replaces a force main (pressurized sewer pipe) that has had several main breaks and sanitary sewer overflows (SSOs), requiring vacuum truck (Vactor) crews to stage along I-295 with accompanying maintenance of traffic and police presence to minimize the SSO and clean up the site. The project was competitively bid, but due to the emergency nature of the project, the advertising period was shortened to 21 days (including an extension due to Hurricane Dorian). Florida Statue 255.0525 requires advertising for 30 days for construction projects over $500,000. JEA received five (5) Bids and TB Landmark Construction, Inc. was the lowest responsive and responsible bidder.
1/30/2020	$345,120.86	W/WW	A.W.A. Contracting Company, Inc.	San Diego Road and Ponte Vedra Blvd-Water and Sewer Replacement	**Emergency:** This is an emergency procurement to contract with A.W.A. Contracting Company for the construction of 385 feet of 12-inch PVC DR18, 390 feet of 8-inch PVC DR18, 77 feet of 6-inch PVC DR18 and 20 feet of 4-inch PVC DR18 water main by open-cut method along San Diego Rd and Ponte Vedra Blvd. Construction of 140 feet of 6-inch SDR21 PVC and 120 feet 4-inch SDR21 PVC vacuum sewer, and conflict structure along San Diego Rd and Ponte Vedra Blvd. The Project was competitively bid by Saint Johns County (SJC), however, a Master Agreement for Joint Projects is not yet in place with SJC, therefore the award is made as Emergency. JEA will be able to take advantage of the cost and time savings of the construction work currently planned in this area and avoid duplication of costs related to surveying, maintenance of traffic, mobilization/demobilization and other associated construction costs. Procurement Operational Procedures allow Emergency Procurements if it prevents curtailment of an essential service and can secure financial gain through timely action.
Total	**$2,409,454.42**				

Total Sole Source & Emergency Procurement Actions

	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3
Total Awards	$132.01M	$219.19M	$89.24M	$111.66M
Sole Source ($)	$0.00M	$3.74M	$0.00M	$0.67M
Sole Source (%)	0%	1.71%	0.00%	0.60%
Emergency ($)	$0.00M	$2.09M	$0.54M	$0.12M
Emergency (%)	0.00%	0.95%	0.60%	0.11%
Combined SS/E (%)	0.00%	2.66%	0.60%	0.71%

Building Community

Monthly Operating and Financial Summary

Board of Directors
July 28, 2020

JEA Building Community

JEA Safety

FY2019

- RIR = 1.51
- # of Recordables = 32
- June Recordables = 3

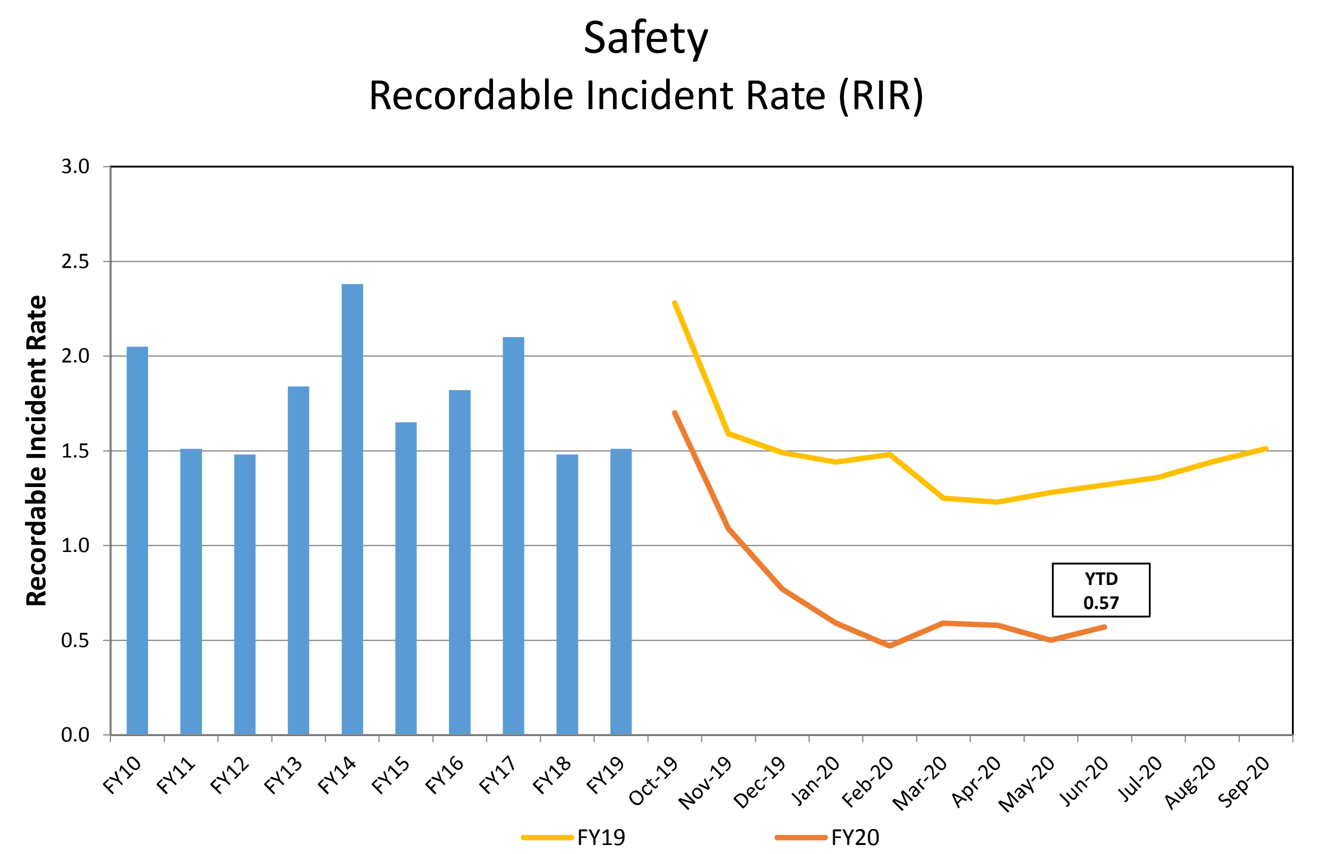
FY2020

- RIR = 0.57 YTD
- FY20 YTD Recordables = 9
  - Electric Systems = 7
  - Water/Wastewater = 2
- Lost Time Incidents = 3
- June Recordables = 2

- Elevating Safety Culture:
  - Safety Focused Leadership Training
  - Driver Coaching
  - Job Safety Briefings

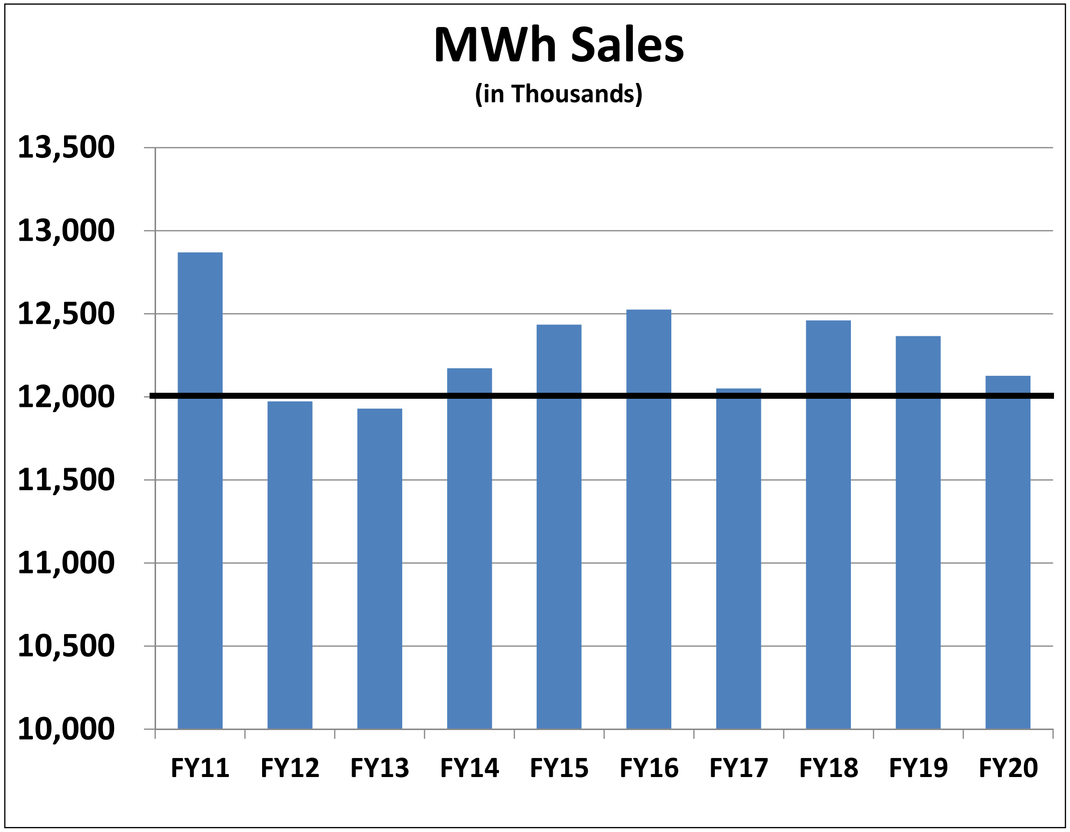
Industry Benchmark*
Average Municipal Utility RIR is 5.3
APPA 4.86 (Group H 2.48)

Units	FY2020 YTD	FY2020 Target	FY2019	FY2018
RIR	0.57	N/A	1.51	1.48



JEA Electric System

MWh Sales



Month	FY19	FY20	%
Oct	1,018,615	1,051,888	3%
Nov	898,455	825,249	(8%)
Dec	939,382	935,174	0%
Jan	992,410	947,721	(5%)
Feb	758,488	828,828	9%
Mar	910,894	954,440	5%
Apr	901,886	854,707	(5%)
May	1,158,217	1,032,730	(11%)
Jun	1,168,655	1,117,064	(4%)
YTD	**8,747,001**	**8,547,800**	**(2.3%)**
Jul	1,269,178		
Aug	1,131,874		
Sep	1,051,887		
Total/Forecast	**12,366,395**	**12,000,000**	

<u>Unit Sales Driver</u>: Commercial unit sales are down (4.5%) primarily driven by <u>COVID impacted QTR 3</u> sales along with a reduction of YTD degree days

YTD Customer Accounts		
FY19	**FY20**	**%**
474,637	483,771	**1.9%**

YTD Degree Days		
30-yr. Avg.	**FY19**	**FY20**
2,561	2,681	2,511

Total System	**(2.3%)**
Residential	(0.9%)
Commercial	**(4.5%)**
Industrial	(1.6%)

JEA Electric System
Financial Results

Building Community

Revenues

Current year down $67 million
- Fuel Credit ($24M)
- Fuel - lower sales ($14M)
- Base - lower sales ($23M)*
- Investment Income - ($5M)
- Other - ($1M)

Expenses

- Lower fuel expenses due to lower unit sales and lower fuel prices
- O&M expense higher by 5.5%

Debt/Debt Service

- Debt service lower in FY20 due to early debt retirement extended through 2026
- Early debt retirement

FY20 CAPEX funded with current year revenues

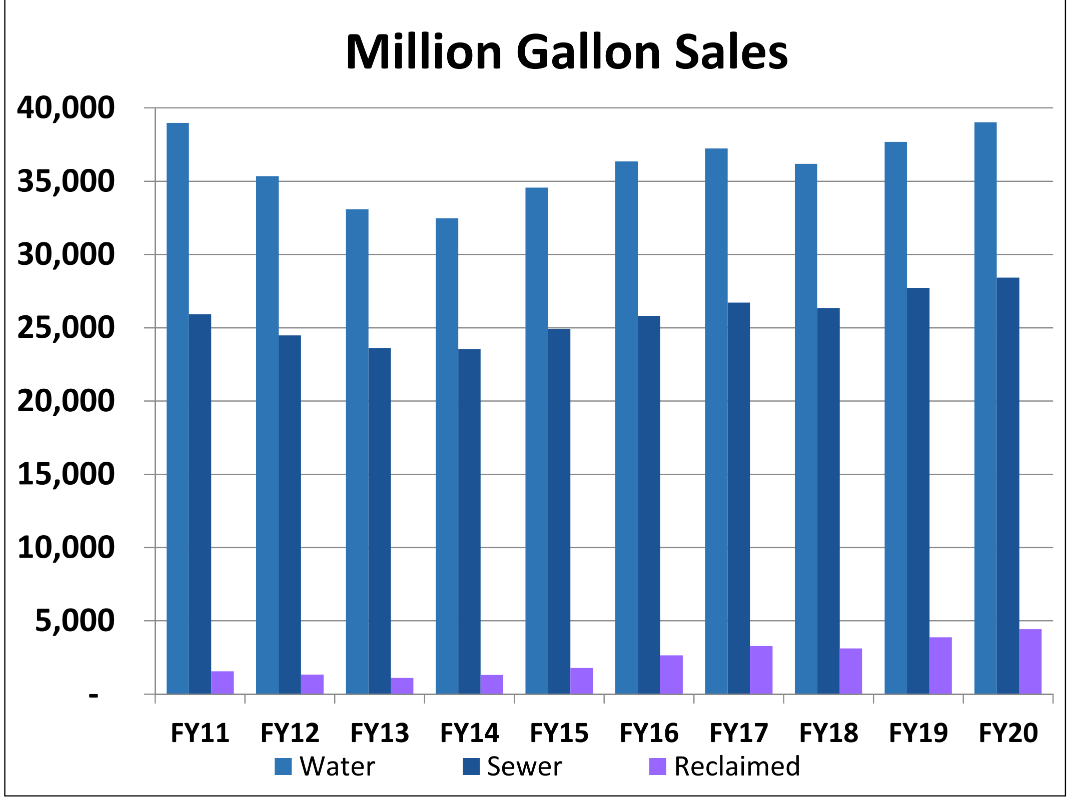
$ in millions	FY20 Forecast	FY19 Actual	Δ
Unit Sales - MWh	12,000,000	12,366,395	(398,395)
Current Year Revenues	$1,147	$1,214	($67)
Prior Period Revenues	$25	$109	($84)
Total Revenues	**$1,172**	**$1,323**	**($151)**
Fuel Expense	$327	$426	($99)
O&M[1]	$229	$217	$12
Non Fuel Purchased Power	$76	$101	($25)
Transfer to / (from) Fuel Reserve	$34	($27)	$61
Net Revenues	**$506**	**$606**	**($100)**
Total Debt Service	$135	$199	($64)
R&R and OCO	$252	$219	$33
Early Debt Retirement	$55	$109	($55)
Debt Mgmt Rate Stabilization	($30)	$0	($30)
City Contribution	$94	$93	$1
Other Expenses[2]	$0	($14)	$14
Balance	**$0**	**$0**	**$0**
Capital Expenditures	$220	$286	($66)

[1]Includes DSM and Environmental Expenses
[2]Includes Environmental stabilization transfers, emergency reserve, uncollectibles and working capital

Building Community

JEA Water/Wastewater System

Million Gallon Sales



Month	FY19	FY20	%
Oct	3,212	3,294	3%
Nov	2,862	2,949	3%
Dec	2,793	2,934	5%
Jan	2,724	2,943	8%
Feb	2,436	2,642	8%
Mar	3,014	3,429	14%
Apr	3,046	3,068	0%
May	3,921	3,990	2%
Jun	3,577	3,135	(12%)
YTD	**27,585**	**28,385**	**2.9%**
Jul	3,523		
Aug	3,366		
Sep	3,221		
Total/Forecast	**37,696**	**38,514**	

Unit Sales Driver: 2.9% YTD increase aligned with 2.2% new accounts

YTD Customer Accounts		
FY19	FY20	%
354,640	362,418	2.2%

YTD Rain			
	30-yr. Avg.	FY19	FY20
Inches	31	28	35
Days	76	72	83

Total System	2.9%
Residential	5.8%
Commercial	(2.0%)
Industrial	5.7%

Building Community

JEA Water/Wastewater System

Financial Results

Revenues

- Current year up $6 million
- Prior year revenues utilized for early debt retirement in both FY19 and FY20

Expenses

- O&M expenses increased nearly 8% due to elevated shared services costs in FY20

Debt/Debt Service

- Debt service lower in FY20 due to early debt retirement extended through 2022

FY20 CAPEX funded with current year revenues

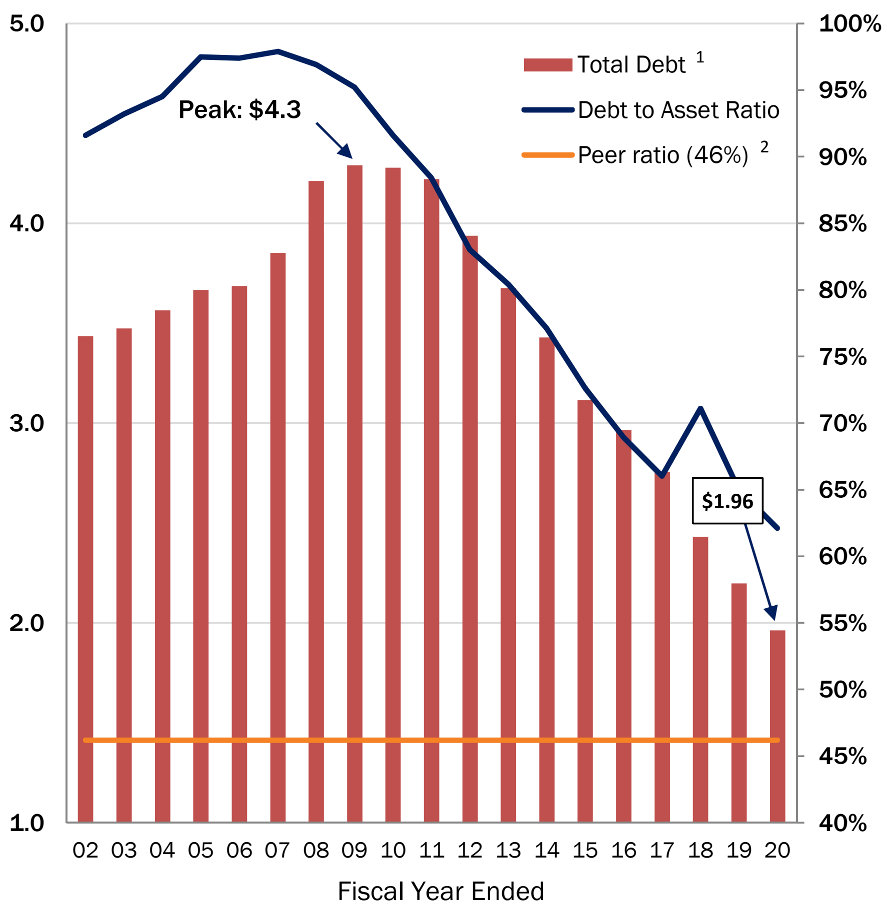
Unit sales in million gallons $ in millions	FY20 Forecast	FY19 Actual	Δ
Unit Sales – Water	38,514	37,696	818
Unit Sales – Sewer	28,067	27,727	340
Unit Sales – Reclaim	4,371	3,884	487
System Sales Revenues	$449	$443	$6
Other Revenues[1]	$49	$83	($99)
Prior Period Revenues	$34	$99	($65)
Total Revenues	**$532**	**$625**	**($93)**
O&M	$170	$158	$12
Net Revenues	**$362**	**$467**	**($105)**
Total Debt Service	$77	$121	($44)
R&R and OCO	$223	$211	$12
City Contribution	$26	$40	($14)
Early Debt Retirement	$48	$99	($51)
Debt Mgmt Rate Stabilization	($14)	$0	($14)
Other Expenses[2]	$2	($4)	$6
Balance	**$0**	**$0**	**$0**
Capital Expenditures	$198	$213	($15)

[1]Includes Capacity Fees and Other Income
[2]Includes uncollectibles working capital, and interlocal agreements

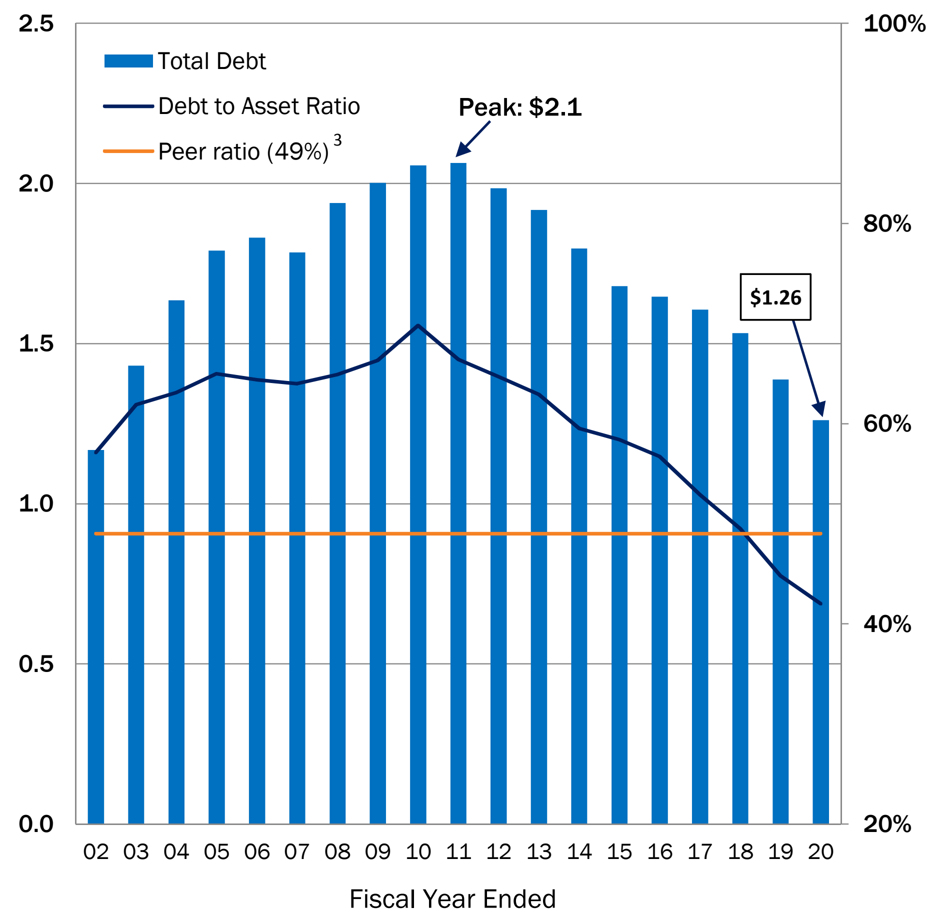
Debt and Debt to Asset Ratios

$ in billions

Electric System



Water/Wastewater System



[1] Includes Electric System, Scherer, and SJRPP
[2] Per Moody's Sector In-Depth Report "Public Power Utilities – US Medians: Stability amid low new debt issuance and carbon transition," Sep 2019
[3] Calculated from Moody's Municipal Financial Ratio Analysis database of 209 Aa rated public water-sewer utilities, Jan. 10, 2017

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Combined Debt Outstanding

Electric System (ES, BPSS, SJRPP)

- Debt outstanding: $2,014, a $184 million reduction
  - $136 decrease due to October 1st principal payments
  - $48 decrease due to Oct 2019 defeasance
- Variable rate debt: $587

Water/Sewer System

- Debt outstanding: $1,288 a $100 million reduction
  - $55 decrease due to October 1st principal payments
  - $45 decrease due to Oct 2019 defeasance
- Variable rate debt: $259

Interest rates are net of BABs subsidy, original issue premiums / discounts and includes variable debt liquidity / remarketing fees and interest rate swap payments.

($ in millions)	Principal Sep 2019	Principal Jun 2020	Change	Jun 2020 Weighted Avg Interest Rates
Electric System (ES)				
Fixed rate bonds	$1,233	$1,073	$(160)	4.01%
Hedged variable rate bonds	406	406	--	4.49%
Unhedged variable rate bonds	185	181	(4)	0.81%
Revolving credit agreement	--	--	--	--
Total	**$1,824**	**$1,660**	**$(164)**	**3.78%**
Bulk Power Supply System (BPSS)				
Fixed rate bonds	$95	$89	(6)	3.82%
Total	**$95**	**$89**	**(6)**	**3.82%**
SJRPP				
Fixed rate bonds	$279	$265	$(14)	3.93%
Revolving credit agreement	--	--	--	--
Total	**$279**	**$265**	**$(14)**	**3.93%**
Combined ES, BPSS and SJRPP	**$2,198**	**$2,014**	**$(184)**	**3.80%**
Water and Sewer System				
Fixed rate bonds	$1,116	$1,024	$(92)	4.01%
Hedged variable rate bonds	110	104	(6)	4.46%
Unhedged variable rate bonds	157	155	(2)	0.63%
Revolving credit agreement	5	5	--	1.32%
Total	**$1,388**	**$1,288**	**$(100)**	**3.64%**
District Energy System				
Fixed rate bonds	$35	$33	$(2)	4.23%
Total	**$35**	**$33**	**$(2)**	**4.23%**
Total JEA Debt	**$3,621**	**$3,335**	**$(286)**	**3.74%**

Building Community

Key Financial Metrics

Electric System	FY20 YTD	FY20 Forecast	Target	Result
Debt Service Coverage	4.4x	4.3x	≥ 2.2x	✓
Days Liquidity	337	344	150 to 250 days	✓
Days Cash on Hand	161	166	N/A	✓
Debt/Asset %	63%	61%	50%	✓
Moody’s/S&P/Fitch Ratings	A2/A+/AA			

Water/Wastewater System	FY20 YTD	FY20 Forecast	Target	Result
Debt Service Coverage	5.1x	4.6x	≥ 1.8x	✓
Days Liquidity	339	347	150 to 250 days	✓
Days Cash on Hand	164	171	N/A	✓
Debt/Asset %	43%	42%	50%	✓
Moody’s/S&P/Fitch Ratings	A2/AA+/AA			

JEA
Building Community

Operations Scorecard Electric System

Electric System	FY2019	FY2020 Goal	FY2020 YTD/Forecast	Status
JEA Safety RIR (total JEA)	1.51	N/A	**0.57**	Green
Sales Forecast (million MWh)	12.4	12.2	**12.0**	Red
T&D Grid Performance Customer Outage				
SAIFI Frequency (outages/year per customer)	1.3	1.4 - 1.6	**1.2**	Green
SAIDI Duration (minutes/year per customer)	65	75 - 80	**77**	Yellow
SARFI-80 (low voltage events/year per meter)	30	45	**37**	Green
$CEMI_5$ (% of customers > 5 outages/year)	0.08%	0.80%	**0.13%**	Green
Generating Plant Performance				
Generation Fleet Reliability (forced outages rate)	5%	2.25% – 2.5%	**2.36%**	Yellow
Environmental Compliance (permit exceedances)	0	<4	**1**	Green

Significant Occurrences or Concerns This Month

- **SAIDI:** All reliability metrics including SAIDI were affected by 3 consecutive strong storm days, 6/24, 6/25, and 6/26 which accounted for half the month's CMI (customer minute interrupted)
- **$CEMI_5$**: High reliability at 0.13% with 686 of 509,237 customers served experienced more than 5 outages in the last 12 months
- **Environmental Permit Exceedances**: 1 YTD for sampling at Northside Generating Station
- **EFOR:** The Generation EFOR remains at target

Operations Scorecard Water/Wastewater System

Building Community

Water & Wastewater	FY2019	FY2020 Goal	FY2020 YTD/Forecast	Status
JEA Safety RIR (total JEA)	1.51	N/A	**0.57**	
Sales Forecast (kGals in 1000's)	37,696	38,000	**38,514**	
Water Unplanned Outages (% cust.)	2.7%	1.5% – 2.0%	**2.5%**	
CUP Compliance	Yes	Yes	**Yes**	
Nitrogen to the River (tons)	396	466	**248 YTD**	
Sanitary Sewer Overflows (SSO's)	0.70	0.58	**0.60**	

Significant Occurrences or Concerns This Month

- **Unplanned Water Main Outages:** 297 customers experienced unplanned outages from 12 small outages over the course of June, 67% of which were caused by pipe failures. Slightly over our target primarily due to a 24" pipe break on Race Track Road in the month of April caused by improper installation of a contractor, which impacted over 6,000 customers at one time.
- **CUP:** Average daily flow of 120 MGD is 14% below CY20 limit of 140 MGD; reclaimed usage at 20 MGD.
- **Nitrogen to River**: 248 YTD, FY20 Forecast is 342 tons. JEA has a limit of 683 tons per year and provides the COJ with 37 tons.
- **SSO's Impacting Waters of the US**: Metric reported per 100 miles of pipe. 31 YTD, with 23% caused by pipe-failures within the gravity sewer system and another 23% caused by 3rd party contractors. Root cause analysis is performed on each SSO.

