



**ANNUAL DISCLOSURE REPORT  
FOR  
ELECTRIC UTILITY SYSTEM  
FOR  
FISCAL YEAR  
ENDED  
SEPTEMBER 30, 2018**

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**(Prepared pursuant to certain  
continuing disclosure undertakings  
relating to the Bonds listed  
in APPENDIX I hereto)**

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**Filed with EMMA**

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**Dated as of  
May 28, 2019**

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**JEA**  
**21 W. CHURCH STREET**  
**JACKSONVILLE, FLORIDA 32202**  
**(904) 665-7410**  
**(<http://www.jea.com>)**

**JEA OFFICIALS**

**BOARD MEMBERSHIP<sup>(1)</sup>**

Chair  
Vice Chair  
Secretary

April Green  
Frederick D. Newbill  
Camille J. Lee-Johnson  
John Campion  
Kelly Flanagan  
G. Alan Howard<sup>(2)</sup>

**MANAGEMENT**

Managing Director and Chief Executive Officer  
President and Chief Operating Officer  
Chief Administrative Officer  
Chief Financial Officer  
Chief Innovation and Transformation Officer  
Chief Public and Stakeholder Affairs Officer  
Vice President and General Manager, Energy  
Vice President and General Manager of Water and Wastewater Systems  
Vice President of Energy and Water Planning  
Vice President and Chief Customer Officer  
Vice President and Chief Compliance Officer  
Vice President, Chief Legal Officer  
Interim Chief Human Resources Officer  
Vice President and Chief Information Officer  
Vice President and Chief Supply Chain Officer  
Vice President and Chief Environmental Services Officer  
Treasurer

Aaron F. Zahn  
Melissa H. Dykes  
Herschel Vinyard  
Ryan F. Wannemacher  
Julio Romero Agüero  
Michael R. Hightower  
Caren B. Anders  
Deryle I. Calhoun  
Steven G. McInall  
Kerri Stewart  
Ted E. Hobson  
Lynne Rhode  
Jon Kendrick  
Shawn Eads  
John P. McCarthy  
Paul K. Steinbrecher  
Joseph E. Orfano

**GENERAL COUNSEL**

Jason R. Gabriel, Esq.  
General Counsel of the City of Jacksonville  
Jacksonville, Florida

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(1) There is currently one vacancy on the JEA Board.

(2) Mr. Howard's term has expired, but he continues to serve until his successor has been appointed and qualified.

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\* All outstanding Power Park Issue Two Bonds were defeased on January 5, 2018.

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**ANNUAL DISCLOSURE REPORT  
FOR  
ELECTRIC UTILITY SYSTEM  
FOR  
FISCAL YEAR  
ENDED  
SEPTEMBER 30, 2018**

**INTRODUCTION**

**General**

This Annual Disclosure Report for Electric Utility System for Fiscal Year Ended September 30, 2018 (together with the Schedule and the Appendices hereto, this “Annual Disclosure Report”) is furnished by JEA to provide information concerning (a) JEA, (b) JEA’s electric utility operations, and (c) outstanding debt of JEA relating to its electric utility operations. This Annual Disclosure Report is being filed with the Municipal Securities Rulemaking Board (the “MSRB”), through the MSRB’s Electronic Municipal Market Access (“EMMA”) website currently located at <http://emma.msrb.org> pursuant to certain continuing disclosure undertakings made by JEA in accordance with the provisions of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated by the United States Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended. The bonds to which such continuing disclosure undertakings relate (including the CUSIP numbers thereof) are listed in APPENDIX I hereto. As permitted by the provisions of Rule 15c2-12, this Annual Disclosure Report also is intended to be included by reference in official statements and other offering and remarketing documents prepared by JEA in connection with (a) the sale and issuance, after the date hereof, of certain securities of JEA and (b) the remarketing in the secondary market, after the date hereof, of certain securities of JEA.

JEA is a body politic and corporate organized and existing under the laws of the State of Florida and is an independent agency of the City of Jacksonville, Florida (the “City”). The City is a consolidated city-county local government for Duval County, located in Northeast Florida. The governing body of JEA (the “JEA Board”) consists of seven members appointed by the Mayor of the City and confirmed by the City Council of the City (the “Council”). JEA (then known as Jacksonville Electric Authority) was established in 1968 to own and manage the electric utility which had been owned by the City since 1895 (the “Electric System”). In 1997, the Council amended the Charter of the City (the “Charter”) in order to authorize JEA to own and operate additional utility functions and, effective on June 1, 1997, the City transferred to JEA the City’s combined water and sewer utilities system (the “Water and Sewer System”). Effective as of October 1, 2004, JEA established a separate utility system (the “District Energy System”) for its local district energy facilities, including its chilled water activities and any local district heating facilities JEA may develop in the future. JEA operates and maintains its records on the basis of a fiscal year ending on each September 30th (a “Fiscal Year”).

Each of the Electric System, the Water and Sewer System and the District Energy System is owned and operated by JEA separately. For information relating to JEA’s Water and Sewer System and District Energy System see the “ANNUAL DISCLOSURE REPORT FOR WATER AND SEWER SYSTEM AND DISTRICT ENERGY SYSTEM FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018” (the “Water and

Sewer/DES ADR”), available from the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website at <http://emma.msrb.org>. **The revenues of each system do not constitute revenues of the other two systems, and revenues of the Electric System are not pledged to the payment of any debt issued or to be issued by JEA to finance and refinance the other two systems.** JEA may, however, satisfy its annual obligation to transfer funds to the City with funds derived from any of its utilities systems. See “OTHER FINANCIAL INFORMATION - Transfers to the City” herein.

For purposes of this Annual Disclosure Report, the Electric System, JEA’s interest in the St. Johns River Power Park Units 1 and 2 (such generating station, the “Power Park” or “SJRPP”) and the Scherer 4 Project (hereinafter defined) are referred to collectively as JEA’s “Electric Utility Functions.” SJRPP ceased commercial operation on January 5, 2018. See “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Early Termination of Power Park Joint Ownership Agreement.” This Annual Disclosure Report contains information regarding JEA’s Electric Utility Functions. For financing purposes the debt of JEA relating to its Electric Utility Functions is payable from and secured by the revenues derived by JEA from the sale of electricity and related services (including, in the case of certain debt of JEA relating to the Power Park referred to herein as the Power Park Issue Two Bonds, revenues received by JEA from the sale of a portion of JEA’s capacity (and associated energy) of the Power Park to Florida Power & Light Company (“FPL”). **Accordingly, the information contained herein relating to JEA’s Electric Utility Functions is not relevant to the Water and Sewer System Bonds, the Subordinated Water and Sewer System Bonds or the District Energy System Bonds and should not be taken into account in evaluating such debt.**

The summaries of or references to the Electric System Resolution, the Subordinated Electric System Resolution, the First Power Park Resolution, the Second Power Park Resolution, and the Restated and Amended Bulk Power Supply System Resolution, and certain proposed amendments thereto, where applicable, (as such terms are hereinafter defined) and certain statutes and other ordinances and documents included in this Annual Disclosure Report do not purport to be comprehensive or definitive; and such summaries and references are qualified in their entirety by references to each such resolution, statute, ordinance, and document. Copies of the resolutions are available on the JEA website at [https://www.jea.com/About/Investor\\_Relations/Bonds.aspx](https://www.jea.com/About/Investor_Relations/Bonds.aspx) and the other documents referred to in this Annual Disclosure Report may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction.

### **JEA Establishment and Organization**

JEA was established in 1968 to own and manage the electric utility which had been owned by the City since 1895. The City’s Charter was amended in 1997 to authorize JEA to own and operate other utility systems, including the Water and Sewer System. In 2004, the City authorized JEA to create the District Energy System. The JEA Board consists of seven members appointed by the Mayor of the City, subject to confirmation by the Council. The members serve without pay for staggered terms of four years each, with a maximum of two consecutive full terms each.

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Current members of the JEA Board, their occupations and the commencement and expiration of their terms are as follows:

MEMBER <sup>(1)</sup>	OCCUPATION	TERM
April Green Chair	Chief Financial Officer/ Chief Operating Officer Bethel Baptist Institutional Church	December 1, 2017–February 28, 2021
Frederick D. Newbill Vice Chair	Pastor First Timothy Baptist Church	January 12, 2017–February 28, 2023
Camille J. Lee-Johnson Secretary	Chief Operating Officer Lee Wesley & Associates, LLC	July 25, 2018–February 28, 2020
John Campion	Co-founder & Chairman APR Energy	July 25, 2018–February 28, 2022
Kelly Flanagan	Senior Vice President & CFO Jacksonville Jaguars, LLC	November 25, 2015–February 28, 2020
G. Alan Howard	Founder & President Milam Howard Nicandri Gillam & Renner P.A.	November 25, 2015–February 28, 2019 <sup>(2)</sup>

(1) There is currently one vacancy on the JEA Board.

(2) Mr. Howard’s term has expired, but he continues to serve until his successor has been appointed and qualified.

In addition, in accordance with the provisions of the interlocal agreement entered into between JEA and Nassau County, Florida in connection with JEA’s acquisition of certain assets and franchises of a private water and sewer utility in Nassau County, Nassau County is entitled to appoint a non-voting representative to the JEA Board. The Nassau County representative is entitled to attend all JEA Board meetings and to participate in discussions concerning matters that affect the provision of water and sewer services within Nassau County. Nassau County has appointed Mike Mullin, a Commissioner on Nassau County’s Board of County Commissioners, as its representative to the JEA Board.

The Charter authorizes JEA to construct, acquire (including acquisition by condemnation), establish, improve, extend, enlarge, maintain, repair, finance, manage, operate and promote its utilities systems (which consist of (1) the Electric System, (2) the Water and Sewer System, (3) the District Energy System and (4) any additional utilities systems which JEA may undertake in the future upon satisfaction of the conditions set forth in the Charter), and to furnish electricity, water, sanitary sewer service, natural gas and other utility services as authorized therein within and outside of the City and for said purposes to construct and maintain electric lines, pipelines, water and sewer mains, natural gas lines and related facilities along all public highways and streets within and outside of the City. The Charter also confers upon JEA the power to sue, to enter into contracts, agreements and leases, and to sell revenue bonds to finance capital improvements and to refund previously issued evidences of indebtedness of JEA.

In addition to the powers conferred upon JEA by the Charter, the Bulk Power Act authorizes JEA to acquire, own and operate as separate bulk power supply utilities or systems, electric generating plants and transmission lines within the City and within and outside of the State of Florida. JEA’s interests in the Power Park and the Scherer 4 Project are separate bulk power supply systems pursuant to the Bulk Power Act. JEA may develop other separate bulk power supply systems in connection with future generation and/or transmission projects. JEA has launched several initiatives to provide revenue diversity. Included in these initiatives are natural gas sales to commercial and industrial customers (See “ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* – Electric System – *Natural Gas Sales*” herein), forestry management of JEA owned conservation lands, leasing of dark fiber and space on communication towers, transmission and

distribution poles and partnering with the North Florida Transportation Planning Organization to encourage electrification.

## **Management and Employees**

The Charter assigns responsibility for the management of JEA's utilities systems to the JEA Board. JEA employs a Managing Director and Chief Executive Officer as its chief executive officer. The Managing Director, executive officers, vice presidents, directors, managers, executive assistants and other appointed staff, numbering approximately 411 persons, form the management team (the "Management Team") and are not subject to the City's civil service system.

### ***Management***

On November 27, 2018, the JEA Board appointed Aaron F. Zahn as Managing Director and Chief Executive Officer of JEA. Mr. Zahn served as Interim Managing Director and Chief Executive Officer from April 17, 2018 until his appointment in November.

Information regarding the Managing Director and Chief Executive Officer of JEA and the thirteen executive officers of JEA follow:

***Aaron F. Zahn, Managing Director and Chief Executive Officer.*** Aaron F. Zahn is Managing Director and Chief Executive Officer for JEA. In this role, Mr. Zahn oversees all operations for the eighth-largest public utility in the nation, providing electric, water and sewer services to customers across a 900-mile service territory in Northeast Florida.

Prior to being appointed Interim Managing Director and Chief Executive Officer in April 2018, Mr. Zahn served as Managing Partner and Chief Executive Officer of Pascal Partners, a distributed infrastructure investment and development company. From 2009 to 2017, he was Chairman and Chief Executive Officer of BCR Environmental Corporation, a water/wastewater technology firm and public-private-partnership development and operations company. Prior to BCR, Mr. Zahn worked as an investment professional for two multi-strategy hedge funds in New York City, managing over \$6 billion in equity. He was also a Senior Manager of the Capital Markets team at General Growth Properties, playing a key role in \$25+ billion of acquisitions and financing activities along with providing financial oversight for \$200+ million of commercial real estate development.

A graduate of Yale University, Mr. Zahn is a supporter of YMCA of Jacksonville, Baptist Health System, Nemours Children's Health System and Yale University. He is a member of the Board of Directors for the Young Presidents Organization and the Bob Graham Center for Public Service at University of Florida.

***Melissa H. Dykes, President and Chief Operating Officer.*** Melissa Dykes serves as JEA's President and Chief Operating Officer. She leads the operation of the utility, responsible for providing utility services to more than one million people across four counties. She manages nearly 1,800 employees in the areas of energy, water, wastewater, customer experience, human resources, environmental services, compliance and supply chain.

Ms. Dykes served as JEA's Chief Financial Officer for nearly six years prior to her current role. As CFO, she provided leadership to ensure the financial health of JEA, resulting in access to capital at low cost on behalf of JEA's customers. She was responsible for all aspects of JEA's finances, including treasury, financial reporting, budgeting, supply chain management, and shared services, and had lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA.

Prior to joining JEA, Ms. Dykes was CFO at a portfolio company of a large energy private equity firm and a principal in a renewable energy development company, where she was responsible for origination, commercial structuring, development and capital raising for renewable energy projects. She also was Vice President of Investment Banking at JPMorgan, where she was responsible for providing capital solutions for clients, including more than \$26 billion in financings for many municipal electric and water systems across the country, risk management product delivery and mergers and acquisitions. Prior to joining JPMorgan, Ms. Dykes worked for The World Bank Group, where she researched and published on private participation in infrastructure industries in developing countries. She is a graduate of the University of Florida and holds a certificate in Advanced Management from the Tuck School of Business at Dartmouth. Ms. Dykes serves on the Boards of Directors of the United Way of Northeast Florida, the Association of Edison Illuminating Companies, the Florida Coordinating Group, and the Florida Reliability Coordinating Council (where she serves as Secretary/Treasurer and Chair of the Corporate Compliance and Finance and Audit Committee).

***Herschel Vinyard, Chief Administrative Officer.*** Mr. Vinyard has 25 years of environmental law, business, and government experience and comes to JEA from the law firm of Foley & Lardner where he was a member of the Environmental Regulation and Government & Public Policy practices.

He also served a four-year term as Secretary of the Florida Department of Environmental Protection (DEP) during Governor Rick Scott's first term, where he was involved in environmental permitting, water rights, and real estate development. He has been a champion for the state's waterways and natural springs including restoration of the Everglades.

Under his leadership, the Florida Park Service received the National Gold Medal Award for Excellence in the management of state park systems from the National Recreation and Park Association.

Prior to serving the State of Florida, Mr. Vinyard was the director of business operations responsible for strategic planning, business development, and regulatory and government affairs for the Southeast Shipyards division of BAE Systems.

Mr. Vinyard obtained both his law and bachelor's degrees from Louisiana State University.

***Ryan F. Wannemacher, Chief Financial Officer.*** Mr. Wannemacher serves as JEA's Chief Financial Officer. He provides leadership to ensure fiscal responsibility for the long-term financial health of JEA, resulting in access to capital at low cost for JEA's customers. He is responsible for all aspects of JEA's finances, including treasury, financial reporting, financial planning and analysis, and budgeting. He has lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA. Mr. Wannemacher currently serves on the Finance and Audit Committee of The Energy Authority ("TEA").

Prior to his current role at JEA, Mr. Wannemacher served as JEA's Director of Financial Planning and Analysis from April 2015 to 2018. Prior to joining JEA, Mr. Wannemacher was Vice President of Investment Banking at JPMorgan. While at JPMorgan, Mr. Wannemacher was responsible for providing capital solutions for clients, including over \$20 billion in financings for many municipal electric, water and natural gas systems across the country, risk management product delivery, and mergers and acquisitions. Mr. Wannemacher holds a B.B.A. in Financial Consulting from Southern Methodist University graduating Magna Cum Laude.

***Julio Romero Agüero, Chief Innovation and Transformation Officer.*** Dr. Agüero provides leadership in the identification, development, evaluation, and adoption of emerging technologies, business models, services, processes, and industry leading practices to improve overall enterprise performance and sustainability, and achieve digital transformation. He has 23 years of industry experience in the areas of

technology and business strategy, grid modernization, smart grid, utility of the future, distribution systems analysis, planning, and operations, and integration of distributed generation, energy storage, microgrids and electric vehicles. He has developed solutions in these areas for electric utilities and regulatory boards in the USA, Canada, Latin America, the Caribbean and Asia. He has published over 40 articles in topics pertaining to these areas and is a frequent speaker in industry events.

Before joining JEA he served as Vice President of Strategy and Business Innovation at Quanta Technology, where he led high performing teams in the development of pioneering methodologies and concepts for planning and analysis of modern and future power distribution systems, grid modernization, and distributed energy resources. He has been Adjunct Professor at University of North Carolina at Charlotte and University of Houston. He is a former Commissioner of the National Energy Commission of Honduras. He is a Senior Member of the Institute of Electrical and Electronics Engineers (“IEEE”), and has served as Chair of the IEEE Distribution Subcommittee, Chair of the IEEE Working Group on Distributed Resources Integration, Editor of IEEE Transactions on Power Delivery, and Editor of IEEE Transactions on Smart Grid. He is a member of the Advisory Committee of DistribuTECH.

He holds PhD, MBA and BSEE degrees from National University of San Juan (Argentina), North Carolina State University and National Autonomous University of Honduras, respectively.

***Michael R. Hightower, Chief Public and Stakeholder Affairs Officer.*** Mr. Hightower joined JEA in 2015, bringing over 35 years of governmental and legislative relations experience. He also previously served 16 years on JEA’s Board of Directors including two two-year terms as JEA Chair.

Mr. Hightower joined Blue Cross and Blue Shield of Florida (now Florida Blue) in 1981 as the Director of Governmental and Legislative Relations and in 1985 was named its Vice President of Governmental and Legislative Relations. He worked closely with key political leaders in the federal, state and local government and, after three decades of a successful career at Florida Blue, retired in late 2014. He then joined the international law firm of Holland & Knight LLP as a Senior Policy Advisor before joining the JEA senior leadership team.

In addition to his professional accomplishments, Mr. Hightower has dedicated his time, talents and leadership to numerous boards and commissions over the last 38 years. He is immediate past chair of the Florida Governor’s Mansion Foundation and the Florida Association of Professional Lobbyists. Mr. Hightower is in his second year as Vice President, Florida House and Florida’s embassy in Washington, D.C. He also serves as an active board member of the Florida State College Foundation, Florida Association of Professional Lobbyists, Florida Ounce of Prevention, and Vice Chair, Five Star Veterans Center.

Prior to joining JEA, Mr. Hightower chaired the following organizations and civic and trade associations: United States Naval Academy; Jacksonville Chamber of Commerce; Florida House, Florida’s Embassy in Washington, D.C.; Associated Industries of Florida; Florida Insurance Council; Florida News Service; Florida College System Foundation; Jacksonville Library Foundation; Jacksonville Political Leadership Institute; JaxBiz; Duval County Republican Party and the Cecil Field Base Closure Commission.