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Operations Scorecard
Customer Experience

Customer Experience	FY2019	FY2020 Goal	FY2020 YTD	Status
JDP Customer Satisfaction Index - Residential	1st Q	Top 1/2 of 2nd Quartile	**3rd Q**	Red
JDP Customer Satisfaction Index - Business	2nd Q	Top 1/2 of 2nd Quartile	**1st Q**	Green
Overall First Contact Resolution Index	79.3%	>=80%	**80.2%**	Green
Net Write-offs/Bad Debt Expense	0.12%	N/A	**0.25%**	Red

Significant Occurrences or Concerns This Month

JD Power utility ratings criteria:

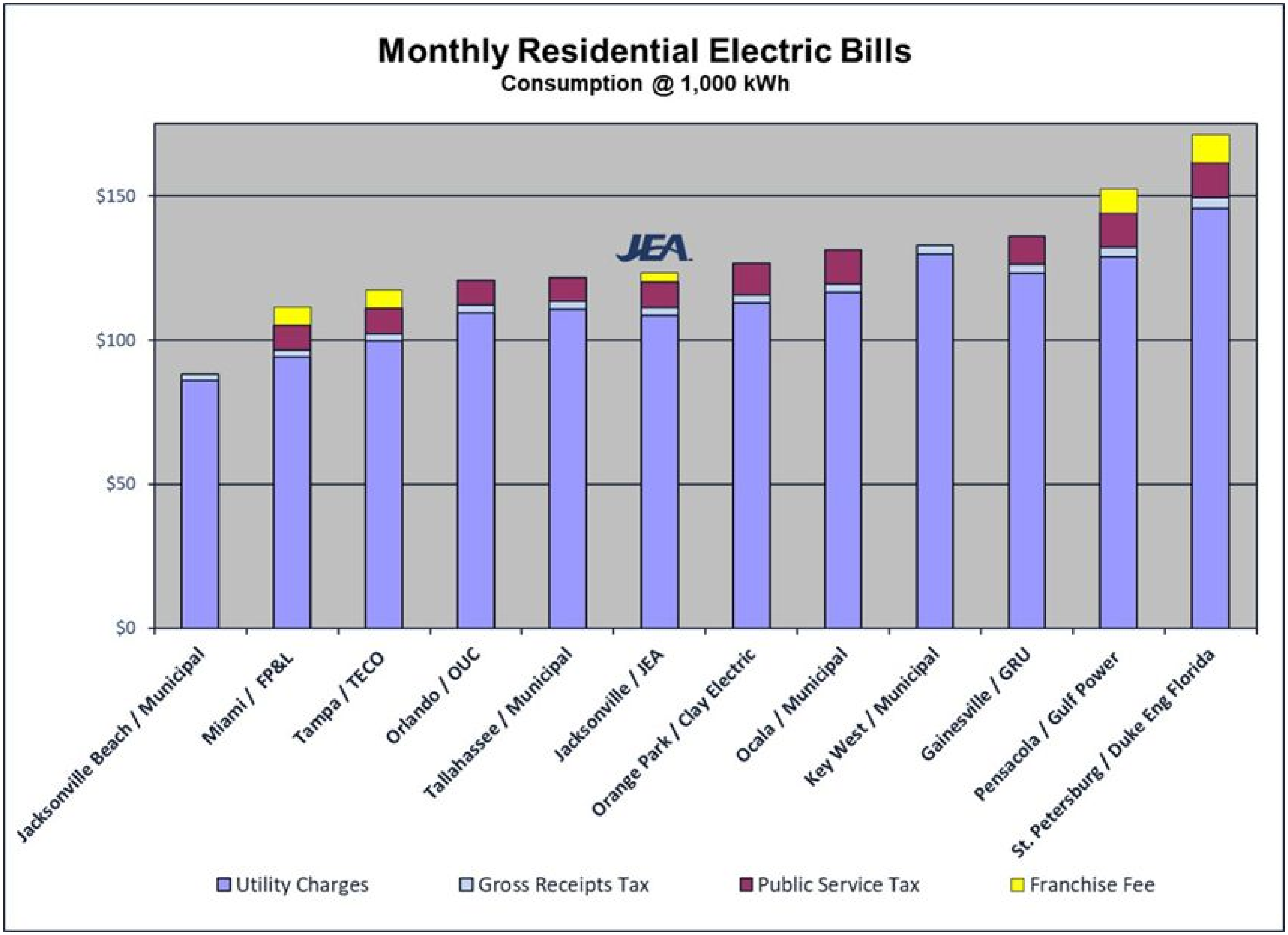
- Customer Service
- Power Quality and Reliability
- Billing and Payment
- Communication
- Price
- Corporate Citizenship

Residential/Commercial

- July 10th: disconnections resumed with customer programs including pay plans and arrangements
- JEA facilitated COJ Utility Relief Funding effort
- Multichannel customer communications and operational coordination helping call center metrics during resumption of normal operations

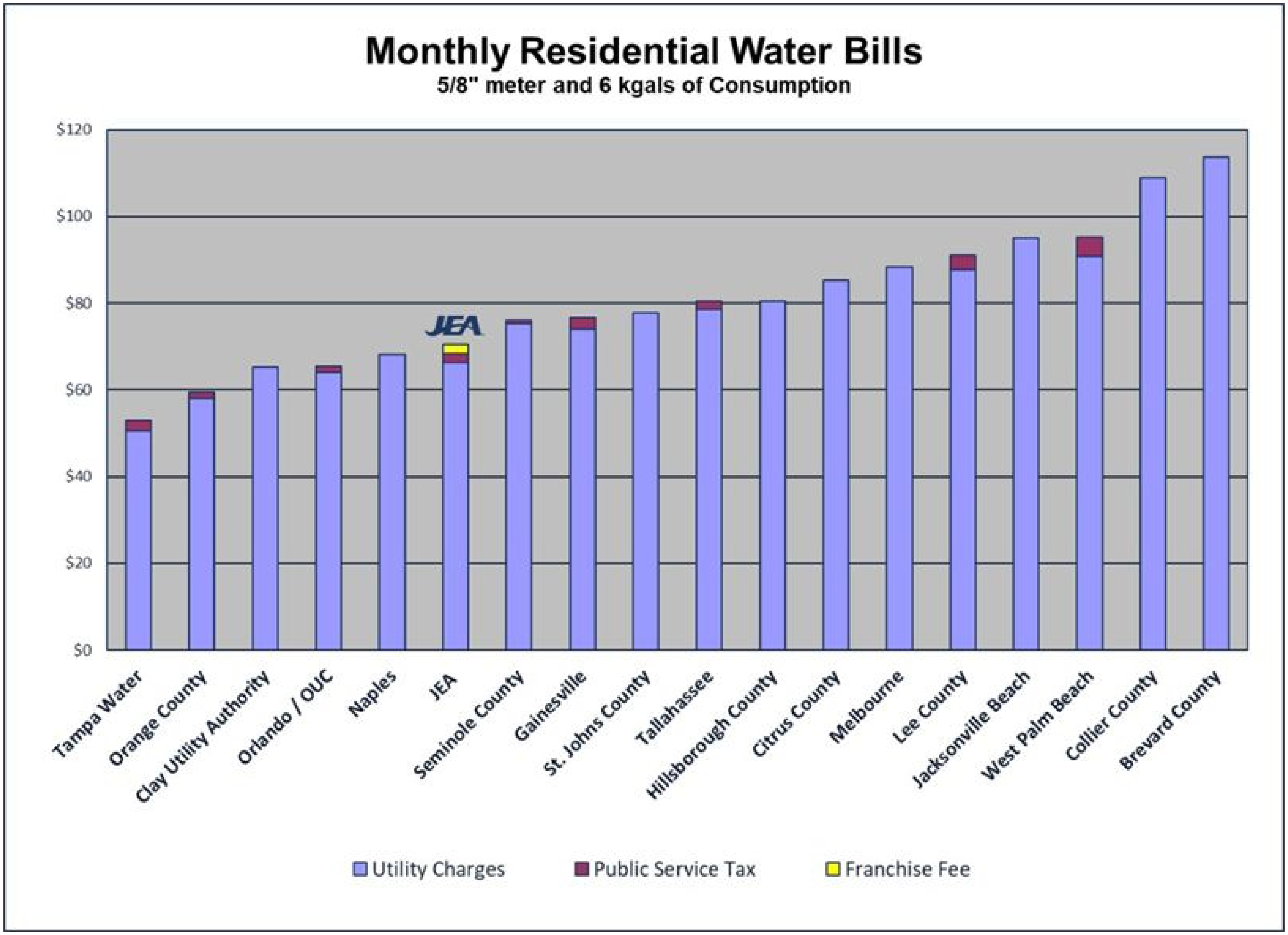
Florida Utilities Monthly Bill Comparison - Electric

JEA
Building Community



Florida Utilities Monthly Bill Comparison – Water/Wastewater

Building Community



INTER-OFFICE MEMORANDUM
July 20, 2020

SUBJECT:	**FY2021 BUDGET ADJUSTMENTS TO CITY COUNCIL**
FROM:	Paul E. McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
At the June 23, 2020 Board of Directors meeting, staff presented the proposed FY2021 operating and capital budgets wherein the Operating and Maintenance and Capital portions of the budget had been reduced from the initial draft staff presented at the May 18, 2020 Finance and Audit Committee by $19 million and $65 million respectively. The Board approved the proposed operating and capital budgets for FY2021, authorized staff to transmit the recommended budgets to the Jacksonville City Council for final action, authorized transmission of the Five-Year Capital Improvement Program as required by the Jacksonville City Planning Department, approved JEA's share of the SJRPP and Plant Scherer operating and capital budgets, and authorized the Interim Managing Director/CEO to adjust the budget approved by the Board of Directors and submitted to Council, if necessary, within the total approved budget amounts for each system.

Furthermore, the Board authorized the Interim Managing Director/CEO's request to the City Council Auditor to make final adjustments and retransmit an updated package in the following weeks with a focus on further reductions to the Operating and Maintenance and Capital portions of the budget transmitted to the Jacksonville City Council on July 1, 2020.

DISCUSSION:
On July 8th, JEA staff submitted an updated FY2021 operating and capital budget with supporting schedules, as agreed to by the City Council Auditor. The final adjustments included further reductions in the Operating and Maintenance and Capital portions of the budget by $3 million and $38 million respectively. Updated schedules were submitted on July 8, 2020, and a final adjustment was included in the attached schedules transmitted on July 20, 2020.

FINANCIAL IMPACT:
JEA has reduced the overall Operating and Maintenance and Capital portions of the budget by $22 million and $103 million respectively since the May 18, 2020 Finance and Audit Committee meeting.

RECOMMENDATION:
This item is submitted for information. No action by the Board is required.

Paul E. McElroy, Interim Managing Director/CEO

PEM/BJR/JEC

JEA
CONSOLIDATED OPERATING BUDGET
FISCAL YEAR 2021
JULY 20, 2020 ADJUSTMENT

	Electric System	Water & Wastewater System	District Energy System	Total
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	$ 410,912,775	$ -	$ -	$ 410,912,775
Total Net Revenues	$ 410,912,775	$ -	$ -	$ 410,912,775
FUEL EXPENSES:				
Fuel & Purchased Power	$ 410,912,775	$ -	$ -	$ 410,912,775
FUEL SURPLUS/(DEFICIT)	$ -	$ -	$ -	$ -
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	$ 793,579,500	$ 437,545,588	$ 9,328,327	$ 1,240,453,415
Environmental Charge Revenue	7,814,100	27,777,750	-	35,591,850
Conservation Charge & Demand Side Revenue	768,600	-	-	768,600
Other Revenues	25,141,212	14,600,000	-	39,741,212
Natural Gas Pass Through Revenue	967,784	-	-	967,784
Total Base Related Revenues	$ 828,271,196	$ 479,923,338	$ 9,328,327	$ 1,317,522,861
BASE OPERATING EXPENSES:				
Operating and Maintenance	$ 239,699,869	$ 175,430,345	$ 5,193,927	$ 420,324,141
Environmental	1,891,598	2,394,238	-	4,285,836
Conservation & Demand-side Management	6,422,909	-	-	6,422,909
Natural Gas Pass Through Expense	915,183	-	-	915,183
Non-Fuel Purchased Power	72,642,571	-	-	72,642,571
Non-Fuel Uncollectibles & PSC Tax	2,606,030	1,395,970	-	4,002,000
Emergency Reserve	5,000,000	1,000,000	-	6,000,000
Total Base Related Expenses	$ 329,178,160	$ 180,220,553	$ 5,193,927	$ 514,592,640
BASE OPERATING INCOME:	**$ 499,093,036**	**$ 299,702,785**	**$ 4,134,400**	**$ 802,930,221**
NON-OPERATING REVENUE:				
Investment Income	$ 7,962,574	$ 2,975,171	$ -	$ 10,937,745
Transfer To/From Fuel Recovery	-	-	-	-
Capacity Fees	-	29,388,151	-	29,388,151
Total Non Operating Revenues	$ 7,962,574	$ 32,363,322	$ -	$ 40,325,896
NON-OPERATING EXPENSES:				
Debt Service	$ 131,173,417	$ 65,436,531	$ 3,023,891	$ 199,633,839
Demand-side Management - Rate Stabilization	750,691	-	-	750,691
Environmental - Rate Stabilization	-9,423,646	-	-	-9,423,646
Total Non Operating Expenses	$ 122,500,462	$ 65,436,531	$ 3,023,891	$ 190,960,884
BASE INCOME BEFORE TRANSFERS	**$ 384,555,148**	**$ 266,629,576**	**$ 1,110,509**	**$ 652,295,233**
City Contribution Expense	$ 93,609,555	$ 26,402,695	$ -	$ 120,012,250
Interlocal Payments	-	-	-	-
Renewal and Replacement Fund	64,012,472	26,551,286	437,313	91,001,071
Operating Capital Outlay	217,292,441	167,503,932	673,196	385,469,569
Environmental Capital Outlay	9,640,680	16,783,512	-	26,424,192
Capacity Fees	-	29,388,151	-	29,388,151
Operating Contingency	-	-	-	-
Total Non-Fuel Expenses	$ 384,555,148	$ 266,629,576	$ 1,110,509	$ 652,295,233
SURPLUS/(DEFICIT)	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL REVENUES	**$ 1,247,146,545**	**$ 512,286,660**	**$ 9,328,327**	**$ 1,768,761,532**
TOTAL APPROPRIATIONS	**$ 1,247,146,545**	**$ 512,286,660**	**$ 9,328,327**	**$ 1,768,761,532**
BUDGETED EMPLOYEE POSITIONS	1,527	625	6	2,158
BUDGETED TEMPORARY HOURS	104,000	20,800	0	124,800

JEA
CONSOLIDATED CAPITAL BUDGET
FISCAL YEAR 2021
JULY 20, 2020 ADJUSTMENT

	Electric System	Water & Wastewater System	District Energy System	Total
CAPITAL FUNDS:				
Renewal & Replacement Deposits	$ 64,012,472	$ 26,551,286	$ 437,313	$ 91,001,071
Operating Capital Outlay	217,292,441	167,503,932	673,196	385,469,569
Environmental Capital Outlay	9,640,680	16,783,512	-	26,424,192
Capacity Fees	-	29,388,151	-	29,388,151
Debt Proceeds	-	87,635,119	566,491	88,201,610
Other Proceeds	-73,403,593	-	1,359,000	-72,044,593
Total Capital Funds	$ 217,542,000	$ 327,862,000	$ 3,036,000	$ 548,440,000
CAPITAL PROJECTS:				
Generation Projects	$ 30,462,000	$ -	$ -	$ 30,462,000
Transmission & Distribution Projects	129,577,000	-	-	129,577,000
District Energy Projects	-	-	3,036,000	3,036,000
Water Projects	-	99,342,000	-	99,342,000
Sewer Projects	-	200,440,000	-	200,440,000
Other Projects	57,503,000	28,080,000	-	85,583,000
Total Capital Projects	$ 217,542,000	$ 327,862,000	$ 3,036,000	$ 548,440,000

FY2021 Budget Adjustments to City Council

July 28, 2020

FY2021 Budget Adjustments to City Council

May 18, 2020 F&A meeting

JEA staff presented the proposed FY2021 operating and capital budgets.

June 23, 2020 Board meeting

The Operating and Maintenance and Capital portions of the budget had been reduced by $19 million and $65 million respectively.

July 8th, 2020 Board meeting

As agreed by the Council Auditor, final budget adjustments were submitted to the City Council for final approval. The Operating and Maintenance and Capital portions of the budget were reduced by $3 million and $38 million respectively.

The net O&M reduction included additions of $3 million for COVID related supplies and cleaning expenses, and $4.2 million for potential Pay for Performance which is ½ of the $8.3 estimated maximum that requires actual O&M savings.

O&M ($ in millions)	May 18, 2020 Finance and Audit Committee Meeting		June 23, 2020 Board of Directors Meeting		July 8, 2020 Final Adjustment to City Council
Electric	$266		$252		$249
Water/Wastewater	$183		$178		$178
JEA Total	$449	$19	$430	$3	$427

CAPEX

CAPEX	May 18, 2020		June 23, 2020		July 8, 2020
Electric	$249		$224		$218
Water/Wastewater	$400		$360		$328
JEA Total	$649	$65	$584	$38	$546

Management Target for Capital is to expend 10% lower in each system

JEA has reduced the overall Operating and Maintenance and Capital portions of the budget by $22 million and $103 million respectively since the May 18, 2020 Finance and Audit Committee meeting.

INTER-OFFICE MEMORANDUM
July 15, 2020

SUBJECT:	**ELECTRIC AND WATER/WASTEWATER SYSTEM BOND TRANSACTIONS**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
JEA Treasury Staff has historically been active in executing current refunding bond transactions in each of its Electric, Water and Sewer, St. Johns River Power Park, Bulk Power and District Energy Systems. Refunding bond offerings have totaled approximately $4.26 billion since FY2012, generating approximately $429 million in Net Present Value savings and $33 million in annual debt service savings. The purpose of this report is to update the Board of Directors and the Senior Leadership Team on current refunding bond offering results for the Electric and Water and Sewer Systems.

DISCUSSION:
The attached PDF contains the final economics of current refunding bond offerings for the Electric and Water and Sewer Systems.

FINANCIAL IMPACT:
The bond refunding offerings will generate approximately $78 million in Net Present Value savings and $4.6 million in average annual debt service savings over the remaining lives of the refunded bond series. A comparison of last month's projected savings against the actual results achieved can be found on the attached PDF.

RECOMMENDATION:
This item is submitted for information. No action by the Board is required.

Paul McElroy, Interim Managing Director/CEO

PEM//BJR/JEO

Current Refunding Bond Offering Results

July 28, 2020

CURRENT REFUNDING BOND OFFERING RESULTS

Subject to prevailing market conditions, we expect to launch current refunding bond offerings for the Electric and Water and Sewer Systems during the week of July 6th

Based upon analyses provided by our lead underwriters, the refunding transactions would generate approximately ~~$3.7~~ $4.6 million in annual debt service savings

Bond refunding delegation resolutions are in place to allow a launch as early as the week of July 6th

($ in millions)

	ELECTRIC	WATER	J
Refunding Par Amount Actual	$240 $222	$130 $130	**$370** **$352**
Net PV Savings Actual	$36 $46 *17.0%*	$26 $32 *20.1%*	**$62** **$78**

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A2 to JEA Water and Sewer System senior and subordinate lien revenue bonds; outlook negative

26 Jun 2020

New York, June 26, 2020 -- Moody's Investors Service has assigned an A2 rating to the planned issuance by JEA, FL Water & Sewer Enterprise of approximately $103.7 million Water and Sewer System Revenue Bonds, 2020 Series A and $26.3 million Water and Sewer System Subordinated Revenue Bonds, 2020 Series A. Moody's maintains the A2 rating on JEA's senior lien water and sewer system debt and an A2 on the system's subordinate lien debt. The outlook is negative.

RATINGS RATIONALE

JEA, FL - Water and Sewer system's credit profile primarily reflects governance and social risks relating to pending litigation and significant ongoing organizational changes. JEA

has exposure to nuclear construction risk at the Vogtle projects through JEA's Electric Enterprise's 20-year power purchase agreement (PPA) with the Municipal Electric Authority of Georgia (MEAG) and the downward pressure on JEA's fixed obligation charge coverage (FOCC) ratio because of increasing obligations under the PPA.

Despite significant construction delays at the Vogtle project and efforts by JEA to mitigate its exposure to the PPA through litigation, JEA is making timely payments to MEAG. On June 17, 2020, a judge in the U.S. District Court for the Northern District of Georgia rendered a judgment regarding the JEA lawsuit that the PPA is valid and enforceable increasing the likelihood that JEA will be required to honor its contractual obligation under this "hell or high water" take-or-pay arrangement. As part of that decision, the stay relating to JEA's additional claim that MEAG was negligent in its performance under the contract was lifted, while an additional claim by MEAG that JEA breached its contract with MEAG can also be pursued. While JEA continues to pay amounts due under the PPA as billed by MEAG, the utility continues to pursue the additional claim in the ongoing litigation which calls into question JEA's willingness to abide by the take-or-pay "hell or high water" terms governing the PPA. JEA is also considering its options relating to the recent judgement about the validity of the PPA, which could include an appeal process which would add delay to any final resolution of this litigation.

JEA also faces credit challenges relating to substantial organizational changes following the abrupt decisions in late 2019 to cancel plans to restructure or privatize JEA and to terminate JEA's CEO, with cause, and CFO, without cause. In May 2020, JEA has since replaced the entire seven-member Board, terminated its interim CEO, and hired a former JEA CEO to fill the interim CEO role for a six-month term while undertaking a search for a new CEO. More recently, nine additional senior leaders were placed on 30-day paid administrative leave, pending their dismissal and were replaced with interim leaders primarily from within JEA.

Also tied to social risks, we regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for JEA or the City of Jacksonville (A2 negative). However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of JEA or Jacksonville changes, we will update the rating and/or outlook at that time.

These credit negative characteristics are partially balanced by JEA's sizeable and diverse customer base that extends outside of the city, strong coverage and sound liquidity, competitive rates, and a manageable capital program.

RATING OUTLOOK

The negative rating outlook primarily reflects JEA's governance and social risks. The utility's heightened and ongoing litigation and nuclear construction risks persist, as does the credit negative overhang of grappling with the recent terminations of senior management and complete replacement of the board of directors.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- The rating is not likely to be upgraded in the near term owing to governance and social risks that are reflected in the negative outlook

- The outlook could improve if JEA withdraws its lawsuit filed against MEAG Power or there is a non-appealable final court ruling in favor of MEAG Power's own lawsuit against the City of Jacksonville and JEA

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to reestablish stability around governance and social risks

- Developments in the pending lawsuits that favor JEA's claims or call into further serious question JEA's willingness to continue abiding by the terms of its PPA with MEAG Power

- Further construction delays and cost overruns at the Vogtle project materially beyond the latest revised schedule and cost to complete

- Prolonged demand declines due to coronavirus which erode the system's financial position

LEGAL SECURITY

The senior lien water and sewer bonds are secured by net revenues of the combined water and sewer system and legally-available capacity fees. The subordinated bonds are secured by a subordinate lien on net revenues of the combined water and sewer system and legally-available capacity fees.

USE OF PROCEEDS

Proceeds from issuance of the 2020 Series A Bonds will be used to refund all or a portion of the Refunded Bonds as defined in related documents, including 2010 Series D and E; 2012 B; and 2014 A bonds. Estimated net present value savings are approximately $20.7 million or 16.5% of refunded bonds.

Proceeds from the issuance of the 2020 Series A subordinated bonds will be used to refund all or a portion of the Refunded Subordinated Bonds as defined in related documents, including 2010 Series B; 2012 B and 2013 A. Estimated net present value savings are approximately $5 million or 15.6% of refunded bonds.

PROFILE

JEA is a municipal utility whose service territory covers Jacksonville, Florida (Duval County), and parts of three adjacent counties. It is split into three enterprise funds, including the Electric Enterprise; the Water and Sewer Enterprise Fund; and the District Energy System. Jacksonville is a major ground transportation center and is also considered a significant rail hub and has one of the largest ports on the South Atlantic Seaboard. The local economy is diversified among defense, transportation and distribution, financial services, consumer goods,

information services, manufacturing and insurance sectors.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Utility Revenue Debt published in October 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1095545 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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MOODY'S
INVESTORS SERVICE

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CREDIT OPINION
2 July 2020

Rate this Research

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JEA, FL Water & Sewer Enterprise

Update to credit analysis

Summary

JEA, FL - Water and Sewer system's credit profile is defined at the moment by governance and social risks relating to its and the City of Jacksonville's (A2 negative) role as plaintiffs in pending litigation against the Municipal Electric Authority of Georgia (MEAG) and significant organizational changes. JEA has exposure to nuclear construction risk at the Vogtle projects through JEA's Electric Enterprise's 20-year power purchase agreement (PPA) with MEAG.

Despite significant construction delays at the Vogtle project, JEA is making payments to MEAG, while seeking to mitigate the expensive PPA through litigation. While JEA commits to continue paying as billed by MEAG under the PPA unless a court invalidates the PPA, the ongoing litigation calls into question JEA's willingness to abide by the take-or-pay "hell or high water" terms governing the PPA.

JEA also faces credit challenges relating to ongoing organizational changes following the abrupt decisions in late 2019 to cancel plans to restructure or privatize JEA and to terminate JEA's CEO, with cause, and CFO, without cause. In May 2020, JEA then replaced the entire seven-member Board, terminated its interim CEO, and hired a former JEA CEO to fill the interim CEO role for a six-month term while undertaking a search for a new CEO.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for JEA or Jacksonville. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of JEA or Jacksonville changes, we will update the rating and/or outlook at that time.

These credit negative characteristics are partially balanced by JEA's sizeable and diverse customer base that extends outside of the city, strong coverage and sound liquidity, competitive rates, and a manageable capital program.

Credit strengths

» Strong debt service coverage

» Reduced debt burden due to pre-payment of debt

» Large and diverse customer base

» Sufficient capacity

Credit challenges

- » JEA and the City of Jacksonville are co-plaintiffs in litigation seeking to repudiate the PPA with MEAG, which calls into question the city's largest municipal enterprise willingness to pay
- » Open loop funding which allows for the transfer of excess funds between the water and sewer and electric system
- » Slightly below average wealth levels

Rating outlook

The negative rating outlook primarily reflects JEA's governance and social risks. The utility's heightened and ongoing litigation and nuclear construction risks persist, as does the credit negative overhang of grappling with the recent terminations of senior management and complete replacement of the board of directors.

Factors that could lead to an upgrade

- » The rating is not likely to be upgraded in the near term owing to governance and social risks that are reflected in the negative outlook
- » The outlook could improve if JEA withdraws its lawsuit filed against MEAG Power or there is a non-appealable final court ruling in favor of MEAG Power's own lawsuit against the City of Jacksonville and JEA

Factors that could lead to a downgrade

- » Inability to reestablish stability around governance and social risks
- » Developments in the pending lawsuits that favor JEA's claims or call into further serious question JEA's willingness to continue abiding by the terms of its PPA with MEAG Power
- » Further construction delays and cost overruns at the Vogtle project materially beyond the latest revised schedule and cost to complete
- » Prolonged demand declines due to coronavirus which erode the system's financial position

Key indicators

Exhibit 1

JEA, FL Water & Sewer Enterprise					
System Characteristics					
Asset Condition (Net Fixed Assets / Annual Depreciation)	18 years				
System Size - O&M (in $000s)	$165,587				
Service Area Wealth: MFI % of US median	86.52%				
Legal Provisions					
Rate Covenant (x)	1.25				
Debt Service Reserve Requirement	DSRF funded at less than 3-prong test OR springing DSRF (A)				
Management					
Rate Management	Aa				
Regulatory Compliance and Capital Planning	Aa				
Financial Strength					
	2015	2016	2017	2018	2019
Operating Revenue ($000)	$389,733	$427,750	$457,908	$435,682	$463,817
System Size - O&M ($000)	$137,921	$155,043	$163,293	$154,514	$165,587
Net Revenues ($000)	$265,221	$286,295	$305,025	$295,351	$325,955
Net Funded Debt ($000)	$1,503,126	$1,473,019	$1,416,809	$1,348,248	$1,243,449
Annual Debt Service ($000)	$111,273	$95,417	$112,791	$109,054	$127,438
Annual Debt Service Coverage (x)	2.4x	3.0x	2.7x	2.7x	2.6x
Cash on Hand	149 days	186 days	232 days	204 days	141 days
Debt to Operating Revenues (x)	3.9x	3.4x	3.1x	3.1x	2.7x

Source: Audited Financial Statements, Moody's Investors Service

Profile

JEA is a municipal utility whose service territory covers Jacksonville, Florida (Duval County), and parts of three adjacent counties. It is split into three enterprise funds, including the Electric Enterprise; the Water and Sewer Enterprise Fund; and the District Energy System. Jacksonville is a major ground transportation center and is also considered a significant rail hub and has one of the largest ports on the South Atlantic Seaboard. The local economy is diversified among defense, transportation and distribution, financial services, consumer goods, information services, manufacturing and insurance sectors.

Detailed credit considerations

Service area and system characteristics: Large system with adequate capacity

Jacksonville (A2 negative) is the largest city in Florida and a regional center for the northeastern part of the state. The 909 square mile utility service area includes not only Duval County (excluding beach communities), but also parts of Nassau County (Aa2) and parts of St. Johns (Aa1 stable) and Clay counties. The system provides sewer service to a majority of the service territory. Acquisitions have expanded the system allowing for significant future growth potential.

The city's economy continues to diversify with transportation and distribution, financial services, consumer goods, information services, manufacturing and insurance and is less dependent on tourism than most parts of Florida. Military installations provides large-scale employment opportunities. The local economy is attractive to financial institutions as a low cost center. The port plays a key role as a distribution hub.

The system provides service to 356,000 water customers and 278,000 sewer customers. There is no large customer dependency in this highly residential system, and the top ten customers represent 3.9% and 5.2% of billings for water and sewer, respectively, in fiscal 2019. Residential customers account for about 56% of the water and wastewater revenues.

Water supply from the Floridan Aquifer is ample and there are no competing users. The system is comprised of 38 (20 major and 18 smaller) water treatment plants (319 MGD total capacity) and 137 active supply wells. Withdrawals are regulated by the St. Johns

River Water Management District (SJRWMD) under a consolidated consumptive use permit (CUP) with a current combined average permitted withdrawal of 138 MGD as compared to calendar year 2019 average day usage of 117 MGD (173 MGD maximum usage).

JEA renewed its permit with SJRWMD in 2011 for a 20-year period with increasing withdrawal allocations (to 155 MGD) through 2031. Officials are currently developing an Integrated Water Resource Plan that includes identifying supply options, conservation, expanded north grid supply, and reclaimed water enhancements to meet anticipated demand. The system has 83 MG of storage and 4,806 miles of water distribution mains. Northeast Florida is listed as a potential priority water source caution area by the St. Johns River Water Management District (SJRWMD). JEA may be required to provide a portion of its water supply through increased conservation, expansion of reclaimed water and/or alternative water supply projects.

The sewer system has 11 treatment plants with a daily average rated capacity of 123 MGD in relation to average flow of 76 MGD, and peak capacity of 247 MGD in relation to peak demand of 106 MGD in fiscal 2019. Each plant is operating within permit discharge limits. Effluent disposal is almost entirely conducted by surface water discharge currently, although JEA has 40.8 MGD in water reclamation capacity. Sludge is hauled for anaerobic digestion, dewatering and pelletization in preparation for beneficial use. There are also 4,113 miles of gravity sewers and force mains and 1,482 pumping stations. Treatment capacity is deemed to be adequate for several years.

Debt service coverage and liquidity: Ample coverage and adequate cash

JEA's operating performance will likely remain strong because of management's long-term planning and forecasting, a demonstrated willingness to adjust rates as needed, and ongoing operating efficiencies. JEA's steady customer base and prudent budgeting have provided satisfactory annual debt service coverage on all water and sewer bonds of 2.6 times in fiscal 2019.

The system has been able to increase debt service coverage despite no new rate increases since 2012, and no additional rate increases are currently projected. JEA enjoys full rate-setting authority. Current monthly combined water and sewer residential bills are regionally competitive (mid-range). JEA and the City of Jacksonville have a millage-based transfer policy based on the amount of potable water and sewer service provided, including a minimum annual increase of 1% per year (combined with electric). The water and sewer transfer was $39.8 million in fiscal 2019, which included an additional payment of $15 million. The transfer in fiscal 2020 is projected to be $26.2 million.

During the coronavirus pandemic, management suspended service disconnections and waived late fees. They have provided a projection that depicts an approximate 3% decline in water and sewer revenues compared to its 2020 base case forecast. However, debt service coverage will increase to a projected 4 times due to declines in debt service from significant pre-payment of debt and refundings in the current year.

LIQUIDITY

At the end of fiscal 2019, JEA had $64 million in total unrestricted cash in the system (141 days of cash-on-hand). JEA targets a minimum of 100 days liquidity on hand and has used excess cash for pay-go capital projects. In fiscal 2020, cash is expected to decline due to capital expenditures and reduced revenues due to the impacts of coronavirus. Management also maintains a $500 million revolving credit facility of which the water and sewer can borrow $300 million.

Debt and legal covenants: Average debt burden will continue to decline given minimal additional debt plans

The slightly above average 44.2% debt ratio in fiscal 2019, has been significantly reduced from 62.9% in fiscal 2012, and will continue to decline as minimal new debt is planned to be issued in the medium term.

Water and sewer senior lien bonds are secured by net revenues of the combined water and sewer system as well as legally-available capacity charges (subordinated debt has a subordinate lien pledge on these revenues). Senior lien security features include a debt service reserve fund and a 125% rate covenant and additional bonds test. The 125% provision in both the rate covenant and additional bonds test must be met from net operating revenues alone.

Legal provisions on the subordinated bonds include a rate covenant with either net revenues (excluding capacity fees) equal to the aggregate senior and subordinated debt service, or net revenues (including capacity fees) equal to the aggregate 100% senior and 120% subordinated debt service. In addition, the additional bonds test includes a prospective test (next three succeeding full bond years) having net revenues (excluding capacity fees) equal to 100% of senior and 120% of the aggregate subordinated debt service, or a historical test (12 consecutive of preceding 24 months) having net revenues (including capacity fees) equal to the greater of 100% senior and 110% subordinated debt service or 100% senior and subordinated debt service plus deposits to the R&R fund. There is no bond resolution requirement to maintain a debt service reserve fund on subordinated bonds unless otherwise stated in the supplemental bond resolution.

DEBT STRUCTURE

The approximately $1.5 billion, five-year (2020 to 2024) capital program is centered on renewal and replacement, capacity additions, efficiencies to lower operating costs, and regulatory compliance and environmental issues. The program includes primarily sewage collection and water (supply and distribution) needs. A substantial part of the capital program is expected to be financed internally.

The system's debt profile includes $272.3 million in variable rate obligations, representing about 20% of total outstanding debt, $110.1 million of which is hedged. This amount of variable rate exposure presents a manageable level of vulnerability in certain increased interest rate environments or rating downgrade.

Moody's believes that the overall three-year term out provisions of the credit facilities, as well as the system's liquidity and ability to implement rate increases within a short period, are favorable. JEA has $500 million in revolving lines of credit (available for either the water and sewer system or electric system). There is a three-year term-out provision under both lines and a rating termination threshold below Baa3 for senior lien bonds.

DEBT-RELATED DERIVATIVES

JEA also has two interest rate swaps for a total $110.1 million notional amount. One is based on the SIFMA index and the other on a CPI index. JEA is not required to post collateral, but if JEA's rating falls below Baa2, this would constitute an additional termination event and the swaps could be terminated.

PENSIONS AND OPEB

JEA employees participate in the city of Jacksonville's plan. Moody's total Adjusted Net Pension Liability (ANPL) for the city is $5.4 billion. Moody's adjusted net pension liability is 5.8% of full value and a very high 3.2 times of operating revenues in fiscal 2019. Fixed costs account for 26.7% of the budget. Notably, the city has recently ratified a new pension reform plan that is estimated to generate $1.65 billion in surtax contributions to the city through 2050, significantly improving the reported funded ratio to 80% by 2030. The city successfully obtained voter approval in the August 30, 2016 referendum for the utilization of a half cent sales tax to help address pension pressures. However, the half cent sales tax would not begin until 2031. Favorably, JEA's pension contribution JEA's reported net pension liability is $562 million including the water, sewer, district energy and electric systems and contributions totaled $34.3 million in fiscal 2019. JEA has a low other post employment benefit (OPEB) liability. As of September 30, 2018, JEA's liability was a manageable $18.3 million.

ESG considerations

Environmental

Environmental factors represent a risk to the issuer but are largely mitigated. The local government sector overall has low exposure to environmental risks because of their diverse economies, revenue-raising ability and federal government support for disaster recovery costs. According to data compiled by Moody's affiliate Four Twenty Seven, the city is exposed to a very high risk of heat stress, extreme rainfall and hurricanes and typhoons, which can damage infrastructure and affect property values. This exposure is mitigated by federal and state support and a regional hazard mitigation plan, of which Duval County is the lead.

Social

Social issues, including demographics and income levels, are key influencers of all local economies, financial and leverage trends and governance stability. JEA faces significant issuer specific and event driven social challenges to restore the trust of it various constituents, including employees, customers, counterparties, and the broad financial community following the recent terminations of various senior management and complete replacement of its board of directors in April. Employee morale is said to be quite low and the board and new management will be working to improve that. The questions raised and public opposition to failed privatization attempts, followed by legal investigations at the state and federal level have played a significant role in poor employee morale and significant skepticism from customers. It will take some time for this trust to be restored. Also undoubtedly the questions about willingness to live up to the terms of the PPA with MEAG exacerbate social challenges.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and financial market declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for JEA and Jacksonville. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the county changes, we will update the rating and/or outlook at that time.

Governance

In late 2019, JEA terminated its former CEO with cause and CFO without cause, and the Mayor of Jacksonville called for a full replacement of the Board of Directors. Since then, JEA has replaced its entire board effective in May 2020 and held a board meeting which included a decision to terminate the interim CEO without cause because the board took a view it needed to start with a “clean slate”. A former CEO of JEA who had resigned suddenly in 2018 was subsequently appointed as interim CEO for a six-month contract.

These changes are intended to give the Board enough time to complete its national search for a new permanent CEO. If necessary, the interim CEO can stay on in a part time capacity beyond six months and the board can terminate that extended arrangement at any time. Presumably this is intended to simply keep an interim CEO in place pending the hiring of a new permanent CEO. In May 2020, the newly appointed board engaged an executive search firm to facilitate the search for a new permanent CEO.

JEA’s seven-member independent board of directors handles all policy, strategy and rate making responsibilities. JEA's governing seven-member board is appointed by the Mayor and confirmed by the City Council to four-year staggered terms. The board has sole rate-setting authority and JEA management can submit a rate increase to its board at any time.

REPORT NUMBER 1236209

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A2 and A3 to JEA (FL) Electric System senior and subordinated lien bonds, respectively; outlook is negative

26 Jun 2020

Approximately $240.41 million of debt securities rated

New York, June 26, 2020 -- Moody's Investors Service has assigned an A2 rating to the planned issuance by JEA (FL) - Electric Enterprise of approximately $143.465 million of senior lien Electric System Revenue Bonds, Series Three 2020A and an A3 rating to the planned issuance of approximately $96.940 million of Electric System Subordinated Revenue Bonds, 2020 Series A. The outlook is negative.

The Series Three 2020A senior lien electric revenue bonds will rank on parity with about $970.550 million of JEA's senior lien electric system revenue bonds rated A2 while the 2020 Series A electric system subordinated revenue bonds will rank on parity with about $689.4 million of JEA's subordinate lien electric system revenue bonds rated A3.

RATINGS RATIONALE

JEA, FL - Electric Enterprise's (A2 negative) credit profile primarily reflects governance and social risks relating to pending litigation and significant ongoing organizational changes. JEA has exposure to nuclear construction risk at the Vogtle projects through JEA's 20-year power purchase agreement (PPA) with the Municipal Electric Authority of Georgia (MEAG) and the downward pressure on JEA's fixed obligation charge coverage (FOCC) ratio because of increasing obligations under the PPA.

Despite significant construction delays at the Vogtle project and efforts by JEA to mitigate its exposure to the PPA through litigation, JEA is making timely payments to MEAG. On June 17, 2020, a judge in the U.S. District Court for the Northern District of Georgia rendered a judgment regarding the JEA lawsuit that the PPA is valid and enforceable, increasing the likelihood that JEA will be required to honor its contractual obligation under this "hell or high water" take-or-pay arrangement. As part of that decision, the stay relating to JEA's additional claim that MEAG was negligent in its performance under the contract was lifted, while an additional claim by MEAG that JEA breached its contract with MEAG can also be pursued. While JEA continues to pay amounts due under the PPA as billed by MEAG, the utility continues to pursue the additional claim in the ongoing litigation, which calls into question JEA's willingness to abide by the take-or-pay "hell or high water" terms governing the PPA. JEA is also considering its options relating to the recent judgement about the validity of the PPA, which could include an appeal process which would add delay to any final resolution of this litigation.

JEA also faces credit challenges relating to substantial organizational changes following the abrupt decisions in late 2019 to cancel plans to restructure or privatize JEA and to terminate JEA's CEO, with cause, and CFO, without cause. In May 2020, JEA has since replaced the entire seven-member Board, terminated its interim CEO, and hired a former JEA CEO to fill the interim CEO role for a six-month term while undertaking a search for a new CEO. More recently, nine additional senior leaders were placed on 30-day paid administrative leave, pending their dismissal and were replaced with interim leaders primarily from within JEA.

Also tied to social risks, JEA, like most of its peers, will be challenged to cope with the effects of the Coronavirus pandemic, including likely reductions in load demand and increase in bad debt expense.

These ESG challenges are balanced against JEA's financial profile which has strengthened in recent years owing to the utility's efforts to deleverage as the enterprise has retired $2.3 billion of debt since 2009. These debt reduction efforts position the utility reasonably well to manage the incremental debt service associated with the Vogtle associated PPA with MEAG Power that will increase annual debt service in 2022. Further benefitting JEA's credit profile are the utility's use of rate autonomy to help achieve financial objectives while maintaining competitive retail rates, a strong liquidity profile and advancing plans to diversify its power supply while reducing its carbon footprint and operating costs. The latter plans now incorporate JEA's Board approval of a transaction with Florida Power & Light Company (FPL) that will lead to closure of the coal-fired Plant Scherer, Unit 4 and the eventual signing of a 20-year PPA with FPL no later than January 1, 2022.

RATING OUTLOOK

The negative rating outlook primarily reflects JEA's governance and social risks. The utility's heightened and ongoing litigation and nuclear construction risks persist, as does the credit negative overhang of grappling with the recent terminations of senior management and complete replacement of the board of directors. The outlook also recognizes the fact that JEA faces continuing lackluster increase in demand for electricity in its service territory which in the near-term, will likely be exacerbated by the effects of the Coronavirus pandemic

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

-The rating is not likely to be upgraded in the near term owing to governance and social risks that are reflected in the negative outlook

-The outlook could improve if JEA withdraws its lawsuit filed against MEAG Power or there is a non-appealable final court ruling in favor of MEAG Power's own lawsuit against the City of Jacksonville and JEA

-Also, it would be credit positive if JEA constructively addresses its governance and social risks and introduces additional strategies to avoid the anticipated decline in its Electric Enterprise financial flexibility as the Vogtle project moves forward and payments to MEAG Power increase under the PPA and pressure the FOCC ratio

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

-Inability to reestablish stability around governance and social risks

-Developments in the pending lawsuits that call into further question JEA's willingness to continue abiding by the terms of its PPA with MEAG Power

-Further construction delays and cost overruns at the Vogtle project materially beyond the latest revised schedule and cost to complete

-Inability to offset the anticipated decline in its Electric Enterprise financial flexibility as the Vogtle project moves forward and payments to MEAG Power increase under the PPA and pressure the FOCC ratio

LEGAL SECURITY

JEA, FL - Electric Enterprise's electric system senior lien bonds have a rate covenant that requires net revenues to cover debt service by 120% and an additional bonds test that requires net revenues to cover maximum annual debt service by 120%. A renewal and replacement account is required to be funded at least equal to 5% of gross revenues of the preceding year or 10% of net revenues of the preceding year. Senior lien bonds are also secured by a debt service reserve sized at maximum annual interest, which we consider to be a weak protection measure for bondholders.

JEA, FL - Electric Enterprise's electric system subordinate lien bonds are payable from a subordinate lien on the net revenues of JEA's electric system. Subordinate lien bonds have a sum-sufficient rate requirement and adjusted net revenues must also be at least equal to 115% of debt service on the senior and subordinate lien bonds. There is a sum-sufficient additional bonds test. Subordinate lien bonds do not require a debt service reserve, which we consider to be a weak protection measure for bondholders.

USE OF PROCEEDS

Proceeds from issuance of the series three 2020A Bonds will be used to: (a) refund all or a portion of the Refunded Bonds as defined in related documents, including series three 2010 C and D; 2012 B; 2013 A and B; 2014 A and 2015 A and B and (b) pay certain costs of issuance related to the series three 2020A Bonds.

Proceeds from the issuance of the 2020 Series A subordinated bonds will be used to: (a) refund all or a portion of the Refunded Subordinated Bonds as defined in related documents, including series 2012 B; 2013 A, C and D; and 2014 A and (b) pay certain costs of issuance related to the 2020 Series A subordinated bonds.

PROFILE

JEA is a municipal utility whose service territory covers Jacksonville, Florida (Duval County), and parts of three adjacent counties. It is split into three enterprise funds, including the Electric Enterprise; the Water and Sewer Enterprise Fund; and the District Energy System. The Electric Enterprise is comprised of the JEA Electric System, the Bulk Power Supply System, and St. Johns River Power Park System. Jacksonville is a major ground transportation center and is also considered a significant rail hub and has one of the largest ports on the South Atlantic Seaboard. The local economy is diversified among defense, transportation and distribution, financial services, consumer goods, information services, manufacturing and insurance sectors.

METHODOLOGY

The principal methodology used in these ratings was US Public Power Electric Utilities with Generation Ownership Exposure Methodology published in August 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1170209 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

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MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

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S&P Global
Ratings

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Summary:

JEA, Florida; Joint Criteria; Water/Sewer

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Summary:

JEA, Florida; Joint Criteria; Water/Sewer

Credit Profile		
US$103.71 mil wtr and swr sys rev bnds ser 2020 A due 10/01/2040		
Long Term Rating	AA+/Developing	New
US$26.33 mil wtr and swr sys subord rev bnds ser 2020 A due 10/01/2043		
Long Term Rating	AA/Developing	New
JEA WS		
Long Term Rating	AA+/Developing	Affirmed

Rating Action

S&P Global Ratings assigned its long-term 'AA+' rating to the Jacksonville Electric Authority (JEA), Fla.'s series 2020A water and sewer system revenue bonds. Additionally we assigned our long-term 'AA' rating to the authority's series 2020A water and sewer system subordinated revenue bonds. We also affirmed our 'AA+' long-term rating on JEA's water and sewer system (senior-lien) revenue bonds and our 'AA' long-term rating on its water and sewer system subordinate revenue bonds. Lastly, the long-term portions of various variable-rate demand obligations (VRDOs) are affirmed at 'AA+' and 'AA', respectively, for each lien. The outlook on all bonds is developing.

This rating action affects JEA's water and sewer debt ($1.15 billion senior and $224 million subordinate).

A net revenue pledge of water and sewer revenues secures the water and sewer revenue bonds outstanding. Capacity fees are also pledged to debt service. JEA's electric system is wholly separate from the water and sewer system; therefore, electric revenues are not pledged to the repayment of water and sewer debt service.

We consider legal provisions adequate. The system's rate covenant states pledged net revenues must provide at least 1.25x total annual debt service. In addition, the system's additional bonds test is equal to 1.25x maximum annual debt service (MADS). A debt service reserve fund equal to lesser of MADS or 125% of average annual debt service provides additional liquidity.

Credit overview

JEA has extremely strong financial metrics which so far, have not been affected by a disruptive management situation. Recently, the authority has begun to move in the direction of having more internal controls and procedures.

While we believe the utility's revenue potential may experience some declines for fiscal 2020, ultimately, our expectation is that management will continue to manage the system, whether in delaying self-funded capital projects or by developing operational efficiencies to maintain sound coverage levels. The authority's water and sewer utility system also has over 186 days' cash on hand, which we believe provides a significant cushion for short-term disruptions. Additionally, management has instituted its contingency plans to ensure minimal service disruptions. The utility system has indicated that it will not make additional transfers to the general fund. While we continue to monitor events related to the COVID-19 pandemic, we do not currently expect it to affect the utility's ability to maintain budgetary balance and pay debt service costs. For more information, see "COVID-19's Potential Effects In U.S. Public Finance Vary By Sector" (published March 5, 2020, on RatingsDirect) and "All U.S. Public Finance Sector Outlooks Are Now Negative" (published April 1, 2020).

In 2019, JEA issued an "Invitation to Negotiate" (ITN) the sale of the utility. In our view, the ITN was predicated on dubious assumptions, and we believe that the approval process lacked adequate internal controls. JEA abandoned the sale of the utility on the disclosure that the ITN contained a "Performance Unit Plan" (PUP), providing substantial payments and contractual employment guarantees to senior management after the sale of the utility.

According to JEA, the presentation of the proposed ITN lacked transparency and provided insufficient time for board members to review documents--prior to voting to proceed with it. Therefore, we believe that the board failed to provide adequate and independent oversight. In December 2019, the mayor of Jacksonville announced that JEA would no longer pursue efforts to privatize the utility, citing "erosion of public trust" in the privatization process.

Fallout from the ITN and PUP has been extensive. Due to their "real or perceived" roles in championing the ITN, JEA's CEO Aaron Zahn, interim CEO, and CFO were dismissed. JEA's board resigned and a new board was installed. Former CEO Paul McElroy was rehired on an interim basis, and he dismissed the chief administrative officer and placed eight additional senior executive managers on administrative leave for 30 days pending termination.

We believe that JEA's changes in senior leadership mark an initial step toward restoring public trust. Unless fully addressed, this erosion of trust can translate into a loss of customer confidence and support, which could impair JEA's credit quality if it encounters resistance to rate adjustments or its implementation of strategic initiatives. We understand that a charter amendment is expected to be placed on the November ballot, giving the city council four of the seven appointments to the JEA board (currently the mayor makes all appointments), and we view this as creating more fertile ground for independence.

The enterprise risk assessment reflects our assessment of the utility's:

- Strong and deep service area economy in the Jacksonville metropolitan statistical area (MSA), which is characterized by average incomes and below-average unemployment;
- Very low industry risk as a monopolistic service provider of an essential public utility;
- Moderately affordable combined rates representing 2.0% of median household effective buying income (MHHEBI); and
- An Operational Management Assessment (OMA), where we view the system as a '3' categorized as a good on a six-point scale with '1' being the strongest and '6' the weakest, which, in our opinion, implies overall alignment among the system's operational characteristics and that its management strategies are sufficient and well embedded, as well as very comprehensive.

The financial risk profile reflects our view of the utility's:

- Net revenues providing extremely strong all-in debt service coverage (DSC) of more than 2.52x the coverage of the past two audited years, and we expect coverage will be maintained at least at such extremely strong levels for the foreseeable future;

- Very strong liquidity position with the authority reporting $64 million in unrestricted cash and cash equivalents at the end of fiscal 2019, providing about 105 days' cash on hand;
- Debt profile being moderately leveraged with a 45.4% debt-to-capitalization ratio; and
- A Financial Management Assessment (FMA) of a good, which indicates that the finance department maintains practices that are strong, well embedded, and likely sustainable. We view the system as a '3' revised from a '1' on a six-point scale with '1' being the strongest and '6' the weakest.

The developing outlook on the water and sewer system bonds reflects recent events suggesting governance instability and evidence of weak controls. In our view, the absence of key executives and an untested board could frustrate strategic initiatives and the ability of the utility to move forward with its core functions. We acknowledge that the change in leadership and governance is not without effect.

Environmental, social, and governance factors

Overall, we believe that management has mitigated most of the system's environmental, social, and governance (ESG)-related risk by adopting, adhering to, and adjusting its operating and financial policies and procedures. We view most of the authority's other ESG risk factors as on par with those of other similarly rated utilities. In our view, the water and sewer system's governance factors are also elevated given that the board was recently totally replaced and a new temporary CEO has been appointed. This risk will be mitigated over time as the board makes decisions beneficial to the authority and becomes more tested. In addition, given the system's location in the Floridian Peninsula, which is prone to direct hits by hurricanes, its environmental risk is considered above average. However, to date, JEA has successfully mitigated this risk by maintaining annual resiliency and sustainability plans. Additionally, for now, increased pressures on the service area economy due to higher public health and safety risks related to COVID-19 will directly increase the system's overall social risks factors.

Developing Outlook

The developing outlook reflects our expectation that JEA's water and sewer system financial profile will remain very strong. We expect the system to continue to generate robust all-in DSC, allowing it to cash fund its capital improvement program (CIP) as projected through fiscal 2023, which highlights its significant financial flexibility. However, uncertainty surrounding senior management and its ability to maintain or follow current policies and procedures in the water and sewer operations causes S&P Global Ratings to believe it is more likely than not that the rating will be lowered over the next two years. Conversely, should a strongly independent senior management team emerge and should the authority adhere to past policies and procedures, then it is likely that we could raise the rating to 'AAA' again, or revise the outlook to stable.

Enterprise risk

JEA's water and sewer system serves the greater Jacksonville MSA; the system covers a 910-square-mile area, primarily in the urban and suburban areas of the growing city of Jacksonville (Duval County) not served by private utilities, and small portions of St. John's and Nassau counties. We consider the broad and diverse Jacksonville MSA to be strong, although city income levels remain just adequate, with its MHHEBI equal to a below-average 91% of the nation.

The system's customer base is primarily residential and totaled 356,000 water and 278,000 sewer customer accounts in 2019. The customer base is diverse, with the 10 leading water and sewer users accounting for just 3.9% and 5.2% of system revenues, respectively.

JEA's water system consists of 38 treatment plants of various sizes and two re-pump facilities and can treat just under 319 million gallons per day (mgd). This provides ample capacity for the system's 117 mgd average demand, which remains roughly 15% below its consumption use permit of 138 mgd in 2018. Management anticipates that the system has sufficient water allocation from its 137 water wells to meet demand for the 20-year permit period ending in 2031. Eleven wastewater treatment plants provide capacity to treat between 123 mgd (rated average flow) to 247 mgd (rated maximum flow), which was more than sufficient to treat the average flow of 76 mgd in 2019.

We consider water and sewer rates competitive, providing additional revenue-raising flexibility. Officials indicated an average residential single-family customer uses 6,000 gallons per month or a combined bill of just $70.45, or when annualized, an affordable 2.0% of the city's MHHEBI. Officials have no current plans to raise rates.

Based on our OMA, we view JEA to be a '3' on a scale of '1' to '6', with '1' being the strongest. This indicates, in our view, that operational and organizational goals are generally well-aligned, even if some challenges exist. The good OMA includes the system's more-than-sufficient water supply and treatment capacity projected through 2036, and management's robust enterprise risk program, which we believe reflects its proactive approach to identifying and mitigating operational risks. Management's willingness to adjust utility rates is strong, although multiyear pre-approved rate increases are not standard. The score has been revised from a '2' to reflect the uncertainty within organizational effectiveness.

Financial risk

In our view, the water and sewer system's financial metrics, including its available liquidity position, have been very strong. Given the system's lack of additional debt plans, we believe JEA's very strong financial position is sustainable. Pledged net revenues (including capacity revenues in fiscal 2019) provided a very strong 2.66x all-in DSC net of an annual transfer to the city's general fund. JEA financial projections indicate maintaining all-in DSC, net of transfers out, around 2x through fiscal 2020.

The system's liquidity position, while weakening, remains a credit strength. The system maintained $64 million in unrestricted cash. When combined, the system's available cash restricted with board approval results in a liquidity position that we consider very strong at over 105 days' cash on hand in fiscal 2019. We consider the system's debt burden moderate with a debt-to-capitalization ratio equal to 45% in fiscal 2019. JEA supports $1.39 billion in total debt, including $157 million in unhedged variable-rate debt, or just 11.3% of total debt. The authority has entered into floating- to fixed-rate interest rate swap transactions to synthetically fix the interest rates on the series 2006B and 2008B variable-rate bonds. Its five-year CIP totals a sizable $1.47 billion through fiscal 2024. However, the authority plans to fund the a majority of the CIP with the use of internal funds, including renewal and replacement funds, capacity fees, and operating capital outlay funds. While there are no plans for additional debt currently, management has indicated that it may need to issue a modest amount of new debt based on faster-than-anticipated system growth and future environmental legislation and regulations.

Based on our FMA, we view JEA to be a '3' on a scale of '1' to '6', with '1' being the strongest. The revision reflects some uncertainty surrounding the new board, potential new management, and disclosure issues that have come to light recently. An FMA of good indicates that practices are sound, well embedded, and likely sustainable. The authority maintains most of the best practices we believe critical to supporting credit quality and these are well embedded in daily operations and practices. Formal policies support many of these activities, adding to the likelihood that they will continue and transcend changes in the operating environment or personnel. JEA management maintains and fulfills various financial policies and targets related to DSC and liquidity. A policy governing coverage requires the system to maintain 1.8x coverage of total debt service, and a liquidity policy equal to at least 100 days' cash on hand. In addition, management annually updates and regularly reviews its five-year financial projections and five-year CIP, all support an FMA score of '3' and not lower for now.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of June 29, 2020)		
JEA wtr and swr sys rev bnds		
Long Term Rating	AA+/Developing	Affirmed
JEA wtr and swr sys sub rev bnds		
Long Term Rating	AA/Developing	Affirmed
JEA wtr & swr subord rev bnds		
Long Term Rating	AA/Developing	Affirmed
JEA wtr & swr subord 1st crossover		
Unenhanced Rating	AA(SPUR)/Developing	Affirmed
JEA wtr & swr sys subord rev bnds 2010 ser A due 10/01/2020		
Long Term Rating	AA/Developing	Affirmed
JEA wtr & swr sys subord rev bnds 2010 ser B dtd 11/10/2010 due 10/01/2020 2023-2025		
Long Term Rating	AA/Developing	Affirmed
JEA wtr & swr VRDBs senior 2008B		
Long Term Rating	AA+/A-1/Developing	Affirmed
JEA wtr & swr VRDBs subord 2008B-1 & B-2		
Long Term Rating	AA/A-1+/Developing	Affirmed
JEA wtr & swr VRDBs subord 2008 A-1		
Long Term Rating	AA/A-1+/Developing	Affirmed
JEA wtr & swr VRDBs subord 2008 A-2		
Long Term Rating	AA/A-1/Developing	Affirmed
JEA wtr & swr VRDBs 2008A-1 & A-2		
Long Term Rating	AA+/A-1	Affirmed
Unenhanced Rating	AA+(SPUR)/Developing	Affirmed
JEA wtr & swr (AMBAC)		
Unenhanced Rating	AA+(SPUR)/Developing	Affirmed

Ratings Detail (As Of June 29, 2020) (cont.)		
JEA wtr & swr (MBIA) (National)		
Unenhanced Rating	AA+(SPUR)/Developing	Affirmed
Many issues are enhanced by bond insurance.		