Throughout the state, he is well-known for his political leadership, having served as chair or finance chair for more than 580 successful local, state, and/or federal candidates since 1972. He has assisted in raising more than \$136.3 million for charitable, candidate and political party campaigns since 1981.

In 2006, Leadership Florida’s leaders appointed Mr. Hightower to the Florida Energy Commission. The nine-member panel was charged with making recommendations to the Florida Legislature on ways to secure Florida’s energy future.

In 2010, Florida's legislative leadership appointed Mr. Hightower to the Public Service Commission Nominating Council, charged with interviewing and recommending qualified candidates for gubernatorial appointment to the Florida Public Service Commission.

Mr. Hightower, a 1972 graduate of Jacksonville University, resides in Jacksonville. He was a third term 2003, 2005, 2007 University of Florida Graduate School adjunct instructor, "Principles of Lobbying."

***Caren B. Anders, Vice President and General Manager, Energy.***<sup>(1)</sup> Ms. Anders has lead responsibility for producing and delivering electricity to JEA's 485,000 electric customers in a safe, reliable and cost-competitive manner, and in full compliance with regulatory objectives. In this role, she and her team are responsible for planning, constructing, operating and maintaining JEA's electric system, including generation plants and the transmission, substations and distribution systems.

Ms. Anders joined JEA in January 2019 from Duke Energy. She brings operational leadership, financial acumen, strategy and innovation, and compliance and risk management to her leadership role at JEA. At both Duke and Exelon Corp., she led high-performing teams across the energy spectrum, including Generation, Transmission, Distribution, Emerging Technologies, and Shared Services. Along with her vast electric experience, she also has expertise in new technologies, strategic business performance, compliance, financial management, employee engagement and customer satisfaction.

Ms. Anders has served on the boards of PT Holding Company LLC, Peak Tower LLC, SERC Reliability Corp. and the Florida Reliability Coordination Council. She has also served her community as a board member for Junior Achievement, Central Carolinas and United Way, Greater Triangle N.C. She earned a bachelor's degree in engineering from the University of Pennsylvania and a master's degree in finance from Drexel University and is a licensed Professional Engineer in the state of Pennsylvania.

***Deryle Calhoun, Vice President and General Manager of Water and Wastewater Systems.***<sup>(2)</sup> Deryle Calhoun is responsible for leading JEA's water and wastewater operations, construction and strategy execution, and delivering exceptional service to JEA customers across a four-county area. Mr. Calhoun is currently leading a resiliency program that will improve water, wastewater and district energy system reliability during extreme weather events like hurricanes.

Mr. Calhoun began his career in water/wastewater in 1993 with the City of Jacksonville Public Utilities as a project engineer and joined JEA in 1997 when the City's water and wastewater services were transferred to JEA. Mr. Calhoun served at the director level for 20 years, first with the Distribution and Collection team and most recently with Water, Wastewater and Reuse Treatment and District Energy Services.

Mr. Calhoun holds a Bachelor of Science degree in Environmental Engineering from the University of Florida and is a registered Professional Engineer in the State of Florida.

***Steven G. McInall, Vice President of Energy and Water Planning.*** Mr. McInall is responsible for long-term planning for JEA's energy and water sectors, overseeing the development of a more than \$1 billion capital program. Mr. McInall's groups are responsible for the Integrated Resource Plans for both the electric and water systems. He is responsible for JEA's renewable energy portfolio, including landfill gas and solar photovoltaic (PV). During his tenure, JEA's solar PV portfolio has grown from 12 MW to 34 MW, with another 5 MW plant under construction and 5-50 MW facilities (250 MW) in the contract stage. He is also responsible for real estate acquisitions and sales.

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(1) Michael J. Brost retired from his position of Vice President and General Manager of Electric Systems in January 2019.

(2) Brian J. Roche retired from his position of Vice President and General Manager of Water and Wastewater Systems in June 2018.

Mr. McInall has been with JEA since 2011, serving as the Director of the Electric Production Resource Planning Department, with oversight of the Electric Generation Planning, Fuels Management Services, Natural Gas Commercial Services and Byproducts Production Services areas, and as the Manager of Nuclear Generation Business.

Prior to joining JEA, Mr. McInall had a 27-year career at several regional and national engineering consulting firms, including Stone & Webster Engineering Corporation, Boston, and MACTEC Engineering and Consulting, in Tallahassee and Jacksonville. Clients included major U.S. utilities, such as Dominion Energy, Inc. and the Tennessee Valley Authority, as well as the U.S. Department of Energy and the U.S. Army Corps of Engineers.

Mr. McInall holds Bachelor and Master degrees in Nuclear Engineering from the Massachusetts Institute of Technology, and will receive a Master of Public Policy degree from Jacksonville University in April, 2019. He is a licensed Professional Engineer in Florida, Georgia, South Carolina, North Carolina, Massachusetts, New Hampshire and Vermont. He is also a Leadership in Energy and Environmental Design (LEED) Accredited Professional, in Building Design and Construction. Mr. McInall is on the Board of the North Florida Chapter of the US Green Building Council, and serves on the St Johns County Citizens Flood Mitigation Advisory Committee

***Kerri Stewart, Vice President and Chief Customer Officer.*** Ms. Stewart joined JEA as Chief Customer Officer in 2017, bringing more than 14 years of experience to the organization. Previously, Ms. Stewart served as Chief of Staff for Jacksonville, Florida Mayor Lenny Curry, providing policy and public affairs guidance to the mayor.

Prior to returning to the City, Ms. Stewart was a Partner and Senior Vice President at Infinity Global Solutions. Drawing on her extensive experience in both the public and private sectors, she focused on assisting clients in the areas of government privatization, public infrastructure development, general management consulting and government relations. She also served as interim president of Visit Jacksonville, Local Initiative Support Corporation (LISC) and Cultural Council of Greater Jacksonville as part of her management consulting practice.

Prior to joining IGS, Ms. Stewart served as the Chief Administrative Officer for the City of Jacksonville/Duval County, Florida under Mayor John Peyton and Mayor Alvin Brown. In this role, she oversaw day-to-day government operations for the City, including directing a nearly 5,000-member workforce and managing the \$1 billion municipal budget and \$164 million annual capital improvement plan. During her first tenure with the City, Stewart led several successful privatization studies and implementations; and she has shared her experiences in this area at a variety of conferences and other professional venues.

During her years of public service, Ms. Stewart also served as director of the City's Housing and Neighborhoods Department, created the Office of Operational Efficiency (now known as the Inspector General's Office), and served as a policy advisor to Mayor Peyton.

Prior to joining the City, Ms. Stewart worked as a Program Manager for Alltel Information Systems in Leeds, UK and Jacksonville, Florida. She is a graduate of the University of North Florida's Coggin School of Business with a bachelor's degree in Business Administration, double-majoring in Marketing and Management.

***Ted E. Hobson, Vice President and Chief Compliance Officer.*** Mr. Hobson joined JEA in 1973 and has overall responsibility for development, implementation and maintenance of JEA's Compliance Programs including NERC Electrical Standards, NERC Critical Infrastructure Protection ("CIP") standards, FACTA regulations and other related federal and state regulations. He is also responsible for JEA's Physical

Security department as well as Audit Services and Enterprise Risk Management. Mr. Hobson is currently on the Board of Directors of TEA and is JEA's representative on the TEA Settlement and Operating Committee. Mr. Hobson is JEA's alternate board member for the Florida Electric Reliability Coordinating Council ("FRCC") and the alternate board member for the Florida Electric Coordinating Group ("FCG"). Additionally, Mr. Hobson currently serves on the Board of Directors of the Jacksonville Museum of Science and History.

Mr. Hobson's previous position was Director of Energy Delivery, where he was responsible for all electric field activities including overhead and underground line work, system protection and controls, substation maintenance and the 24-hour operation of the JEA power system including generation commitment and dispatch, transmission operation and security and interchange services with other utilities. During his over 40 years with JEA, he has worked in the areas of distribution, engineering, trouble dispatching, system operations and system planning. Mr. Hobson has served as JEA's representative to the FRCC for over 15 years and was chair of the Operating Committee for the past six years. He also served on various North American Electric Reliability Corporation ("NERC") committees and subcommittees and is a member and past chair of the NERC Compliance and Certification Committee.

Mr. Hobson holds a BSEE from the University of Florida, and is a registered Professional Engineer in the State of Florida.

***Lynne Rhode, Vice President, Chief Legal Officer.*** Ms. Rhode has 14 years of legal experience in the public and private sectors, primarily in environmental and natural resources law and also in administrative, civil litigation, general corporate, lobbying and government affairs, and zoning law. She has most recently practiced transactional, regulatory and corporate law with a prominent Jacksonville law firm.

Ms. Rhode is employed with the City's Office of General Counsel and is the lead attorney assigned exclusively to JEA. Pursuant to the Charter, the Office of General Counsel is responsible for providing and overseeing all legal services to JEA. The Office of General Counsel represents the City's consolidated city-county government, which includes the independent agencies, constitutional officers, City Council members, Mayor, executive branch departments and over 30 boards, commissions, and agencies. Ms. Rhode provides counsel to JEA on various legal matters and oversees JEA's outside counsel engagements.

Prior to relocating to Jacksonville, Ms. Rhode served as Senior Assistant Attorney General and Section Chief of the Environmental and Natural Resources Division of the Virginia Attorney General's Office. She led a team of eight attorneys and staff providing counsel to the environmental health, environmental and natural resources agencies of the Commonwealth of Virginia; advising on administrative, compliance, contract, enforcement, labor and employment, permitting, procurement, rulemaking, and other legislative issues.

Ms. Rhode has served as a guest professor at the William and Mary School of Law Coastal Policy Clinic and on the Virginia Department of Environmental Quality's Combustion Regulatory Advisory Panel and Small Solar Working Group.

Ms. Rhode is a member of the Florida and Virginia bars. She is a graduate of the North Carolina Fellows Leadership Program and the Sorenson Institute Political Leaders Program. She holds a Bachelor of Arts in Economics from the University of North Carolina at Chapel Hill, where she was a John Motley Morehead Scholar; a Juris Doctor degree from the University of Virginia; and a Master of Science in Regulation from the London School of Economics and Political Science.

***Jon Kendrick, Interim Chief Human Resources Officer.***<sup>(1)</sup> Mr. Kendrick joined JEA in April 2019 after previously working as a Human Resources Business Partner from 2015 – 2017 where he was instrumental in providing strategic direction for the JEA Customer Experience, Technology Services and Compliance business units.

Mr. Kendrick has more than 25 years of human resources experience that spans healthcare, financial services, transportation, utility and technology industries. He most recently served as the Human Resources Director for Yusen Logistics (Americas), Inc., in Jacksonville.

Mr. Kendrick holds certifications as a Senior Professional in Human Resources (SPHR) and as a Senior Certified Professional from the Society for Human Resource Management (SCP-SHRM). He has a bachelor's degree in Economics from the University of Florida and a Master of Divinity from New Orleans Baptist Theological Seminary

Mr. Kendrick was also a commissioned officer in the U.S. Coast Guard Reserve where he led an expeditionary unit and served in both Operation Enduring Freedom & Iraqi Freedom.

***Shawn Eads, Vice President and Chief Information Officer.***<sup>(2)</sup> Mr. Eads is Vice President and Chief Information Officer. In this role, he is responsible for JEA's information technology (IT) strategy and the computer systems required to support the organization's unique objectives and goals.

Mr. Eads has over 22 years of experience in the IT industry. Most recently, he served as Senior Director for IT at GE Appliances, where he led various responsibilities including Oracle ERP, Risk & Compliance, Predictive Analytics, Engineering Systems, Vendor Management, Enterprise Architecture, Innovation and New Product Introduction. While working in the Home Appliances industry, Mr. Eads spent time developing solutions for home energy management. One example includes integrating smart meters via the cloud with home appliances to respond to time of use pricing and demand management events. Prior to his 13-year career at GE Appliances, Mr. Eads held IT roles with Accenture and GE Aircraft Engines.

Mr. Eads holds a Bachelor of Science degree in Chemical Engineering from Rose-Hulman Institute of Technology, and earned his MBA at Xavier University.

***John P. McCarthy, Vice President and Chief Supply Chain Officer.*** Mr. McCarthy is responsible for leading JEA's supply chain strategy and operations. His responsibilities include JEA's facilities, fleet, real estate, procurement, inventory management, investment recovery, emergency management planning and recovery and utility locates groups. The team ensures JEA's material readiness is at the highest levels and lowest cost, while ensuring corporate funds are committed under ethical standards to deliver the greatest value to JEA in compliance with state and local laws.

Mr. McCarthy joined JEA in 2002 after a successful 20-year career as a U.S. Navy Supply Officer. During his 16 years at JEA, he has served in various leadership roles within the procurement and logistics groups including an initial assignment as a Procurement Project Coordinator where he developed an aggregated sourcing model adopted by seven different utility companies. This resulted in the strategic sourcing of over \$400 million over a ten-year period. Other notable roles include JEA's Chief Procurement Officer and Incident Command Logistics Section Chief where he implemented advanced contract negotiation processes and a hurricane preparedness strategy for critical storm materials, providing 100 percent on-site material availability for the restoration periods following Hurricanes Matthew and Irma. He also served as JEA's United Way Campaign Chairman.

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(1) Angelia R. Hiers retired from her position as Chief Human Resources Officer in April 2019.

(2) Paul J. Cosgrave retired from his position of Vice President and Chief Information Officer in January 2019.

Mr. McCarthy received his B.S. degree from the U.S. Naval Academy, and an M.B.A. degree from The Ohio State University. He is a member of Leadership Jacksonville, class of 2013, and holds advance certificates in executive contract negotiations and supply chain strategy and management from the Massachusetts Institute of Technology Sloan School of Management.

***Paul K. Steinbrecher, Vice President and Chief Environmental Services Officer.*** Mr. Steinbrecher is responsible for leading JEA's Environmental Services group. Core group functions include environmental permitting and compliance assistance for JEA's numerous electric and water business facilities, environmental incident response and reporting, due diligence, waste management and remediation, wetlands and wildlife issues, industrial pretreatment and other programs in which JEA serves as an environmental regulatory agency, and full service environmental laboratory functions to support the enterprise's extensive monitoring and environmental reporting activities. In this role he leads the organization in ensuring the highest levels of environmental compliance and incorporation of sustainability into all JEA's planning activities.

Mr. Steinbrecher's career has focused on finding and advancing cost effective environmental and engineering solutions for utilities, business and industry and governments. Mr. Steinbrecher joined JEA in 2001. He is highly active on Florida environmental policy and regulatory issues, currently serving as President of the Florida Water Environment Association Utility Council and as a national board member of the WaterReuse Association. He is also a long term member of the Florida Electric Power Coordinating Group Environmental Committee. Based on his prior experience, he also helps lead the utility in forward thinking water resource solutions.

Prior to joining JEA Mr. Steinbrecher was a process engineer and program manager for CH2M Hill, designing water and wastewater systems and assisting industries and municipalities with environmental projects worldwide. Mr. Steinbrecher holds BS and MS degrees in Civil Engineering from Valparaiso University and the University of Arkansas, respectively. He is a registered professional engineer in Florida and a member of the Leadership Jacksonville, class of 2015.

## ***Employees***

The employees of JEA are considered to be governmental (public) employees and, as such, have the right to organize, be represented and bargain collectively for wages, hours and terms and conditions of employment, as provided in Chapter 447, Part II, Florida Statutes. Florida state law prohibits strikes and concerted work slowdowns by governmental (public) employees. Pursuant to the Charter, JEA has full and independent authority to hire, transfer, promote, discipline, terminate and evaluate employees and, consistent with the provisions of the Charter relating to civil service, to establish employment policies relating to hiring, promotion, discipline, termination and other terms and conditions of employment, to enter into negotiations with employee organizations with respect to wages, hours and terms and conditions of employment and to take such other employment related action as needed to assure effective and efficient administration and operation of its utilities systems. The Council is the legislative body with authority to approve or not approve collective bargaining agreements and to resolve any statutory impasses that may arise from collective bargaining.

As of October 1, 2018, JEA had 2,158 budgeted employee positions (exclusive of the Power Park employees referred to below), of which 1,553 were budgeted to the Electric System, 599 were budgeted to the Water and Sewer System and six were budgeted to the District Energy System. Except for the Management Team and a minor number of contract employees, such employees have civil service status.

Approximately 1,561 employees are covered by five collective bargaining agreements. These employees are represented by the American Federation of State, County, and Municipal Employees ("AFSCME"), the International Brotherhood of Electrical Workers ("IBEW"), Local 2358 and the Northeast Florida Public Employees, Local 630, Laborers' International Union of North America ("LIUNA"), all of

which are affiliated with the AFL-CIO, and by a professional employees' association (the "PEA," Professional Employees Association) and a supervisors' association (the "JSA," Jacksonville Supervisors Association) that have no AFL-CIO affiliation. JEA has collective bargaining agreements with all the collective bargaining agents, and all of the collective bargaining agreements have been ratified and approved by the legislative body, the Council, and are effective through September 30, 2019.

### ***Pension***

Substantially all of JEA's employees participate in the City's general employees pension plan ("GEPP"). Employees of the Power Park participate in a separate pension plan. See Note 12 to JEA's Financial Statements set forth in APPENDIX A to this Annual Disclosure Report for a discussion of certain information on the City's plan. The Actuarial Valuation as of October 1, 2017 for the City's GEPP (the "2017 Actuarial Valuation Report") and the Actuarial Valuation as of October 1, 2018 for the City's GEPP (the "2018 Actuarial Valuation Report") are available for viewing and downloading from the City's website link: (<http://www.coj.net/departments/finance/retirement-system/gasb-and-plan-valuation-statements>) and selecting the October 1, 2017 Valuation or the October 1, 2018 Valuation, respectively, under "General Employees Retirement Plan."

For the five Fiscal Years ended September 30, 2014, 2015, 2016, 2017 and 2018, JEA contributed \$34,544,000, \$40,179,000, \$43,156,000, \$48,942,000, and \$35,459,523, to the GEPP.

JEA expects that its annual contributions to GEPP will be at lower levels in the near term than it had been for Fiscal Year Ended September 30, 2017 primarily due to recognition of a pension liability surtax beginning with Fiscal Year Ended September 30, 2018 and then it expects its annual contributions to GEPP to increase over the longer-term as a result of the expected increase in the GEPP's unfunded actuarial accrued liability. JEA expects that the GEPP's unfunded actuarial accrued liability and JEA's portion of that unfunded liability will continue to increase over the near term primarily due to a delay in receipt of the revenues from the pension liability surtax.

For the Fiscal Year ended September 30, 2018, the aggregate unfunded actuarial accrued liability for the GEPP was \$1,175,135,210, which represented an increase of \$93,821,769 from an aggregate unfunded actuarial accrued liability for the GEPP for the Fiscal Year ended September 30, 2017 of \$1,081,313,441. For the Fiscal Year ended September 30, 2017, the aggregate unfunded actuarial accrued liability for the GEPP was \$1,081,313,441, which represented an increase of \$56,816,369 from an aggregate unfunded actuarial accrued liability for the GEPP for the Fiscal Year ended September 30, 2016 of \$1,024,497,072. JEA has been informed by the City that the actuary for the GEPP has calculated (i) JEA's allocated share of the unfunded actuarial accrued liability for the GEPP reported for Fiscal Year 2018 of \$565,792,869 (an increase of \$42,416,322 from JEA's allocated share for Fiscal Year 2017) of the aggregate amount of \$1,175,135,210 and (ii) JEA's allocated share of the unfunded actuarial accrued liability for the GEPP reported for Fiscal Year 2017 of \$523,376,547 (an increase of \$28,552,073 from JEA's allocated share for Fiscal Year 2016) of the aggregate amount of \$1,081,313,441. The actuarial accrued liability is an estimate by the actuary for GEPP of the present value of the amount of earned benefit payments that GEPP will pay to retirees during retirement. The unfunded actuarial accrued liability represents the amount that the actuarial accrued liability exceeds assets in GEPP available to pay those benefit payments. These figures are based on numerous assumptions, such as retirement age, mortality rates, and inflation rates, and use numerous methodologies all of which can cause the actual performance of the GEPP to differ materially from the estimates of the actuary in any actuarial valuation. However, based on the current unfunded actuarial accrued liability of the GEPP, JEA expects that its annual contributions to GEPP will be increasing over the near future to fund its portion of the unfunded amount.