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

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JEA, Florida; Liquidity Facility; Retail Electric

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JEA, Florida; Liquidity Facility; Retail Electric

Credit Profile		
US$143.465 mil elec sys rev bnds ser 3 2020 A due 10/01/2041		
Long Term Rating	A+/Negative	New
US$96.94 mil elec sys subord rev bnds ser 2020 A due 10/01/2041		
Long Term Rating	A/Negative	New
JEA (St Johns River Pwr Pk)		
Long Term Rating	A+/Negative	Affirmed

Rating Action

S&P Global Ratings has assigned its 'A+' rating to JEA, Fla.'s $143. 5 million electric (senior-lien) revenue bonds, series three 2020A, and its 'A' rating to JEA's $96.9 million electric system (subordinate-lien) revenue bonds, series 2020A. At the same time, we affirmed the following ratings and outlooks on the JEA's existing debt, as follows:

- 'A+' senior-lien, fixed-rate electric system, bulk power supply system, and St. John's River Power Park (SJRPP) debt (paid as an operating expense);
- 'A' subordinate-lien, fixed-rate electric system debt';
- 'A+/A-1+' variable-rate demand bonds (senior lien) series three 2008A, B-2, and B3, (Royal Bank of Canada liquidity facility);
- 'A+/A-1' variable-rate demand bonds (senior lien) series three 2008C1, 2 and 4, (JPMorgan Chase liquidity facility);
- 'A/A-1' variable-rate demand bonds (subordinate lien, U.S. Bank liquidity facility), series 2008D; and,
- 'A-1' variable-rate demand bonds, issued in the CP Mode, series three 2008C, and 2000 series A, F-1, and F-2 (various cusips).

The outlook on all ratings, where applicable, is negative.

Securing the bonds is a pledge of the net revenue of the electric system (with the exception of the SJRPP, which despite being paid as an operating expense of the electric system, we treat as parity obligation to JEA's senior-lien debt).

JEA is a publicly owned, vertically integrated, electric utility that owns generation, transmission, and distribution assets. The utility reports about $1.9 billion of senior- and subordinate-lien debt. It serves about 476,000 customers and derives about half of its revenues from residential service.

Credit overview

In our opinion, JEA's robust financial metrics provide support for the utility's long-term credit quality and current ratings.

We previously lowered our ratings and affirmed our negative outlook to reflect:

- The cumulative effect of numerous delays and cost overruns of the Vogtle nuclear project, for which JEA entered into a purchase power agreement (PPA) with the Municipal Electric Authority of Georgia (MEAG), as well as the potential for additional delays, overruns, and stranded assets should the project not be completed;
- Litigation between JEA and MEAG, in which JEA argued that its board members acted beyond the scope of the utility's authority, which, in our view, raised questions about the quality of JEA's internal controls, and called into question the utility's willingness to meet its contractual financial obligations. (We noted that JEA continued to make regularly scheduled payments as billed by MEAG);
- An erosion of stakeholder confidence, as weak internal controls led to senior management having a "real or perceived" involvement in the "Invitation to Negotiate" (ITN)/"Performance Unit Plan" (PUP) in which they stood to benefit, and upon its disclosure, a failed attempt to sell the utility. In our view, the lack of confidence in JEA represents a credit risk, as it could impair rate setting or the implementation of strategic initiatives.

On June 17, 2020, the U.S. District Court (Atlanta) entered a summary judgement against JEA, reinforcing the validity and enforceability of JEA's PPA with MEAG. In our opinion, the court ruling removes uncertainty regarding the PPA. It is not currently clear if JEA intends to appeal the district court ruling.

The district court also lifted stays on two claims unrelated to the validity and enforceability of the PPA. JEA may now seek damages by pursuing a claim that MEAG acted negligently when it approved the continued construction of the Vogtle project in 2018, and MEAG may seek damages by pursuing a claim that JEA breached the terms of the PPA by failing to cooperate in the financing of the Vogtle units. It is not clear if JEA or MEAG will pursue their respective claim of damages.

In 2019, JEA issued an ITN the sale of the utility. In our view, the approval process lacked adequate internal controls. JEA abandoned the sale of the utility upon the disclosure that the ITN contained a PUP, providing substantial payments and contractual employment guarantees to senior management upon the sale of the utility.

According to JEA, the presentation of the proposed ITN lacked transparency and provided insufficient time for board members to review documents--prior to voting to proceed. Therefore, we believe that the board failed to provide adequate and independent oversight. In December 2019, the Mayor of Jacksonville announced that JEA would no longer pursue efforts to privatize the utility, citing "erosion of public trust" in the privatization process.

Fallout from the ITN and PUP has been extensive. Due to their "real or perceived" roles in championing the ITN, JEA's CEO, (Aaron Zahn), interim CEO, and CFO were dismissed. JEA's board resigned and a new board was installed. Former CEO Paul McElroy was rehired on an interim basis, and he dismissed the chief administrative officer and placed eight additional senior executive managers on administrative leave for 30 days pending termination.

We believe that JEA's changes in senior leadership is an initial step to restoring public trust. Unless fully addressed, this erosion of trust can translate into a loss of customer confidence and support, which could impair JEA's credit quality if it encounters resistance to rate adjustments or its implementation of strategic initiatives. We understand that a charter amendment is expected to be placed on the November ballot, giving the city council four of the seven appointments to the JEA board (currently the mayor makes all appointments), and we view this as creating greater independence and credit supportive.

The ratings also reflect our opinion of a strong enterprise risk profile and a very strong financial risk profile. The enterprise risk profile reflects our view of JEA's:

- Adequate Operational Management Assessment (OMA). Despite the recent district court ruling, we view the attempt to exit the Vogtle PPA by claiming the board acted beyond its authority suggests weak internal controls, and this weighs heavily on our assessment of JEA's operational management. The erosion of confidence stemming from the ITN and PUP led to replacement of JEA's board and virtually all senior management. We believe that these risks overshadow some positive aspects of JEA's operational management, including a diverse power supply and good shaft diversity. JEA's carbon footprint has improved in recent years; coal and petcoke accounted for 26% of energy in 2019.Other credit-supportive characteristics include robust planning and comprehensive policies. Finally, we believe management has demonstrated a willingness to adopt base-rate increases and pass through fuel and power cost adjustments as needed to maintain robust coverage metrics.
- Very strong service-area economic fundamentals. Jacksonville is the largest city in Florida. We view the service area as deep, diverse, and resilient with residential customers accounting for almost half of JEA's electric revenue, and leading customers accounting for less than 11% of revenue. However, income levels are a little below average, suggesting a constraint on rate-raising flexibility. The pandemic and attendant recession have resulted in an elevated unemployment rate for the Jacksonville metropolitan statistical area (MSA), (11.2% in April 2020), but we note that it is still below the nation (14.3%). JEA's projections assume a 10% COVID 19-related decline in electric sales through the remainder of fiscal 2020. Disconnects are temporarily suspended, and about 22,000 customers (less than 5% of total customers) are delinquent on their bills. We anticipate that delinquencies will come down as the economy opens further, JEA resumes disconnects in July, and as delinquent customers are placed on payment plans. We believe that the financial impact of the downturn is manageable within the context of JEA's credit quality and very strong financial risk profile.
- Strong market position. Average revenue per kilowatt hour (kWh) was slightly above the state average in 2018, no base-rate increases were adopted for 2019 or 2020, and none is expected in 2021. However, JEA expects to adopt a sizable base-rate increase in 2022, followed by more moderate increases in 2023 and 2024 to respond to increasing fixed costs related to Vogtle. Given diminished stakeholder confidence in JEA, coupled with the current economic climate, we believe that such rate increases may be challenging, but we note that JEA has a record of adopting necessary rate increases to ensure maintenance of extremely strong financial metrics; and our rating and outlook incorporates its continuance.
- Extremely strong industry risk relative to other industries and sectors.

The financial risk profile reflects our view of the utility's:

- Extremely strong coverage metrics, as evidenced by fixed-cost coverage (FCC) that has averaged 1.85x over the past three years, after transfers in from JEA's rate stabilization fund and fuel reserve, and 1.68x after such transfers. Over fiscal years 2020-2024, JEA projects FCC will be at 1.7x-2.4x both before and after such transfers, which we would continue to assess as extremely strong. The projection is based on seven months of actual results and five months of projected results that conservatively include a 10% decline in sales in 2020 due to the pandemic;
- Very strong liquidity and reserves, reflecting available reserves of $776 million (measuring 347 days' operating expenses in 2019, although nearly two-thirds of this was in the form of a revolving credit agreement that is available to both JEA's electric and water systems); and
- Strong debt and liabilities profile, suggested by manageable on-balance-sheet debt to capitalization, but substantial

off-balance-sheet obligations associated with the Vogtle project.

Environmental, social, and governance factors

S&P Global Ratings recently revised the outlook for the public utilities sector to negative from stable due to the COVID-19 pandemic (see "All U.S. Public Finance Sector Outlooks Are Now Negative," published April 1, 2020, on RatingsDirect).

JEA's environmental risks relate chiefly to its carbon footprint. Coal and petcoke (which has a higher carbon footprint than coal) accounted for 26% of energy in 2019, down from more than 49% as recently as 2016. Despite the expected addition of the Vogtle nuclear units and a solar PPA, JEA forecasts that coal and petcoke will account for 31% of energy requirements in 2024. In addition, we view the possibility of hurricanes as providing heightened environmental risk given Jacksonville's location near the coast of Florida. However, we do believe that the utility has taken actions to provide operational resiliency.

JEA has applied appropriate measures to stem the spread of COVID-19 and protect the population's health and safety, which we view as a social risk under our environmental, social, and governance (ESG) factors. Although unemployment is elevated, it remains below the national rate. Delinquencies are expected to decline as the moratorium on shutoffs is lifted, delinquent customers are placed on repayment plans, and the economy gradually reopens. We anticipate that sales will decline about 10% through the remainder of the year, improving gradually thereafter. As the decline in sales and expected rate increases are built into JEA's financial projection, which demonstrates robust metrics, we do not expect this social risk to add further rate pressures beyond forecasted rate hikes over fiscal years 2022-2024, which we believe already limits JEA's future financial flexibility. However, should the recession extend or deepen, additional rate pressures could arise, as could also be the case with additional delays and cost overruns related to the Vogtle project.

We believe that relative to its peers, JEA's governance factors are heightened, as an erosion of stakeholder confidence, and the turnover of virtually the entire executive management team and board of directors are heavily factored into our assessment of JEA's operational management.

Negative Outlook

The negative outlook is multifaceted. It reflects our view of the financial, operational, legal, and political uncertainty surrounding the Vogtle project, including whether it will be completed substantially in accordance with the revised schedule and budget. Although project construction continues, we believe that further material delays and overruns could erode credit quality. The negative outlook also reflects weak internal controls that in our view contributed to the decision to litigate the Vogtle PPA. Finally, the negative outlook reflects our opinion of the unsettled situation regarding JEA's management and governance. This also includes weak internal controls that led to a flawed ITN process and the PUP, and an erosion of stakeholder confidence. In the aftermath of the ITN/PUP, virtually the entire executive management team and its board of directors were replaced. JEA continues its search for a permanent CEO, and we anticipate that when hired, he or she could make additional changes to executive staffing. The current board of directors is new as well, and has not yet had an opportunity to demonstrate a commitment to independent oversight that we believe the previous board lacked.

We could lower the ratings if there are additional Vogtle project construction delays or cost overruns that are material. We could also lower the ratings if the changes in management and governance fail to demonstrate a commitment to JEA's independence, even if it occurs in the absence of an erosion in financial metrics or an inability to address capital needs in a cost-effective manner. We do not expect to revise the outlook to stable until there is greater clarity regarding the status of JEA's litigation claims, Vogtle's project costs and timeline, and evidence of competent permanent executives operating in concert with an independent board.

Credit Opinion

The Vogtle project

The Vogtle project is a two-unit (1,100-megawatt [MW] each) nuclear plant under construction in Georgia. The Vogtle project is co-owned by Georgia Power Co. (GPC; 45.7% share), Oglethorpe Power Corp. (30.0%), MEAG (22.7%), and the municipal utility serving the City of Dalton, Ga. (1.6%). MEAG entered into a PPA with JEA (dubbed "Project J") whereby JEA will receive 41.175% of the energy and capacity (206 MW) associated with MEAG's 22.7% share of the Vogtle project. In return, JEA has agreed to pay the first 20 years' debt service on debt issued for the Project J portion of the Vogtle project. MEAG has issued $2.58 billion of capital market, U.S. Department of Energy, and privately placed debt on behalf of Project J. Debt service on JEA's obligation amounted to $14 million in 2019, but will ramp up significantly, reaching a projected $141 million by 2024.

The Vogtle project has been plagued by numerous construction delays and cost overruns, spawning litigation between MEAG and JEA. In 2008, the overnight cost of the project, not including financing, was projected to be $10.4 billion, but the most recent estimate suggests that cost is now about $18 billion, which we estimate to be $27 billion-$28 billion when including financing costs. The two units were originally expected to be placed in service in 2016-2017, but now that is not expected until sometime between November 2021/2022.

Responding to a spike in COVID-19 cases at the worksite, GPC--the lead utility on the Vogtle nuclear expansion project--reduced the construction workforce by 20% after workers tested positive. GPC has stated that it expects that the reduced workforce will help social-distancing practices at the site, improve productivity, and help the utility achieve its targeted in-service date.

We previously lowered our ratings and assigned negative outlooks to reflect the cumulative effect of numerous delays and cost overruns, as well as the potential for additional delays, overruns, and stranded assets should the project not be completed. In our view, the delays and budget adjustments raise questions about project stewardship, while their magnitude leave us with diminished confidence in the co-owners' ability to accurately estimate completion costs and in-service dates.

Enterprise Risk

OMA: Adequate

We view management, policies and planning as having a mixed impact on the assessment of JEA's operational management.

In our view, there is instability in management and governance. The board and virtually all senior management have been replaced over the past year, due to a lack of stakeholder confidence in the board's leadership. This erosion in confidence followed the disclosure that the ITN for the sale of JEA, which was approved by the former board, contained a provision that would have resulted in substantial payments to senior management, upon the sale of the utility.

The suit brought by JEA against MEAG, the questionable assumptions that previous JEA management employed in support of the ITN process, and JEA's management and board turnover, all lead us to question the authority's internal controls. Senior executive management has been replaced on an interim basis by staff that we consider experienced, but lacking a track record in their new roles. As the new board has been in place only a short time, it has not yet had an opportunity to demonstrate the independence that the previous board lacked. Based on publicly available information about the nominees, we observe that they have held leadership roles in business and in the community, but it is not clear whether they are versed in matters relating to the governance of municipal electric, water, and sewer utilities. We will monitor the actions of the new board to assess its independence and fitness to oversee utility operations and management. We view these attributes as critical elements of credit stability. In our view, the absence of key permanent executives and uncertainty as to who their successors will be, coupled with an untested board, could frustrate strategic initiatives and the ability of the utility to progress with its core functions. However, we do note that in a step to address board independence, an initiative to give the city council four of the seven appointments is expected to be placed on the November 2020 ballot (currently JEA's seven-member board is appointed by the mayor), which we would view favorably with respect to establishing greater independence.

We believe that these risks somewhat overshadow some more positive aspects of JEA's operational management.

JEA has a diverse power supply, good shaft diversity, and a diverse fuel mix--allowing JEA to produce competitively priced power. Assets are generally young and have good remaining useful life. Historically coal centric, JEA is migrating to a more attractive fuel mix. Although 26% of energy needs came from coal and petcoke-fired generation and raises risk associated with its carbon footprint, we note that this number has fallen in favor of natural gas, which was 50% of the fuel mix in 2019. Nevertheless, JEA still faces risk related to the construction of the Vogtle project.

JEA is in substantial compliance with environmental regulations, with modest additional expenditures expected. We also anticipate modest increases in JEA's carbon footprint, but we believe that the utility's credit quality will not be unduly exposed to future regulatory measures, particularly given the recently announced retirement of the coal-fired Scherer unit 4, on or before Jan.1, 2022. The unit supplied 11% of JEA's energy needs in 2019.

Other credit supportive aspects of JEA's operational management include annually updated multi-year financial forecasts and capital plans, the adoption of a number of credit supportive polices, (including targets for debt-to-asset ratios, debt service coverage, FCC, and liquidity); and, a robust enterprise risk management program.

In our opinion, rate-setting practices are also credit supportive. We believe management has demonstrated a willingness to adopt base rate increases necessary to maintain robust coverage metrics, and we note that JEA increased base rates in 2017 several years ahead of schedule to accelerate repayment of on-balance-sheet debt. Although JEA has a power-cost-adjustment mechanism that we view as less than robust--it is adjusted annually and at management's discretion--we note that it has been historically exercised, as evidenced by extremely strong financial metrics, suggesting that fuel- and power-cost increases are passed through to ratepayers when needed.

Economic fundamentals: Very strong

Jacksonville is the largest city in Florida, and we view the JEA service area as deep, diverse, and resilient, with residential customers accounting for almost half of electric revenue, and leading customers accounting for less than 11% of revenue. However, income levels are a little below average at 91% of the nation, suggesting a constraint on rate-raising flexibility. The pandemic and the attendant recession has resulted in a higher unemployment rate for the Jacksonville MSA, (11.2% in April 2020), however, we note that it is still below the 14.3% national rate. Fiscal 2020 sales are down a modest 0.2% through April (e.g. through seven months of the fiscal year). JEA's projections assume a 10% decline in electric sales through the remainder of fiscal 2020. Disconnects are temporarily suspended, and about 22,000 customers, (less than 5% of total customers), are delinquent on their bills. We anticipate that this will come down when disconnects are resumed in July and delinquent customers are placed on payment plans, and we believe that the financial impact of the downturn is manageable within the context of JEA's credit quality.

Market position: Strong

JEA's average revenue per kWh was slightly above the state average in 2018, the most recent year of available comparative information. The utility does not anticipate raising rates until 2022, when it expects to adopt a sizable base-rate increase in 2022, followed by more moderate increases in 2023 and 2024 to respond to Vogtle-related fixed-cost increases.

In our view, diminished stakeholder confidence in JEA, coupled with the current economic climate, may make such rate increases challenging. However, although the projection assumes adoption of rate increases, we also note that they do not occur until 2022, and the need for them may be mitigated by cost-cutting measures that JEA expects to make and by debt service savings--about $2.7 million per year--related to the 2020 refundings.

Its power cost adjustment (PCA) is adjusted annually, although at management's discretion; however, we note the PCA has been historically exercised and cost recovery has been well demonstrated. We also note that JEA, via the PCA, instituted a fuel-charge rebate (about $27 million) for May 2020 in response to lower fuel prices, and in an effort to provide rate relief to customers during the COVID-19 pandemic.

Industry risk: Extremely strong

Consistent with "Methodology: Industry Risk," published Nov. 19, 2013, we consider industry risk for municipal retail electric and gas utilities covered under these criteria to be very low, and therefore extremely strong as compared with other industries and sectors.

Financial Risk

Coverage metrics: Extremely strong

JEA has a record of solid historical financial metrics. In the past three years, its FCC has averaged an extremely strong 1.85x after transfers in from its rate stabilization and fuel reserve, as JEA has used rather liberal draws on these unrestricted and previously accumulated funds--a cumulative $126 million--largely to accelerate debt retirement and to fund capital needs from internally generated funds. FCC metrics before these transfers have also been extremely strong, averaging 1.68x over the past three years. We understand that the utility expects to draw an additional $27 million in rate stabilization and fuel reserves in 2020, followed by another $7 million in 2021, before replenishing these reserves at an average $15 million annually over fiscal years 2022-2024. However, we do not view this as a credit risk, given the utility's strong liquidity, which includes a recently increased line of credit (see below). Furthermore, we believe the use of cash reserves was prudent, insofar as it enables JEA to avoid increasing rates and to reduce on-balance-sheet debt.

Our FCC calculation treats transfers from JEA to the city's general fund as an operating expense, and treats a portion of operating expenses related to SJRPP, Scherer, and the Vogtle and Solar PPAs as debt-like.

Over fiscal years 2020-2024, JEA projects FCC at 1.7x-2.4x after such transfer, and 1.8x-2.3x before the transfer, levels that we would continue to assess as extremely strong. The projection is based on seven months of actual results and five months of projected results that include a 10% decline in sales in 2020 due to the pandemic and recession. As JEA's fixed costs are increasing (primarily related to the Vogtle project), management expects to adopt a sizable base-rate increase in 2022, followed by more moderate increases in 2023 and 2024. However, we also note that the projected rate increases do not occur until 2022, and the need for them could be mitigated by cost-cutting measures that JEA expects to make and by debt service savings--about $2.3 million per year--related to the 2020 refundings.

Nevertheless, should the pandemic extend into 2021, which we expect, JEA's near-term projection could be challenged, but not to the extent that we would expect to result in a revision to our assessment of JEA's coverage metrics. In addition, Vogtle construction and project completion risks remain, specifically through the possibility of additional cost overruns and delays.

Liquidity and reserves: Very strong

JEA's liquidity is robust, in our view, both from the perspective of days' equivalent of operating expenses and from the amount of available reserves.

Over the past several years, JEA has been drawing on unrestricted cash to fund accelerated debt retirement and reduction, fund capital needs, and mitigate the need for rate increases. At fiscal year-end 2019, JEA had $282 million in unrestricted cash, which represented 126 days' operating expenses. This was down from $539 million (211 days' operating expenses) in 2016.

However, JEA increased its line of credit to $500 million from $300 million, offsetting the recent draws on unrestricted cash in order to preserve liquidity. Inclusive of the line of credit, total liquidity measured $776 million in 2019, a very healthy 347 days' operating expenses, which we consider to be extremely strong.

According to our criteria, "we are unlikely to assign a liquidity and reserve assessment of 'extremely strong' unless available reserves supported such assessment, excluding such lines of credit." Absent the lines of credit, we would not consider JEA's liquidity extremely strong; accordingly, our view JEA's liquidity and reserves as very strong. We also note that projections suggest days liquidity will decline modestly over the next five years, but remain at levels that support this assessment.

Debt and liabilities: Strong

JEA has reduced on-balance-sheet electric enterprise debt by $2.41 billion since 2009, to $2.2 billion in 2019. Debt measures 62% of total capitalization. We expect this ratio will improve over the next several years as debt amortizes, and as management expects to finance its approximately $1 billion, five-year capital plan with internally generated funds. As a result, our forward-looking view is that on-balance-sheet debt-to-capitalization will improve to under 60% in the next couple years.

However, although the on-balance-sheet debt burden has improved markedly, JEA is responsible for servicing a considerable amount of off-balance-sheet debt associated with its Vogtle PPA. The utility is responsible for servicing the obligation for a 20-year period (MEAG is responsible for servicing the remaining unamortized debt over the ensuing 20 years). To date, MEAG has issued $2.58 billion of Project J debt. Attributing half of this to JEA (a reflection of JEA's obligation to service debt for the first 20 years of a 40-year amortization schedule), we calculate that on- and off-balance-sheet debt would produce debt-to-capitalization ratios of 71% in 2020, and 69% in 2021, which is reflected in our assessment of JEA's debt and liabilities profile.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of June 29, 2020)		
JEA elec sys rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien (AGM)		
Unenhanced Rating	A+(SPUR)/Negative	Affirmed
JEA elec sys subord lien (ASSURED GTY)		
Unenhanced Rating	A(SPUR)/Negative	Affirmed
JEA elec sys subord rev bnds		
Long Term Rating	A/Negative	Affirmed
JEA elec sys subord rev (AGM)		
Unenhanced Rating	A(SPUR)/Negative	Affirmed
JEA elec sys subord (AGM)		
Unenhanced Rating	A(SPUR)/Negative	Affirmed

Ratings Detail (As Of June 29, 2020) (cont.)		
JEA elec sys subord (BAM)		
Unenhanced Rating	A(SPUR)/Negative	Affirmed
JEA elec sys subord (MBIA) (National)		
Unenhanced Rating	A(SPUR)/Negative	Affirmed
JEA elec sys sub rev bnds		
Long Term Rating	A/Negative	Affirmed
JEA elec sys sub rev bnds		
Long Term Rating	A/Negative	Affirmed
JEA elec sys VRDB sr lien ser III 2008C-2		
Long Term Rating	A+/A-1/Negative	Affirmed
JEA elec sys VRDB sub ser 2000F		
Short Term Rating	A-1	Affirmed
JEA JACKSONVILLE ELEC AUTH (ST JOHNS RIVER PWR PK SYS) SPL OBLIG 4TH CROSSOVER SER		
Long Term Rating	A+/Negative	Affirmed
JEA JACKSONVILLE ELEC AUTH (ST JOHNS RVR PWR PK SYS) SPL OBLIG 1ST CROSSOVER SER		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien var rate rev bnds		
Long Term Rating	A+/A-1/Negative	Affirmed
JEA elec sys sr lien var rate rev bnds		
Long Term Rating	A+/A-1/Negative	Affirmed
JEA elec sys sr lien var rate rev bnds		
Long Term Rating	A+/Negative	Affirmed
JEA elec sys sr lien var rate rev bnds		
Long Term Rating	A+/A-1/Negative	Affirmed
JEA elec sys sub lien var rate rev bnds		
Long Term Rating	A/A-1/Negative	Affirmed
JEA LQDTYFAC		
Long Term Rating	NR/NR	Affirmed
JEA LQDTYFAC		
Short Term Rating	A-1	Affirmed
JEA RETELEC		
Long Term Rating	A+/Negative	Affirmed
Unenhanced Rating	NR(SPUR)	

Ratings Detail (As Of June 29, 2020) (cont.)		
JEA RETELEC		
Long Term Rating	A+/A-1/Negative	Affirmed
JEA RETELEC		
Short Term Rating	A-1	Affirmed
JEA (St Johns River Pwr Pk)		
Unenhanced Rating	A+(SPUR)/Negative	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	A+/Negative	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	A+/Negative	Affirmed
Many issues are enhanced by bond insurance.		

29 Jun 2020 | New Rating

Fitch Assigns 'AA' ratings to JEA, Florida's Water and Sewer System Revenue Bonds

Fitch Ratings-New York-29 June 2020:

Fitch has assigned 'AA' ratings on the following JEA, Florida revenue bonds:

--Approximately $104 million water and sewer system revenue bonds, 2020 series A;

--Approximately $26 million water and sewer system subordinated revenue bonds, 2020 series A.

In addition, Fitch has affirmed the 'AA' ratings on the following outstanding bonds:

--Approximately $1.1 billion outstanding water and sewer system senior revenue bonds;

--Approximately $220 million outstanding water and sewer system subordinated revenue bonds;

Fitch has assessed a 'aa' standalone credit profile (SCP) to JEA's water and sewer system.

The Rating Outlook is Stable.

New Issue Details

The 2020A bonds are expected to price via negotiated sale the week of July 6, 2020. Bonds proceeds will be used to refund all or a portion of previously issued and outstanding senior- and subordinate-lien water and sewer system revenue bonds for savings. The anticipated savings will be taken annually and there will be no extension of maturities.

ANALYTICAL CONCLUSION

The 'AA' ratings reflect JEA's combined water and sewer system's (the system) very strong revenue defensibility, as well as consistently strong financial performance, strong system capacity and performance, and low system leverage. Fitch also considers JEA's monopolistic revenue source characteristics, growing service territory and independent rate setting to be important rating considerations.

As financial margins have improved and outstanding debt has trended lower, JEA's leverage ratio, measured as net adjusted debt to adjusted funds available for debt service (FADS), has declined to just 4.7x at fiscal-end 2019, and has been below 6.0x since 2015. Leverage ratios at these levels continue, even through Fitch's stress scenario, remaining fully supportive of the current rating.

The system's operating risk profile is also strong, indicative of the very low but rising cost burden and elevated life cycle investment needs. The capital plan totals approximately $1.5 billion through 2024 and will be funded mainly from pay-go sources with limited additional debt.

Finally, the ratings and affirmation consider the recent changes in JEA's senior staff and board of directors, but reflect Fitch's expectation that the current and potentially future appointees will continue supporting operational strategies and financial policies consistent with those previously adopted by the utility and supportive of credit quality.

The outbreak of coronavirus created an uncertain environment for the water and sewer sector. While JEA's performance through most recently available data has not indicated significant impairment, material changes in revenue and costs could occur or worsen if economic activity suffers further and/or government restrictions are maintained or expanded. Fitch's ratings are forward looking in nature, and Fitch will monitor developments related to the severity and duration of the virus outbreak, and incorporate revised expectations for future performance and assessment of key rating drivers.

Fitch does not make a rating distinction between JEA's senior- and subordinate-lien obligations given the modest (approximately 16%) amount of subordinated debt outstanding relative to the system's overall debt profile and the high coverage of all debt service.

CREDIT PROFILE

JEA provides essential water treatment and potable water-distribution service, as well as wastewater collection, treatment and disposal service on a retail basis to a large and stable service territory that includes most of the city of Jacksonville, FL, and portions of neighboring St. Johns, Nassau and Clay Counties. As an independent agency of the city of Jacksonville, JEA maintains its own board of directors, consisting of seven members appointed by the mayor, with city council approval. The customer base is diverse and growing, with over 355,000 water accounts (roughly 278,000 sewer accounts) served in 2019. JEA's water supply and overall treatment capacity are expected to be sufficient for the long term.

KEY RATING DRIVERS
Revenue Defensibility:'aa'

Monopolistic Provider, Diverse and Growing Service Area

JEA provides essential water and sewer service to a large and economically diverse service area, which along with the very strong revenue source characteristics and local control over rate-setting, support the revenue defensibility assessment. The vast majority of revenues are derived from residential end users within a defined service territory.

Operating Risks:'aa'

Very Low Cost Burden, Slightly Elevated Life-Cycle Needs

The system's cost burden is very low, but has been trending higher over time. Capital spending has been solid but strong customer growth and a somewhat elevated life-cycle ratio indicate capital investment needs will remain elevated for the intermediate term.

Financial Profile:'aa'

Very Strong Financial Performance, Very Low Leverage

The very strong financial profile reflects historically strong margins and very low leverage ratios in the context of very strong revenue defensibility and a low cost burden. Fitch expects the system's leverage ratio to remain below 7.4x and Fitch-calculated coverage of full obligations (COFO) to be over 2.0x over the next five years, levels fully supportive of the rating.

Asymmetric Additive Risk Considerations

Management and Governance: Recent changes to JEA's senior staff and board of directors, the interim nature of certain appointments and the untested performance of the appointees represent asymmetric risk considerations in Fitch's view.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Sustained leverage below 5.0x.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A significant and sustained increase in leverage closer to 10.0x;

--An increase in the utility's operating cost burden above $6,500 and resulting weakening of its operating risk profile;

--Board adoption of new operating strategies and financial policies less supportive of credit quality.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [https://www.fitchratings.com/site/re/10111579].

SECURITY

Senior-lien bonds are secured by a first lien on net revenues of the system. Subordinated bonds are secured by a junior lien on the combined system revenues after payment of senior-lien debt service.

Revenue Defensibility

Revenue Defensibility is very strong. All of the system's revenues are derived from services or business lines that exhibit monopolistic characteristics. JEA's service territory includes the entire Jacksonville metropolitan area, which has an estimated population of 1.6 million and very favorable demographic trends in Fitch's view. The 10 largest retail customers, led by the U.S. Navy and the city of Jacksonville, represent a stable mix of large employers that comprised just 4% of water and 5% of sewer revenue in fiscal 2019. Customer growth accelerated after slower growth following the 2008/2009 recession, increasing by nearly 2.5% annually since 2013.

Coronavirus Considerations

The onset of the coronavirus led to a shutdown of major portions of the economy throughout much of the country over the past few months. In Jacksonville, a decline in economic activity has not led to a major shift downward in demand or flows, as favorable weather and increased residential activity helped offset lower commercial demand over the past few months. Florida is in the early stages of reopening its economy, with local service sector activity expected to be the most positively affected. While the service area appears to be on a path to economic recovery, considerable uncertainty remains over how long and to what degree (if at all) the economy will return to a pre-coronavirus level. Fitch will continue to monitor the progress of economic activity and demand for water and wastewater service in the region.

Operating Risks

The utility's operating risk profile is assessed at 'aa', reflecting very low but rising operating cost burden of $5,310 in 2019 and elevated life cycle investment needs. The cost burden remains below Fitch's threshold for the 'aa' assessment, but has been trending higher over the past five years. While increased operating costs are typical for a growing system, operating costs may continue to outpace demand/flow trends as customers replace older appliances and fixtures with more efficient models. However, Fitch expects the cost burden to remain very low for the intermediate term.

Fitch assesses JEA's capital planning and management to be strong, reflecting an elevated life-cycle investment ratio and solid historical capital spending. The life-cycle ratio, measured as the system's cumulative depreciation relative to combined plant age and remaining useful life, only slightly surpassed 45% in 2019, but has been on a steady rise since fiscal 2015.

The system's five-year capital improvement plan (CIP) totals a fairly sizable approximately $1.5 billion through 2024 for both systems, and will fund recurring investment needs and growth-related projects. The current spending plan is about $327 million larger than the previous CIP and includes water resource management, well rehabilitation, water reclamation expansion and projects to reduce nutrient loading into the St. John's River.

Financial Profile

The system's financial profile is assessed at 'aa', reflecting strong performance and very low leverage. Liquidity is solid at 129 days cash on hand and neutral to the assessment. Margins have been strong, and Fitch-calculated COFO exceeded 2.0x in each of the last five fiscal years.

The leverage ratio steadily decreased from 6.0x in 2015 to its current 4.7x due to an approximately $50 million rise in FADS and $126 million in lower overall net debt. Fitch expects leverage to remain at similar levels, as no rate increases are planned and new debt is expected to only slightly outpace existing debt retirements.

Fitch Analytical Stress Tool (FAST) -- Base Case and Stress Case

Fitch's FAST considers the potential trend of key ratios in a base case and a stress case scenario. The base case is informed by JEA's financial forecast assumptions, which include a slight increase in revenues in the first year (2020) resulting from lower sales volumes and late bill payments due to coronavirus, and flat operating expenses from 2019. Revenues increase in years two and three by 2% each year before remaining roughly flat in years four and five. Expenditures increase in year two by a somewhat conservative 14%, with 1% growth thereafter. The base case also assumes about $400 million in new debt to finance a portion of the capital plan.

The stress case is designed to impose a capital cost increase of 10% above expected levels. Under this scenario, the FAST shows an increase in the leverage ratio due to lower expected margins and FADS from 4.0x in year one to about 5.5x in year four (2023).

Given the overriding economic uncertainty related to the coronavirus, Fitch considered a sensitized 3.2% revenue decline -- based on JEA's forecast 0.8% increase and Fitch's negative 4.0% overlay -- with a recovery stretched over the following two years. While JEA is not experiencing a material demand decline or revenue losses as a result of the pandemic, Fitch's downside scenario is designed to consider the potential for major setbacks in containing the virus and the possible re-imposition of lockdowns over the near term.

In Fitch's sensitized case, the leverage ratio reaches 6.9x in years four (2023) and five (2024) of the forward look. When adding an additional $150 million in new money bonds over the five-year period in the rating case to account for lower pay-go sources and a higher capex resulting from Fitch's additional capital stress, leverage peaks at 7.4x in 2023, a level still fully supportive of the 'AA' rating. In all scenarios, COFO remains strong, not falling below 2.0x.

Asymmetric Additive Risk Considerations

Management and Governance: Fitch considered the recent changes to JEA's senior staff and board of directors in its review. Most of JEA's board members tendered their resignations in February 2020, agreeing to stay on until a new board was established. Seven new board members were sworn in by the end of March, and JEA's interim CEO was hired in April.

More recently, eight members of JEA's senior staff, including the general managers of the electric and water and sewer operations, were placed on administrative leave and replaced by existing and former JEA employees. While Fitch expects the new management team and board members will support the strategic direction of the utility and its stated financial policies, the interim status of the management team and untested performance of the board appointees represents an asymmetric risk that could influence credit quality over time.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 27 Mar 2020) (including rating assumption sensitivity)

U.S. Water and Sewer Rating Criteria (pub. 03 Apr 2020) (including rating assumption sensitivity)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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29 Jun 2020 | New Rating

Fitch Assigns 'AA' ratings on JEA, FL's Electric System Rev Bonds; Outlook Stable

Fitch Ratings-New York-29 June 2020:

Fitch has assigned 'AA' ratings on the following JEA, Florida revenue bonds:

--Approximately $143 million tax-exempt electric system revenue bonds, series three 2020A;

--Approximately $97 million tax-exempt electric system subordinated revenue bonds, 2020 series A.

In addition, Fitch affirms the 'AA' ratings on the following outstanding bonds:

--Approximately $970 million outstanding electric system revenue bonds;

--Approximately $690 million outstanding electric system subordinated revenue bonds;

--Approximately $89 million bulk power supply system revenue bonds;

--Approximately $265 million St. Johns River Power Park revenue bonds.

Fitch has assessed a 'aa' standalone credit profile (SCP) to JEA's electric system.

The Rating Outlook is Stable.

The 2020A bonds are expected to price via negotiated sale the week of July 6. Bond proceeds will be used to refund all or a portion of previously issued and outstanding senior- and subordinate-lien electric system revenue bonds for savings. The anticipated savings will be taken annually and there will be no extension of maturities.

ANALYTICAL CONCLUSION

The 'AA' ratings reflect the electric system's consistent financial performance and steadily improving leverage profile. Total debt outstanding has been on the decline for many years as the authority has lowered fixed costs and retired some outstanding bonds early in anticipation of higher cost nuclear energy it will purchase following the eventual completion of the new nuclear units at Plant Vogtle. Fitch expects manageable life-cycle investment needs to be funded entirely from internal sources, allowing leverage to remain very low.

Fitch also considers the system's monopolistic revenue source characteristics, growing service territory and independent rate setting to be important rating considerations. Fitch expects the electric system's diverse and low-cost resource base and very strong leverage profile to also remain fully supportive of the 'AA' rating, even through Fitch's stress scenario.

Finally, the ratings and affirmation consider the recent changes in JEA's senior staff and board of directors, but reflect Fitch's expectation that the current and potentially future appointees will continue to support operational strategies and financial policies consistent with those previously adopted by the utility and supportive of credit quality.

The outbreak of coronavirus created an uncertain environment for the public power sector. While JEA's performance through most recently available data has not indicated significant impairment, material changes in revenue and costs could occur if economic activity suffers further and/or government restrictions are maintained or expanded. Fitch's ratings are forward looking in nature, and Fitch will monitor developments related to the severity and duration of the virus outbreak, and incorporate revised expectations for future performance and assessment of key rating drivers.

Although a default on JEA's subordinate obligations would not result in a payment default on its senior obligations, Fitch makes no distinction between the ratings given the preponderance of senior and contract debt that accounts for approximately 66% of JEA's total outstanding debt, and a relatively consistent vulnerability to default among the obligations.

CREDIT PROFILE

JEA is among the largest municipally owned electric utilities in the nation, with a total revenue budget of over $1.3 billion and more than 475,000 direct retail customers. The service area for the electric system includes the entire city of Jacksonville, FL, and a small number of customers in neighboring St. Johns, Nassau and Clay Counties. As an independent agency of the city of Jacksonville, JEA maintains its own board of directors, consisting of seven members appointed by the mayor with city council approval.

KEY RATING DRIVERS
Revenue Defensibility::'aa'

Large, Vertically Integrated System, Favorable Service Area

Provision of a monopolistic service coupled with favorable demographics and the independent ability to adjust rates underpin the electric system's very strong revenue defensibility assessment. Solid customer growth and declining fuel prices allowed the average retail rate to remain steady and affordable for many years. Rates are not subject to outside regulatory approval; only JEA board approval is required to raise rates.

Operating Risk::'aa'

Diverse, Low-Cost Resource Base

JEA's very strong operating risk profile reflects a very low operating cost burden supported by a diverse mix of low-cost generating assets and firm purchases, and manageable life-cycle investment needs.

Financial Profile::'aa'

Leverage Expected to Remain Low

The electric system's financial profile is very strong. A sustained overall improvement in the operating margin has allowed JEA to cash fund its capital program and embark on a program of retiring outstanding debt (including early redemptions) over the past few years, which led to a systematic decline in debt and leverage over time. Unrestricted cash and investments on hand were strong at 163 days at YE 2019, despite cash-funded debt repayments. Liquidity is bolstered by a $500 million commercial line of credit, which remains mostly intact. Despite a pay-go capital program, Fitch expects cash on hand to remain above JEA's minimum policy target.

Asymmetric Additional Risk Considerations

Management and Governance: Recent changes to JEA's senior staff and board of directors, the interim nature of certain appointments and the untested performance of the appointees represent an asymmetric risk consideration in Fitch's review.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Given JEA's requirement to purchase energy from Plant Vogtle and the potential for additional completion cost increases that could pressure financial results, an upgrade is unlikely at this time.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A deterioration in financial margins and/or increase in debt that cause the leverage ratio to increase to closer to 10.0x;

--An increase in the utility's operating cost burden above $0.10 cents/kWh and resulting weakening of its operating risk profile;

--A delay in the Vogtle project completion beyond November 2022, project cost increases exceeding the existing project contingency funds or project cancelation;

--Board adoption of new operating strategies and financial policies less supportive of credit quality.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [https://www.fitchratings.com/site/re/10111579].

SECURITY

The electric system revenue bonds are secured by a first lien on net revenues of the electric system. Subordinate electric system revenue bonds are secured by a second lien on net revenues of the electric system, after the first-lien bonds have been paid. A default of the subordinate revenue bonds does not trigger a payment default of the senior revenue bonds. Outstanding St. John's River Power Park (SJRPP) bonds and bulk power supply system bonds are contract debts of JEA, payable as operations and maintenance expenses of the electric system on a take-or-pay basis.

Revenue Defensibility

As a large vertically integrated retail service provider, JEA derives all of its electric revenues from the provision of monopolistic service within its defined service territory, which supports very strong revenue source characteristics. Residential users accounted for roughly 51% and 44% of system revenues and sales, respectively, in 2019. The authority exhibits no meaningful customer concentration, as the 10 largest end users, led by the U.S. Navy, represent a stable cross-section of employers that consistently comprise only about 14% of total sales.

Growing Service Area, Solid Economic Underpinnings

Fitch's very strong service area characteristics assessment reflects JEA's growing and diverse customer base underpinned by a sound regional economy led by healthcare, government (including a large federal military presence) and financial services/banking. The assessment further reflects growing household income levels and low unemployment. Jacksonville is the most populous city in the state and the anchor of the northeast Florida economy. Demographic trends have been favorable, with median household income for the city of Jacksonville on the rise over the past several years (reaching $52,576 in 2018), but still trailing national levels. Retail customer growth totaled a very strong 1.8% CAGR over the past five years, and the city's unemployment rate trended downward to just 3.3% in 2019, which is a very strong 89% of the national average.

The onset of the coronavirus led to a shutdown of major portions of the economy throughout much of the country over the past few months. In Jacksonville, a decline in economic activity has not led to a major shift downward in demand, as favorable weather and increased residential activity helped offset lower commercial demand over the past few months. Florida is in the early stages of re-opening its economy, with local service sector activity expected to be the most positively affected. While the service area appears to be on a path to economic recovery, considerable uncertainty remains over how long and to what degree (if at all) the economy will return to pre-coronavirus levels. Fitch will continue to monitor the progress of economic activity and demand for electricity in the region.

Independent Rate Setting

Rate flexibility is assessed to be very strong, reflecting JEA's independent ability to adjust rates, which consist of a base rate, fuel and purchased power rate, and an environmental rider. The fuel and purchased power rate is adjusted annually based on purchased power costs, although the rate can be modified as needed with board approval if costs vary by more than 10% from JEA's adopted budget.

Rates are competitive and affordable, providing management with some flexibility to adjust rates in the future, if necessary. Retail electric rates in 2019 of roughly 10 cents/kWh compare favorably with the state's retail average, and the average residential bill is an affordable 2.9% of median household income. Annual base rates increased by a total of 39% between fiscals 2008 and 2012, but have only been adjusted higher once since then. Manageable future base rate increases in JEA's financial forecast (beginning in fiscal 2022) are partially offset by expected fuel rate decreases over the next two years. Overall, Fitch expects JEA's rates to remain competitive and affordable.

Operating Risk

JEA's electric system has a very low operating cost burden, with a Fitch-calculated cost of power of 9.0 cents/kWh, including an annual transfer to the city's general fund. While higher in 2017-2019, operating costs are similar to fiscal 2014 and are expected to rise only marginally over the next few years leading up to the expected completion of the two new nuclear units at Plant Vogtle in fiscals 2022 and 2023.

Based on the current timeline and budget, Fitch expects energy from the new Vogtle units to increase JEA's purchased power expense by roughly 60% from 2019, to $265 million by 2024, the first full year the new units will be fully operational. While the increase in purchased power expense is notable, energy from Vogtle will comprise only about 13% of JEA's total requirements, and Fitch expects the impact on JEA's $1.3 billion electric and bulk power system budget to be modest.

Fitch expects the retirement of the SJRPP to result in significant cost savings, beginning in 2020, of about $50 million annually. Fitch will continue to monitor Vogtle's construction progress and costs. Any significant changes to the expected overall costs of power from the new Vogtle units, or cost increases for any other reason that lead to an eventual cost burden that rises above 10 cent/kWh could lead to a lower overall operating risk assessment.

JEA makes annual transfer payments to the city's general fund, which includes a 1% annual escalator pursuant to a five-year interlocal agreement with the city that extends through 2023. The annual transfer is a somewhat elevated at 7% of total operating revenues. The transfer is subordinate to the payment of system operating expenses and debt service obligations, but Fitch considers it an ongoing fixed obligation of the utility.

Diverse Power Supply

Operating cost flexibility is neutral. JEA's power supply is diverse, both in terms of the number of generating resources and fuel mix. After the decommissioning of the jointly owned SJRPP in 2018, total generating capacity declined by roughly 400MW (net) to approximately 2,900MW. However, the closure of SJRPP benefits JEA in several ways, including through significant projected annual costs savings (both operating and capital expenses) and lower CO_2 emissions, and better alignment of long-term resources to projected demand.

The majority of JEA's generating fleet consists of nearly 1,900MW of natural gas and waste heat facilities, and about 800MW of solid fuels (coal and pet-coke), including JEA's ownership in coal-fired Scherer Unit 4. The remainder of JEA's total capacity is made up of firm purchases and a peaking facility powered by diesel fuel. Following the closing of SJRPP, JEA's aggregate resource capacity totals more than 3,000MW and remains in excess of anticipated peak load and a 15% reserve margin. Additional short-term firm purchases and new solar purchase power agreements (PPAs) are expected to bridge JEA until the Vogtle units are completed.

Environmental Considerations

While there are no renewable portfolio standards in Florida, JEA's reliance on coal-fired assets declined significantly following the closure of SJRPP. Approximately 49% of energy was derived from natural gas-fired resources in 2019, followed by firm purchases at 24% and coal-fired generation at 16%. The fuel mix just two years prior was dominated by coal at 43%, followed closely by natural gas. JEA forecasts 52% of its energy will be derived from natural gas, 16% from coal and 13% from nuclear purchases by 2023. Along with the shift to natural gas and a small amount of solar recently installed, JEA anticipates adding up to 250MW in additional solar generation through 20-year PPAs over the next few years.

Fitch assesses capital planning and management as strong given JEA's elevated life-cycle investment needs and somewhat low historical annual capital investment trends relative to depreciation. The average age of plant was just 16 years in 2019, although this ratio has been steadily increasing since 2014. Capital needs through fiscal 2024 total approximately $1 billion, which is similar to previous capital improvement plans (CIPs) and roughly equals expected annual depreciation.

The bulk of the electric CIP will be for routine maintenance and rehabilitation projects, with a portion expected to pay for land to build solar projects. JEA expects 100% CIP funding from internal sources with no additional debt contemplated.

Additional Considerations -- Update on Plant Vogtle and MEAG Lawsuit

JEA is participating in the development of the 2,204 MW Vogtle expansion project via a 20-year PPA for 206 MWs (9.35%) with the Municipal Electric Authority of Georgia (MEAG; power bonds rated BBB+/Negative). JEA's obligations under the PPA are unconditional and constitute contract debt payable as an operating expense under JEA's bond resolution. JEA sued MEAG in 2018, challenging the validity of the PPA between the two parties. A U.S. District Court concluded on June 17, 2020 the PPA is valid and enforceable. The decision is expected to be subject to appeal upon the completion of remaining monetary relief claims.

The 20-year contract requires JEA to begin paying MEAG for the capacity and energy at the full cost of production, including debt service related to Project J. Under the Project J bonds, the annual debt service, which was $40 million in 2019, is payable whether or not either Vogtle Unit is completed or is operating or operable. The annual Project J debt service rises to approximately $131 million by 2024 and remains close to this level before stepping down in 2036. The increase in annual Project J debt service reflects the winding down of a fairly sizable amount of capitalized interest over the next several years.

Extensive delays and cost overruns at Plant Vogtle have been a concern for Fitch. Completion of Units No. 3 and No. 4 was originally expected to be completed in April 2016 and April 2017, respectively, but was delayed after the original construction contractor filed for bankruptcy protection in 2017. After a new construction firm was hired, completion dates were revised to late 2021 and 2022, respectively, with further revisions to the construction budget to complete the units.

Given MEAG's ownership share in the new units and JEA's participation as an off-taker, only a portion of the revised cost increases are attributable to JEA through its PPA. Fitch believes JEA's Vogtle-related obligations as currently known are manageable given the authority's strong annual cash flows and rate flexibility. Risks related to completion of the project have been considered, but do not currently constrain the JEA ratings or Outlook.

Construction at the two units is estimated as 84.9% complete, but continues to experience challenges that have plagued construction since the beginning, including productivity, recruiting sufficient craft labor to the site and consistently meeting construction milestones. The latest report of the independent Vogtle Monitoring Group (VMG), appointed by the Georgia Public Service Commission, suggests completion of the project by the November dates is highly unlikely, and the project cost will exceed the current budget. The VMG's opinion is largely based on poor productivity and efforts by Southern Nuclear Company (SNC) to deviate from normal industry practices to shorten the schedule. The VMG report only considered activity through mid-March 2020 and did not consider the impact of the coronavirus on project schedule or cost.

SNC announced in April 2020 a 20% reduction to the construction workforce to reduce the potential for the spread of the coronavirus, allow for increased social distancing and increase productivity of the remaining workforce. The announcement followed challenges with labor productivity and absenteeism at the site after multiple members of the workforce tested positive for COVID-19. The co-owners assert the project will still meet the scheduled commercial operation dates of November 2021 for Unit 3 and November 2022 for Unit 4 through improved efficiency and work that was ahead of schedule for the November dates. However, it is possible the workforce reduction could exacerbate existing productivity and cost challenges.

Financial Profile

The electric system's financial profile is very strong, reflecting strong performance and very low leverage. Following several years of improved financial metrics, JEA's margins were slightly lower in fiscal 2018 due to a slight decline in total revenues from closure of SJRPP and a decline in off-system sales, among other factors, and a slight increase in overall expenses. Margin improved in 2019 after a slight increase in revenue and decrease in operating expenses. Fitch-calculated debt service coverage was a still-strong 1.9x in 2019, and coverage of full obligations (COFO), which includes the annual transfer to the city's general fund and incorporates a portion of purchased power obligations, remained supportive of the rating at roughly 1.5x.

Cash, including available reserves in the system's renewal and replacement fund, totaled 163 days cash on hand at YE 2019, which is lower than previous years due to the use of cash for early debt retirement, but still high enough to be neutral to the financial profile assessment. JEA's liquidity position includes a fuel supply reserve aimed at equaling 15% of budgeted fuel expenses. Fitch expects cash to remain above policy targets (150 days) as JEA cash funds its capital plan over the next five years. The authority recently increased and extended a $500 million revolving credit agreement with JPMorgan Chase & Co. (AA-/Negative) for the benefit of all of its utilities. The revolver approximately doubles the electric system's total available liquidity and expires in 2021.

Leverage ratios have shown considerable improvement over the past eight years as a result of JEA's strategy of cash funding most of its capital needs and accelerating the early paydown of outstanding debt. The ratio of net adjusted debt to adjusted funds available for debt service (FADS) totaled 4.4x at the end of fiscal 2019, which compares very favorably to the almost 8.0x recorded in fiscal 2010.

Fitch Analytical Stress Test (FAST) Base Case and Stress Case

Fitch's FAST considers the potential trend of key ratios in a base case and a stress case scenario. The base case is informed by JEA's financial forecast for fiscals 2020-2024, which incorporates a decline in energy demand in 2020 (year one) due to the coronavirus followed by a rebound in volumes in 2021 and no growth through the rest of the forecast. This base case also includes manageable rate increases, expected annual spending for capital improvements with no new debt, and about $200 million of scheduled debt to be retired through 2024.

The base case indicates a decline in year one FADS and an increase in leverage to 4.7x. Leverage rises through the forward look to 5.7x by 2023 as the cost for energy from Vogtle begins to lower operating income.

Fitch also considered a standard sensitized base case that considers a fairly severe, almost 14% decline in demand in year one of the forward look related to economic contraction from the outbreak of the coronavirus. The sensitized base case also considers a slower return in sales volumes in years two and three of about 6% each year, followed by a 2% demand increase in year four (2023). The results of this case indicate an even higher leverage ratio of 6.1x. However, leverage at these even higher levels, along with an expectation of at least neutral liquidity and COFO above 1.0x, would remain fully supportive of the current rating.

JEA's debt profile is neutral to the rating. Total debt outstanding as of YE 2019 consisted of roughly $1.8 billion of senior- and subordinate-lien electric system revenue bonds, approximately $95 million of bulk power supply bonds and $279 million of SJRPP obligations.

Of the roughly $2.2 billion of total debt outstanding, approximately $591 million is variable rate, equal to a manageable 27% of total debt outstanding, including 8% unhedged. Most of the $406 million notional variable debt is hedged with floating-to-fixed rate swaps from various counterparties. Variable-rate bonds are backed by liquidity facilities provided by a diverse pool of commercial banks, with solid credit ratings with expiration dates ranging from late 2020 to mid-2023. The mark-to-market value of the swaps at the close of fiscal 2019 was negative $118 million. The ability of the counterparties to terminate is limited to the authority's credit ratings falling to or below 'BBB'.

Asymmetric Additional Risk Considerations

Management and Governance: Fitch considered the recent changes to JEA's senior staff and board of directors in its review. Most of JEA's board members tendered their resignations in February 2020, agreeing to stay on until a new board was established. Seven new board members were sworn in by the end of March, and JEA's interim CEO was hired in April.

More recently, eight members of JEA's senior staff, including the general managers of the electric and water and sewer operations, were placed on administrative leave and replaced by existing and former JEA employees. While Fitch expects the new management team and board members will support the strategic direction of the utility, as well as its stated financial policies, the interim status of the management team and untested performance of the board appointees represents an asymmetric risk that could influence credit quality over time.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 27 Mar 2020) (including rating assumption sensitivity)
U.S. Public Power Rating Criteria (pub. 30 Mar 2020) (including rating assumption sensitivity)

Applicable Model

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).
FAST Public Power - Fitch Analytical Stress Test Model, v1.1.3 (1)

Additional Disclosures

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INTER-OFFICE MEMORANDUM
July 15, 2020

SUBJECT:	**DEBT MANAGEMENT POLICY REVIEW**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
The Debt Management Policy, originally adopted on May 20, 2003 and amended on April 19, 2005, October 18, 2005, November 20, 2007 and December 15, 2009, contains detailed provisions and strategies regarding the management of JEA's debt including fixed rate debt, variable rate debt, refunding debt and interest rate swaps, caps, collars and related hedging instruments.

DISCUSSION:
The most recent version of the Debt Management Policy became effective on September 24, 2019. JEA Staff reviews the Policy on a periodic basis with the Debt/Investment Strategy Committee in order to consider current industry practices, rating agency considerations and the JEA operating environment. The Policy's goal is to ensure JEA's debt is managed taking a long-term approach in borrowing funds at the lowest possible interest cost after taking into consideration the various risks.

Based on its most recent review, Staff proposed a number of changes to the Policy. Most involve the removal of outdated references, clarifications and conforming of terms, and format cleanups. The only change of substance was the removal of the former Policy Section VIII.F. VARIABLE RATE DEBT INSTRUMENTS – Reserve Fund. The Reserve Fund was eliminated to reflect the following factors:

- A benign short-term interest rate environment that has seen SIFMA average 1.30% over the past 20 years;
- The $200 million increase in JEA's revolving credit facility in November 2018 to a total commitment of $500 million, providing for additional liquidity should there be a spike in interest rates;
- The use of the Electric and Water and Sewer System debt management strategy stabilization fund balances of approximately $29.9 million and $14.2 million, respectively, for the second phase of JEA's debt defeasance program

A marked version indicating changes from the December 15, 2009 version of the Debt Management Policy are included with this memorandum.

FINANCIAL IMPACT:
The Debt Management Policy governs the administration of approximately $3.33 billion of outstanding JEA debt, with FY2020 annual debt service of approximately $252 million.

<u>RECOMMENDATION</u>:
This item is submitted for information. No action by the Board is required.