JEA also provides a medical benefits plan that it makes available to its retirees.

The SJRPP Plan is a single-employer contributory defined benefit plan covering former employees of the Power Park. As of October 1, 2018, and following cessation of commercial operations of the Power Park on January 5, 2018, no employees of the Power Park were engaged in performing tasks associated with operations of the Power Park. Upon the cessation of commercial operations of the Power Park in January 2018 pursuant to the agreement entered into between JEA and FPL, JEA assumed all payment obligations and other liabilities related to any amounts due to be deposited into the SJRPP Plan. Former Power Park non-managerial employees were represented by IBEW Local 1618. In a prior collective bargaining agreement and under statutory authority, certain terms and conditions of employment were imposed, including separating the existing JEA St. Johns River Power Park System Employees' Retirement Plan ("SJRPP Plan") into two tiers of employees. Tier One employees remained in the traditional defined benefit plan, and Tier Two employees (defined as employees with fewer than 20 years' experience) participated in a modified defined benefit plan, or "cash balance" plan, with an employer match provided for any Tier Two employee who contributes to the 457 Plan. Tier One was closed to all new employees hired on or after February 25, 2013.

Closure of the plant triggered SJRPP Plan provisions resulting in accelerated eligibility for retirement at age 55 regardless of years of service. Members with at least 10 years of service on the plant closure date are eligible for a benefit starting at age 55, while all other members not meeting conditions for the immediate unreduced retirement may be eligible for a reduced benefit starting at age 55. With the exception of a small number of actively employed members who were eligible to continue membership in the plan based on employment with JEA, benefit accruals were scheduled to cease on January 5, 2018. However, interest credits for Tier 2 participants are assumed to continue after the plant shutdown until the benefit distribution at age 55.

The number of active members declined rapidly during the decommissioning process with only a very few active members remaining employed by SJRPP. One consequence to JEA of the closure of the Power Park plant is that the annual required contribution to the SJRPP Plan is expected to increase as a percentage of covered payroll as such payroll decreases year to year. Another is that contributions will be required after the retirement of the last active member. Subsequent to the closure of the plant and the elimination of nearly all active employees in the SJRPP Plan, the assumed rate of return on the plan was lowered to 6.0 percent for use in the Actuarial Valuation performed as of October 1, 2018. The SJRPP Plan's assumed rate of return is 7.0 percent for use in the Annual Actuarial Valuation performed as of October 1, 2012 through October 1, 2017.

As of October 1, 2018, the SJRPP Plan's actuarial value of assets was \$150,969,730, the actuarial accrued liability entry-age normal was \$174,666,326, the unfunded actuarial accrued liability was \$4,001,546, the funded ratio was 86.4 percent, the covered payroll was \$443,955 and the unfunded actuarial accrued liability as a percentage of covered payroll was 901.3 percent. As of October 1, 2017, the SJRPP Plan's actuarial value of assets was \$152,797,764, the actuarial accrued liability entry-age normal was \$169,320,985, the unfunded actuarial accrued liability was \$16,523,221, the funded ratio was 90.2 percent, the covered payroll was \$11,988,122 and the unfunded actuarial accrued liability as a percentage of covered payroll was 137.8 percent. As of October 1, 2016, the SJRPP Plan's actuarial value of assets was \$142,285,489, the actuarial accrued liability entry-age normal was \$162,028,867, the unfunded actuarial accrued liability was \$19,743,378, the funded ratio was 87.8 percent, the covered payroll was \$15,489,302 and the unfunded actuarial accrued liability as a percentage of covered payroll was 127.5 percent. In the current fiscal year, JEA intends to manage the SJRPP plan to maintain a funded ratio consistent with fiscal years 2016-2018. JEA made \$26,408,861 in contributions during the Fiscal Year Ended September 30, 2018, satisfying its required employer contribution of \$8,422,270 for the Fiscal Year Ended September 30, 2019. After applying the available credit balance of \$12,585,746, its required employer contribution for the Fiscal Year Ended September 30, 2020 is \$4,582,219. The increase in the required total employer contribution to \$17,167,965 for the Fiscal Year Ended September 30, 2020 resulted from a combination of the Plan's prior funding policy, which included the objective of achieving a 100% funded ratio by October 1, 2019 and the change in the assumed rate of return. See "ELECTRIC UTILITY SYSTEM – *ELECTRIC UTILITY FUNCTIONS* – St. John's River Power Park – *Early Termination of Power Park Joint Ownership Agreement*" for additional information.

Upon the cessation of commercial operations of the Power Park in January 2018 pursuant to the agreement entered into between JEA and FPL, JEA assumed all payment obligations and other liabilities related to any amounts due to be deposited into the SJRPP Plan. See “ELECTRIC UTILITY SYSTEM – ELECTRIC UTILITY FUNCTIONS – St. John’s River Power Park – Early Termination of Power Park Joint Ownership Agreement” for additional information.

See Note 12, Note 13 and pages 111-118 of JEA’s Financial Statements set forth in APPENDIX A to this Annual Disclosure Report for a discussion of the pension plans, “other post-employment benefit” plan and actuarial accrued liability.

**Certain Demographic Information**

Under Florida law, the City and Duval County are organized as a single, consolidated government. Based upon the 2010 United States Census, the consolidated City is the most populous city in the State of Florida. The City covers 840 square miles and is one of the largest cities in area in the United States.

The Jacksonville Metropolitan Statistical Area (“MSA”) is composed of Duval, Clay, Nassau, St. Johns and Baker Counties, an area covering 3,202 square miles. The U.S. Census Bureau estimates that the Jacksonville MSA had a population of 1,534,701 as of July 1, 2018. The Jacksonville MSA is currently the fourth most populous MSA in the State of Florida. The table below shows population for the Jacksonville MSA.

<b>Population</b>	
<u>Year</u>	<u>Jacksonville MSA</u>
1980	722,252
1990	906,727
2000 <sup>(1)</sup>	1,122,750
2010	1,345,596
2018	1,534,701

Source: United States Census Bureau

(1) Baker County was included in the Jacksonville MSA starting with the 2000 United States census.

The economy of the Jacksonville MSA contains significant elements of trade and services, transportation services, manufacturing, insurance and banking and tourism. The Port of Jacksonville is one of the largest ports on the South Atlantic seaboard and in terms of tonnage ranks third in the State of Florida. A number of insurance and banking companies maintain regional offices in the City. The tourism and recreational facilities in the City include an arena, a performing arts center, a convention center, TIAA Bank Field (the home field of the National Football League’s Jacksonville Jaguars), a baseball park, numerous golf courses and resorts and various recreational facilities at the beaches. Two large United States Navy bases are located in the City.

The table below sets forth the annual, not seasonally adjusted, labor force, employment and unemployment figures for the Jacksonville MSA and comparative unemployment figures for the State of Florida and the United States for the most recent 10 years ended December 2018.

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<b>Jacksonville MSA Labor Force</b>				<b>Unemployment Rate (%)</b>	
<b>Year</b>	<b>Civilian</b>	<b>Employment</b>	<b>Unemployment Rate (%)</b>	<b>Florida</b>	<b>U.S.</b>
2009	681,026	612,993	10.0	10.4	9.3
2010	697,120	622,208	10.7	11.1	9.6
2011	701,533	633,405	9.7	10.0	8.9
2012	704,090	646,370	8.2	8.5	8.1
2013	709,351	659,773	7.0	7.2	7.4
2014	715,253	670,631	6.2	6.3	6.2
2015	719,098	680,375	5.4	5.5	5.3
2016	735,832	701,636	4.6	4.8	4.9
2017	760,298	729,627	4.0	4.2	4.4
2018	773,492	747,223	3.4	3.6	3.9

Source: Florida Research and Economic Information Database Application, <http://freida.labormarketinfo.com/default.asp>.

The table below shows the estimated average non-agricultural wage and salary employment by sector for the Jacksonville MSA for the calendar year 2018.

	<b>Number of Employees</b>	<b>Percent of Distribution</b>
Trade, Transportation and Utilities	150,400	21.2
Professional and Business Services	108,000	15.2
Education and Health Services	107,500	15.2
Leisure and Hospitality	85,500	12.1
Government	77,000	10.9
Finance	67,000	9.5
Construction	45,400	6.4
Other Services <sup>(1)</sup>	36,300	5.1
Manufacturing	<u>31,400</u>	<u>4.4</u>
Total Non-Agricultural Employment (Except Domestics, Self-Employed And Unpaid Family Workers)	<u>708,500</u>	<u>100.0</u>

Source: United States Department of Labor.

(1) Consists of other services, information and natural resources and mining.

The following table lists the 10 largest non-governmental employers in the Jacksonville MSA and the approximate size of their respective work forces.

<b>Name of Employer</b>	<b>Product or Service</b>	<b>Approximate No. of Employees</b>
Baptist Health System	Healthcare	10,500
Bank of America / Merrill Lynch	Banking	8,000
Florida Blue	Health Insurance	7,000
Mayo Clinic	Healthcare	6,000
Southeastern Grocers	Supermarkets	5,700
St. Vincent's Healthcare	Healthcare	5,300
Citibank	Banking	4,200
JP Morgan Chase	Banking	3,900
UF Health Jacksonville	Healthcare	3,600
Wells Fargo	Banking	3,500

Source: Jacksonville Regional Chamber of Commerce Research Department employer survey, fall 2012, as partially amended through December 2018.

The following table lists the eight largest governmental employers in the Jacksonville MSA and the approximate size of their respective work forces.

<u>Name of Employer</u>	<u>Type of Entity/Activity</u>	<u>Approximate No. of Employees</u>
Naval Air Station, Jacksonville	United States Navy	19,800
Duval County Public Schools	Public Education	11,876 <sup>(1)</sup>
Naval Air Station, Mayport	United States Navy	9,000
City of Jacksonville	Municipal Government	7,471 <sup>(2)</sup>
St. Johns County School District	Public Education	5,039 <sup>(3)</sup>
Clay County School Board	Public Education	5,000
Fleet Readiness Center	Maintenance / Repair Overhaul	3,850
United States Postal Service	United States Government	3,800

Source: Jacksonville Regional Chamber of Commerce Research Department employer survey, fall 2012, as partially amended through December 2018.

(1) Duval County Public Schools website, full-time staff (<http://www.duvalschools.org/domain/5268>)

(2) City of Jacksonville Annual Budget 2018-19 (<http://www.coj.net/departments/finance/docs/budget/fy18-19-proposed-budget-website.aspx>)

(3) St. Johns County School District website (<http://www.stjohns.k12.fl.us/about/>)

## Indebtedness of JEA

The indebtedness of JEA relating to its Electric Utility Functions as of the date of this Annual Disclosure Report consists of Electric System Bonds, Subordinated Electric System Bonds, Power Park Issue Three Bonds, Bulk Power Supply System Bonds and borrowings outstanding under the Revolving Credit Facility (as defined herein) for the account of the Electric System. All outstanding Power Park Issue Two Bonds were defeased on January 5, 2018 in connection with the shutdown of SJRPP. See “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Early Termination of Power Park Joint Ownership Agreement.” See “ELECTRIC UTILITY SYSTEM - *FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS* - Debt Relating to Electric Utility Functions” herein. For information regarding the Revolving Credit Facility, see “OTHER FINANCIAL INFORMATION - Revolving Credit Facilities” herein. As described under “INTRODUCTION - General” herein, the debt of JEA relating to its Electric Utility Functions, the debt of JEA relating to the Water and Sewer System and the debt of JEA relating to the District Energy System are payable from and secured by separate revenue sources. Accordingly, the information contained in this Annual Disclosure Report relating to JEA’s Electric Utility Functions is not relevant to the Water and Sewer System Bonds (as described in the Water and Sewer System/DES ADR), the Subordinated Water and Sewer System Bonds (as described in the Water and Sewer/DES ADR) or the District Energy System Bonds (as described in the Water and Sewer/DES ADR) and should not be taken into account in evaluating such debt.

The description of the debt of JEA contained herein and of the documents authorizing, securing and relating to such debt do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to such documents.

For a detailed description of the outstanding debt of JEA as of September 30, 2018, see Note 8 to the financial statements of JEA set forth in APPENDIX A attached hereto.

## Forward-Looking Statements and Associated Risks

This Annual Disclosure Report contains forward-looking statements, including statements regarding, among other items, (a) anticipated trends in JEA’s business and (b) JEA’s future capital requirements and capital resources. These forward-looking statements are based on, among other things, JEA’s expectations and are subject to a number of risks and uncertainties, certain of which are beyond JEA’s control. Actual results could differ materially from those anticipated by these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that events anticipated by the forward-looking statements contained in this Annual Disclosure Report will in fact transpire.

JEA's independent certified public accountants have not examined, compiled or otherwise applied procedures to the forward-looking statements or financial forecasts presented herein and, accordingly, do not express an opinion or any other form of assurance on such forward-looking statements or financial forecasts.

## **Privatization of JEA**

At the JEA Board meeting on November 28, 2017, JEA Board member Tom Petway requested that the JEA Board and the City consider the financial benefits that would result from a privatization of JEA's Electric System, Water and Sewer System and District Energy System and whether the customers of JEA and the people of the City would be better served by the private marketplace.

In response to Mr. Petway's request, Alan Howard, Chair of the JEA Board, authorized JEA staff to cause the necessary work to be done for the JEA Board to be able to consider the answer to these questions.

JEA commissioned Public Financial Management ("PFM") to prepare a report to inform the JEA Board, the City and the public as to several important considerations that must be evaluated in order to make any decisions regarding JEA's future. A copy of that report, entitled "The Future of JEA: Opportunities and Considerations," dated February 14, 2018 (the "Report"), has been filed with the MSRB, through the MSRB's EMMA website currently located at <http://emma.msrb.org>.

JEA provided the Report to the holders of its bonds for general information purposes only. The Report does not include every item which may be of interest, nor does it purport to present full and fair disclosure with respect to any of JEA's bond programs within the meaning of the federal securities laws. PFM prepared the Report with a view to informing JEA's Board, the City and the public concerning the matters it covers, and PFM did not prepare the Report with a view to informing the holders of JEA's bonds or with a view to informing any person concerning an investment decision in JEA's bonds. Accordingly, the Report is not suitable for informing any person in the making of an investment decision in any of JEA's bonds. The Report does not purport to, and does not, inform any person concerning how any sale of JEA or any other action taken in response to the Report may impact the holders of JEA's bonds. In addition, the valuation-related statements in the Report regarding JEA are not prepared with a view to assess the value of JEA's bonds.

Any potential sale of JEA's Electric System, Water and Sewer System and District Energy System would require the approval of the Council. In early 2018, the Council appointed a special committee ("Special Committee") consisting of the 19 members of the Council to examine and understand all aspects and implications of a potential sale of JEA and to gather the relevant facts the Council should consider in any decisions related to a potential sale of JEA. The Special Committee met regularly through July 25, 2018 to ensure a transparent and open process for the citizens of the City as to the consideration of a potential sale of JEA.

On April 26, 2018, Mayor Curry stated that he will not submit any JEA privatization plan to the Council. In April 2018, the Council enacted an ordinance setting up a public straw poll ballot vote referendum as to whether the Council should call for a binding referendum approving the terms and conditions of any action to sell more than ten percent of JEA. On November 6, 2018 voters overwhelmingly approved the referendum item.

Effective December 10, 2018, the Council amended the Charter to require referendum approval of the terms and conditions of the sale of any function or operation which comprises more than ten percent of the total of the JEA utilities system to any other utility, public or private and has been approved by the Council.

At this time, JEA is unable to predict the likelihood of whether a sale will occur, whether there is any potential timetable for a sale, or how, if at all, the holders of JEA's bonds may be impacted by any actions that the Council, the City or the JEA Board may take in connection with a possible sale of JEA.

JEA also cannot determine what additional action, if any, may be taken by the JEA Board, the Council or the City relating to the privatization of JEA.

## **Strategic Planning**

Energy sales for JEA have generally been flat to declining since 2007 and energy efficiency and solar power is expected to continue to further pressure JEA's sales. For these reasons, JEA is actively engaged in strategic planning. As part of its strategic planning process, JEA is considering various options with respect to its business which include potential rate increases and/or the redemption or defeasance of various debt obligations of JEA. Consistent with this focus, JEA has launched its Strategic Asset Realignment Plan ("STAR Plan"), a plan designed to accelerate debt repayment through 2023. In connection with the plan, JEA has proposed to utilize a combination of current and future year net revenues and available cash and investments in order to accelerate debt repayment. Due to the expected reduction in cash and investment balances, JEA has also increased the size of its Revolving Credit Facility by \$200,000,000 for a total commitment equal to \$500,000,000. See "OTHER FINANCIAL INFORMATION – Revolving Credit Facilities" for additional information. In February 2019, JEA retired \$100,090,000 of Electric System debt as part of this effort. Future redemptions or defeasance of Electric System debt is subject to availability of funds and Board approval. Furthermore, the ultimate outcome and recommendations of the strategic planning process is unknown at this time and may have an impact on the approval and/or timing of future redemption or defeasance activity. JEA may modify this plan at any time.

## **ELECTRIC UTILITY SYSTEM**

### ***ELECTRIC UTILITY FUNCTIONS***

#### **General**

In 2017, the latest year for which such information is available, JEA was the eighth largest municipally owned electric utility in the United States in terms of number of customers. During the Fiscal Year Ended September 30, 2018, the Electric System served an average of 466,411 customer accounts in a service area which covers virtually the entire City. JEA also sells electricity to retail customers and an electric system in neighboring counties. In addition, as described under "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - St. Johns River Power Park - *Ownership*" herein, prior to the cessation of operations of the Power Park on January 5, 2018, JEA had sold to FPL a portion of the capacity (and associated energy) of JEA's interest in the Power Park pursuant to the long-term power sales provisions of the Power Park Joint Ownership Agreement (hereinafter defined) (such sale being referred to herein as the "FPL-Power Park Sale").

JEA's total energy sales in the Fiscal Year ended September 30, 2018, net of off-system sales and the energy sold by JEA to FPL pursuant to the FPL-Power Park Sale, were approximately 12.4 billion kilowatt-hours ("kWh"). Total revenues, including investment income, for the Electric System for the Fiscal Year ended September 30, 2018, net of the revenues received by JEA from the FPL-Power Park Sale (calculated for purposes of the Electric System Schedule of Debt Service Coverage (see "ELECTRIC UTILITY SYSTEM - *FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS* - Schedules of Debt Service Coverage" herein)), were approximately \$1,288,954,000.

The electric utility facilities of JEA are divided for financing purposes into the Electric System, the Power Park and the Scherer 4 Project.

The Electric System includes generation, transmission, interconnection and distribution facilities. The generating facilities, located on four plant sites in the City, currently consist of a dual residual fuel oil/gas-fired steam turbine-generator unit, four diesel-fired combustion turbine ("CT") generator units, seven dual-fueled (gas/diesel) CT generator units, one steam turbine generator unit with the steam provided by heat recovery

steam generators served from two of the seven CTs (a 2-on-1 combined cycle unit), and two petroleum coke (“petcoke”)- and coal-fired circulating fluidized bed (“CFB”) steam turbine-generator units. As of the date of this Annual Disclosure Report, the total combined installed capacity of the Electric System’s generating units is 2,573 megawatts (“MW”), net, summer and 2,906 MW, net, winter (see “ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Electric System - *Electric System Generating Facilities*” herein).