Paul McElroy, Interim Managing Director/CEO

PEM/BJR/JEO

JEA

Debt Management Policy Overview

JEA Debt Management Policy Overview

- JEA's Debt Management Policy was initially established in May 2003 and has been amended several times
- The most recent amendment was approved by the JEA Board in September 2019
- Other than a number of ministerial edits, the most substantive change was to eliminate the Reserve Funds for Variable Rate Debt for both the Electric and Water and Sewer Systems
- A marked version of the September 2019 Debt Management Policy is attached to this presentation
- The Debt Management Policy sets forth parameters and provides guidance regarding the following issues:
  - Capital structure
  - Credit ratings
  - Compliance with tax regulations
  - Management of floating interest rate risk
  - Management of hedging instruments

JEA Debt Management Policy Overview

- The main goals of the Debt Management Policy are as follows:
  - Maintain cost of capital consistent with other “AA” similarly rated municipal utilities
  - Maintain steady credit ratings
  - Establish and maintain reserve funds
  - Reduce floating rate debt “put” risk
  - Maintain diversification of debt
- Responsibility for the Debt Management Policy rests with the JEA Board and the Policy is implemented by the Chief Financial Officer
- An oversight committee, the Debt/Investment Strategy Committee meets semiannually to develop strategy and review performance of the JEA debt and investment portfolios
- Authorization for new debt rests with the JEA Board and City Council on an as needed basis

JEA Debt Management Policy Overview

- The annual capital budgeting process forms the basis of new money debt to be issued during the five-year projection period for each JEA System
- The issuance of subordinated debt is limited to the financing of generation assets for the Electric System; Water and Sewer System senior and subordinated bonds can be used to fund all types of capital expenditures
- JEA will endeavor at all times to issue tax-exempt debt, though certain market conditions may make taxable debt issuance more advantageous
- The Debt Management Policy goes into significant detail with respect to fixed versus variable rate debt, interest rate strategy to include interest rate hedging, credit ratings, debt service reserves, bond insurance, compliance/reporting requirements and debt refunding parameters

JEA Debt Management Policy

Variable Rate Exposure as June 30, 2020

	Electric System	% of Total Debt	Water & Sewer System	% of Total Debt	DES	% of Total Debt
Unhedged Variable Rate Debt	181,370,000	9.0%	159,955,000	12.4%	-	0.0%
Hedged Variable Rate Debt	405,985,000	20.2%	104,400,000	8.1%	-	0.0%
Total Variable Rate Debt (A)	587,355,000	29.2%	264,355,000	20.5%	-	0.0%
Fixed Rate Debt	1,426,560,000	70.8%	1,023,180,000	79.5%	33,135,000	100.0%
Total Debt	2,013,915,000	100.0%	1,287,535,000	100.0%	33,135,000	100.0%
Net Variable Rate Assets (B)	504,398,289	25.0%	123,288,390	9.6%	**Policy Limit**	
Net Variable Rate Debt (A - B)	82,956,711	**4.1%**	141,066,610	**11.0%**	**30%**	

DEBT MANAGEMENT POLICY

Revised as of ~~December 15, 2009~~September 24, 2019

I. SCOPE

This Policy applies to all current and future debt and related hedging instruments issued by JEA for its Electric System, Water and Sewer System, District Energy System~~,~~ (DES), St. Johns River Power Park (SJRPP), Bulk Power Supply System~~,~~ (BPSS), and any other entity created and approved by JEA's Board. The Policy is intended to provide broad policy guidance and facilitate the management, control, and oversight of JEA's debt function facilitating ongoing access to the capital markets necessary to the funding of future capital projects.

II. GOAL/MISSION/OBJECTIVE

JEA's debt shall be managed with an overall philosophy of taking a long~~-~~-term approach in borrowing funds at the lowest possible interest cost. To achieve this goal, JEA will continuously work towards developing the optimal capital structure, including the amounts and types of variable rate exposure, in view of JEA's risk tolerance to market fluctuations, capital market outlook, future capital funding needs, rating agency considerations, counterparty credit profiles, and competition.

The Debt Management Policy sets forth parameters and provides guidance regarding the following issues:

- Capital structure
- Credit ratings
- Compliance with tax regulations
- Management of floating interest rate risk
- Management of hedging instruments

The main goals of the Debt Management Policy are as follows:

- Maintain cost of capital consistent with other “AA” similarly rated municipal utilities
- Maintain steady credit ratings
- Establish and maintain reserve funds
- Reduce floating rate debt “put” risk
- Maintain diversification of debt

III. RESPONSIBILITY FOR POLICY

The overall Debt Management Policy is approved by the JEA Board and implemented by the Chief Financial Officer (CFO~~)/Vice President of Financial Services.~~). An oversight committee, the Debt/Investment Strategy Committee (Committee) will meet ~~quarterly~~semiannually to develop strategy and review the performance of the debt and investment portfolio in conjunction with this Policy. The members of the Committee are the ~~CEO, CFO/Vice President of Financial Services, Director of Treasury Services, and Portfolio Specialist~~Managing Director and Chief Executive Officer (CEO), CFO, Treasurer and Manager Cash and Investments.

JEA's Treasury Services group will develop procedures to implement and administer this Policy. In addition, ~~Financial Management~~Treasury Services will continuously apply process improvement methodologies to make improvements to the Debt Management processes.

IV. AUTHORIZATION

A. Debt Authorization

The overall amount of debt that JEA is allowed to issue for ~~both~~ the electric system~~ and~~, SJRPP, the water and sewer system and DES is authorized by the JEA Board and by City Council ~~Ordinance~~ordinance on an as needed basis. Based on capital and related debt issuance ~~projections~~financial forecast, the JEA Board typically approves the projected debt issuance limits for the next several years in conjunction with the next fiscal year's budget process.

The available amount of debt authorization outstanding is monitored by Treasury Services and is reported monthly to the Board as part of the monthly financial statements.

B. Authorizations for Debt-Related Hedging Instruments such as ~~Swaps~~swaps and ~~Caps.~~ caps.

Resolutions approving the use of interest swap, cap, and related hedging instruments outlining, among other things, size and maturity restrictions, must be approved by the JEA Board prior to execution.

C. New Systems Authorization and Financing

This Policy will include debt issued pursuant to new system resolutions approved by the JEA Board and City Council. Debt authorization limits will be approved by a separate authorizing resolution approved by the JEA Board and City Council ordinance.

V. INVESTMENT STRUCTURE

JEA is authorized to invest available funds pursuant to an established Investment Policy approved by the Board on September 19, 2000, last amended ~~August 18, 2008~~March 26, 2019, Florida Statutes section 218.415 and the ~~-~~Electric, Water and Sewer, ~~District Energy~~DES, SJRPP, and ~~Bulk Power Supply bonds~~BPSS bond resolutions. The primary goals of the Investment Policy are to (1) provide safety of capital, (2) provide sufficient liquidity to meet anticipated cash flow requirements and (3) maximize investment yields while complying with the first two goals. The Investment Policy outlines the parameters on authorized investments, maturity and liquidity requirement limits, and procurement and safekeeping procedures.

JEA ~~utilizes~~is authorized to utilize investment/asset-based "fixed to floating" swaps in order to take advantage of longer term investment yields as a hedge to the shorter yielding funds which are required to remain in short~~-~~-term investments (i.e., debt service funds and operating funds).

The notional amount of swaps outstanding classified as investment/asset-based swaps ~~are~~is authorized by the Board under a separate resolution. JEA may not have outstanding a notional amount of investment/asset swaps which in aggregate is an amount greater than the amount of variable/short-term investable funds (100% hedged).

VI. ANNUAL PLAN OF FINANCE

~~Treasury Services will prepare annually, as~~As part of the annual budget presentation, a Plan of Finance~~ that~~ will be submitted to the Board for information purposes. Such Plan of Finance will address at a minimum the amount of debt projected to be issued during the next fiscal year and whether such debt is senior or subordinated, fixed and/or variable and the possible use of hedging instruments.

A. The annual capital budgeting process will be used to project the amount of debt to be issued during the next five~~-~~-year period. Factors to be considered in the final ~~projections~~financial forecast are:

- The forecast of spending levels for capital projects.
- The availability of internal funds to pay for capital projects.
- Desired debt service coverage levels consistent with a highly rated electric and water and sewer utility.
- The additional bonds test calculation outlined in the respective senior and subordinated resolution of each system.

B. Senior vs. Subordinated Debt

The electric system and the water and sewer system each have a separate senior and subordinated bond resolution. The electric system senior resolution authorizes debt issued under its resolution to fund projects relating to non-generation capital expenditures and the subordinated resolution authorizes debt issued under its resolution to fund projects relating to all categories of capital expenditures. This Policy will target debt issued under the subordinated resolution to fund generation capital expenditures.

The water and sewer senior and subordinated bond resolutions authorize debt to be issued under the respective resolution to fund projects relating to all categories of water and sewer related capital expenditures.

~~JEA is utilizing the original SJRPP bond resolution to issue debt in order to refund outstanding SJRPP debt. The proceeds from these debt issues are used to retire outstanding debt and cost of issuance of the refunding debt.~~ A second revenue bond resolution for SJRPP is being used to issue additional new money debt and any associated debt refunding transactions.

A restated and amended ~~Bulk Power Supply system~~BPSS resolution authorizes Debt to be issued to fund new projects and refund related debt.

The ~~District Energy System~~DES resolution authorizes debt to fund projects and refund related debt.

C. Tax-exempt vs. Taxable

As a municipal utility, JEA is authorized to issue tax-exempt debt and must comply with appropriate tax regulations. JEA will endeavor at all times to issue tax-exempt debt. For certain transactions, due to tax regulations, it may be necessary or advantageous for JEA to issue taxable debt. Such prevailing circumstances may include excessive transferred proceeds, volume cap limitations, and private use restrictions. Treasury Services will monitor current tax regulations and utilize tax~~-~~-exempt financing whenever possible.

D. Fixed vs. Variable Debt

Pursuant to this Policy, JEA will not exceed 30% of Net Variable Rate Debt to Total Debt and will not exceed 55% of Net Variable Rate Debt plus Net Fixed to Floating Interest Rate Swaps to Total Debt.

For purposes of this Policy, the above limits will be calculated with the following components:

- Net Variable Rate Debt equals ~~actual~~Total Variable Rate Debt minus Net Variable Rate Assets.
- Net Variable Rate Assets equals ~~actual~~ Variable Rate Assets minus notional amount of investment/asset-matched interest rate swaps.
- Net ~~fixed~~Fixed to ~~floating interest rate swaps~~Floating Interest Rate Swaps shall be defined as the notional amount of fixed to floating swaps maturing in 10 years or less minus the notional amount of floating to fixed swaps maturing in 10 years or less outstanding on the last day of each month.
- Total Debt equals the par amount of fixed rate debt plus Total Variable Rate Debt.
- Total Variable Rate Debt equals hedged and unhedged variable rate debt.
- Variable Rate Assets are defined as investments maturing in less than one year.
- Unhedged Variable Rate Debt is defined as ~~actual variable rate debt~~Total Variable Rate Debt outstanding less variable rate debt that is associated with a floating to fixed rate swap where the term of the swap matches the term of the variable rate debt.

The calculation of these percentages will be performed ~~monthly~~semiannually and reported to the ~~CFO/Vice President of Financial Services~~Committee.

JEA’s capital structure, comprised of fixed rate debt, variable rate debt, and debt-related hedging instruments such as interest rate swaps and caps, will be managed in conjunction with investment assets and investment-related hedging instruments to incorporate the natural occurrence of hedging impacts in those balance sheet categories. The goal of adopting a comprehensive investment and debt management strategy is to use each side of the balance sheet to mitigate or hedge cash flow risks posed by the other side of the balance sheet. For example, interest income for variable rate assets provides a natural offset to the interest expense of variable rate debt as interest rates increase or decrease. Therefore, in determining JEA’s exposure risk to a changing interest rate environment, both components of the balance sheet will be analyzed and JEA’s “net” exposure evaluated.

JEA will utilize a mix of fixed and variable rate debt to lower the overall cost of capital. Variable rate debt will generally be used as an efficient way to fund new construction requirements and as a permanent component of a long-term funding strategy. The amount of variable rate debt outstanding shall be based on any one or a combination of the following factors:

(1) Interest Rates

The absolute level of interest rates, the forecasted direction of interest rates and the shape of the yield curve are all factors in managing the amount of variable rate debt outstanding. If fixed rates are high relative to the current cycle of rates and the yield curve is steep, a higher percentage of net variable rate debt may be desirable. Conversely, if interest rates are low relative to the current cycle of rates and the yield curve is flat, a higher percentage of net fixed rate debt may be desirable.

(2) Capital Structure and Construction Funding

Given that JEA has a continuous capital program with projects beginning at various points in time and the lack of correlation between low interest rate environments and the need to begin a project, having a variable rate program will allow for "Just in Time" financing while providing for market timing flexibility. Additionally, variable rate debt adds flexibility for capital structure changes like accelerating the pay down of debt.

(3) Other Related Variable Rate Risks

JEA will take into consideration when determining the appropriate variable rate risk levels the potential exposure to variable rate risk on joint financing programs with the City of Jacksonville and other related agencies.

JEA's strategies for responding to changes in short and long-term interest rates include the following actions:

- JEA may elect to lower the ratio of ~~net variable rate debt~~Net Variable Rate Debt to ~~total debt~~Total Debt when (a) long~~-~~-term interest rates are at or near market lows compared to market-based indices for the last three to ten~~-~~-year averages, (b) short to intermediate~~-~~-range forecasts for long~~-~~-term rates are predicting higher rates or (c) the ratio of ~~variable rate debt~~Net Variable Rate Debt to ~~total debt~~Total Debt is or forecasted to be at the upper end of the allowable percentage. If such a determination is made to lower the ratio, the desired ranges for the ratios outlined in Section VI.D, above are 10% to 25% of Net Variable Rate Debt to Total Debt and 35% to 50% of Net Variable Rate Debt plus Net Fixed to Floating Interest Rate Swaps to Total Debt.

- JEA may elect to increase the ratio of ~~net variable rate debt~~Net Variable Rate Debt to ~~total debt~~Total Debt when (a) long~~-~~-term interest rates are at or near market high levels compared to market based indices for the last three to ten year averages, or (b) short to intermediate~~-~~-range forecasts for long~~-~~-term rates are predicting lower rates or (c) the ratio of ~~variable rate debt~~Net Variable Rate Debt to ~~total debt~~Total Debt is or forecasted to be at the lower end of the allowable percentage. If such a determination is made to increase the ratio, the desired ranges for the ratios outlined in Section VI.D~~.~~ above are 20% to 30% of Net Variable Rate Debt to Total Debt and 45% to 55% of Net Variable Rate Debt plus Net Fixed to Floating Interest Rate Swaps to Total Debt.

To assist in the decision making process, a forecast of interest rate volatility over the short and long terms and expected performance of various financial products (debt or hedging instruments) under various interest rate scenarios will be modeled on a periodic basis. In determining when to use alternative financing arrangements including variable, fixed, and synthetic structures, the availability of internal and external technical expertise to properly manage risk will be evaluated along with ongoing administrative costs. These analyses will be reviewed at the regularly scheduled ~~quarterly~~semiannual meetings by the Committee.

E. “Just in Time” Financing.

The cash flow forecast for budgeted capital projects is the main factor used in determining the appropriate timing of new money debt transactions. The goal is to issue new debt as outstanding debt proceeds are spent.

However, the timing of debt transactions may also depend upon factors including:

- Desired debt service coverage levels
- Budget, financial statement and ratings impacts
- ~~Ability to earn positive arbitrage~~
- Annual Plan of Finance
- Interest rate environment

All of the above factors are considered prior to making the final determination of the most optimal time to issue new debt to fund capital projects.

F. Budget/~~Projection~~Financial Forecast goals for debt service

In order to adequately project debt service for budget purposes and for official ~~projections~~financial forecast/rating agency purposes, Treasury Services will develop interest rate assumptions using the following guidelines:

(1) Fixed Rate Debt

For the upcoming budget year, the budget assumption for interest rates for new incremental fixed rate debt will be (i) at a minimum, the average of the AA MMD index for comparable maturities for the most recent twelve months ending March 31, or (ii) management, at its discretion, can choose to utilize higher rates. Interest rate forecasts from JEA's underwriting team can be used as support for this determination. ~~Projections~~Forecasts for the fiscal years beyond the upcoming budget year will be based upon the budget interest rate assumption plus or minus based upon input from either ~~senior management or projections~~forecasts received from investment bankers~~.~~ or from Bloomberg.

(2) Variable Rate Debt

For the upcoming budget year, the budget assumption for interest rates for outstanding and new incremental variable rate debt will be (i) at a minimum, the average of the ~~BMA~~SIFMA index for the most recent twelve months ended ~~March 31~~February 28, or (ii) higher rates selected ~~by Management,~~ at ~~its~~the Treasurer's discretion~~.~~. Interest rate forecasts from JEA's underwriting team or from Bloomberg can be used as support for this determination. ~~Projections~~Forecasts for the fiscal years beyond the ~~upcoming~~coming budget year will be based upon the budget interest rate assumption plus or minus based upon input from either ~~senior management or projections~~forecasts received from investment bankers or from Bloomberg.

(3) The interest rate assumptions may be adjusted based upon JEA's actual trading differential to the appropriate index during the most recent twelve months ended ~~March 31~~February 28.

(4) The projected fixed and variable interest rate assumptions will be ~~agreed upon~~provided by the ~~Debt/Investment Strategy~~

~~Committee~~Treasurer by ~~April 30~~February 28th of each year~~,~~ ~~commencing in fiscal year 2004~~.

(5) Unless otherwise agreed upon by the ~~Committee~~CFO, debt service for new debt will be projected on a level basis.

G. Credit Ratings

JEA recognizes that strong credit ratings are necessary to ensure the lowest possible borrowing costs, which will factor into maintaining low rates for our customers. JEA's goal is to maintain a long-term senior unsecured "AA" category rating by each rating agency.

JEA will utilize the following municipal debt rating services: Fitch Ratings, Standard and Poor's, and Moody's Investors Service. Any changes, additions, or deletions to the list above will require approval of the CEO.

VII. FIXED RATE DEBT

A. Overview

Fixed rate debt is authorized to finance capital projects and for any other allowable purpose as stipulated in the governing bond resolutions and tax regulations.

B. Type

JEA may issue any type of fixed rate debt as authorized by JEA's various bond resolutions and recommended by JEA's Financial Advisor. Some of the various types of debt authorized include, but are not limited to, serial and term bonds issued at par, discount or premium, capital appreciation bonds, and bullet bonds (e.g., refundable principal installments).

C. Maturity, Structure, and Call Provisions

Prudent debt management requires that there be a proper matching of the lives of the assets and the length of the debt used to finance such asset. JEA will, at all times, structure the amortization and maturity of any fixed rate debt to comply with the appropriate tax regulations.

To provide the maximum amount of flexibility, JEA will utilize, for tax-exempt debt, five year but no longer than ten-year calls, at par, whenever possible. For taxable debt, JEA can utilize make whole call provisions at terms and conditions prevalent in the taxable bond market at the time of pricing. JEA staff along with the financial advisor and underwriter will assess the market at the time of pricing to determine its ability to issue bonds with such features while minimizing interest costs.

D. Providers

Under the ~~Purchasing~~Procurement Code, JEA is allowed to sell debt by either negotiated sale or competitive bid. The determination of the method is to be made prior to each financing.

If JEA selects the “negotiated sale” method, the underwriting team will be selected pursuant to the JEA ~~Purchasing~~Procurement Code. JEA shall require that a master underwriting agreement be entered into and signed by all parties at the end of the solicitation process and a separate bond purchase agreement with the senior underwriter(s) shall be approved by the JEA Board at each sale of debt~~.~~, unless the Board has previously delegated such approval authority to the CEO.

If JEA selects the “competitive sale” method, determination of the winning bid will be based on the following methodology: (1) the “standard convention” as recommended by JEA’s Financial Advisor, (2) calculation utilized by the State Board of Administration or (3) the underwriting firm with the lowest True Interest Cost (TIC) proposal.

JEA will employ staff or an outside professional financial advisor, other than the underwriter, who is familiar with and abreast of the conditions of the municipal market, and is available to assist in structuring the issue, pricing, and monitoring of sales activities. JEA shall not use a firm to serve as both the financial advisor and underwriter. Selection of underwriters, financial advisors, bond counsel, and other necessary consultants involved in the debt transactions will be selected as outlined in the JEA ~~Purchasing~~Procurement Code.

E. Debt Service Reserves

A debt service 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.

- The debt service reserve may be in the form of cash and/or investments funded from the proceeds of bonds and/or revenues from operations.
- If allowed by the resolution, a surety issued by a financial institution nationally recognized in the industry to issue such policies may be used in place of a cash-funded debt service reserve.
- If allowed under the respective bond resolution, any other form of financial instruments may be used in place of cash-funded or surety-funded debt service reserve, provided such financial instruments are issued by firms of nationally recognized standing.
- JEA will weigh the benefits of each method of funding the debt service reserve prior to each issue and will choose the method most beneficial to JEA based upon the facts and circumstances of each issue.

A debt service reserve may also be maintained if, in the opinion of the underwriter, it is reasonably required to provide security for the payment of debt service with respect to JEA's bonds and is consistent with normal practice in respect of bonds of the same general type as those being issued by JEA. Selection of a surety provider or provider of any financial instrument acceptable to fund the debt service reserve requirement under the appropriate resolution will be pursuant to the JEA ~~Purchasing~~Procurement Code.

F. Bond Insurance

For each debt transaction, JEA will evaluate the economic benefit of using bond insurance. This analysis will incorporate the insurance benefits to the call date, to maturity date, and any intermediate date. If based on the analysis, JEA determines that bond insurance will add economic benefit to the transaction an insurance provider will be selected pursuant to the JEA ~~Purchasing~~Procurement Code. Financial institutions which insure bonds for investors of JEA must have, at the time the bonds are issued, a credit rating (if rated) not less than AA/Aa2/AA from Fitch Ratings, Moody's, and Standard & Poor's, respectively.

G. ~~G.~~ Approvals

The structure, maturity, and call provisions for each fixed rate financing must be approved in writing by the CFO~~/Vice President of Financial Services~~ on or prior to the date of pricing. The CFO~~/Vice President of Financial Services~~ has the responsibility to review the structure of each debt transaction with the CEO. Negotiation with the underwriter on negotiated bond transactions will be conducted by the ~~Director, Treasury Services.~~ Treasurer. Final transaction approval must be obtained from the Board~~,~~; however, it may be in the form of a delegated authority.

H. ~~H.~~ Reporting and Compliance

A monthly report entitled "Schedule of Outstanding Indebtedness" will be provided to the Board that summarizes the principal amount, the range of interest rates and maturity dates of all outstanding debt.

JEA is committed to full and complete compliance with all applicable laws and regulations with respect to its debt. Because of the complexity of the tax regulations and the consequences of non-compliance, the advice of bond counsel and other qualified professionals will be sought whenever necessary. In carrying out its responsibility, JEA shall monitor and analyze the investments and use of bond proceeds and calculate the amount of arbitrage rebate liability due.

VIII. VARIABLE RATE DEBT INSTRUMENTS

A. Overview

Variable rate debt is authorized to finance capital projects and for any other allowable purpose as stipulated in the governing bond resolutions and tax regulations.

JEA must adhere to the variable rate debt limits outlined in this Policy.

B. ~~B.~~ Type

JEA may issue any type of variable rate debt as authorized by JEA's various bond resolutions and recommended by JEA's Financial Advisor. Some of the various types of debt authorized include, but are not limited to, Commercial Paper, Variable Rate Demand Obligations, ~~Auction Rate Securities,~~ and Medium-Term Notes.

C. ~~C.~~ Management

On a periodic basis, ~~but not less than quarterly, the~~ Treasury Services ~~group~~ will make decisions regarding any changes to the interest mode for variable rate demand obligations~~, auction period for auction rate securities~~ and desired maturities for commercial paper.

D. ~~D.~~ Maturity and Call Provisions

As with fixed rate debt, JEA will structure the maturity dates of the variable rate debt to match the lives of the assets being financed. JEA will, at all times, structure the amortization and maturity of any variable rate debt to comply with the appropriate tax regulations. For JEA commercial paper program, the maturity of a Commercial Paper Note shall not exceed 270 days and the term of a commercial paper program shall not exceed 30 years in order to stay within the current safe harbor rules to be treated as part of a single issue. For variable rate debt with tender rights, the current safe harbor rules limit the maturity to no longer than 35 years.

E. ~~E.~~ Providers

Underwriters, remarketing agents or dealers of JEA's variable rate debt program will be selected pursuant to JEA's ~~Purchasing~~Procurement Code.

Banks providing Liquidity Facilities for variable rate debt shall be reviewed regularly with the Financial Advisor and minimum short~~-~~-term ratings (if rated) established for these providers shall be F1, P1, A1 from the three rating agencies: Fitch Ratings, Moody's, and Standard & Poor's, respectively. The long~~-~~-term credit rating should generally have a minimum rating equal to JEA's credit rating on the underlying debt.

If bond insurance is necessary for variable rate debt, the insurance provider will be selected pursuant to JEA's ~~Purchasing~~Procurement Code. Financial institutions which insure bonds for investors of JEA must have, at the time the bonds are issued, a short~~-~~-term credit rating (if rated) of F1, P1, A1 and a long~~-~~-term credit rating (if rated) not less than AA/Aa2/AA from Fitch Ratings, Moody's, and Standard & Poor's, respectively.

~~F. Reserve Fund~~

~~Beginning in FY 2010, deposits will be made to the Rate Stabilization Fund for the Debt Management Strategy Reserve and will 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. At a minimum, 50% of the calculated reserve will be recorded and deposited each fiscal year. An additional amount, up to the full value of the calculated reserve (the remaining 50%), will be reviewed by the Debt and Investment Committee and recorded at their option. However, the amount deposited to the Rate Stabilization Fund (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service. The reserve will be calculated on a system by system basis, however, based on the calculation, any mandatory deposit will exclude the District Energy System. The budget reserve is capped at five percent of the par amount of the total~~

~~outstanding variable rate debt. Withdrawals from the Rate Stabilization Fund for the Debt Management Strategy 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.~~

~~G.~~F. Approvals

The structure, maturity, and call provisions for each variable rate financing must be approved in writing by the CFO~~/Vice President of Financial Services~~ prior to the transaction. The CFO~~/Vice President of Financial Services~~ has the responsibility to review the structure of each debt transaction with the CEO. Final transaction approval must be obtained from the Board.

~~H.~~G. Compliance/Reporting Requirements

The amount of variable rate debt outstanding for JEA shall be included on the report entitled "Schedule of Outstanding Indebtedness" and will be reported to the Board monthly in conjunction with the monthly report of financial position of JEA. For variable rate debt, this report shall ~~detail~~summarize the various types, maturities, and current rates of interest on each variable debt issue then outstanding.

A report shall be prepared ~~quarterly~~semiannually for the Committee, showing the comparison of the monthly interest rates (including all fees) paid for each ~~Variable Rate~~variable rate issue then outstanding, comparing each of these with the monthly average interest rate of LIBOR, ~~BMA~~SIFMA, and such other short-term variable interest rate indices, which may accurately reflect the existing variable interest rate market. This comparison will provide information on the most cost beneficial type and mode of variable rate debt for various periods of time. This information will be used as part of a recommendation on what type of variable rate debt will be issued in future periods or for changes to JEA's existing variable rate program.

JEA will monitor and report any arbitrage rebate liability due to the U.S. Treasury on bond proceeds from variable rate transactions.

IX. DEBT REFUNDING

A. Overview

~~Refunding~~The refunding of outstanding debt represents ~~unique opportunities~~an opportunity for JEA to realize ~~savings in~~ debt service ~~cost. Refunding also allows~~savings. Refundings may allow JEA to ~~re-structure~~restructure its existing debt ~~or debt profile~~portfolio to enable JEA to operate in a more competitive manner. Many of the policies and practices applicable to new money fixed and variable rate financings are applicable to debt refundings as well~~ and those policies and practices shall be adhered to in any debt refunding issue unless specifically addressed below.~~.

B. Management

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refundings will be considered within federal tax law constraints. JEA and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings. Current tax regulations do not permit ~~one~~tax-exempt Advance Refunding ~~opportunity for a post-1986 issue of bonds.~~transactions. There are no ~~similar~~ limitations with respect to a current refunding of bonds. The following guidelines should apply to the issuance of refunding bonds:

(1) Any refunding will be evaluated on the economic savings or structure advantages relating to issuing the new debt. For a fixed rate refunding, a five percent savings target is a general guideline. However, refunding issues that produce a net present value savings of less than five percent may be issued for various business and/or economic purposes. Examples include but are not limited to (a) restructuring debt, (b) amending provisions of a bond document, and (c) taking savings based on structure or low interest rate environment considerations. Savings below the five percent guideline must be approved by the CFO~~/Vice President of Financial Services~~ or by

delegated authority from the Board prior to the execution of the refunding transaction.

(2) Refundings involving variable rate debt generally do not produce savings and will not have a savings guideline. These transactions are usually executed to take advantage of structuring opportunities or to reduce risk, or may be utilized to take advantage of low long~~-~~-term interest rates.

(3) The final structure (including the use of hedging products) will be recommended by ~~the~~ Treasury Services ~~group~~ to the CFO~~/Vice President of Financial Services~~ for approval prior to the execution of any refunding transaction. The~~ Vice~~ CFO~~/President of Financial Services~~ has the responsibility to review the structure of each debt transaction with the CEO.

C. Fixed and Variable

JEA can utilize fixed or variable rate debt for refunding purposes and must adhere to the variable rate debt limits outlined in this Policy.

D. Maturity and Call Provisions

The maturity of refunding bonds shall, absent a bond counsel opinion, be in accordance with the safe harbor rules for the creation of replacement proceeds found in the tax regulations.