Pursuant to Chapter 80-513, Laws of Florida, Special Acts of 1980 (as amended and supplemented, the “Bulk Power Act”), JEA is authorized to acquire, own and operate as a separate bulk power supply utility or system, electric generating plants and transmission lines within the City and within and outside of the State of Florida. The Power Park and the Scherer 4 Project each have been developed as a separate bulk power supply system under the Bulk Power Act and, as such, are not included in the Electric System.

The Power Park was a coal- and petcoke-fired steam electric generating station formerly rated at 1,276 MW, net, located in the northeast section of the City. The Power Park assets are jointly owned by JEA and FPL; JEA’s ownership interest in the Power Park assets is 80 percent. The Electric System was entitled to 50 percent (equal to 638 MW, net) of the capacity of the Power Park and was required to pay for such capacity on a “take-or-pay” basis (that is, whether or not the Power Park is operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the Power Park for any reason) by making deposits into certain funds and accounts established pursuant to the First Power Park Resolution and the Second Power Park Resolution. Pursuant to the FPL-Power Park Sale, JEA was to sell to FPL 37.5 percent of the net generating capacity of JEA’s interest in the Power Park until the Power Park Joint Ownership Agreement expired, which was expected to have been in 2022, subject to the limitation that FPL would not receive in excess of 25 percent of the product of (a) the nameplate capacity of JEA’s 80 percent ownership interest in the Power Park and (b) the number of years from the date FPL first took energy pursuant to such sale until the latest maturity date of the Power Park Issue Two Bonds defined and referred to herein. After expiration of the Power Park Joint Ownership Agreement, JEA was to receive 80 percent of the Power Park’s capacity and related energy output.

In May 2017, JEA entered into an agreement with FPL for an early termination of the Power Park Joint Ownership Agreement and cessation of commercial operations in January 2018 with decommissioning of the plant to occur thereafter. The termination agreement ends the obligation of the 37.5 percent sales of JEA’s 80 percent to FPL. The costs of decommissioning will be split between JEA 80 percent and FPL 20 percent. See “ELECTRIC UTILITY SYSTEM – *ELECTRIC UTILITY FUNCTIONS* – St. John’s River Power Park – *Early Termination of Power Park Joint Ownership Agreement*” for additional information.

JEA owns a 23.64 percent interest in Unit 4 of the Robert W. Scherer Electric Generating Plant (“Scherer Unit 4”), a coal-fired steam electric generating unit currently rated at 846 MW, net, located near Forsyth, Georgia and a proportionate ownership interest in associated common facilities and an associated coal stockpile (such ownership interests are referred to herein as the “Scherer 4 Project”). The Scherer 4 Project entitles JEA to 200 MW, net, of the capacity of Scherer Unit 4. The Electric System is entitled to the capacity of the Scherer 4 Project and is required to pay for such capacity on a “take-or-pay” basis by making deposits into certain funds and accounts established pursuant to the Restated and Amended Bulk Power Supply System Resolution.

JEA is permitted under the resolution of JEA adopted on March 30, 1982, authorizing JEA’s Electric System Revenue Bonds (as heretofore amended, restated and supplemented, the “Electric System Resolution”) to construct or acquire and own and/or operate other electric generating utilities or systems for the purpose of furnishing and supplying electric energy and to issue debt obligations to finance the cost of separate electric generating utilities as separate systems. The Power Park and the Scherer 4 Project constitute the only two such separate systems undertaken by JEA as of the date of this Annual Disclosure Report.

Pursuant to the Electric System Resolution, JEA's obligation to make payments from the Electric System with respect to the Power Park is a Contract Debt payable as a Cost of Operation and Maintenance of the Electric System. Additionally, all costs of operating and maintaining the Scherer 4 Project are Contract Debts of the Electric System, payable as part of the Electric System's Cost of Operation and Maintenance. See "ELECTRIC UTILITY SYSTEM - *FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS* - Debt Relating to Electric Utility Functions - *Electric System Contract Debts*" herein.

JEA currently has no ownership interest in any nuclear power plant; however, it does have a purchase power agreement with Municipal Electric Authority of Georgia ("MEAG Power") for electric energy to be produced from two under construction nuclear generating units (see "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Electric System - *Power Purchase Contracts*" herein). JEA also has an option to purchase an ownership interest in a to-be-constructed nuclear power plant (see "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Resource Requirements - *Option to Purchase Interest in Lee Nuclear Station*" herein) although plans to build such plant have been suspended.

## **Electric System**

### ***Power and Energy Resources***

Electric power and energy sold by JEA to its customers is provided from the following sources: JEA's interest in Scherer Unit 4 (see "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Scherer 4" herein); the generating facilities owned by JEA as part of the Electric System (see subsection "*Electric System Generating Facilities*" below in this section); and various power purchase arrangements (see subsection "*Power Purchase Contracts*" below in this section). JEA's interests in the Scherer Unit 4, the generating facilities of the Electric System and JEA's various firm purchase power arrangements are committed and dispatched on an economic basis as necessary to serve JEA's load. In addition, economy energy is purchased for JEA, by the joint power marketing alliance described below, from time to time when such energy is available at a lower cost than energy produced from JEA's generating facilities. See subsection "*Participation in The Energy Authority*" below in this section.

### ***Electric System Generating Facilities***

**General.** The generating facilities of the Electric System are located at four plant sites - the J. Dillon Kennedy Generating Station ("Kennedy"), the Northside Generating Station ("Northside"), the Brandy Branch Generating Station ("Brandy Branch") and the Greenland Energy Center ("GEC"). See "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Resource Requirements - *Capacity*" herein.

JEA's Northside Unit 3, a steam unit, presently burns residual fuel oil and natural gas, while four CTs at Northside burn diesel. The Kennedy CTs 7 and 8, Brandy Branch CTs 1, 2 and 3 and GEC CTs 1 and 2 burn natural gas as the primary fuel. The Kennedy and Brandy Branch units are dual-fueled with diesel as backup and the GEC CT units are also capable of having diesel as backup. Brandy Branch STM 4 is a steam turbine generator that is part of a combined cycle unit that uses waste heat from Brandy Branch CTs 2 and 3. In addition, natural gas is used at times to supplement the solid fuel in Northside Units 1 and 2. Northside Units 1 and 2 burn petcoke and coal. Northside Unit 3 was originally scheduled to be placed into reserve storage on April 1, 2016, approximately three years ahead of the unit's scheduled retirement. Due to the early retirement of Power Park, Northside Unit 3 is expected to continue in operation at least through the current planning period which ends with the Fiscal Year ending September 30, 2023.

The pertinent statistics concerning the generating facilities of the Electric System as of the date of this Annual Disclosure Report are as follows:

<u>Station</u>	<u>Unit</u>	<u>Type<sup>(1)</sup></u>	<u>First Placed in Service</u>	<u>Fuel<sup>(2)</sup></u>	<u>Installed Net Capacity (MW)</u>	
					<u>Summer</u>	<u>Winter</u>
Kennedy	7 <sup>(3)</sup>	CT	6/00	G/LO	150	191
	8 <sup>(3)</sup>	CT	6/09	G/LO	<u>150</u>	<u>191</u>
					<u>300</u>	<u>382</u>
Northside	1	ST	5/03 <sup>(4)</sup>	Petcoke/Coal	293	293
	2	ST	4/03 <sup>(4)</sup>	Petcoke/Coal	293	293
	3	ST	7/77	G/HO	524	524
	3	CT	2/75	LO	53	62
	4	CT	1/75	LO	53	62
	5	CT	12/74	LO	53	62
	6	CT	12/74	LO	<u>53</u>	<u>62</u>
					<u>1,322</u>	<u>1,356</u>
Brandy Branch	1 <sup>(3)</sup>	CT	5/01	G/LO	150	191
	2 <sup>(2)</sup>	CT	5/01	G/LO	150	186
	3 <sup>(2)</sup>	CT	10/01	G/LO	150	186
	STM 4	ST	1/05	WH	<u>201</u>	<u>223</u>
				<u>651</u>	<u>786</u>	
GEC	1 <sup>(3)</sup>	CT	6/11	G/LO	150	191
	2 <sup>(3)</sup>	CT	6/11	G/LO	<u>150</u>	<u>191</u>
				<u>300</u>	<u>382</u>	
System Total					<u>2,573</u>	<u>2,906</u>

- (1) CT - Combustion Turbine  
ST - Steam Turbine  
IC - Internal Combustion Engine

- (2) G - Natural Gas  
LO - Light Oil (diesel)  
HO - Heavy Oil (residual fuel oil)  
WH - Waste Heat

- (3) Net capacity for the summer is based on natural gas and for the winter is based on diesel.

- (4) Northside Unit 1 was originally placed in service in November 1966, and Northside Unit 2 was originally placed in service in March 1972. Both units have been re-powered with CFB boilers, and their turbine generators and other ancillary equipment have been refurbished. The dates indicated in the table are the respective dates on which each was released for normal dispatch operation. Northside Units 1 and 2 each have gross capacities of 310 MW.

**Planned Additional Capacity.** In the spring of 2019 there is a planned capacity increase on the Brandy Branch combined cycle plant of approximately 80 MW summer rating, or nominally 40 MW per gas turbine. This will be done by installing Advanced Gas Path turbine and compressor rotors on Units 2 and 3. This uprate is being performed by the original equipment manufacturer.

### **Fuel Mix**

JEA has undertaken a fuel diversification strategy that improves its competitive position in the electric services industry. JEA has the ability to use natural gas as the primary fuel source with diesel as backup for generation in Greenland Energy Center (“GEC”) CT1 and CT2, Kennedy CT7 and CT8, and Brandy Branch Units 1, 2 and 3. The exhaust heat from Brandy Branch Units 2 and 3 is utilized in Brandy Branch STM 4. This combined cycle configuration provides additional energy without additional fuel consumption. Northside

Unit 3 uses natural gas as a fuel source for generation with residual fuel oil as backup. JEA’s 1970’s vintage CTs provide less than one percent of JEA’s total energy requirements and are powered by diesel.

JEA uses circulating fluidized bed technology in Northside Units 1 and 2. This technology allows JEA to use a blend of bituminous coal, petroleum coke and natural gas in these units. In addition, firm, solid fuel-based capacity and energy has been provided by the Power Park and Scherer Unit 4. Scherer Unit 4 burns sub-bituminous coal from the Powder River Basin, providing further fuel diversification. JEA adjusts its use of solid fuel-based generation depending on its cost relative to competing resources, such as natural gas.

The following table sets forth JEA’s fuel mix for the Fiscal Years ended September 30, 2014 through 2018 and JEA’s projected fuel mix for the Fiscal Years ending September 30, 2019 through 2023. The information in the following table does not take into account the energy sold to FPL pursuant to the FPL-Power Park Sale (see “ELECTRIC UTILITY SYSTEM - ELECTRIC UTILITY FUNCTIONS - St. Johns River Power Park - Ownership” herein).

**PERCENT FUEL MIX<sup>(1)</sup>**

<b>Fiscal Year Ending September 30,</b>	<b>Oil</b>	<b>Gas</b>	<b>Power Park<sup>(2)</sup> (Coal)</b>	<b>Northside (Coal/ Petcoke)<sup>(3)</sup></b>	<b>Scherer Unit 4 (Coal)</b>	<b>MEAG Vogtle 3 &amp; 4 Nuclear Purchase</b>	<b>Economy Purchases From Other Sources</b>	<b>Total MWh Sales<sup>(4)</sup></b>
<b>Actual</b>								
2014	0.1	32.2	28.2	24.5	9.6	0.0	5.3	12,308,331
2015	0.0	37.8	22.7	21.3	10.3	0.0	7.9	12,517,575
2016	0.1	36.4	16.2	26.8	8.1	0.0	12.2	12,730,288
2017	0.0	44.0	20.2	11.6	11.0	0.0	13.2	12,200,770
2018	0.3	48.9	4.2	19.3	8.7	0.0	18.5	12,399,769
<b>Projected<sup>(5)</sup></b>								
2019	0.0	48.4	0.0	20.2	11.4	0.0	20.0	12,235,248
2020	0.0	48.8	0.0	23.6	8.5	0.0	19.0	12,317,521
2021	0.2	49.3	0.0	24.1	8.1	0.0	18.3	12,279,040
2022	0.1	50.5	0.0	23.2	7.2	5.7	13.3	12,282,117
2023	0.1	49.0	0.0	22.4	6.2	12.3	10.0	12,321,432

- (1) Percentages may not add to 100 percent due to rounding.
- (2) Commercial operations at the Power Park ceased in January 2018. See “ELECTRIC UTILITY SYSTEM – *ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Early Termination of Power Park Joint Ownership Agreement*”.
- (3) The projected fuel mix for Northside Units 1 and 2 is 54 percent petcoke, 36 percent coal and 10 percent natural gas.
- (4) Actual megawatt-hour (“MWh”) sales include non-firm off-system sales, which totaled 136,342 MWh in the Fiscal Year ended September 30, 2014, 83,367 MWh in the Fiscal Year ended September 30, 2015, 169,037 MWh in the Fiscal Year ended September 30, 2016, 150,635 MWh in the Fiscal Year ended September 30, 2017 and 35,429 MWh in the Fiscal Year ended September 30, 2018. Projections include aggregate non-firm off-system sales of 508,490 MWh during the Fiscal Years ending September 30, 2019 through 2023.
- (5) The projected figures contained herein are forward-looking statements and are subject to change without notice. These figures are based on current conditions and assumptions, including JEA’s growth assumptions, environmental regulations, fuel prices, fuel availability and other factors in effect as of the date hereof and are subject to significant regulatory, business, economic and environmental uncertainties and contingencies. Events may occur and circumstances may change subsequent to the date hereof that would have a material impact on the projections presented herein. The achievement of certain results contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those stated in the forward-looking statements. JEA does not commit to issue any updates or revisions to those forward-looking statements if or when its expectations change, or events, conditions or circumstances on which such statements are based occur or fail to occur.

***Fuel Contracts***

JEA has solid fuel storage at Northside for a maximum of approximately 25 days of operating inventory. JEA purchases spot volumes to supply the fuel needs of Northside Units 1 and 2, which operate on a blend of petroleum coke (petcoke), coal, and natural gas. For Northside Units 1 and 2 during the Fiscal Year

ended September 30, 2018, JEA purchased approximately 57 percent of its petcoke requirements from TCP Petcoke Corporation, approximately 31 percent from KOMSA Sarl (Koch Minerals SA), and approximately 12 percent from Tricon International LTD. For Northside Units 1 and 2 during the Fiscal Year ended September 30, 2018, JEA supplied approximately 77 percent of its coal requirements by transferring approximately 333,000 tons of coal remaining at SJRPP to the Northside units and purchased approximately 23 percent from Coal Marketing Company. JEA has commitments to purchase approximately 88 percent of the expected coal requirements for JEA's ownership share of Scherer Unit 4 in 2019. Contract terms for solid fuel specify minimum purchase commitments at certain prices subject to adjustments for price level changes according to the contract. In addition, JEA has remarketing rights for the majority of its solid fuel supply.

JEA maintains diesel inventory at Brandy Branch, Kennedy, Greenland, and Northside. Additional diesel supply is purchased from time to time in the open market as needed.

JEA has a 20-year agreement for natural gas with Shell Energy North America L.P. ("Shell Energy") that ends in 2021. The agreement with Shell Energy supplied 39 percent of JEA's natural gas needs for Fiscal Year 2018 at prices that were, at the time the agreement was entered into, and are, as of the date of publication of this Annual Disclosure Report, below delivered competing gas supply options (including both commodity and transportation components). The balance of JEA's gas requirements are purchased on the spot market. Under the Shell Energy agreement, contract terms for the natural gas specify minimum annual purchase commitments. JEA has the option to remarket any excess natural gas purchases. JEA also has long-term contracts with Florida Gas Transmission Company ("FGT") for firm gas transportation capacity to allow delivery of additional gas volumes. To support additional future gas requirements, JEA has contracted with TECO Peoples Gas System ("Peoples") for a release of firm gas transportation capacity through Southern Natural Gas Company's system and FGT's system that began in June 2010. In addition, JEA has contracted with Southern Natural Gas Company for firm natural gas transportation.

TEA has managed a portion of JEA's natural gas supply since 2001. See "*Participation in The Energy Authority*" below.

JEA and Peoples jointly own pipelines that serve Northside and Brandy Branch. Peoples owns the pipeline that serves Kennedy and JEA's Buckman Street wastewater treatment plant. Peoples may interrupt delivery of a portion of gas to JEA under certain emergency circumstances.

JEA owns the GEC lateral pipeline (the "Greenland Lateral") which is used to deliver gas to GEC. In 2008, JEA signed an agreement with SeaCoast Gas Transmission, LLC for firm intrastate gas transportation service to the Greenland Lateral.

JEA has developed and implemented a program intended to hedge its exposure to changes in fuel prices. Pursuant to this program, futures, options and swaps contracts may be entered into from time to time to help manage market price fluctuations. Realized gains and losses resulting from this program are reflected in JEA's fuel expense. See subsection "*Fuel Mix*" above in this section. For a discussion of JEA's fuel management program, see Note 10 and Note 11 to the financial statements of JEA set forth in APPENDIX A attached hereto.

As of September 30, 2018, JEA had 11 commodity swap transactions with an aggregate notional quantity of 47,510,000 MMBtu in place with two counterparties to hedge JEA's exposure to natural gas prices. Based on information provided by the counterparties, those swaps had a total mark-to-market value of approximately \$2.5 million at that date. As of March 31, 2019, JEA had 11 commodity swap transactions with an aggregate notional quantity of 52,410,000 MMBtu with two counterparties in place having a mark-to-market value of approximately \$4.4 million.

JEA has entered into three contracts to purchase prepaid natural gas supplies at specified volumes per day. The delivery period began on April 1, 2019 and will supply an average of 12,000 MMBtu/day of prepaid gas from locations that JEA has access to with firm natural gas transportation. Those prepayments expire at various dates in 2039, 2048 and 2049. JEA's financial obligations under the gas supply agreements are based on index prices for monthly deliveries at the delivery point and are on a "take and pay" basis whereby JEA is only obligated to pay for gas that is delivered.

For a discussion of JEA's fuel procurement arrangement for the Scherer 4 Project, see "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Scherer 4 - *Fuel Supply*" herein.

### ***Natural Gas Sales***

In March 2015, JEA made the decision to market natural gas to commercial and industrial customers within its service area as allowed under Article 21 of the Charter and JEA's Fuel Management Services Procurement Directive. JEA supplies natural gas under TECO Peoples Gas Natural Choice Program, which gives commercial and industrial customers the option to choose their gas supplier. JEA receives a number of benefits from its participation in the Natural Choice program. Natural gas sales generate marginal net revenues, reported as "other revenues" under the Electric Enterprise Fund. JEA will become a complete energy provider within its service territory for businesses that select JEA to be their natural gas supplier. Through Fiscal Year 2018, this program has signed approximately 150 customers, including The Hyatt, Jacksonville Zoo, YMCA, Jacksonville Housing Authority, First Baptist Church of Jacksonville, Dresser Equipment, a division of GE, and several restaurants.

### ***Power Purchase Contracts***

#### ***Overview***

As a result of an earlier 2008 Board policy establishing a 10 percent of total energy from nuclear energy goal, JEA entered into a power purchase agreement (as amended, the "Additional Vogtle Units PPA") with the Municipal Electric Authority of Georgia ("MEAG") for 206 MW of capacity and related energy from MEAG's interest in two additional nuclear generating units (the "Additional Vogtle Units" or "Plant Vogtle Units 3 and 4") under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The owners of the Additional Vogtle Units include Georgia Power Company ("Georgia Power"), Oglethorpe Power Corporation ("Oglethorpe"), MEAG and the City of Dalton, Georgia (collectively, the "Owners" or "Vogtle Co-Owners"). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 13 percent of JEA's total energy requirements in the year 2023.