To provide the maximum amount of flexibility, JEA will utilize five year, but no longer than 10 year calls, at par, whenever possible for tax~~-~~-exempt debt. Call provisions for taxable debt will be based on terms and conditions prevalent in the taxable bond market at the time of pricing. JEA staff along with the financial advisor and underwriter will assess the market at the time of pricing to determine its ability to issue bonds with such features while minimizing interest costs.

E. Debt Service Reserve

~~To the extent of an existing cash funded debt service reserve, in~~In the event ~~of~~that a refunding ~~that~~transaction reduces the debt service reserve requirement, JEA ~~will~~may deposit any such reduction into the defeasance escrow account for the refunded bonds or utilize the reduction for any lawful purpose.

~~G~~F. Approvals

The structure, maturity, and call provisions for each refunding must be approved in writing by the CFO~~/Vice President of Financial Services~~ on or prior to the date of pricing. The CFO~~/Vice President of Financial Services~~ has the responsibility to review the structure of each debt transaction with the CEO. Negotiation with the underwriter on negotiated bond transactions will be conducted by the ~~Director, Treasury Services.~~Treasurer. Final transaction approval (which may be delegated) must be obtained from the Board.

~~H. SJRPP/FPL Considerations~~

~~Under the Joint Ownership Agreement JEA financed its 80% ownership interest in the joint facilities through the issuance of tax exempt bonds. FPL is obligated under the sale back arrangement to pay 37.50% of the debt service on the bonds issued for construction by JEA to finance its interest. Although not required but done in the spirit of fostering a good partnership relationship, JEA has made it a practice to confer with FPL with respect to various structural elements in its refunding of SJRPP debt. JEA will continue to confer with FPL on various structural issues of future refundings but is not required to obtain its approval with respect to such structural issues nor with respect to the timing of such refundings.~~

X. INTEREST RATE SWAPS, CAPS, COLLARS, AND RELATED HEDGING INSTRUMENTS

A. Overview

The prudent use of hedging instruments, including interest rate swaps, caps and collars, can be an effective tool in meeting funding needs and structuring a balance sheet while managing risk associated with the movement of interest rates. Utilizing hedging products can provide JEA with cost effective alternatives to traditional debt financing choices.

Utilizing interest rate swaps to achieve substantially lower interest costs is a main component in building the desired capital structure to allow JEA to compete effectively. There are three types of interest rate swaps JEA is authorized to enter into:

- Floating to fixed rate swaps,
  - Hedge interest rate risk on variable rate debt,
  - Lock in fixed rates on refunding bonds that will be issued in the future or
  - Take advantage of opportunities to obtain fixed swap rates that are lower than comparable fixed rate bonds.

- Fixed rate to floating rate swaps
  - Increase the amount of variable rate exposure without incurring the remarketing and liquidity costs.
  - Eliminate the put risk associated with variable rate debt.
  - Take advantage of opportunities to obtain variable swap rates that are lower than comparable variable rate bonds.

- Basis swaps manage the risk associated with
  - The mismatch between two benchmarks.
  - Methodologies used to set interest rates.

B. Risks

Interest rate swaps and related hedging instruments may introduce additional risks to JEA's credit profile. These risks include, but are not necessarily limited to, termination risk, counterparty risk, re-execution risk, amortization risk, Basis Risk, and tax event risk. Prior to entering into each interest rate swap transaction, these risks are evaluated to ensure adequate provisions are in place to minimize the downside and provide the maximum benefit the transaction originally intended.

C. Limits

The percentage of variable rate exposure (the notional amount of ~~"net" fixed~~Net Fixed to ~~floating interest rate swaps~~Floating Interest Rate Swaps and ~~variable rate debt~~Total Variable Rate Debt outstanding) to ~~total debt~~Total Debt outstanding shall not exceed 55%. The ~~variable rate debt~~Total Variable Rate Debt outstanding and ~~"net" fixed~~Net Fixed to ~~floating rate swaps~~Floating Interest Rate Swaps shall be calculated as set forth in Section VI.D of this Policy. The notional amount of interest rate swaps, caps, collars, and related hedging instruments will be limited to the amount approved in resolutions approved by the Board from time to time.

Interest rate caps and related hedging instruments will be utilized to help manage interest rate risk in the ~~Debt Management Program.~~debt portfolio. At all times, a fixed to floating~~-~~ interest rate swap will have an associated interest rate cap for the same notional amount at a level no greater than 200 basis points above the interest rate swap fixed rate. (See waiver in Section K)

Additionally, it is contemplated that an interest rate cap will not always have the same maturity as the interest swap with which it is associated. The average life of aggregate outstanding caps will not be less than 75% of average life of the associated aggregate swaps.

From time to time, Treasury Services will evaluate the use of collar (cap and floor instrument) transactions as a hedging tool to minimize cost and risk. The cap portion will be executed pursuant to the above referenced rules. The related floor rate will be approved by the Committee prior to execution.

D. Fixed to Floating Rate Swap Management

The Committee shall have the overall responsibility, from an overview standpoint, for the execution and management of fixed to floating interest rate swaps. One of the main components of the debt management strategy is to use intermediate term fixed to floating rate swaps to achieve a long~~-~~-term goal of having up to 55% of the total debt based on a floating/variable interest rate.

Based on Committee approval, interest rate swaps will be executed ~~quarterly~~semiannually to achieve an averaging into the market philosophy. The Committee shall determine the size of the total interest rate swap program and the maturity date for the swaps within the parameters of ~~the~~this Policy, which has been approved by the Board.

Forecasts of interest rate volatility over the intermediate term (4 to 7 years) and expected performance of the swaps, caps, collars, and related hedging instruments under various interest rate scenarios shall be updated on not less than a ~~semi-annual~~semiannual basis. Short and long~~-~~-term interest rates will be monitored over varying time periods. If current interest rates are either above or below the moving averages as measured by varying time periods, the Committee may elect to alter the timing of adding additional fixed to variable swaps to either increase or decrease the amount of variable exposure. Furthermore, the Committee may elect to enter into "reversing" swaps to take advantage of market opportunities. In the event a fixed to floating swap is "reversed", any associated floor will be simultaneously "reversed". Any associated cap will be evaluated and "reversed" if approved by the Committee.

The amount of interest rate caps shall not exceed the amount of variable rate exposure to JEA.

The following "decision rules" will govern the decision to initially execute a fixed to floating interest rate swap, cap, or other hedging instruments within the Debt Management Program:

1. JEA receives payments based on a fixed rate and pays based on a floating rate.

2. Floating rate is based on either ~~BMA~~SIFMA or LIBOR.

3. If the ~~BMA~~SIFMA Index is selected, no adjustment to the notional amount is needed.

4. If the LIBOR index is selected, the notional amount of the interest rate swap and cap will be adjusted by the current ratio of the ~~BMA~~SIFMA based fixed rate to the LIBOR based fixed rate. (See example below)

~~BMA Fixed Rate = 4.50% = 69.2%~~
~~LIBOR Fixed Rate 6.50%~~

$$\frac{\textbf{SIFMA Fixed Rate}}{\textbf{LIBOR Fixed Rate}} = \frac{\mathbf{1.56\%}}{\mathbf{2.36\%}} = \mathbf{66.1\%}$$

The notional amount will be multiplied by the ratio to obtain the adjusted notional amount.

5. Decision to select LIBOR or ~~BMA~~SIFMA will be based on a combination of historical, current, and future expectations for the relationships of floating ~~BMA~~SIFMA to floating LIBOR and fixed ~~BMA~~SIFMA to fixed LIBOR. Generally, if the floating ~~BMA~~SIFMA to LIBOR ratio is lower than the fixed ~~BMA~~SIFMA to LIBOR ratio, a ~~BMA~~SIFMA based swap is preferred. However, historical and future expectations must be evaluated in order to make the decision.

6. Term of the interest rate swap and cap shall not exceed 10 years. The overall average for the program will be four to seven years.

7. An interest rate swap will not be executed unless the spread between the fixed rate and initial floating rate is a positive 10 basis points or more. In addition, as stated above, the execution of a swap may be affected by the relationship of current rates to historical averages.

8. If a swap is not executed or re-executed due to the 10 basis point decision rule, the swap will be executed during the following quarter, decision rule permitting. If a swap is not entered into due to the historical relationship of rates to the current level, the Committee will decide when the appropriate time to enter into the next transaction. In the event swaps are delayed for two or more consecutive periods, only one additional swap per quarter will be executed until the original schedule can be re-established.

9. An interest rate cap is to be entered into at the time of each swap transaction for the identical notional amount if JEA does not have a current interest rate cap in place that meets the criteria. The cap should be at a level no greater than 200 basis points above the fixed rate of the swap. However, if JEA has current interest rate cap positions that are not associated with any particular interest rate swap, but are being utilized generally to manage variable rate risk, an interest rate cap meeting the conditions listed above may be utilized to satisfy the requirements of this section.

The Committee will meet on a ~~quarterly~~semiannual basis to review the performance of the fixed to floating interest rate swaps, and review the current interest rate swap and cap decision rules. Any changes to the "decision" rules recommended by the Committee must be approved by the Board prior to implementation. The Committee may, however, elect not to execute an interest rate swap or cap normally scheduled to be executed based on the "decision rules" if a change to the "decision rules" has been recommended by the Committee but not yet acted on by the Board.

E. Floating to Fixed Rate Swap Management

The Committee shall have the overall responsibility regarding the execution and management of floating to fixed interest rate swaps. An additional component of the debt management strategy is to use floating to fixed rate swaps to lock in the lowest possible borrowing costs over a long period of time. Floating to fixed rate swaps can be used in conjunction with issuing variable rate debt to obtain the lowest fixed rate when compared to traditional forms of fixed rate financings. In addition, floating to fixed swaps may be desirable when the cycle of long~~-~~-term rates moves down to or near historical lows and "fixing" a portion of the outstanding variable rate debt appears advantageous. Swaps will be evaluated as alternatives to traditional financing instruments considering their comparable costs, ease of entry and exit provisions, and the amount of potential risk exposure.

Interest rate swaps will be executed for notional amounts, maturities and other related terms and conditions as determined by the Committee. Re-execution risk, amortization risk, tax event risk and Basis Risk will be evaluated in order to minimize any potential negative results.

Forecasts of interest rate volatility over the term of the swaps and expected performance of the swaps under various interest rate scenarios shall be analyzed prior to the execution of the swaps. Short and long~~-~~-term interest rates will be monitored over varying time periods. The Committee may elect to enter into "reversing" swaps to take advantage of market opportunities.

The following "decision rules" will govern the decision to execute and/or re-execute a floating to fixed interest rate swap:

1. JEA receives payments based on a floating rate and pays based on a fixed rate.

2. Floating rate is based on either ~~BMA~~SIFMA or a percent of LIBOR.

3. If the ~~BMA~~SIFMA Index is selected, no additional analysis is needed.

4. If the LIBOR index is selected, the historical relationship of ~~BMA~~SIFMA to LIBOR will be used as a guide when selecting the percent of LIBOR as the index. A risk analysis will be done on a projected basis to quantify the risk versus potential reward.

5. Decision to select LIBOR or ~~BMA~~SIFMA will be based on a combination of historical, current, and future expectations for the relationships of floating ~~BMA~~SIFMA to floating LIBOR and fixed

~~BMA~~SIFMA base rate versus the fixed rate based on the LIBOR index.

6. Term of the interest rate swap is a maximum of 30 years or if the swap is executed with the purpose of synthetically fixing a specific variable rate debt issue, the swap transaction is permitted to have a term which matches the term of the variable rate debt, but will be determined based on the life of the related debt being hedged. If the term of the swap is less than the underlying debt that it may generally be hedging, JEA is exposed to re-execution risk. In a rising interest rate environment, a new swap may potentially be re-executed at a higher fixed rate than the original swap. Additionally, the amortization of the principal on the debt that the swap is generally hedging is taken into consideration when structuring the terms and conditions of the swap. This is referred to as amortization risk.

Interest rate ~~Caps~~caps and ~~Collars~~collars are additional hedging instruments that JEA may utilize to manage risks associated with variable rate debt. All ~~Cap~~cap or ~~Collar~~collar transactions executed must comply with the requirements set forth in items F through K listed immediately below.

F. Compliance and Reporting Requirements

Resolutions approving the use of interest rate swap, cap, and other hedging instruments outlining, among other things, size, and maturity restrictions, must be approved by the JEA Board prior to execution.

JEA Board must approve the overall Debt Management Policy including explicit parameters for the use of interest rate swaps, caps, and other hedging instruments.

JEA CEO must sign all interest rate swap, cap, or collar confirmations.

JEA external auditors shall perform an annual review relating to fixed to floating interest rate swap management and present to the JEA Board.

Monthly performance reports regarding outstanding interest rate swaps, caps and related hedging instruments will be provided to Accounting Services to be included in the monthly financial statements to the Board. Mark to market valuations will be updated on a ~~quarterly~~semiannual basis and provided to Committee members and Accounting Services to be included in the financial statements.

Collateral reports will be updated on a monthly basis providing information relating to specific swap transactions that may require collateral posted based on mark to market valuations.

JEA's CFO~~/Vice President of Financial Services~~ or ~~Director, Treasury Services~~Treasurer must approve the interest rate swap term sheet prior to execution. In addition, the purpose of the transaction, (asset matched, debt management, etc.) will be included as part of the swap paperwork file kept for each executed swap transaction.

G. Providers

Financial Institutions and Dealers executing interest rate swaps, caps, and other hedging instruments for JEA shall be selected pursuant to the JEA ~~Purchasing~~Procurement Code. JEA shall require that all institutions and dealers entering into interest rate swap, cap and other hedging instrument agreements execute a Master Swap Agreement (the ISDA Master Agreement must be used as a part of the Master Swap Agreement) that is signed by both parties. All transactions entered into shall adhere to the requirements of the Master Swap Agreement.

H. Diversification

No more than $500 million of net interest rate swap and cap or other hedging instruments shall be outstanding in the aggregate with any one provider or affiliate thereof unless approved in writing by the CEO. The aggregate amount of all “long dated” (greater than 10 years) transactions executed with financial institutions and all affiliates thereof, shall be limited to an amount based on the credit rating of the financial institution at the time of the entry into the long dated hedging transaction as shown below:

~~Rating Level Notional Amount~~

~~AAA/Aaa by one or more Rating Agencies $400,000,000~~
~~AA-/Aa3 or better by at least two Rating Agencies $300,000,000~~
~~A/A2 or better by at least two Rating Agencies $200,000,000~~
~~Below A/A2 by at least two rating Agencies $0~~

Rating Level	Notional Amount
AAA/Aaa by one or more Rating Agencies	$400,000,000
AA-/Aa3 or better by at least two Rating Agencies	$300,000,000
A/A2 or better by at least two Rating Agencies	$200,000,000
Below A/A2 by at least two Rating Agencies	$0

The rating criteria shown above apply either to the counterparty to the long dated transaction or, if the payment obligation of such counterparty under the relevant Swap Agreement shall be guaranteed by an affiliate thereof, such affiliate. The overall maximum by definition of the above limits ~~can not~~cannot exceed $400 million for "long dated" transactions.

This provision includes all interest rate swap, cap and other hedging instruments JEA may utilize to manage interest rate risk including, but not limited to, debt management, and 100% investment/asset matched program.

I. Bid

All "initial" interest rate swap and cap transactions shall be competitively bid by at least (3) three providers that have executed interest rate swap agreements with JEA. Upon written authorization from the CEO or his designee, 1) a "reversing transaction" resulting in an upfront payment to JEA may be negotiated with the original swap, cap, or collar counterparty, 2) a negotiated swap with a counterparty may be executed as part of a debt financing or (3) a cap/collar can be procured either with bids received from two providers or negotiated with only one provider if JEA receives a letter from the then current Financial Advisor stating that the payment for such cap/collar was executed at market levels.

J. Reserve Fund

An annual budgeted reserve contribution ~~(budgeted contributions beginning 10/1/03)~~ will be made to a reserve fund to cover any payments made as a result of the use of swaps as part of the Policy. Three percent of the notional amount of each fixed to floating interest rate swap initially executed will be retained in the reserve fund and used if needed to make interest rate swap payments. The contributions to the reserve fund will be funded in three equal installments of 1% of the notional amount beginning in the month the swap is executed. Once funded, the reserve fund shall at all times be not less than three percent of the notional amount of fixed to floating debt interest rate swaps outstanding unless the reserve fund is used as stipulated below. Accounting will be consistent with the variable rate reserve fund.

The reserve fund can be used for any lawful purpose including debt service, debt repayment and capital outlay. The use of this reserve fund must be approved in writing by the CEO.

K. Other

If a fixed to floating interest rate swap is executed in conjunction with a refunding transaction where the net effect is to maintain the current level of variable rate exposure, (1) the requirement to execute a cap with an associated fixed to floating swap is waived and (2) any reserve requirement needed for the fixed to floating swap is waived~~,~~; however, the reserve requirement shall be calculated as if the variable rate debt is outstanding in the amount of the notional amount of the associated fixed to floating interest rate swap.

XI. INSIDER TRADING POLICY GUIDELINES

Insider trading is a court developed doctrine under which it is unlawful to purchase or sell a security while in possession of material non-

public information in breach of a duty or other relationship of trust or confidence.

Insider trading likely would not be found where an issuer is communicating in good faith with investors or analysts and disclosing information that is (1) Public, (2) not material or "market-moving" or (3) both public and non-material.

A written procedure, approved by the ~~Managing Director/~~CEO, will provide specific guidelines that JEA employees will follow to ensure compliance with insider rules and regulations

XII. POLICY EXCEPTIONS

Any financing activity not included in this Policy will be brought to the Board for review and approval prior to execution.

XIII. EFFECTIVE DATE

This Policy will become effective May 20, 2003 (as revised April 19, 2005, October 10, 2005, November 20, 2007, ~~and~~ December 15, 2009~~)~~ and September 24, 2019).

XIV. DEFINITIONS

Advance Refunding A bond is treated as issued to advance refund another bond if it is issued more than 90 days before the redemption of the refunded bond.

~~***Auction Rate Bonds*** means "Short-term Adjustable Rate Securities" which are issued and outstanding under the "Auction Rate Mode" and which bear interest for each Auction Period, payable in arrears, at the Auction Rate in effect on the Auction Date (as defined in the respective Supplemental Resolution) for the Auction Period as defined. Such securities do not normally required Liquidity Facility support, but may require Bond Insurance.~~

Basis Risk Movement in the underlying variable rate indices may not be perfectly in tandem, creating a cost differential that could result in a net cash outflow from the issuer. Also, the mismatch that can occur in a swap with both sides using floating, but different, rates.

~~***BMA Index*** The Bond Market Association Municipal Swap Index, the principal benchmark for the floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day tax-exempt variable rate bond issues.~~

Capacity Expansion Capital expansion projects are those projects designed to accommodate new customers, acquisitions, new "plants", and expansion of existing system capacity.

Commercial Paper Note shall mean any Bond which has a maturity date which is not more than 270 days after the date of issuance thereof.

Competitive Bid a method of submitting proposals for the purchase of new issue of municipal securities by which the securities are awarded to the underwriting syndicate presenting the best bid according to stipulated criteria set forth in the notice of sale.

Construction Loan Credit Facility means obligations of JEA of a particular credit facility for construction advance purposes which shall be similar to Bond Anticipation Notes.

Counterparty Risk the risk that the other party in the derivative transaction fails to meet its obligations under the contract.

Credit Enhancement shall mean, with respect to the Bonds of a Series, a maturity within a Series or an interest rate within a maturity, the issuance of an insurance ~~Policy~~policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes unconditionally obligated to pay when due, to the extent not paid by JEA or otherwise, the principal of and interest on such Bonds.

Current Refunding A bond is treated as issued to current refund another bond if the refunding issue is issued not more than 90 days before the redemption of the refunded bond.

Hedge a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap a transaction in which two parties agree to exchange future net cash flows based on predetermined interest rate indices calculated on an agreed notional amount. The swap is not a debt instrument between the issuer and the counterparty, and there is no exchange of principal.

ISDA International Swap Dealers Association, the global trade association with over 550 members that include dealers in the derivatives industry.

ISDA Master Agreement the standardized master agreement for all swaps between the ~~Issuer~~issuer and the dealer that identifies the definitions and terms governing the swap transaction.

LIBOR the principal benchmark for floating rate payments for taxable issuers. The London Inter Bank Offer Rate (LIBOR) is calculated as the average interest rate on Eurodollars traded between banks in London and can vary depending upon the maturity (e.g~~.~~., one month or six months).

Because the regulator for LIBOR has announced the LIBOR benchmark will be discontinued as of December 31 2021, JEA shall not enter into any new LIBOR-based transactions extending past that date; any LIBOR based transactions terminating after December 31, 2021 shall use the replacement benchmark agreed upon by JEA after that date.

Long-Dated Swap a swap with a term of more than ten years. Often used in the municipal market, as issuers often prefer to use a hedge that matches the maturity of the underlying debt or investment.

Mark-to-Market calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying (i.e. the variable on which the derivative is based).

Medium-Term Note any bond which has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance and is designated as a medium~~-~~-term note in the supplemental resolution authorizing such bond.

Negotiated Sale the sale of a new issue of municipal securities by an issuer through an exclusive agreement with an underwriter or underwriting syndicate selected by the issuer.

SIFMA Index The SIFMA Municipal Swap index is a 7-day high-grade market index comprised of tax-exempt VRDO reset rates that are reported to the Municipal Securities Rule Making Board's Short-Term Obligation Rate Transparency reporting system.

Termination Risk the risk that a swap will be terminated by the counterparty before maturity that could require the issuer to make a cash termination payment to the counterparty.

True Interest Cost is the rate, compounded ~~semi-annually~~semiannually, necessary to discount the amounts payable on the respective principal and interest payment date to the purchase price received for the bonds.

Variable Rate Bond shall mean any Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of initial issuance.

Variable Rate Demand Obligations (VRDO) A long~~–~~-term maturity security which is subject to a frequently available put option or tender option feature under which the holder may put the security back to the issuer or its agent at a predetermined price (generally par) after giving specified notice or as a result of a mandatory tender. Optional tenders are typically available to investors on a daily basis while in the daily or weekly mode and mandatory tenders are required upon a change in the interest rate while in the flexible or term mode. The frequency of a change in the interest rate of a variable rate demand obligation is based upon the particular mode the security is in at the time.

INTER-OFFICE MEMORANDUM
July 15, 2020

SUBJECT:	**JEA INVESTMENT POLICY**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
Section 218.415 of the Florida Statutes requires that investment activity by a unit of local government be consistent with a written policy adopted by the governing body of such unit of local government. In September 1995, the JEA Board approved an Investment Policy that satisfied this statutory requirement. Since that time, on several occasions the JEA Board has amended the JEA Investment Policy to take into account revisions to the statute, changes to JEA System bond resolutions, and to incorporate current industry practices. The most recent revisions to the Policy were approved by the JEA Board at the January 2020 Board meeting.

DISCUSSION:
The JEA Investment Policy applies to funds in excess of those required to meet short-term expenses. It governs the investments of all JEA Systems. Major provisions in the Policy include Ethical Standards, Performance Measurement, Maturity and Liquidity Requirements, Diversification and Portfolio Composition, among others. Section 5.0 of the Policy, Authorized Investments, refers to Exhibits I through V which provide a complete listing of Authorized Investments for JEA's various Systems. Also, Table 1 lists the percentage limitations for the various investment types held in the investment portfolio. The eligible investments are based primarily on the investments allowed per each system's bond resolution.

FINANCIAL IMPACT:
The Investment Policy governs the administration of approximately $823 million of outstanding JEA cash and investments with a weighted average annual yield of 1.26% at June 30, 2020.

RECOMMENDATION:
This information is presented for information only.

Paul McElroy, Interim Managing Director/CEO

PEM/BJR/JEO/TPD

Investment Policy Overview

July 2020 Board of Directors Meeting

JEA Investment Policy Overview

- The Investment Policy is based on Florida Statute Section 218.415 and the Bond Resolutions of JEA's various Systems
- The main objectives of the Investment Policy are as follows:
  - Safety of capital
  - Liquidity
  - Obtain the highest yields consistent with safety of capital and liquidity of the portfolio
  - Diversification of investments
- Responsibility for the Investment Policy rests with the JEA Board, with input from the Treasurer and CFO
- An oversight committee, the Debt and Investment Strategy Committee meets semiannually to develop strategy and review performance of the JEA debt and investment portfolios

JEA Investment Policy Overview
Timeline of Revisions

- JEA's Investment Policy was initially established in 1995 and has been revised several times over the years

- The most recent revision was approved by the JEA Board in January 2020 (approved version attached)

- Below is a timeline of the relatively substantive changes since 2008:

  - 2008 – Allows money market fund purchases in all JEA Systems; added Table 1, a summary of Investment Limitations

  - 2011 – In response to the downgrade of U.S. Treasury bonds to AA+ by S&P, the AAA credit rating requirement for U.S. Agency issues was eliminated where allowed by a system's bond resolution

  - 2016 – Allows investments in intergovernmental pools not administered by the State of Florida (e.g. offered by Public Financial Management) and permits investments in commercial paper issued by the government of Canada or Canadian provinces

  - 2019 – Increases limit for intergovernmental pools to 20% of cash and investments from 15%; Provides definitions for JEA Debt versus Non-JEA Debt

  - 2020 – Eliminates percentage limit for cash in the bank on 3/31 and 9/30, as cash balances are unusually high on those dates to have funds readily available to meet debt service payments on 4/1 and 10/1

JEA Investment Policy

Investment Portfolio as June 30, 2020

Investment	Book Value	Yield	% of Total
Treasuries	$ 9,988,281	1.56%	1.23%
Federal Home Loan Bank	110,880,466	2.28%	13.64%
Municipal Bonds	132,312,995	3.15%	16.28%
Commercial Paper	132,979,279	1.44%	16.36%
U.S. Treasury Money Market Funds	127,573,072	0.13%	15.70%
Agency Money Market Funds	72,575,000	0.13%	8.93%
PALM Money Market Fund	40,500,000	0.55%	4.98%
Florida Prime Fund	109,168,000	0.57%	13.43%
Wells Fargo Bank Accounts			
Electric, Scherer	43,017,982	0.08%	5.29%
SJRPP	17,371,211	0.08%	2.14%
Water & Sewer, DES	16,268,082	0.08%	2.00%
Total Portfolio	$ 812,634,368	1.26%	100.00%

JEA
TREASURY SERVICES
INVESTMENT POLICY
AS OF JANUARY 28, 2020

1.0 SCOPE

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

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

2.0 INVESTMENT OBJECTIVES

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

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

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

3.0 PERFORMANCE MEASUREMENT

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

4.0 PRUDENCE AND ETHICAL STANDARDS

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

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

5.0 AUTHORIZED INVESTMENTS

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

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

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

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

6.0 MATURITY AND LIQUIDITY REQUIREMENTS

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

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

7.0 PORTFOLIO COMPOSITION

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

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

8.0 RISK AND DIVERSIFICATION

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

9.0 AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

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

10.0 THIRD-PARTY CUSTODIAL AGREEMENTS

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

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

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

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

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

11.0 MASTER REPURCHASE AGREEMENT

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

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

12.0 BID REQUIREMENT

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

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

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

b. the security involved has a fixed, "posted scale" rate;

c. the security involved is available through direct issue, private placement (e.g., direct issue commercial paper);

d. the security involved is of particular special interest to JEA (e.g. Florida General Obligation bonds or other municipal bonds) and dealer competition could have an adverse impact with respect to the price and/or availability of the security to JEA;

e. a dealer or institution brings to JEA an unsolicited swap proposal deemed advantageous to JEA.

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

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

13.0 INTERNAL CONTROLS

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

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

14.0 REPORTING

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

15.0 CONTINUING EDUCATION

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

16.0 AUDITS

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

17.0 SALE OF SECURITIES

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

18.0 AUTHORIZATIONS

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

19.0 PRIORITY OF DOCUMENTS

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

20.0 INVESTMENT POLICY APPROVAL

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

EXHIBIT 1
JEA ELECTRIC SYSTEM AUTHORIZED INVESTMENTS

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

(i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;

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

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

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

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

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

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

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

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

(xii) JEA Debt, which shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, (a) issued by JEA relating to the Electric System, SJRPP, Bulk Power Supply System, Water and Sewer System, DES or (b) issued by non-JEA entities secured by Contract Debts which shall be paid as a Cost of Operation and Maintenance of the Electric System, Water and Sewer System or DES, as defined in their respective bond resolutions; and

(xiii) Non-JEA Debt, which shall mean municipal debt that is not JEA Debt.

EXHIBIT II
SJRPP AUTHORIZED INVESTMENTS – SECOND BOND RESOLUTION

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

(i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;

(ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of "AAA" or "Aaa" by Standard & Poor's or Moody's Investors Service, as the case may be;

(iii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that at the time of their purchase hereunder such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;

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

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

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

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

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

(ix) shares of an investment company organized under the Investment Company Act of 1940, as amended (or successor provision of law), which invests in assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated "AA" or above if rated by Standard & Poor's and "Aa2" or above if rated by Moody's Investors Service;

(x) interests in the State of Florida Local Government Surplus Funds Trust Fund or other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian; and

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

EXHIBIT III
RESTATED AND AMENDED BULK POWER SUPPLY SYSTEM
AUTHORIZED INVESTMENTS

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

(i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America;

(ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investors Service, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of “AAA” or “Aaa” by Standard & Poor’s or Moody’s Investors Service, as the case may be;

(iii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that at the time of their purchase hereunder such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;

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

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

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

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

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

(ix) shares of an investment company organized under the Investment Company Act of 1940, as amended (or successor provision of law), which invests in assets exclusively in obligations of the type described in the other clauses of this definition which shares shall be rated "AA" or above if rated by Standard & Poor's and "Aa" or above if rated by Moody's Investors Service;

(x) interests in the State of Florida Local Government Surplus Funds Trust Fund or other similar common trust fund for which such state, or a constitutional or statutory officer or agency thereof, shall be the custodian; and

(xi) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (a) shall be rated at the date of investment of such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, or (b) are issued or entered into by (i) an insurance company whose claims paying ability shall be rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies or (ii) an insurance company or other financial institution that has issued and outstanding senior unsecured indebtedness rated at the date of investment in such agreements or contracts in the highest whole rating category by two nationally recognized rating agencies, and whereby under each such agreement or contract the insurance company or other financial institution shall be absolutely and unconditionally obligated to repay the moneys invested by JEA and interest thereon, without any right of recoupment, counterclaim or set off. Any such agreement or contract may provide that, with the approval of JEA, the insurance company or other financial institution may have the right to assign its obligations under any such agreement or contract to any other insurance company or other financial institution.

EXHIBIT IV
JEA WATER AND SEWER SYSTEM AUTHORIZED INVESTMENTS

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

(i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;

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

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

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

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

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

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

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

(xi) interests in the State of Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01;

(xii) JEA Debt, which shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, (a) issued by JEA relating to the Electric System, SJRPP, Bulk Power Supply System, Water and Sewer System, DES or (b) issued by non-JEA entities secured by Contract Debts which shall be paid as a Cost of Operation and Maintenance of the Electric System, Water and Sewer System or DES, as defined in their respective bond resolutions; and

(xiii) Non-JEA Debt, which shall mean municipal debt that is not JEA Debt.

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EXHIBIT V
JEA DES AUTHORIZED INVESTMENTS

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

(i) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iii) obligations of any state of the United States of America or any political subdivision thereof or an agency or instrumentality of any state or political subdivision, provided at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by two nationally recognized rating agencies;

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

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

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

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

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

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

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

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

(xii) JEA Debt, which shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, (a) issued by JEA relating to the Electric System, SJRPP, Bulk Power Supply System, Water and Sewer System, DES or (b) issued by non-JEA entities secured by Contract Debts which shall be paid as a Cost of Operation and Maintenance of the Electric System, Water and Sewer System or DES, as defined in their respective bond resolutions; and

(xiii) Non-JEA Debt, which shall mean municipal debt that is not JEA Debt.

Table 1 – JEA Investment Limitations

Option	Allowable Range (% of total investments and/or $ amount)	Comments
Bank NOW Account	Up to 25%, except for 3/31 and 9/30	Federal or state insured financial institutions designated as Qualified Public Depositories by the State of Florida
Triparty Repo	Up to 15% with any one dealer; up to 25% in aggregate	102% collateral. Collateral can include Treasuries and/or Agencies and is held by a 3rd party custodian. Dealers rated AA by two rating agencies.
U.S. Treasuries or Treasury-only Money Market Funds	Up to 100%	Fund must be rated AAA or Aaa and registered with SEC.
U.S. Agencies (Fannie Mae, Federal Home Loan Bank, Freddie Mac, etc.)	Less than 35% in any one issuer and up to 75% in aggregate, including repo collateral	Electric/Water/DES: No ratings requirement Other Systems: AAA rated All Systems: Not backed by mortgage loans.
Commercial Paper	Up to 25% of portfolio; maximum of $12.5 million in any one issuer	Must be in Fortune 500/Global 500, or governments of Canada or Canadian provinces (U.S. dollar-denominated); rated at least A-1/P-1 with stable or positive outlook
Municipal Bonds	Up to 30% Non-JEA Debt; 50% including JEA Debt	Non-JEA Debt must be rated AA by two rating agencies
Government Agency Money Market Mutual Funds	Up to 10% in any one fund; up to 25% in aggregate	AAA or Aaa rating required. Registered with SEC.
Intergovernmental Investment Pool	Up to 20%	Authorized by Florida statutes. Includes Florida Prime Fund and PFM's Florida Education Income Trust Fund.

INTER-OFFICE MEMORANDUM
July 14, 2020

SUBJECT:	**UTILITY RATE MAKING OVERVIEW / APPA WEBINARS**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
JEA has historically presented extensive information pertaining to principles and methodology behind establishing revenue requirements, cost of service allocations and pricing when rate adjustments were proposed for Board approval. As the Board is the rate making authority for JEA, this information pertaining to the foundational rate making processes and principles is essential.

DISCUSSION:
JEA's Pricing Policy was presented at the June 23, 2020 Board Meeting. Should JEA need future rate action approved by the Board, staff will provide detailed information on JEA's pricing methodology and recommended rates.

As a member of the American Public Power Association (APPA), JEA has access to virtual classes on utility ratemaking concepts taught by industry experts. The following APPA webinars are provided for Board member's reference, at their convenience:

1. **Overview of Utility Financial Operations for Board and Council Members** – covers best financial planning practices; cash vs utility basis; financial metrics; and touches on bond covenants rates and city contribution
2. **Rate Making for Utility Boards and City Councils** – covers cost of service, governance, and rate structures
3. **Key Financial Targets for Financial Decision Makers** – reinforces the importance of financial planning; the roles of rates; and demonstrates financial metric calculations

Log in information will be provided via email to individual Board members.

FINANCIAL IMPACT:
The Board is JEA's independent body responsible for setting rates. 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.

RECOMMENDATION:
This item is submitted for information. No action by the Board is required.

Paul McElroy, Interim Managing Director/CEO

PEM/BJR/JEC

INTER-OFFICE MEMORANDUM
July 13, 2020

SUBJECT:	**CUSTOMER RELATIONSHIP UPDATE**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
On March 13, 2020, Jacksonville Mayor Curry declared a State of Emergency for Jacksonville due to the COVID19 pandemic. JEA immediately suspended certain customer fees to assist customers. On March 16, JEA suspended disconnections of service for past due accounts.

DISCUSSION:
On June 5, 2020, Florida Governor DeSantis' Executive Order 20-139 became effective. Restaurants, movie theaters, gyms and all other businesses in Florida were allowed to resume operations, albeit many with mandated restrictions. On June 18, JEA's disconnection-eligible customers numbered more than 24,000. By July 10, the number had dropped to 17,000, indicating the reopening of Florida's economy had begun making positive impacts to JEA's customers. While many Florida utilities resumed disconnections in the month of June, JEA allowed a full month to pass after the implementation of Florida Executive Order 20-139 before resuming disconnections on July 10, 2020.

FINANCIAL IMPACT:
JEA's actions to assist customers affected by COVID19 continue in the form of suspended customer fees, extended payment arrangements, and availability to enter the pre-paid meter program. Additionally, JEA has been actively working with Northeast Florida agencies that provide financial assistance for utility bills, as well as the City of Jacksonville City Council and Administration in their efforts to provide utility bill assistance to customers affected by COVID19.

RECOMMENDATION:
None required. This presentation is provided as information.

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Paul McElroy, Interim Managing Director/CEO

PEM/RBD

KEEPING OUR CUSTOMERS CONNECTED

COVID Impacts, Challenges and Response

JEA®

JEA DISCONNECTION SUSPENSION TIMELINE

Mar 13

- Mayor Curry declares "State of Emergency"
- JEA announces it will waive late payment fees and 3rd party credit card fees

Mar 16

- Disconnects are temporarily suspended
- At this time, there are **2,000** disconnection-eligible accounts, including **seven** business accounts (normal course of business)

Jun 18

- **24,302** disconnection-eligible accounts, including 878 business accounts
- JEA announces it will resume disconnections for non-payment on July 7

Jul 2

- JEA begins taking applications for COJ utility assistance funds
- 10,000 $200 cards assigned
- JEA delays resuming disconnections until July 10

July 10

- Approximately 17,000 accounts are disconnection-eligible
- JEA resumes disconnections: first are customers with pre-COVID past due balances

CITY OF JACKSONVILLE UTILITY ASSISTANCE FUNDS

- Jacksonville City Council voted unanimously to help customers scheduled for disconnection
- $2,000,000 distributed via 10,000 $200 debit cards
- COJ determined eligibility requirements
- JEA applied eligibility requirements using data from COJ and our customer database
- JEA created a jea.com page and system for customer application, attestation and generation of the customer mailing list for the COJ card vendor
- JEA communicated to various customer groups and stakeholders through multiple channels
- Application process at noon on Thursday, July 2; last card was claimed on Monday, July 6 at 7:23 am

Record-Setting Day for JEA Customer Systems

Customer Volume	Normal Day	July 2
Jea.com accounts created	150	3,236
Simultaneous sessions	300	11,317
Total logins	25,777	64,432
Unique logins	12,743	35,402
Call volume	12,764	50,863
Calls per minute	20	500

FINANCIAL ASSISTANCE FOR JEA CUSTOMERS

Community Agencies, the City of Jacksonville and JEA have worked together to provide financial assistance to help customers with utility bills

Northeast Florida Community Action Agency (NFCAA) acquired $2,278,794 in CARES Act funds to assist First Coast clients

The City of Jacksonville provided $2,000,000 specifically for utility bill assistance

Assistance Provided	Clients	Dollars
March through early July 2019	661	$202,696
March through early July 2020	1637	$563,656
Increase year-over-year	976	$360,960

FINANCIAL ASSISTANCE FOR JEA CUSTOMERS

JEA has partnered with the United Way of Northeast Florida to create a new giving campaign

Fundraising Campaign Overview

- Multimedia campaign will focus heavily on social media buzz and promotion
- Goal is to achieve more than one million impressions/views and more than 2.5 million dollars raised
- Maximize views with help from Key influencers (community leaders, celebrities, athletes) sharing with their audiences to encourage giving
- Donations can be earmarked for JEA by writing in "JEA' in the memo/comments box

United Way
of Northeast Florida

The United Way has created the ***Basic Needs Fund*** to provide food, shelter, transportation, health care and essential utilities to struggling families across northeast Florida.

Customers facing financial challenges are able to call ***211*** to speak to the United Way helpline to receive assistance upon qualification.

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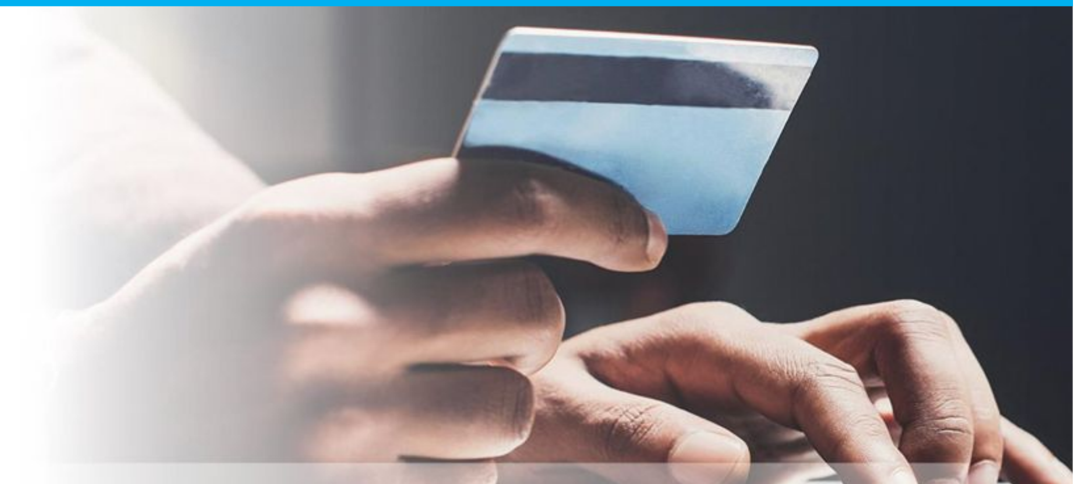
JEA DIRECT CUSTOMER ASSISTANCE

JEA is providing flexible options and waiving several customer fees through October 2020

- Providing longer-term, interest-free payment plans to maintain affordability
- Making it easier for customers to sign up for MyWay prepay account when they cannot afford a traditional utility account
- Qualifiers for payment extensions have been relaxed to allow more customers to qualify
- Credit card convenience fees (Visa, MasterCard, Discover), late fees and certain deposits are suspended through October 2020



Waived Customer Fees	Dollars
Credit card convenience fees	$800,896
Late fees	$221,851
Reconnect fees	$169,104
Total	$1,191,851

HELPING OUR CUSTOMERS TAKE ACTION

Every decision we are making is aimed at one goal: to keep our customers connected to the electric, water and wastewater services they depend upon

INTER-OFFICE MEMORANDUM
July 9, 2020

SUBJECT:	**JEA'S JACKSONVILLE SMALL AND EMERGING BUSINESS (JSEB) PROGRAM REPORT**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
A report on JEA's FY20 Q3 JSEB performance is provided to the JEA Board of Directors for review.

DISCUSSION:
JEA's JSEB performance as of the third quarter of FY20 is on track to achieve our annual goals. Details are provided in the attachment and summary information is provided below.

- FY20 JSEB annual spend goal is $17,000,000
  - The FY20 JSEB annual spend goal is 25% of the available spend.
  - As of the third quarter of FY20, JEA has achieved a JSEB spend of $12.9M, or 76% of the annual goal.

- JEA's goal is to contract with 10 new JSEB companies during FY20
  - JEA has identified potential areas for JSEB opportunities and is working with key stakeholders on targeted outreach efforts to further grow capacity.
  - As of third quarter for FY20, JEA has contracted with 7 new JSEB companies that did not provide services to JEA in FY19.

FINANCIAL IMPACT:
N/A

RECOMMENDATION:
No action is required by the Board. This items presented for information only.

Paul McElroy, Interim Managing Director/CEO

PEM/ADM/JGM/RLS

JSEB PROGRAM
FY20 Q3 REPORT

Available Project Spend

AVAILABLE SPEND

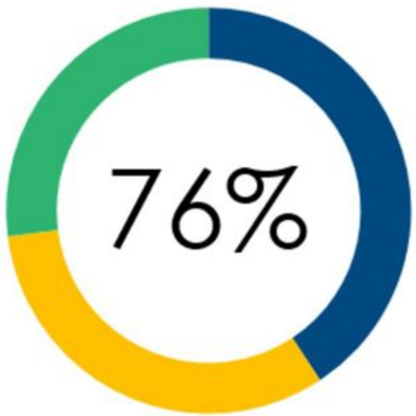
$67,000,000

SPEND GOAL = 25%

$17,000,000

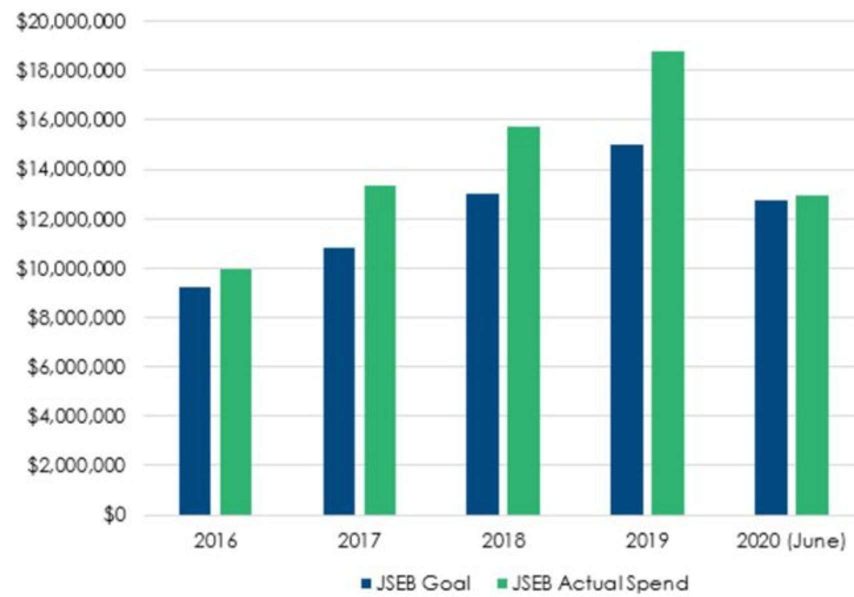
JSEB ACTUAL SPEND

$12,915,625



QTR1 JSEB SPEND
$5,259,994
QTR2 JSEB SPEND
$4,166,403
QTR3 JSEB SPEND
$3,489,228
QTR4 JSEB SPEND
$0

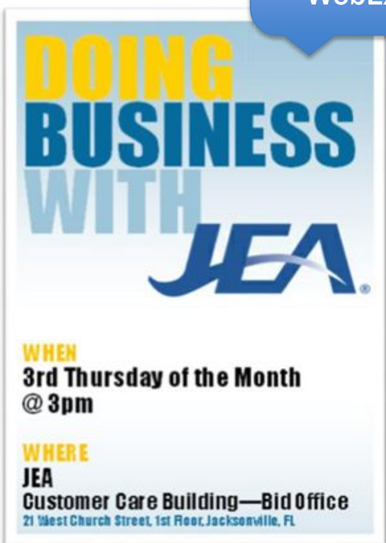
Past 5 Years - JSEB Goal vs. Actual Spend



FY20 RESULTS THRU JUNE JSEB SCORECARD

Q3 JSEB Outreach

Currently hosting via WebEx



FY20 Q3 JSEB OUTREACH

May 13, 2020

Northeast Florida Small Business Forum via WebEx
Hosted by JTA

June 23, 2020

2020 Virtual Federal Contracting Conference
Hosted by
Florida 8(a) Alliance

June 23, 2020

Subcontractor Outreach Event for the New JEA Headquarters
Hosted by Ryan Companies

JSEB Program Cost

Agencies that certify small businesses through the JSEB Program:

Agencies with their own small business certification program:

JSEB PROGRAM

- COJ / JEA Interlocal Agreement - $66,096 Annually
  - JEA makes a quarterly payment to COJ - $16,524
  - Used for small business certification and training

- JSEB Budget
  - $5K – To host annual JSEB Summit, attend small business events and purchase materials for small business meetings/events
  - $63K – Prorated salary for one employee to manage the JEA JSEB Program

- Total JEA JSEB Program Cost: $134K

What's Next…

- The annual JSEB Summit will be cancelled this year due to COVID-19
- Enhance the JSEB Website:
  - ➢ Add JSEB Supplier Capability Sheets
- Modify the JSEB Form to require signatures from both the Prime and JSEB
- Determine JSEB Goal for FY21
- Create a new JSEB video

JSEB PROGRAM

INTER-OFFICE MEMORANDUM
July 14, 2020

SUBJECT:	**ITN INVOICES – REPORT AND RECOMMENDATION**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
Subsequent to the JEA Board of Directors' December 24, 2019 termination of *Invitation to Negotiate #127-19 (ITN), Strategic Alternatives*, there were outstanding invoices from twenty-three vendors that had rendered services related to the ITN. During the last several months, business, finance, and legal personnel have accumulated and reviewed invoices. In late June, the internal audit team reviewed the invoices, both paid and still outstanding, to verify that each vendor's invoices were adequately supported by: (1) an approved contractual agreement(s) for the work to be performed, including the vendor's delivered products and/or services rendered; (2) sufficient detail of the specific work performed for the billing period; and (3) subsequent review and approval by management.

DISCUSSION:
Internal Audit's preliminary results of the review were discussed with the Office of General Counsel for accuracy and completeness. Each vendor's total billed invoices are presented with a recommendation for either payment or to be referred to outside counsel for further review and resolution. The latter group will require further discussions and resolution with the vendors regarding the specific amounts.

FINANCIAL IMPACT:
Management estimates a total remaining payment range of $1.51 million to $10.24 million, the final payment amount being contingent on the settlement of the invoices for those vendors recommended for further review.

The following table lists the vendors by service type and quantity, total invoice $s received, paid, and subject to further review.

Type of Service (# Vendors)	Total Invoice $s Received	Total Invoice $s Paid	Balance Recommended for Payment	Total Invoice $s for Further Review	Recommended Disposition / Additional Comments
Legal (4)	$8,263,438.19	$2,436,813.21	$0	$8,263,438.19	Engage outside counsel to review and recommend action on Pillsbury, Foley & Lardner, Holland & Knight, and Milam Howard invoices.
Consulting (1)	$2,900,000.00	$0	$0	$2,900,000.00	Engage outside counsel to review and recommend action on McKinsey & Co. invoices.
Legal (9)	$442,580.00	$357,452.50	$85,127.50	$0	Pay in full.
Consulting (1)	$396,638.58	$0	$396,638.58	$0	Pay in full.
Engineering	$673,046.20	$27,900.26	$645,145.94	$0	Pay in full.

(2)					
Banking (2)	$340,434.00	$0	$340,434.00	$0	Pay in full.
Data Mgmt (2)	$327,650.98	$316,052.32	$1,500.00	$10,098.66	Refer Xact Data Discovery for further review.
Public Affairs (1)	$39,200.00	$39,200.00	$0	$39,200.00	Refer Cavalry Strategies for further review.
Human Resources (1)	$36,437.50	$0	$36,437.50	$0	Pay in full.
	$13,419,425.45	**$3,177,418.29**	**$1,504,283.52**	**$11,212,736.85**	

<u>RECOMMENDATION</u>:
Management recommends the Board's approval of the invoices identified for payment and support engaging outside counsel to review and recommend action for the invoices identified for review.

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Paul McElroy, Interim Managing Director/CEO

PEM/SVT

JEA ITN 127-19
REVIEW OF VENDOR INVOICES

Vendor	Service Type	Total Invoiced $s	Paid Invoiced $s	Invoiced $s for Further Review	Contract / SOW? (Y/N)	Approved / Authorized? (Y/N)	Auth'z'ng Officer(s) (List)	Awards Comm? (Y-Date/N)	Detailed Invoices? (Y/N)	Pay or Refer to Outsde Counsel?
Pillsbury Winthrop Shaw Pittman	Legal	6,425,419.82	1,018,280.75	$ 6,425,419.82	Y	TBD	CLO, OGC, and CFO	N	Y	Refer
Foley & Lardner LLP	Legal	1,361,786.48	1,361,786.48	1,361,786.48	Y	TBD	OGC and CFO	N	Y	Refer
Holland & Knight LLP	Legal	393,092.50	-	393,092.50	Y	TBD	OGC	N	N/A	Refer
Milam Howard Nicandri Gillam & Renner, P.A.	Legal	$ 83,139.39	$ 56,745.98	$83,139.39	Y	TBD	CLO, OGC, and CFO	N	Y	Refer
McKinsey & Company (Pillsbury Sub-C)	Consulting	2,900,000.00	-	2,900,000.00	Y	TBD	BOD, Dir of Procurement	N	N	Refer
Radey Law Firm	Legal	150,900.00	150,900.00		Y	Y	CLO, OGC, and CFO	N	Y	Pay
Lewis Longman & Walker P.A.	Legal	82,474.00	82,474.00		Y	Y	OGC and CFO	N	Y	Pay
Hopping Green & Sams	Legal	57,560.00	-		Y	Y	CLO, OGC, and CFO	N	Y	Pay
Nixon Peabody LLP	Legal	54,800.00	54,800.00		Y	Y	CEO, OGC, & Dir. Procurement	N	Y	Pay
Carlton Fields	Legal	33,765.63	33,765.63		Y	Y	CLO, OGC, and CFO	N	N	Pay
Pennington, P.A.	Legal	26,305.53	24,310.53		Y	Y	CLO, OGC, and CFO	N	Y	Pay
Edwards Cohen	Legal	11,202.34	11,202.34		Y	Y	OGC and CFO	N	Y	Pay
Esquire Deposition Solutions	Legal (Court Reporting)	15,162.50	-		Y	Y	OGC and CSCO	N	Y	Pay
Diane M. Tropia, Inc.	Legal (Court Reporting)	10,410.00	-		Y	Y		N	Y	Pay
FTI Consulting (Pillsbury Sub-C)	Consulting	396,638.58	-		Y	Y	CFO	N	N	Pay
Leidos (Pillsbury Sub-C)	Engineering	645,145.94	-		Y	Y	VP & Chief Energy & Water Planning	N	Y	Pay

JEA ITN 127-19
REVIEW OF VENDOR INVOICES

Vendor	Service Type	Total Invoiced $s	Paid Invoiced $s	Invoiced $s for Further Review	Contract / SOW? (Y/N)	Approved / Authorized? (Y/N)	Auth'z'ng Officer(s) (List)	Awards Comm? (Y-Date/N)	Detailed Invoices? (Y/N)	Pay or Refer to Outsde Counsel?
Geosyntec Consultants	Engineering	27,900.26	27,900.26		Y	Y	Dir of Procurement	N	Y	Pay
J.P. Morgan	Banking	170,217.00	-		Y	Y	CEO and CFO	N	N	Pay
Morgan Stanley	Banking	170,217.00	-		Y	Y	CEO and CFO	N	N	Pay
IntraLinks, Inc. (Pillsbury Sub-C)	Data Management	317,552.32	316,052.32		Y	Y	CLO	N	Y	Pay
Xact Data Discovery	Data Management	10,098.66	-	$10,098.66	N	N	?	N	N	Refer
Cavalry Strategies	Public Affairs	39,200.00	39,200.00	$39,200.00	N	N	?	N	N	Refer
The Segal Group	Human Resources	36,437.50	-		Y	Y	OGC for COJ	N	Y	Pay
Totals		$ 13,419,425.45	$ 3,177,418.29	$ 11,212,736.85						

INTER-OFFICE MEMORANDUM
July 21, 2020

SUBJECT:	**MEAG PURCHASED POWER AGREEMENT – PLANT VOGLTE UPDATE**
FROM:	Paul McElroy, Interim Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:

In 2008, JEA's Board established a target to acquire 10 percent of JEA's energy requirements from nuclear sources by 2018. In May 2008, JEA entered into a purchased power agreement (PPA) with the Municipal Electric Authority of Georgia (MEAG) for and estimated 206 MW of capacity and related energy from MEAG's interest in Plant Vogtle Units 3 and 4 (Project J). MEAG's total interest in Vogtle Units 3 and 4 is approximately 22.5% or 500MW. The 206 MWs is forecasted to produce 1,650,000 MWhs annually, representing approximately 13% of JEA's total energy requirements in 2022 when both Units 3 and 4 are scheduled for commercial operation. Project J will provide important base load generation and fuel diversity, as well as produce zero carbon emissions, a critical need for JEA's future.

The original in-service dates for Vogtle Units 3 and 4 were April 2016 and 2017. Following a series of construction and schedule delays, including the bankruptcy of the original technology and engineering firm, as well as several construction firms the current in-service dates are November 2021 and 2022. An updated cost estimate and schedule is anticipated to be filed with the Georgia Public Service Commission in August 2020.

DISCUSSION:

The project schedule began to slip in 2016 and costs were higher than anticipated. JEA began advancing a position that given the change in the energy market in the prior eight years, there was a strong economic case to canceling the Plant Vogtle 3 and 4 project, absorbing the costs to date as a sunk cost, and invest in new high efficiency natural gas combine cycle energy. MEAG was not swayed by JEA's argument.
In September 2018 MEAG filed an action in the Northern District Court of Georgia seeking a declaration that a "No Go" vote" by MEAG as a co-owner would be a breach of the PPA. Additionally, MEAG claimed that JEA violated the PPA by disturbing the owners vote and that JEA breached the PPA by violating the cooperation clause. The Court's dismissal of this matter is under appeal in which oral argument is to be heard on August 13, 2020. If MEAG loses the appeal, the MEAG case against JEA is over. If MEAG wins the appeal, the parties may seek to consolidate this case with the matter filed by JEA and the City of Jacksonville agaist.

In September 2018 JEA and the City of Jacksonville filed a lawsuit seeking a declaratory judgement that the PPA was invalid, void and unenforceable. On June 17, 2020 the Court entered an Order granting MEAG's motion for judgement on the pleadings and finding that the PPA was a valid and enforceable contract. Both parties filed counterclaims which have not been resolved by the Court. JEA's claim is for negligent performance of an undertaking seeking to recuperate damages resulting from MEAG's failure to exercise reasonable care when it voted to continue construction of the project in September 2018. MEAG's claim is for JEA's alleged violation of the PPA's cooperation clause. The Court ordered the parties to commence discovery on the two counterclaims beginning July 1, 2020.

FINANCIAL IMPACT:
To date JEA's legal expenses have exceeded $9.0 million and with active discovery now taking place on the counterclaims, it is anticipated that JEA will continue to incur litigation costs and expenses that could last well over a year or more. The anticipated litigation expenses and budget are to be discussed with the JEA Board in the during the privileged attorney-client session.

RECOMMENDATION:
Provide staff guidance to pursue mutually beneficial business solutions to past legal disputes surrounding the JEA/MEAG Purchase Power Agreement. Direct staff to thoroughly engage with MEAG to explore mutually beneficial ways to reduce cost and risk in Plant Vogtle, Units 3 and 4 project.

Paul McElroy, Interim Managing Director/CEO

PEM