The Additional Vogtle Units PPA requires JEA to pay MEAG for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG and on the loans made and to be made by the Project J Entity referred to below, in each case, to finance the portion of the capacity to be sold to JEA from the Additional Vogtle Units) plus a margin over the term of the Additional Vogtle Units PPA. Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date and is required to pay for such capacity and energy on a "take-or-pay" basis (that is, whether or not either Additional Vogtle Unit is completed or is operating or operable, and whether or not its output is suspended, reduced or the like or terminated in whole or in part), except that JEA is not obligated to pay the "margin" referred to above during such periods in which the output of either Additional Vogtle Unit is suspended or terminated.

On September 11, 2018, MEAG filed a complaint in the United States District Court for the Northern District of Georgia seeking a declaratory judgement that the Additional Vogtle Units PPA is lawful and enforceable, breach of contract for JEA's alleged failure to adhere to the Additional Vogtle Units PPA's

cooperation clause, and ordering specific performance from JEA with the terms of the Additional Vogtle Units PPA. On the same day, JEA and the City, as co-plaintiffs, filed a complaint in the Fourth Judicial Circuit Court of Florida seeking a declaratory judgment that the Additional Vogtle Units PPA violates the Florida Constitution, the Charter, and the laws and public policy of the state of Florida and is therefore ultra vires, void ab initio, and unenforceable. For additional information about such litigation, see “ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* – Electric System - *Litigation and Regulatory Proceedings*” herein and see “LITIGATION herein.

### ***Financing and In-Service Costs***

MEAG created three separate “projects” (the “Vogtle Units 3 and 4 Project Entities”) for the purpose of owning and financing its 22.7 percent undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). The project corresponding to the portion of MEAG’s ownership interest, which will provide the capacity and energy to be purchased by JEA under the Additional Vogtle Units PPA, is referred to herein as “Project J.” MEAG currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately \$6.485 billion, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. MEAG has additionally provided that its total financing needs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately \$6.975 billion. Based on information provided by MEAG, (i) the portion of the total in-service cost for Plant Vogtle Units 3 and 4 allocable to Project J is approximately \$2.715 billion and (ii) the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately \$203 million resulting in total financing needs of approximately \$2.918 billion.

**Financing for Project J** – In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG, MEAG issued approximately \$1.248 billion of its Plant Vogtle Units 3 and 4 Project J Bonds (the “2010 PPA Bonds”) on March 11, 2010. Of the total 2010 PPA Bonds, approximately \$1.224 billion were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG expects to receive a cash subsidy payment from the United States Treasury for 35 percent of the related interest, subject to reduction due to sequestration. At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2018 for the current fiscal year through fiscal year 2027. The exact amount of such reduction is determined on or about the beginning of the federal government’s fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 6.2 percent became effective on October 1, 2018. MEAG issued approximately \$185.2 million of additional Project J tax-exempt bonds on September 9, 2015 (together with the 2010 PPA bonds, the “Project J Bonds”).

On June 24, 2015, in order to obtain certain loan guarantees from the United States Department of Energy (“DOE”) for further funding of Plant Vogtle Units 3 and 4, MEAG divided its undivided ownership interest in Plant Vogtle Units 3 and 4 into three separate undivided interests and transferred such interests to the Vogtle Units 3 and 4 Project Entities. MEAG transferred approximately 41.175 percent of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG’s ownership interest attributable to Project J), to MEAG Power SPVJ, LLC (the “Project J Entity”).

The Project J Entity entered into a loan guarantee agreement with the DOE in 2015, subsequently amended in 2016 and 2017, under which the Project J Entity is permitted to borrow from the Federal Financing Bank (“FFB”) an aggregate amount of approximately \$577.7 million. To date, the Project J Entity has received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of approximately \$553.2 million. Exclusive of the \$24.5 million set aside for the payment of capitalized interest on borrowings, there is no additional borrowing capacity under the Project J Entity’s existing DOE-guaranteed loan. On September 28, 2017, DOE, MEAG, and the Vogtle Units 3 and 4 Project Entities entered into a

conditional commitment for additional DOE loan guarantees in the aggregate amount of \$414.7 million. On September 17, 2018, the DOE extended the expiration date of such conditional commitment to March 31, 2019. On March 22, 2019, MEAG announced that it had closed on the additional DOE loan guarantees in the aggregate amount of \$414.7 million. The Project J Entity's portion of the \$414.7 million in additional DOE loan guarantees is \$111.5 million and this amount currently remains undrawn. While MEAG expects that the total financing needs for Project J will exceed the aggregate of the Project J Entity's FFB lending commitments and the balance will be financed in the capital markets, in the event that the JEA litigation challenging its obligations under the Additional Vogtle Units PPA materially impedes access to capital markets for MEAG, Georgia Power has agreed to provide certain funding as described below under Note 10 to the financial statements of JEA set forth in APPENDIX A attached hereto.

Based on information provided by MEAG Power, JEA's portion of the debt service to maturity on the outstanding Project J debt as of September 30, 2018 is summarized as follows:<sup>(1)</sup>

Fiscal Year Ending September 30,	Debt Service (000's omitted)					
	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
2019	\$ 12,750	\$ 98,800	\$ 111,550	\$ (27,612)	\$ (71,188)	\$ 12,750
2020	16,183	97,995	114,178	(27,392)	(70,603)	16,183
2021	19,952	97,058	117,010	(27,100)	(69,958)	19,952
2022	20,706	95,983	116,689	(26,790)	(33,262)	56,637
2023	22,100	94,842	116,942	(26,466)	(4,207)	86,269
2024	22,967	93,642	116,609	(26,129)	–	90,480
2025	23,819	92,385	116,204	(25,776)	–	90,428
2026	24,685	91,079	115,764	(25,409)	–	90,355
2027	25,570	89,721	115,291	(25,026)	–	90,265
2028	26,538	88,311	114,849	(24,626)	–	90,223
2029	27,511	86,844	114,355	(24,209)	–	90,146
2030	28,528	85,318	113,846	(23,774)	–	90,072
2031	29,586	83,733	113,319	(23,320)	–	89,999
2032	30,661	82,084	112,745	(22,847)	–	89,898
2033	31,842	80,370	112,212	(22,353)	–	89,859
2034	33,035	78,587	111,622	(21,838)	–	89,784
2035	34,272	76,733	111,005	(21,301)	–	89,704
2036	28,275	74,805	103,080	(20,740)	–	82,340
2037	16,223	72,799	89,022	(20,155)	–	68,867
2038	10,905	70,713	81,618	(19,545)	–	62,073
2039	6,973	68,543	75,516	(18,909)	–	56,607
2040	1,424	66,250	67,674	(18,246)	–	49,428
2041	–	63,866	63,866	(17,553)	–	46,313
2042	–	31,076	31,076	(9,217)	–	21,859
2043	–	4,058	4,058	(1,249)	–	2,809
<b>Total</b>	<b>\$494,505</b>	<b>\$1,965,595</b>	<b>\$2,460,100</b>	<b>\$(547,582)</b>	<b>\$(249,218)</b>	<b>\$1,663,300</b>

(1) At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process for the current fiscal year and reductions may continue in subsequent fiscal years. The exact amount of such reduction is determined on or about the beginning of the federal government's fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 6.2 percent became effective on October 1, 2018.

### ***Construction Arrangements for the Additional Vogtle Units***

As a result of the bankruptcy of the original contractor for the Additional Vogtle Units and increases in the construction costs, the Vogtle Co-Owners have restructured the construction arrangements for the Additional Vogtle Units. Under the restructured construction arrangements:

- Bechtel Power Corporation (“Bechtel”) will serve as the prime construction contractor for the remaining construction activities for Plant Vogtle Units 3 and 4 under a Construction Agreement entered into between Bechtel and Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners (the “Construction Agreement”), which is a cost reimbursable plus fee arrangement, which means that the Construction Agreement does not require Bechtel to absorb any increases in construction costs.
- The Vogtle Co-Owners recently approved amendments to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the “Vogtle Joint Ownership Agreements”) that limit the circumstances under which the holders of at least 90 percent of the ownership interests in Plant Vogtle Units 3 and 4 are required to approve the continuance of the construction of the Additional Vogtle Units to a few events, including a delay of one year or more over the most recently approved project schedule. Such events do not include increases in the construction budget.
- Under the Vogtle Joint Ownership Agreements, Georgia Power has the right to cancel the project at any time in its discretion.

The estimated construction costs to complete Project J’s share of the Additional Vogtle Units have significantly increased from the original project budget of approximately \$1.4 billion to the current estimate of approximately \$2.9 billion. In addition, significant delays in the project’s construction schedule have resulted in the original placed in service dates for Vogtle Unit 3 of April 2016 and for Vogtle Unit 4 of April 2017 being revised to the current projected placed in service dates for Vogtle Unit 3 and for Vogtle Unit 4 of November 2021 and November 2022, respectively.

JEA is not a party to the Construction Agreement or to the Vogtle Joint Ownership Agreements and does not have the right under the Additional Vogtle Units PPA to cause a termination of the Construction Agreement, to cancel the project or to approve increases in construction costs or delays in the construction schedule of the project. Accordingly, JEA can provide no assurance that construction costs for the Additional Vogtle Units will not significantly increase or that the schedule of the project will not be significantly delayed.

Increases in construction costs for Plant Vogtle Units 3 and 4 result in increases in the payment obligations of JEA for capacity and energy under the Additional Vogtle Units PPA. See “Overview” and “Financing and In-Service Costs” above and “Litigation and Regulatory Proceedings” below for a further description of JEA’s obligations under the Additional Vogtle Units PPA and for a description of the complaint filed by JEA and the City challenging the enforceability of the Additional Vogtle Units PPA.

See Note 10 to the financial statements of JEA set forth in APPENDIX A attached hereto for a more detailed description of the history of and the construction arrangements for the Additional Vogtle Units.

### ***Litigation and Regulatory Proceedings***

**Litigation** – As noted under “ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* – Electric System - *Overview*” herein and under “LITIGATION” herein, on September 11, 2018, MEAG filed suit against JEA in the Northern District of Georgia alleging claims for (i) a declaratory judgment that the Additional Vogtle Units PPA is enforceable against JEA, (ii) breach of contract for JEA’s alleged failure to adhere to the Additional Vogtle Units PPA’s cooperation clause, and (iii) specific performance requiring JEA to continue to comply with the Additional Vogtle Units PPA. The same day, JEA and the City of Jacksonville filed suit against MEAG in the Circuit Court, Fourth Judicial Circuit, Duval County, Florida, seeking a declaratory judgment that the Additional Vogtle Units PPA is invalid and unenforceable against JEA. MEAG removed JEA’s and the City’s suit to the Middle District of Florida. On April 9, 2019, the district court for the Northern District of Georgia entered an order granting JEA’s motion to dismiss and dismissing MEAG’s

complaint. MEAG has filed a notice of appeal of the dismissal to the Eleventh Circuit Court of Appeals. The parties are presently engaged in procedural litigation over the forum in which the substantive issues will be tried. JEA will vigorously defend and prosecute these actions, but provides no assurances regarding the outcome or consequences of the litigation.

**Settlement Negotiations** – JEA and MEAG have commenced negotiations in an attempt to arrive at a mutually beneficial commercial resolution of their dispute. The ultimate outcome of this matter cannot be determined at this time.

**Regulatory Proceedings** – On September 17, 2018, JEA filed a petition with the Federal Energy Regulatory Commission (“FERC”) seeking a determination that FERC has exclusive jurisdiction pursuant to the Federal Power Act (“FPA”) over the Additional Vogtle Units PPA (FERC Petition).

Numerous entities, including MEAG, public utilities, municipalities, and trade groups, filed comments with FERC challenging the theories of law and arguments raised in the FERC Petition. On February 21, 2019, FERC issued an order denying the FERC Petition and disclaimed jurisdiction over the Additional Vogtle Units PPA. JEA will not be seeking FERC’s reconsideration of the order.

**Other Renewable Sources.** JEA entered into a 20-year agreement (the “Wind Generation Agreement”) with Nebraska Public Power District (“NPPD”) in 2004 to participate in a wind generation project located in Ainsworth, Nebraska. JEA’s participation in NPPD’s wind generation project allowed JEA to receive environmental credits (“Green Tags”) associated with this Green Power alternative. Under the Wind Generation Agreement, JEA agreed to purchase over a 20-year period 10 MW of capacity from NPPD’s wind generation facility for an estimated net cost of \$2,280,958. In turn, NPPD buys back the energy at specified on/off peak charges. JEA makes all environmental attributes from this facility available to sell in order to lower rates for our customers. JEA has sold environmental credits for specified periods from this project thereby reducing but not eliminating JEA’s net cost for this resource for that period.

With the expansion of JEA’s renewable portfolio within the State of Florida, additional landfill gas generation and new solar facilities, JEA exercised its right to terminate this contract. JEA and NPPD have agreed to terminate the agreement effective December 31, 2019.

JEA signed a Power Purchase Agreement with Trail Ridge Energy, LLC (“TRE”) in 2006 to purchase energy and environmental attributes from a 9.6 MW landfill gas-to-energy facility at the City’s Trail Ridge Landfill (the “Phase One Purchase”). The facility is one of the largest landfill gas-to-energy facilities in the Southeast. It achieved commercial operation in December 2008 for the Phase One Purchase. JEA and TRE executed an amendment to the Power Purchase Agreement in 2011 to purchase up to an additional 9.6 MW through TRE. Six MW of this additional 9.6 MW is being supplied to JEA from a landfill gas-to-energy facility in Sarasota, Florida. Cost to JEA is the same as negotiated for Trail Ridge. JEA makes all environmental attributes from this facility available to sell in order to lower rates for our customers.

JEA signed a power purchase contract with Jacksonville Solar LLC in 2009 for the purchase for 30 years of all of the electricity and renewable energy credits generated by a 12.6 MW solar power facility which became fully operational on September 28, 2010. JEA makes all environmental attributes from this facility available to sell in order to lower rates for our customers.

In December 2014, a Solar Policy was approved by the JEA Board, setting forth the goal of an additional 38 MW of solar photovoltaic (“PV”) power (via power purchase contracts) by the end of 2016. In 2015, JEA awarded a total of 31.5 MW of solar PV power purchase contracts with terms of 20 to 25 years to various vendors. Power purchase agreements (“PPAs”) have been finalized for a total of 27 MW, as follows: 7 MW with Northwest Jacksonville Solar Partners, LLC (groSolar); 4 MW with Hecate Energy, LLC; 5 MW and 2 MW with Inman Solar Incorporated; 3 MW with Old Plank Road Solar Farm LLC (Cox Communications/VeloSolar); Imeson Solar Farm, LLC (National Solar) for 5 MW; and Mirasol Fafco

Solar, Inc. for 1 MW solar PV. Another PPA for 5 MW on land owned by the U.S. Navy was awarded to Hecate Energy, LLC in 2016; however, JEA and the Navy were unable to agree to lease terms and that project has been canceled. A 4.5 MW award to SunEdison Utility Solutions, LLC was cancelled due to failure of the contractor to secure site control.

In 2015, JEA entered into a 25-year PPA with Northwest Jacksonville Solar Partners, LLC for the produced energy, as well as the associated environmental attributes from a solar farm which has been constructed in JEA's service territory. The 7 MWAC facility, which consists of 28,000 single-axis tracking photovoltaic panels on a vendor-leased site, is owned by American Electric Power (AEP). JEA pays only for the energy produced. The facility became operational on May 30, 2017.

In 2015, JEA entered into a 20-year PPA with Old Plank Road Solar Farm, LLC for the produced energy, as well as the associated environmental attributes from a 3-MWAC solar farm, Old Plank Road Solar, which has been constructed in JEA's service territory. The facility, which consists of 12,800 single-axis tracking photovoltaic panels on a vendor-leased 40-acre site, is owned by Southeast Solar Farm Fund, a partnership between PEC Velo & Cox Communications. JEA pays only for the energy produced. The site attained commercial operation on October 13, 2017.

In 2015, JEA entered into a 20-year PPA with C2 Starrat Solar, LLC for the produced energy, as well as the associated environmental attributes from a 5-MWAC solar farm, Starrat Solar, which has been constructed in JEA's service territory. The facility, on a vendor-leased site, is owned by C2 Starrat Solar, LLC, and was constructed by Inman Solar, Incorporated. JEA pays only for the energy produced. The site attained commercial operation on December 20, 2017.

In 2015, JEA entered into a 20-year PPA with Inman Solar Holdings 2, LLC for the produced energy, as well as the associated environmental attributes from a 2-MWAC solar farm, Simmons Solar, which has been constructed in JEA's service territory. The facility, on a vendor-leased site, is owned by Inman Solar Holdings 2, LLC, and was constructed by Inman Solar, Incorporated. JEA pays only for the energy produced. The site attained commercial operation on January 17, 2018.

In 2015, JEA entered into a 20-year PPA with Hecate Energy Blair Road, LLC for the produced energy, as well as the associated environmental attributes from a 4-MWAC solar farm, Blair Road Solar, which has been constructed in JEA's service territory. The facility, on a vendor-leased site, is owned by Hecate Energy Blair Road, LLC, and was constructed by Hecate Energy, LLC. JEA pays only for the energy produced. The site attained commercial operation on January 23, 2018.

In 2015, JEA entered into a 20-year PPA with Jax Solar, LLC for the produced energy, as well as the associated environmental attributes from a 1-MWAC solar farm, Old Kings Road Solar, which has been constructed in JEA's service territory. The facility, on a vendor-leased site, is owned by Jax Solar, LLC and was constructed by Mirasol Fafco Inc. JEA pays only for the energy produced. The site attained commercial operation on October 15, 2018.

In October 2017, the JEA Board approved a further solar expansion consisting of five 50 MWAC solar facilities to be constructed on JEA-owned property. These projects, totaling 250 MWAC, are structured as PPAs. JEA awarded the contracts to EDF - Distributed Solutions ("EDF-DS") on April 26, 2018, and the five PPAs were executed on February 8, 2019. EDF-DS will lease the land from JEA, and JEA will pay only for the energy produced. It is expected the first 50 MW facility will be completed in late 2019 – early 2020. The remaining facilities will be completed by 2022.

In 2009, JEA implemented a net metering program, which provided for full retail rate offset for customer-owned and generated solar power. At that time the cost of utility-scale solar power was higher than the retail rate. In 2016, JEA began to re-evaluate the fairness, reasonableness, and sustainability of JEA's then-current rate structure that offset excess solar power at the full retail rate. After carefully considering and studying all the factors, engaging in stakeholder meetings and workshops, and holding public meetings, JEA amended its net metering program in October 2017, with an effective date of April 1, 2018. JEA's amended net metering program is now contained within the JEA Distributed Generation Policy. Under the amended net metering program, a solar customer's excess solar power offsets energy consumption at JEA's fuel rate (i.e., the cost of electric generation saved by the solar customer's excess power generation). This offset more accurately and fairly compensates the solar customer for his or her solar power generation without discriminating against non-solar power customers. In 2018, Community Power Network Corporation (d/b/a Solar United Neighbors) and the League of Women Voters of Florida, Inc. filed an action for declaratory judgment and injunctive relief challenging the legality of JEA's amended net metering policy.

### ***Participation in The Energy Authority***

In May 1997, JEA, MEAG Power and South Carolina Public Service Authority (Santee Cooper) entered into a joint power marketing alliance through the formation of a nonprofit corporation in which such three parties constituted all of the members. The corporation is TEA, a Georgia nonprofit corporation. Subsequently, five additional publicly-owned utilities, NPPD, the City of Gainesville, Florida, doing business as Gainesville Regional Utilities ("GRU"), City Utilities of the City of Springfield, Missouri, Public Utility District No.1 of Cowlitz County, Washington ("Cowlitz") and American Municipal Power, Inc. became members of TEA. Effective December 31, 2018, Cowlitz transitioned from ownership status (member) to contact services status (partner). The main office of TEA is in the City. TEA's board of directors consists of 10 directors. The board, all of whom are elected by the members, is composed of one director from each member and two non-voting directors who serve as the respective chairs of two standing committees.

TEA commenced operations in August 1997 and is engaged in buying and selling wholesale power and promoting the efficient use of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA transacts energy transactions among the members and external markets including arranging for any transmission services required to accommodate such transactions. TEA is the exclusive purchaser of short-term surplus energy from its members. Each member is responsible for having adequate firm generating capacity to serve its native load requirement plus operating reserve requirements. TEA has not engaged in the construction or ownership of generation or transmission assets. Additionally, the members have not engaged in other activities that are found in some power pools such as reserve sharing or dedication of all resources to serve the combined load.

TEA has managed a portion of JEA's natural gas supply since 2001. See "*Fuel Contracts*" above.

Pursuant to an Electric Advance Agreement and a Natural Gas Advance Agreement among TEA and its members and a Member Advance Agreement between JEA and TEA, JEA supports TEA's trading activities by the issuance of JEA guaranties and/or provision of cash advances as determined by TEA within the limits contained in such advance agreements. As of January 1, 2019, JEA is obligated to guaranty, directly or indirectly, certain of TEA's electric trading activities in an amount up to \$28,929,000 and certain of TEA's natural gas procurement and trading activities up to \$34,600,000, in either case, plus reasonable attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. The JEA Board has approved guaranties of up to \$34,286,000 for TEA's electric trading activities, up to \$60,000,000 (plus attorney's fees) for TEA's natural gas procurement and trading activities and up to \$50,000,000 for TEA's electric and natural gas activities solely for JEA's benefit (since 2014 none of this latter type of trading activity is being engaged in by TEA). The JEA Board can from time to time

increase or (subject to certain limits) decrease the amount of its advances to TEA. For a discussion of JEA's investment in TEA and its commitments to TEA as of September 30, 2018, see Note 7 to the financial statements of JEA set forth in APPENDIX A attached hereto.

Order No. 889 of the Federal Energy Regulatory Commission ("FERC") established certain standards of conduct for utilities that offer open access transmission services. The effect of these standards would have been to require JEA to establish a wholesale marketing organization separate and apart from its operating group that controls operations of its generation and transmission facilities. JEA believes that the establishment of TEA satisfied that requirement at a cost to JEA that is substantially less than the cost that JEA would have incurred if it acted alone in establishing a wholesale marketing organization.

### ***Mutual Aid Alliance***

JEA has entered into an agreement with six other electric utilities located in Florida and Georgia (the "Participating Utilities") to provide mutual aid in the form of energy and price commitments in the event of an extended outage of certain designated baseload generating units of the Participating Utilities. Under this agreement, each Participating Utility agrees to make available, from its own capacity and only to the extent it has capacity available in excess of its native load and firm sales commitments, energy to replace energy unavailable due to unplanned outages of the designated units in excess of 60 days ("Replacement Power"). Each Participating Utility is obligated to provide such Replacement Power for up to 365 days from the outage event. The Participating Utilities will provide such Replacement Power at a cost derived through a formula based upon natural gas prices. This agreement has a term ending in September 2022 and is automatically renewed for an additional five-year period unless a party thereto provides timely notice of its intent not to renew its participation.

### ***Interconnections***

JEA is interconnected with the Georgia Integrated Transmission System through two 500 kV lines. These lines are jointly owned by JEA and FPL. The lines are located in the western section of the Electric System's service area and extend north to the interconnect point with Georgia Integrated Transmission System at the Florida-Georgia state line.

JEA is a member of the Florida Reliability Coordinating Council ("FRCC"), which is one of eight Regional Entities of the North American Electric Reliability Corporation. Under a Delegation Agreement with NERC, the FRCC acts as JEA's Compliance Enforcement authority for FERC Approved Electric Reliability Standards. This Compliance Enforcement responsibility is transferring to SERC effective July 1, 2019, or when approved by FERC. Additionally, FRCC members coordinate their planning and system operations through the FRCC Member services division to share spinning reserves; establish policies and procedures for dealing with scheduled and inadvertent interchanges and emergencies; coordinate maintenance schedules; establish and administer guidelines for utilizing under-frequency relays; maintain voice, facsimile and internet communications facilities; and evaluate and resolve system disturbances.

JEA is subject to standards enacted by the North American Electric Reliability Corporation and enforced by FERC regarding protection of the physical and cyber security of critical infrastructure assets required for operating North America's bulk electric system. JEA is also subject to regulations set by the Nuclear Regulatory Commission regarding the protection of digital computer and communication systems and networks required for the operation of nuclear power plants. While JEA believes it is in compliance with such standards and regulations, JEA has from time to time been, and may in the future be, found to be in violation of such standards and regulations. In addition, compliance with or changes in the applicable standards and regulations may subject JEA to higher operating costs and/or increased capital expenditures as well as substantial fines for non-compliance.

### ***Power Sales and Transmission Contracts***

JEA has a contract to supply the Beaches Energy Services with non-firm generation and transmission backup service. In accordance with a 36-month contract notice provision, the contract will terminate on November 30, 2019 unless renewed prior to its expiration. JEA does not receive a significant amount of revenue from this contract.

In January 1990, JEA entered into a contract with Cedar Bay Generating Company, L.P. (“Cedar Bay”), the owner of a cogeneration facility within JEA’s service territory. Pursuant to the contract, Cedar Bay is receiving transmission service for 260 MW of capacity and associated energy for delivery to FPL through JEA’s transmission system. Cedar Bay began using JEA’s transmission service in January 1994. FPL acquired the Cedar Bay Generating Plant effective September 1, 2015 and officially retired the plant in December 2016. The transmission service under the agreement has been converted to JEA’s Open Access Transmission service, which is a JEA Board approved tariff (Open Access Transmission) that allows transmission customers to use JEA’s transmission system to move energy across the JEA system and is consistent with FERC Order No. 888. All other provisions under the agreement are enforceable under the agreement, which expires December 31, 2024.

### ***Transmission and Distribution System***

JEA’s transmission system consists of all JEA-owned bulk power transmission facilities operating at 69 kV or higher, which includes all transmission lines and associated substation facilities that end at the substation’s termination structure at four voltage levels: 69 kV, 138 kV, 230 kV and 500 kV.

JEA owns a total of 744 Circuit miles of transmission lines, of which 691 are overhead miles and 53 are underground. The following table shows the breakdown of miles per kV level:

<u>Voltage (kV)</u>	<u>Overhead (Miles)</u>	<u>Underground (Miles)</u>	<u>Total (Miles)</u>
69	113	46	159
138	204	3	207
230	299	4	303
500	<u>75</u>	<u>0</u>	<u>75</u>
Total	<u>691</u>	<u>53</u>	<u>744</u>

The 159 miles of 69 kV transmission lines are located in the dense interior section of the Electric System’s service area, in the vicinity of the urban core. The 207 miles of 138 kV lines interconnect substations in most of JEA’s high load and growth areas. The 304 miles of 230 kV lines form a semicircular loop around the City with transformation from the transmission system to the distribution system performed at numerous JEA facilities, which also serve the high load and growth areas. There currently are 90 substations in the JEA service territory. JEA also owns two 500 kV lines jointly with FPL. These lines are connected between the FPL Duval Substation and the GPC system at the Florida state line.

In the southeast portion of JEA’s service territory, new load growth is occurring as a result of new large residential and commercial developments. JEA is currently designing a new nine-mile overhead 230kV transmission line to connect two existing JEA substations, Greenland Energy Center and Bartram Substation, to better serve this area. In fall 2020, the new transmission line will be broken and looped into the new 26.4kV Nocatee load serving substation. The Nocatee substation will be located adjacent to the new 230kV line.

JEA’s tie line interconnections with neighboring utilities within FRCC are:

<u>JEA Station</u>	<u>Neighboring Utility Station</u>	<u>Voltage (kV)</u>
Steelbald	Duval (FPL) Circuit 3	230
Brandy Branch	Duval (FPL) Circuit 1	230
Brandy Branch	Duval (FPL) Circuit 2	230
Jax Heights	Duval (FPL) Circuit 4	230
Neptune	JB Penman (BES)	138
Switzerland	Sampson (BES)	230
Jax Heights	Black Creek (Seminole) <sup>(1)</sup>	230
Nassau	Step Down (FPU) in-service 2018	138
Nassau	O’Neil (FPL) in-service 2018	138

(1) Seminole Electric Cooperative, Inc. (“Seminole”)

The distribution system covers approximately 6,831 circuit miles and is composed of three voltage levels depending upon the area served. The central business district is served by a 13.2 kV underground secondary network. Surrounding residential and commercial areas are served primarily at 26.4 kV, with some 4.16 kV and 13.2 kV interspersed. Most older areas are served from overhead distribution lines. However, the majority of all new developments, subdivisions, shopping centers and apartment complexes constructed since 1968 are served by underground 26.4 kV distribution.

The transmission and distribution system is under the control of system operators through a supervisory control and data acquisition system. The control of the generation facilities and the balance of power flow over interconnection transmission facilities is managed by an automatic generation control application with system operator oversight and input as needed.

***Area Served***

The Electric System serves approximately 900 square miles, which includes virtually the entire City (Duval County), with the exception of Jacksonville Beach and Neptune Beach. The Electric System also provides retail service in portions of the northern sections of St. Johns and Clay Counties, which are located southeast and southwest of the City, respectively. The Electric System also furnished power for resale to Florida Public Utilities Company (“FPU”) for use in the City of Fernandina Beach in Nassau County, north of the City. JEA’s contract with FPU expired without renewal on December 31, 2017.

***Customers and Sales***

In the Fiscal Year ended September 30, 2018, the Electric System served an average of 466,411 customer accounts. The following table sets forth electric revenues, the sales of the Electric System and the average number of Electric System accounts, all by customer classification, for Fiscal Years ended September 30, 2014 through 2018.

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	<b>Fiscal Year Ended September 30,</b>				
	2018	2017	2016	2015	2014
<b>Electric Revenues (000's omitted):</b>					
Residential	\$ 618,171	\$ 584,663	\$ 599,009	\$ 619,897	\$ 608,983
Commercial and industrial	594,395	587,972	596,802	627,547	632,121
Public street lighting	12,873	13,069	13,488	11,982	13,943
Sales for resale	5,474	21,813	32,204	32,424	34,700
FPL saleback	<u>30,767</u>	<u>128,737</u>	<u>130,053</u>	<u>128,475</u>	<u>159,747</u>
TOTAL	\$1,261,680	\$1,336,254	\$1,371,556	\$1,420,325	\$1,449,494
<b>Sales (MWh):</b>					
Residential	5,414,721	5,108,945	5,328,245	5,243,002	5,086,866
Commercial and industrial	6,851,803	6,725,201	6,834,601	6,767,836	6,636,445
Public street lighting	59,176	65,721	80,108	89,376	111,325
Sales for resale:					
Territorial	38,640	150,268	318,297	333,994	337,353
Off-system	35,429	150,635	169,037	83,367	136,342
FPL saleback	<u>332,467</u>	<u>1,693,082</u>	<u>1,856,198</u>	<u>1,862,122</u>	<u>2,003,682</u>
TOTAL	12,732,236	13,893,852	14,586,486	14,379,697	14,312,013
<b>Average Number of Accounts:</b>					
Residential	410,060	403,164	396,664	389,287	382,438
Commercial and industrial	52,573	52,060	51,472	50,867	48,999
Public street lighting	3,777	3,727	3,649	3,549	3,477
Sales for resale <sup>(1)</sup>	<u>1</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>
TOTAL	466,411	458,953	451,788	443,705	434,917

(1) Includes FPL but does not include the average number of off-system non-firm sales customers.

### ***Largest Customers***

The 10 largest customer accounts served by the Electric System (other than FPL pursuant to the FPL-Power Park Sale) composed 14.2 percent of the total MWh purchases derived from the operation of the Electric System for the Fiscal Year ended September 30, 2018. The following table sets forth the 10 largest Electric System accounts (other than sales to FPL pursuant to the FPL-Power Park Sale) by MWh purchases, during the Fiscal Year ended September 30, 2018.

<u>Customer Accounts</u>	<u>MWh Purchases</u>	<u>Percentage of Total</u>
United States Navy.....	327,704	2.7
CMC Steel (formerly Gerdau Ameristeel).....	321,224	2.6
WestRock.....	231,702	1.9
City of Jacksonville.....	190,163	1.5
Duval County Public Schools.....	156,320	1.3
Anheuser Busch.....	135,251	1.1
Southern Baptist Hospital.....	102,633	0.8
Publix Supermarkets.....	100,481	0.8
Johnson & Johnson Vision Care.....	95,568	0.8
Winn-Dixie Stores, Inc.....	<u>91,994</u>	<u>0.7</u>
TOTAL.....	<u>1,753,040</u>	<u>14.2</u>

### ***Customer Billing Procedures***

Customers are billed on a cycle basis approximately once per month. If the customer has not paid a bill within 42 days after the initial bill date, JEA may discontinue service to that customer. New commercial accounts are generally assessed a deposit. Residential customers who meet JEA's credit criteria are not

assessed a deposit. Customers who do not meet JEA's credit criteria or do not maintain a good payment record may be assessed a deposit, which may vary with consumption. A late payment fee of 1.5 percent is assessed to customers for past due balances in excess of 27 days. The amount of uncollectible accounts is budgeted to be approximately 0.15 percent of estimated gross Electric System revenues for the Fiscal Year ending September 30, 2019. Actual uncollectible accounts were 0.14 percent of gross Electric System revenues for the Fiscal Year ended September 30, 2018.

### ***Rates***

JEA has sole discretion to set rate levels and revenue requirements for the Electric System, including its interest in Scherer Unit 4. JEA sets its retail rates after a public hearing. The JEA Board has the authority to change wholesale rates without a public hearing. The PSC has the authority to review rate structures for municipal utilities in Florida, including JEA (see subsection "Regulation" of this section, below).

Each of JEA's various rates for electric service consists of "base rate" components and a "fuel and purchased power rate" component. The base rate is evaluated and adjusted as required to fund projected revenue requirements for each Fiscal Year. A comprehensive class cost of service study will be performed at a minimum of every five years to support the rates charged are based on cost. The rate for the fuel and purchased power component can adjust upward or downward as of October 1 of each year to reflect the cost of fuel and purchased power. If during the course of a Fiscal Year, such costs vary by more than 10 percent from JEA's budget, an adjustment in the fuel and purchased power component of the rate may be made, subject to the approval of the JEA Board.

In June 2011, the JEA Board approved the conversion of the \$2.90 per 1,000 kWh fuel recovery charge to base energy charges. The conversion became effective January 1, 2012.

On June 19, 2012, the JEA Board approved a decrease of the fuel and purchased power rate by \$4.14 per 1,000 kWh that became effective on July 1, 2012.

On January 19, 2016, the JEA Board approved a decrease of the fuel and purchased power rate by \$6.85 per 1,000 kWh that became effective on February 1, 2016.

On November 15, 2016, the JEA Board approved an increase to base rates of 4.4 percent on average across multiple rate classes and a decrease of the fuel and purchased power rate by \$4.25 per 1,000 kWh effective on December 1, 2016. This rate restructuring was designed to lower overall bills for residential and commercial customers, improve the alignment of rates with the cost of service, enable additional early pay down of currently outstanding debt and eliminate the need for future base rate increases through Fiscal Year 2022.

Since environmental regulatory constraints and the cost of environmental compliance are anticipated to increase in the future, the JEA Board enacted an Environmental Charge of \$0.62 per 1,000 kWh, which was applied to all rate classes as of October 1, 2007. See "ELECTRIC UTILITY SYSTEM - ELECTRIC UTILITY FUNCTIONS - Environmental Matters" and "ELECTRIC UTILITY SYSTEM - ELECTRIC UTILITY FUNCTIONS - Factors Affecting the Electric Utility Industry - Future Legislation" herein.

In order to fund JEA's comprehensive conservation and demand reduction programs (which are designed to reduce electric consumption and, at the same time, reduce the need for acquiring or constructing additional generating capacity), the JEA Board enacted a Conservation Charge, which was applied to residential electric accounts effective as of October 1, 2007, in the amount of \$0.01 per kWh for usage above 2,750 kWh in a single month.

A comparison of residential rates in selected major regional cities, including fuel adjustments and franchise fees, as of January 2019, is shown in the following table, arranged by price of 1,000 kWh:

<u>City (Utility)</u>	<u>500 kWh</u>	<u>1,000 kWh</u>	<u>1,250 kWh</u>	<u>2,000 kWh</u>
Pensacola (Gulf Power Company)	\$73.61	\$128.00	\$155.20	\$236.80
Gainesville (GRU)	66.86	122.87	154.87	250.88
St. Petersburg (Duke Energy Florida)	64.81	120.78	154.84	257.01
Ocala (Electric Dept.)	66.10	119.20	145.75	225.40
<b>JACKSONVILLE (JEA)</b>	<b>58.72</b>	<b>111.76</b>	<b>138.29</b>	<b>217.85</b>
Atlanta (GPC)	63.29	110.36	132.86	200.32
Tallahassee (Electric Dept.)	58.43	109.07	134.40	210.37
Orlando (Orlando Utilities Commission)	58.00	106.00	135.00	222.00
Tampa (Tampa Electric)	59.23	102.41	129.27	209.85
Lakeland (Utilities Dept.)	55.42	101.35	120.84	201.62
Miami (FPL)	54.04	99.92	128.02	212.27
Key West (Keys Energy Services)	49.50	99.00	123.75	198.00

Source: JEA's "Quarterly Residential Rate Comparison (January 2019)."

A comparison of non-residential rates in selected major regional cities for certain classifications of service for January 2019 (excluding all taxes) is shown in the following table, arranged by price of non-demand 1,500 kWh service:

<u>City (Utility)</u>	<u>Non-Demand 1,500 kWh</u>	<u>Demand 150 kW 60,000 kWh</u>	<u>Demand 500 kW 200,000 kWh</u>
Atlanta (GPC)	\$281.21	\$5,916.15	\$21,270.70
Gainesville (GRU)	220.90	7,327.00	23,774.70
St. Petersburg (Duke Energy Florida)	196.65	5,818.38	18,729.46
Pensacola (Gulf Power Company)	184.72	5,342.82	18,395.80
Ocala (Electric Dept.)	175.85	5,775.10	19,436.00
Orlando (OUC)	163.96	5,042.00	16,718.00
<b>JACKSONVILLE (JEA)</b>	<b>155.64</b>	<b>5,345.20</b>	<b>17,619.00</b>
Lakeland (Utilities Dept.)	149.52	4,913.39	16,553.98
Tampa (Tampa Electric Company)	149.10	4,563.24	15,140.24
Miami (FPL)	147.69	4,716.44	15,953.98
Tallahassee (Electric Dept.)	140.00	5,233.38	17,154.78

Source: For all Florida cities, Florida Municipal Electric Association, Inc.'s "Commercial/Industrial Comparison of Electric Rates" (January 2019); for Atlanta, GPC (January 2019).

In June 2011, the JEA Board approved a 10 year Incremental Economic Development Program (IEDP) designed to provide an incentive for large industrial customers to increase electric consumption. IEDP discounts on incremental consumption in excess of a predetermined consumption baseline are described in the following table:

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<b>Fiscal Year Ending September 30,</b>	<b>Base Charges Discount</b>	<b>Fuel Charges Discount</b>	<b>Baseline Load</b>
2012	100%	10%	lesser of <b>Fiscal Year 2008</b> through <b>Fiscal Year 2010</b>
2013	100%	10%	
2014	75%	7.5%	
2015	50%	5%	
2016	25%	2.5%	
2017	100%	0%	greater of <b>Fiscal Year 2008</b> through <b>Fiscal Year 2016</b>
2018	100%	0%	
2019	75%	0%	
2020	50%	0%	
2021	25%	0%	
2022 and thereafter	0%	0%	

In August 2013, the JEA Board approved an Economic Development Program (the “EDP”) designed to provide a financial incentive for new and existing commercial or industrial customers who, upon meeting certain eligibility criteria, expand their business and add jobs within the JEA service area. In January 2015 the JEA Board amended the EDP to create an increased level of incentive for customers expanding their business and adding jobs within designated areas where JEA has underutilized existing transmission and distribution capacity (Load Density Improvement areas). In August 2018, the JEA Board approved an extension of the EDP program application date to September 30, 2021. The EDP discount schedule is described in the following table:

<b><u>Year</u></b>	<b><u>Base Charges Discount</u></b>	<b><u>Discount in Load Density Improvement Areas</u></b>
Year 1	30%	35%
Year 2	25%	30%
Year 3	20%	25%
Year 4	15%	20%
Year 5	10%	15%
Year 6	5%	10%
Year 7	0%	0%

On November 15, 2016, the JEA Board approved an Economic Stimulus Rider designed to provide a financial incentive for new commercial or industrial customers to locate within the JEA service area. This rate rider would allow JEA to negotiate rates in certain controlled circumstances, given the following:

- (i) Legal attestation by the customer (through an affidavit signed by an authorized representative of the customer) to the effect that, but for the application of the rider, the new load would not be served by JEA; and
- (ii) Documentation demonstrating to JEA’s satisfaction that there is a viable lower cost alternative to the customers taking electric service from JEA.

***Regulation***

Municipal electric utilities in the State of Florida, including JEA, are not subject to state regulation except for certain environmental matters, power plant and large transmission line siting, rate structures, certain conservation activities, certain safety standards and certain provisions of the Grid Power Bill. Section 366.04(5), Florida Statutes, a part of the Grid Power Bill, states that the PSC “shall further have jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida

and the avoidance of further uneconomic duplication of generation, transmission, and distribution facilities.” In 1974, the Florida legislature enacted a statute which confers jurisdiction on the PSC to regulate “rate structures” of all utilities, including municipal utilities. In 1975, the PSC ruled that the statute does not confer ratemaking jurisdiction over municipal electric systems by distinguishing between “rates,” as relating to determination of the revenues required by the utility, and “rate structures,” as relating to the method by which revenues are generated.

The Florida legislature, in 1986, amended Section 366.04, Florida Statutes, which authorizes the PSC to prescribe and enforce safety standards for transmission and distribution facilities owned and operated by investor-owned electric utilities (“IOU’s”) and municipal- and cooperatively-owned electric utilities within the State of Florida. The PSC has adopted the National Electric Safety Code as its standard in this regard, and JEA believes it is currently in full compliance.

The Florida Electric Power Plant Siting Act, administered by the Florida Department of Environmental Protection (the “FDEP”), gives the PSC exclusive authority to determine the need for electric power plants. The Florida Transmission Line Siting Act, also administered by the FDEP, gives the PSC exclusive authority to determine the need for all transmission lines with voltages of 230 kV or greater which cross county lines. The Florida Department of Transportation (“FDOT”) regulates the construction of new transmission and distribution lines which cross FDOT rights-of-way. The FDEP must approve the construction of transmission and distribution lines across FDEP-protected lands. Transmission and distribution lines which cross navigable waters are regulated by the Army Corps of Engineers, the FDEP and the SJRWMD.

Existing and proposed interconnection agreements with IOU’s are subject to review and approval by FERC. The Energy Policy Act of 1992 conferred on FERC the power to order any “transmitting utility” to perform wheeling services. The term “transmitting utility” is defined to include municipal utilities, such as JEA. In addition, “transmitting utilities” are subject to FERC reporting requirements.

***Capital Program***

The Electric System’s capital program consists of (a) capital requirements for improvements to existing generating facilities that are determined to be necessary as a result of JEA’s annual resource planning process and (b) JEA’s remaining capital requirements for transmission and distribution facilities and other capital items. The projected total amount of the capital program for the five-year period ending September 30, 2023 is shown in the following table.

**Electric System Capital Program  
(000’s omitted)**

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2019	\$275,000
2020	236,000
2021	146,000
2022	118,000
2023	<u>122,000</u>
Total	\$897,000

The total amount of the capital program for the five-year period ending September 30, 2023 is estimated to be approximately \$897 million. JEA expects the total amount required for the capital program will be derived from revenues and other available funds of the Electric System. The projected total amount of the capital program may be affected by future environmental legislation and regulation. See “ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Environmental Matters” and “ELECTRIC

UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Factors Affecting the Electric Utility Industry” herein.

## **St. Johns River Power Park**

### ***General Description***

The St. Johns River Power Park, a coal- and petcoke-fired steam electric generating station, is located on an approximately 1,900-acre site in the northeast section of the City and consists of two units, each having a current average net capability of 638 MW. The two units are essentially identical in design and share certain common facilities, including fuel handling and storage facilities, four on-site water wells, a demineralized water treatment system, a wastewater treatment facility, switchyards and miscellaneous buildings.

The term “Power Park” is used in this Annual Disclosure Report to mean the Joint Facilities, as that term is defined in the “Agreement for Joint Ownership, Construction and Operation of the St. Johns River Power Park Coal Units #1 and #2” dated as of April 2, 1982, as amended (the “Power Park Joint Ownership Agreement”), between JEA and FPL. The Joint Facilities are defined in the Power Park Joint Ownership Agreement to mean a coal-fired, steam electric generating facility consisting of two units, together with their associated improvements.

### ***Ownership***

The Power Park is owned and operated by JEA and FPL pursuant to the provisions of the Power Park Joint Ownership Agreement. A summary of certain provisions of the Power Park Joint Ownership Agreement is attached hereto as APPENDIX G. JEA owns an undivided 80 percent interest in the Power Park, and FPL owns the other 20 percent. JEA and FPL share the decommissioning costs according to ownership.

### ***Early Termination of Power Park Joint Ownership Agreement***

On March 21, 2017, JEA’s Board was informed by staff of an agreement in principle with FPL for an early termination of the Power Park Joint Ownership Agreement and cessation of commercial operations in January 2018 with decommissioning of the Power Park to occur thereafter. The agreement in principle between JEA and FPL was subject to negotiation, execution and delivery of mutually satisfactory definitive agreements between JEA and FPL and final approval from JEA’s Board, FPL’s governing body and regulatory agencies. JEA and FPL executed a term sheet on March 21, 2017 in connection with the proposed transaction.

JEA and FPL obtained all required approvals, including those of the JEA Board, FPL’s Board, and the Florida PSC, and definitive agreements for cessation of commercial operations and decommissioning of the Power Park were executed, including an Asset Transfer and Contract Termination Agreement dated as of May 17, 2017. FPL obtained Florida PSC Final Order approval on October 16, 2017. All required conditions were met prior to the shutdown on January 5, 2018.

JEA completed Regulated Material Study and Environmental Site Assessments on August 25, 2017. The JEA Procurement Awards Committee approved a Demolition and Soil Remediation contract on November 16, 2017.

Upon the ceasing of commercial operation of the Power Park (the “Closing”), FPL made a payment to JEA in consideration of the early termination of the Power Park Joint Ownership Agreement. Upon completion of the dismantlement of the Power Park, FPL will assign its right, title and interest in and to the land upon which the Power Park is situated to JEA. On January 5, 2018, FPL and JEA deposited amounts, which together with funds on deposit in the debt service reserve fund, were sufficient to defease all outstanding debt issued under the First Power Park Resolution. As required by the terms of the Power Park Joint Ownership Agreement,

FPL will pay its share of the costs of retirement and dismantlement of the Power Park; provided, however, FPL will not contribute to the costs of remediation associated with any portions of the Power Park that JEA preserves for its beneficial use. Debt issued under the Second Power Park Resolution currently remains outstanding and was not defeased in connection with the Closing.

JEA's obligation to make payments from the Electric System to provide revenues to pay JEA's portion of the Power Park operating and maintenance expenses, debt service on the Power Park Issue Two Bonds and renewal and replacement costs relating to the Power Park and all other costs associated with the Power Park, as well as all debt service on the Power Park Issue Three Bonds, is a Contract Debt payable as a Cost of Operation and Maintenance of the Electric System pursuant to the Electric System Resolution. The Contract Debt payments with respect to the Power Park will be a Cost of Operation and Maintenance of the Electric System whether or not the Power Park is operating or operable and are required to be made in accordance with the terms of the Second Power Park Resolution.

The current estimate for decommissioning St. Johns River Power Park is \$68 million. JEA will pay 80 percent of the decommissioning cost for a total of \$54.4 million. The Demolition and Soil Remediation contract is for \$17,737,420. The contractor retains the salvage value for process equipment which is estimated to be \$18,000,000.

The total demolition is scheduled to be completed by December 31, 2019. The soil and groundwater remediation is scheduled to be complete by April 30, 2020. At that time final closing will occur and all land and real property assets will be transferred to JEA.

### ***Management***

The Power Park is managed by two functional committees. Each of these committees consists of two persons appointed respectively by the managements of JEA and FPL. Each committee member has an equal vote. In case of disagreement, the appeal path involves the Executive Committee, JEA and FPL managements, and finally, with the written consent of both JEA and FPL, an independent arbitrator. In all cases, the JEA member of each committee is the lead manager in executing the functions of that committee. JEA provides all management and staffing below the committee level, unless otherwise agreed to by JEA and FPL. Since the date that JEA and FPL entered into the Power Park Joint Ownership Agreement, there has been only one case of disagreement, which subsequently was resolved. JEA is lead on the decommissioning of the Power Park. FPL and JEA executed a Service Management Agreement for any specific requirements for managing the decommissioning.

### ***Operation***

The following table shows the total plant capacity factors for the Power Park since 2014. The capacity factor is a measure of the actual output as a percentage of the theoretical maximum output of a generating plant, or an individual unit, as the case may be.

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<b>Fiscal Year Ended September 30,</b>	<b>Power Park Capacity Factor</b>		
	<b>Unit 1 (%)</b>	<b>Unit 2 (%)</b>	<b>Total (%)</b>
2014 <sup>(1)</sup>	71.3	55.9	63.6
2015 <sup>(2)</sup>	50.5	59.2	54.9
2016 <sup>(3)</sup>	46.0	44.6	45.3
2017 <sup>(4)</sup>	42.4	54.9	48.7
2018 <sup>(5)</sup>	45.7	29.8	37.8

- (1) During this period, Unit 2 underwent a 12-week planned outage.  
(2) During this period, Unit 1 underwent a 10-week planned outage.  
(3) During this period, Unit 2 underwent a five-week planned outage.  
(4) During this period, Unit 1 underwent a five-week planned outage.  
(5) During this period, Unit 1 and 2 were permanently shut down on January 5, 2018.

### ***Transmission Arrangements***

The Power Park is interconnected with the Electric System’s transmission system at the 230 kV level. The transmission lines delivered power from the Power Park site to substations in the Jacksonville area. Pursuant to the Power Park Joint Ownership Agreement, FPL paid to the Electric System a charge for providing transmission service through the Electric System’s transmission grid.

### ***Fuel Supply and Transportation***

JEA has satisfied all existing coal supply contracts for delivery to Power Park.

The Power Park includes a fuel storage facility that allows for storage of a maximum 90-day supply at normal plant output; JEA customarily maintained a 35- to 45-day inventory. In anticipation of retirement in January 2018, the last shipment of coal was received on November 11, 2017. Approximately 333,000 tons of stockpiled coal remained at shutdown. The remaining supply was transferred to the Northside Generating Station.

JEA’s agreement with CSX Transportation for rail transportation services to the Power Park expired on December 31, 2016. In 2015, JEA utilized CSX Transportation to deliver approximately 385,000 tons of coal to the Power Park. This volume was under the annual requirement established in JEA’s 2011 contract with CSX Transportation for transportation services during 2012-2016. The 2016 volume was also under the annual requirement. Both the 2015 volume and the 2016 volume were under the annual requirement due to unforeseen changes in environmental regulations. In January 2018, JEA and FPL, reached a confidential settlement with CSX through the contractual dispute resolution process.

Necessary maintenance and repairs must be performed on the 350 leased aluminum rotary railcars before they are returned to the lessor. At this time, 240 of the 350 have been returned, and repairs are in progress on the remaining railcars.

### ***Capital Program***

As a result of the cessation of commercial operations of the Power Park in January 2018, JEA does not project any additional expenditures relating to the capital program.

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## Scherer 4

### *General Description*

Scherer Unit 4 is one of four coal-fired steam units located at the Robert W. Scherer Electric Generating Plant (“Plant Scherer”) on a 12,000-acre site near the Ocmulgee River approximately three miles east of Forsyth, Georgia. Scherer Unit 4 has a current net maximum output of 846 MW and was placed in service in February 1989. Pursuant to the Plant Robert W. Scherer Unit Number Four Amended and Restated Purchase and Ownership Participation Agreement, dated as of December 31, 1990, as amended, among GPC, FPL and JEA (the “Scherer Unit 4 Purchase Agreement”), JEA purchased an aggregate of 23.64 percent of Scherer Unit 4, and FPL purchased an aggregate of 76.36 percent of Scherer Unit 4. In addition to the purchase of undivided ownership interests in Scherer Unit 4, under the Scherer Unit 4 Purchase Agreement, JEA and FPL also purchased proportionate undivided ownership interests in (i) certain common facilities shared by Units 3 and 4 at Plant Scherer, (ii) certain common facilities shared by Units 1, 2, 3 and 4 at Plant Scherer and (iii) an associated coal stockpile. Under a separate agreement, JEA also purchased a proportionate undivided ownership interest in substation and switchyard facilities. A summary of certain provisions of the Scherer Unit 4 Purchase Agreement and certain related agreements is attached hereto as APPENDIX H.

### *Ownership*

As stated above, JEA and FPL are the owners of Scherer Unit 4 with undivided ownership interests of 23.64 percent and 76.36 percent, respectively; and JEA and FPL have proportionate ownership interests in the common facilities associated with all four units located at Plant Scherer. Oglethorpe, MEAG Power, GPC and the City of Dalton, Georgia (“Dalton”), as co-owners of Scherer Units 1 and 2, and Gulf Power Company (“Gulf Power”) and GPC, as co-owners of Scherer Unit 3, also have proportionate undivided ownership interests in such common facilities. FPL and JEA also have proportionate undivided ownership interests in the common facilities shared by Scherer Units 3 and 4. GPC and Gulf Power, as co-owners of Scherer Unit 3, also have proportionate ownership interests in such common facilities (see “SUMMARY OF CERTAIN PROVISIONS OF AGREEMENTS RELATING TO SCHERER UNIT 4 - Scherer Unit 4 Purchase Agreement” in APPENDIX H attached hereto).

Oglethorpe, MEAG Power, Dalton, Gulf Power, GPC, FPL and JEA have entered into the Plant Scherer Managing Board Agreement which, among other things, established a managing board to coordinate the implementation and administration of various ownership agreements relating to Plant Scherer, including the establishment of standards, rules and policies for fuel procurement and the method of voting on issues affecting the various components of Plant Scherer in which all co-owners have an interest.

### *Operation*

The following table shows the total plant availability factors and capacity factors for Scherer Unit 4 since 2014.

<u>Calendar Year</u>	<u>Scherer Unit 4</u>	
	<u>Availability Factor (%)</u>	<u>Capacity Factor (%)</u>
2014 <sup>(1)</sup> .....	75.5	57.7
2015 .....	99.0	76.9
2016 <sup>(2)</sup> .....	84.6	64.9
2017 .....	96.3	62.1
2018 <sup>(3)</sup> .....	76.6	52.5

(1) During this period, Scherer Unit 4 underwent an 11-week planned outage.

(2) During this period, Scherer Unit 4 underwent a four-week planned outage.

(3) During this period, Scherer Unit 4 underwent an 11-week planned outage.

### ***Transmission Arrangements***

As a part of the purchase by JEA of its interest in Scherer Unit 4, GPC and Southern Company Services, Inc. provide JEA with firm transmission service through the GPC system to the Florida/Georgia border for delivery of the output of JEA's ownership interest in Scherer Unit 4 for the life of the unit. Transmission rates are computed by formulae contained within the agreement and are filed with, and under the jurisdiction of, FERC.

### ***Fuel Supply***

GPC, under JEA's direction, purchases coal for JEA's use of its ownership interest in Scherer Unit 4. JEA has the option to procure its own coal. In 1994, Scherer 4 began burning sub-bituminous coal from the Powder River Basin ("PRB") located in the western region of the United States. JEA owns 214 aluminum railcars to deliver the PRB coal for use at Plant Scherer. Plant Scherer has in place a Btu accounting system to allocate fuel costs among the owners.

To provide for transportation of coal for Scherer Unit 4, GPC negotiated two agreements with rail carriers during Fiscal Years ended September 30, 2002 and September 30, 2003. The term of the agreement with Burlington Northern and Santa Fe Railway Company ("BNSF") has been extended through calendar year 2028. The current agreement with Norfolk Southern Railway Company extends through December 2019.

### ***Capital Program***

JEA's share of the Scherer 4 Project's projected capital program per year for the five-year period ending September 30, 2023 is summarized below.

#### **Scherer 4 Project Capital Program (000's omitted)**

<b>Fiscal Year Ending <u>September 30.</u></b>	<b><u>Amount</u></b>
2019	\$10,000
2020	10,000
2021	5,000
2022	9,000
2023	<u>5,000</u>
Total	\$39,000

The total amount of the capital program for the five-year period is estimated to be approximately \$39 million. JEA expects that the total amount required to fund the capital program will be provided from available funds of the Bulk Power Supply System. The projected total amount of the capital program may be affected by future environmental legislation and regulation. See "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Environmental Matters" and "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Factors Affecting the Electric Utility Industry" herein.

### **Resource Requirements**

#### ***Capacity***

JEA must have sufficient resources to serve expected firm customer demands in the future. The capacity required consists of forecasted annual peak demands (net of interruptible demands) and a reserve margin necessary to allow for routine and emergency equipment outages and demand forecast variances. The installed capacity consists of existing Electric System generating units and JEA's interest in Scherer Unit 4.

The difference between firm capacity required (including the reserve margin) and installed capacity is the net capacity surplus or deficit.

JEA applies the general rule that reserve capacity should be at least 15 percent of the projected seasonal firm peak demand. This reserve amount is added to projected firm peak demand to determine the seasonal capacity required. This approach is considered reasonable and prudent, particularly in light of JEA's strong transmission ties with FPL and Southern. After allowing for the transmission capacity necessary to import its capacity from Scherer Unit 4, JEA owns approximately 1028 MW of additional transmission import capacity. The remainder is made available for economy purchases by JEA or is made available to others for transmission service under FERC Order No. 888.

As part of its strategic planning process, JEA re-evaluates its resource needs annually. The results of JEA's 2018 resource requirements study are shown below in the table entitled "PROJECTED AVAILABLE CAPACITY AND REQUIREMENTS." JEA's 2018 resource requirements study reflected JEA's most recent peak demand and energy forecast, which continued to identify JEA as a winter-peaking utility. The study also reflected the use of interruptible and curtailable rates. JEA's resource plan is expected to satisfy JEA's need for capacity through the listed operating period.

In 2010, the JEA Board established a target of up to 30 percent of JEA's energy requirements to be met with nuclear energy by 2030. This policy was amended and restated in October 2017 to establish a target of up to 30 percent of JEA's energy requirements to be met with carbon-free, or carbon-neutral energy by 2030. This modification allows energy from solar, wind, biomass, landfill gas and other renewable sources, as well as nuclear, to meet the target.

JEA is in the process of performing an Integrated Resource Plan ("IRP") analysis. The purpose of the IRP is to comprehensively evaluate the performance and economic impacts of multiple classes of resource options for meeting future capacity needs resulting from load growth and/or from the potential retirement of the JEA Northside Unit 3 generating unit. The IRP will analyze the cost, benefit and present worth value of all potential resource options with and without the retirement of Northside Unit 3. The conventional resource capacity options under evaluation include natural-gas fired spark ignition reciprocating internal combustion engines (RICE), aeroderivate combustion turbine engine-generators (Aero CT), F-class and advanced-class large frame simple-cycle combustion turbines (SCCTs), large-frame F-class and advanced-class combined-cycle combustion turbines (CCCTs) and conversion of (2) existing GE 7FA.03 assets (GEC CT1 and CT2) to 2x1 7FA.05 combined-cycle configuration. The addition of renewable generation including solar PV and battery storage is also being evaluated. Sensitivities to the base case include retirement of Northside Unit 3, retirement of Northside CTs, high and low load growth, high and low natural gas prices and high resource capital costs. Three alternate scenarios will be evaluated to assess the robustness of the base load resource plan in cases of extreme disruption. These alternate scenarios include a Load Erosion case with decreasing energy sales due to customer-side solar PV, an Increased Electrification case with high penetration of plug-in electric vehicles (PEVs), and a Green Economy case with high PEV penetration, high demand-side management, high customer-side solar, CO<sub>2</sub> cost and 100% solid fuel retirement by 2030. Preliminary IRP results were presented in late March 2019, with final draft expected in the summer of 2019.

### ***Option to Purchase Interest in Lee Nuclear Station***

On February 1, 2011 JEA entered into an option agreement with Duke Energy Carolinas, LLC ("Duke Carolinas"), a wholly-owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than five percent and not more than 20 percent of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 & 2 to be constructed at a site in Cherokee County, South Carolina (the "Lee Project"). The Lee Project is currently planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2026 with respect to Unit 1 and 2028 with respect to Unit 2. The total cost of the option was \$7.5

million. JEA obtained this option in furtherance of its 2010 policy target to acquire up to 30 percent of JEA’s energy requirements from nuclear sources by 2030.

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA’s exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the combined construction and operating license for the Lee Project (such approval was obtained on December 21, 2016) and (ii) executes an engineering, procurement and construction agreement for the Lee Project. In August 2017, Duke Carolinas filed with the North Carolina Utilities Commission and the South Carolina Public Service Commission to cancel the plant. This cancellation allows Duke Carolinas to seek cost recovery for the expenditures on licensing the plant, however the NRC license remains active and the cancellation is not permanent. There is currently no schedule for negotiating an EPC agreement.

After JEA exercises the option (should it elect to do so) and various regulatory approvals are obtained, JEA must pay Duke Carolinas the exercise price for the option. Such price is generally JEA’s pro rata share, based on its percentage ownership interest in the Lee Project, of the development and pre-construction cost for the Lee Project incurred by Duke Carolinas from the beginning of the Lee Project through the closing date of the option exercise. JEA is undecided as to the financing structure it would employ to finance its interest in the Lee Project, should it elect to exercise its option.

Under certain circumstances should the Lee Project be terminated by Duke Carolinas, Duke may be obligated to provide JEA with options for alternative resources (but not necessarily from nuclear resources) to replace JEA’s optionable portion of the projected Lee Project capacity. Such alternative resources are to be available to JEA in a substantially similar timeframe (i.e., within two years of the projected on-line date) as currently planned for the Lee Project. No alternative resource for the Lee Project has yet been proposed by Duke Carolinas.

***System Load***

From 2014 to 2018, the peak demand for power on JEA’s Electric System increased at a compound annual rate of 2.2 percent per year. From 2014 to 2018, energy output increased at a compound annual rate of 0.5 percent per year. JEA experienced its highest instantaneous peak of 3,250 MW on January 11, 2010. The yearly recorded values were as follows:

<b>Fiscal Year</b>	<b>System Peak Demand (MW)<sup>(1)</sup></b>	<b>Percent Change From Previous Year</b>	<b>Annual Net Energy For Load (GWh)<sup>(2)</sup></b>	<b>Percent Change From Previous Year</b>
2014	2,823	8.7	12,572	2.0
2015	2,863	1.4	12,866	2.3
2016	2,763	(3.5)	13,053	1.5
2017	2,682	(2.9)	12,482	(4.4)
2018	3,080	14.8	12,807	2.6

(1) The highest 60-minute net integrated peak demand for that year.  
(2) Does not include the FPL-Power Park Sale or other off-system sales.

JEA’s peak load forecast, which is based on weather-normalized load and energy data, together with JEA’s projections for available generation and firm power purchases, is shown in the following tables.

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**PROJECTED AVAILABLE CAPACITY AND REQUIREMENTS<sup>(1)</sup>**  
(MW)

<b>Fiscal Year</b>	<b>Firm Winter Peak Demand<sup>(2)</sup></b>	<b>Capacity Reserves</b>	<b>Firm Winter Peak Demand Plus Capacity Reserves<sup>(3)</sup></b>	<b>Electric System Capacity<sup>(4)</sup></b>	<b>Firm Power Purchases<sup>(5)</sup></b>	<b>Scherer Unit 4</b>	<b>Installed Capacity and Net Firm Power Purchases<sup>(3)</sup></b>	<b>Available Capacity Surplus<sup>(3)</sup></b>
	2019	2,715	407	3,122	2,907	215	198	3,320
2020	2,736	410	3,146	2,940	40	198	3,178	31
2021	2,752	413	3,165	2,940	40	198	3,178	13
2022	2,769	415	3,184	2,940	115	198	3,258	68
2023	2,787	418	3,205	2,940	215	198	3,353	148

<b>Fiscal Year</b>	<b>Firm Summer Peak Demand<sup>(2)</sup></b>	<b>Capacity Reserves</b>	<b>Firm Summer Peak Demand Plus Capacity Reserves<sup>(3)</sup></b>	<b>Electric System Capacity<sup>(4)</sup></b>	<b>Firm Power Purchases<sup>(5)</sup></b>	<b>Scherer Unit 4</b>	<b>Installed Capacity and Net Firm Power Purchases<sup>(3)</sup></b>	<b>Available Capacity Surplus<sup>(3)</sup></b>
	2019	2,555	383	2,939	2,657	215	198	3,070
2020	2,566	385	2,951	2,657	115	198	2,970	19
2021	2,576	386	2,963	2,657	115	198	2,970	7
2022	2,587	388	2,976	2,657	140	198	2,995	20
2023	2,599	390	2,988	2,657	215	198	3,070	82

- (1) The projected figures contained herein are forward-looking statements and are subject to change without notice. These figures are based on current conditions and assumptions, including JEA's growth assumptions, environmental regulations, fuel prices, fuel availability and other factors in effect as of the date hereof and are subject to significant regulatory, business, economic and environmental uncertainties and contingencies. Events may occur and circumstances may change subsequent to the date hereof that would have a material impact on the projections presented herein. The achievement of certain results contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those stated in the forward-looking statements. JEA does not commit to issue any updates or revisions to those forward-looking statements if or when its expectations change, or events, conditions or circumstances on which such statements are based occur or fail to occur.
- (2) Peak demand:
- (a) does not include serving expected interruptible loads.
  - (b) includes Demand-Side Management.
  - (c) includes Plug-In Electric Vehicle (PEV) penetration.
- (3) Totals may not add due to rounding.
- (4) Figures include the following considerations:
- (a) No capacity additions occur in the planning horizon.
  - (b) Diesel capacity rating in winter, gas capacity rating in summer for Kennedy CTs 7 & 8 and Brandy Branch CTs 1-3.
  - (c) Gas capacity ratings in winter and summer for Greenland CTs.
- (5) Firm Power Purchases include:
- (a) TRE Phase I: 9 net MW clean power purchase starting winter 2008 and expires December 2026.
  - (b) TRE Phase II: 6 net MW clean power purchase starting winter 2026.
  - (c) Annual Firm Purchased Power Agreement for Natural Gas Combined Cycle capacity and energy January 2018-2019 (200 MW).
  - (d) Seasonal market purchases needed summers 2020-2022 (25-100 MW) and winters 2020-2021 (25 MW).
  - (e) Vogtle Units 3 and 4: 100 MW each unit delivered from MEAG November 2021 and November 2022.

**Environmental Matters**

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions and contaminated site assessment and remediation. Based on analysis of the cost of remediation and other identified environmental contingencies, as of September 30, 2018, JEA had accrued liabilities of approximately \$20,726,000 related to environmental matters, of which approximately \$15,795,000 is associated with the expected cost of remediating the former wood-preserving facility at the Kennedy Generating Station. There are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time. For a further discussion of certain pending litigation relating to environmental matters, see the discussion under the captions "Pollution Remediation Obligations" and "Northside Generating Station

Byproduct” in Note 15 to the financial statements of JEA set forth in APPENDIX A of this Annual Disclosure Report. See also “ELECTRIC UTILITY SYSTEM - ELECTRIC UTILITY FUNCTIONS - Environmental Matters - Other Environmental” herein.

While the final outcome of the proceedings referred to above cannot be predicted with certainty, JEA does not believe that its potential liabilities arising from such proceedings, either individually or in the aggregate, will have a material adverse effect upon its financial position, results of operations or liquidity.

### *Global Climate Change*

Over the past 25 years, environmental concerns of the public, the scientific community and Congress have resulted in legislation that has had, and is expected to continue to have, a significant impact on the electric utility industry. Based on the increasing intensity of national and international attention to climate change, federal and state legislative and/or regulatory actions/discussions have been ongoing in this area.

Specific regulations with significant impact to JEA are described below.

In 1990, legislation was enacted (the “1990 Amendments”) that substantially revised the Federal Clean Air Act (the “Clean Air Act”). A main feature of the 1990 Amendments is the reduction of sulfur dioxide (“SO<sub>2</sub>”) and nitrogen oxide (“NO<sub>x</sub>”) emissions caused by electric utility power plants, particularly those fueled by oil and coal. The SO<sub>2</sub> reduction was to be achieved in two phases. Phase I addressed specific high sulfur emitting generating units named in the 1990 Amendments and was effective on January 1, 1995.

In Phase II, which became effective on January 1, 2000, total U.S. SO<sub>2</sub> emissions are capped at 8,900,000 tons per year. The 1990 Amendments contained provisions for allocating emission allowances to power plants based on historical or calculated levels. An allowance is defined as the authorization to emit one ton of SO<sub>2</sub>. An “Affected Unit” is defined as a unit that is subject to emission reduction requirements or limitations under the United States Environmental Protection Agency (“EPA”) Acid Rain Program.

In 2009, the EPA issued final rules that require mandatory reporting of greenhouse gases (“GHG”) emissions from all sectors of the economy. The rules require reporting by fossil fuel suppliers and industrial gas suppliers, direct GHG emitters and manufacturers of heavy-duty and off-road vehicles and engines. Electric generating units (“EGUs”) subject to the Clean Air Act’s Acid Rain Program would continue to measure CO<sub>2</sub> emissions as presently performed and report based on those measurements. Annual reports are due by March 31 each year.

Under the structure of the Clean Air Act, permits are required for all sectors of the economy that have activities that meet the definition of a “major source” of GHG emissions under the Clean Air Act. Covered entities will immediately be subject to Prevention of Significant Deterioration (“PSD”) and Title V permitting regimes, including requirements that construction of new sources or modifications to existing sources that will significantly increase GHG emissions install Best Available Control Technology (“BACT”) to limit those emissions.

EPA final PSD and Title V Greenhouse Gas Tailoring Rule (the “Tailoring Rule”), which provided a three-stage phase-in of Clean Air Act PSD and Title V operating permit requirements for GHGs from stationary sources, became applicable to GHG emissions on January 2, 2011.

Under the first phase, PSD and Title V requirements only apply to GHGs at sources that are already subject to these programs as a result of their non-GHG emissions. In the second and third phases, PSD and Title V requirements can apply to sources on the basis of GHG emissions alone, even if non-GHG emissions are not high enough to trigger current PSD and Title V requirements. The second and third phase of the Tailoring Rule and any related assessments were rendered irrelevant by a U.S. Supreme Court ruling in 2014.

EPA's Tailoring Rule was initially upheld by the U.S. Court of Appeals for the District of Columbia Circuit, but, on June 23, 2014, the U.S. Supreme Court reversed in part and affirmed in part. The Supreme Court held that the Clean Air Act neither compels nor permits EPA to require compliance with PSD or Title V requirements solely on the basis of GHG emissions but that EPA reasonably interpreted the Act to require a source that must obtain a PSD permit based on its emission of non-GHG emissions to also comply with BACT requirements for GHGs. On remand from the Supreme Court, the U.S. Court of Appeals for the District of Columbia Circuit issued an amended judgment on April 10, 2015 that held that the Tailoring Rule was vacated to the extent it required sources to obtain PSD or Title V permits solely on the basis of GHG emissions and directed EPA to take steps to rescind or revise applicable regulations to reflect the Court's judgment. EPA has issued guidance indicating that it will no longer seek to apply the second or third phase of the Tailoring Rule but will continue to implement the first phase and will undertake additional future rulemaking. In early October 2016, EPA proposed revisions in response to the June 2014 U.S. Supreme Court's decision that invalidated GHG-only PSD permitting under EPA's Tailoring Rule. The proposal revised a variety of provisions to comply with the Court's ruling, and established a significant emissions rate threshold for GHGs of 75,000 tons per year CO<sub>2</sub>, which would determine whether a source that triggers PSD for conventional pollutants is required to conduct a BACT analysis for GHGs. EPA accepted comments on the revisions until December 16, 2016. Consistent with the ruling, the EPA is no longer requiring PSD permitting based on GHG emissions. JEA cannot determine the impact of this rule or any future related regulatory actions on its facilities at this time.

On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO<sub>2</sub>) fossil fuel-fired electric generating units (EGUs):

- The Final Clean Power Plan (CPP), applicable to existing fossil fuel-fired electric EGUs.
- The Final Carbon Pollution Standards Rule (CPS), applicable to new, modified and reconstructed fossil fuel-fired EGUs.
- The Proposed Federal Plan applicable to states that fail to submit an approvable plan that achieves CPP goals.

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

On October 16, 2017, EPA issued an Advanced Notice of Proposed Rulemaking to repeal the CPP in its entirety due to the Administration's different interpretation of the authority for CO<sub>2</sub> regulation under the Clean Air Act. On August 31, 2018, EPA issued a proposed rule to replace the CPP, which is entitled the Affordable Clean Energy ("ACE") rule. The proposed ACE rule requires states to set CO<sub>2</sub> performance standards for each individual affected generating unit based on heat rate improvements that can be made at each specific unit. In addition, the ACE proposal would adopt reforms to the New Source Review ("NSR") program that are designed to remove the current regulatory barriers to implementing efficiency measures as well as other reliability, maintenance and safety projects at existing power plants. The compliance requirements of the proposed ACE rule are significantly less stringent than those of the CPP. JEA anticipates the ability to comply with ACE without significant new investment. EPA accepted written comments on the proposed ACE rule until October 31, 2018. EPA plans to issue a final ACE rule in Spring 2019. The D.C. Circuit court continues to hold the CPP litigation in abeyance while EPA moves forward to repeal and replace the CPP. The CPP becomes repealed essentially when the ACE becomes "final".

On December 6, 2018, EPA issued a proposed rule to replace the CPS by revising the new source performance standards ("NSPS") for CO<sub>2</sub> emissions from new, reconstructed, and modified power plants. The proposed rule revises the CO<sub>2</sub> performance standards for new coal-fired power plants, replacing the current

standard based on carbon capture and storage with a more achievable standard based on high-efficiency generating technologies in combination with best operating practices. EPA's current plan is to finalize the rule by June of 2019. Similar to the ACE, the proposed NSPS for CO<sub>2</sub> emissions is significantly less stringent than the CPS. Correspondingly, JEA anticipates the ability to comply with the proposed NSPS for CO<sub>2</sub> emissions without significant incremental investment should it ever decide to construct a new EGU or modify an existing one.

### *National Ambient Air Quality Standards*

National Ambient Air Quality Standard ("NAAQS") are established to protect human health or public welfare. The EPA is required to review the NAAQS every five years and make such revisions in such criteria and standards and promulgate such new standards as may be appropriate in accordance with provisions of the Clean Air Act. If the EPA determines that a state's air quality is not in compliance with a NAAQS, that state is required to establish plans to reduce emissions to demonstrate attainment with that NAAQS.

Specific NAAQS that have recently been revised or are currently proposed for revision are as follows:

*Ozone NAAQS.* On October 1, 2015, the EPA revised its NAAQS for ground-level ozone to 70 parts per billion ("ppb"), which is more stringent than the 75 ppb standard set in 2008. The Clean Air Act mandates that EPA publish initial area designations within two years of the promulgation of a new standard (i.e., by October 2017), but allows for a one-year extension if the Administrator determines he "has insufficient information to promulgate the designations." On November 16, 2017, EPA published a final rule establishing initial area designations for the 2015 NAAQS for ozone EPA, designating 2,646 counties (including all counties in Florida) as "attainment/unclassifiable." EPA is designating areas as "attainment/unclassifiable" where one or more monitors in the county are attaining the 2015 ozone NAAQS, or where EPA does not have reason to believe the county is violating the 2015 ozone NAAQS or contributing to a violation of the 2015 ozone NAAQS in another county. States with nonattainment areas will have up to three years following designation to submit a revised state implementation plan ("SIP") outlining strategy and emission control measures to achieve compliance. In November, 2017, Duval County was deemed unclassifiable pending acceptable monitoring results expected at the end of 2018. Duval County is projected to be in attainment of the revised standard. In the event that Duval County was to become a non-attainment area, JEA's power plants (e.g., Northside and Brandy Branch) could be required to comply with additional emission control requirements (e.g., increased usage of ammonia in their Selective catalytic reduction/Selective non-catalytic reduction ("SCR/SNCR")) for nitrogen oxides and volatile organic compounds which are precursors to ozone formation. The nature and consequences of a non-attainment designation cannot be predicted at this time.

*Particulate Matter NAAQS.* The EPA finalized the NAAQS Fine Particulate Matter ("PM<sub>2.5</sub>") standards in September 2006. Since then, the EPA established a more stringent 24-hour average PM<sub>2.5</sub> standard and kept the annual average PM<sub>2.5</sub> standard and the 24-hour coarse particulate matter standard unchanged. The EPA issued a final PM<sub>2.5</sub> rule on December 14, 2012, that reduced the annual PM<sub>2.5</sub> standard from 15 µg/m<sup>3</sup> to 12 µg/m<sup>3</sup>. The rule left the 24-hour PM<sub>2.5</sub> standard of 35 µg/m<sup>3</sup> unchanged. The change in the PM<sub>2.5</sub> has not resulted in non-attainment designation for Duval County and has not had a material adverse effect on the operations of JEA's generating facilities.

*SO<sub>2</sub> and NO<sub>2</sub> NAAQS.* During 2010, the EPA finalized new one-hour NAAQS for both SO<sub>2</sub> and nitrogen dioxide ("NO<sub>2</sub>"). In 2013, the EPA published in the Federal Register its proposed nonattainment designations based on monitoring data for the 2010 one hour primary SO<sub>2</sub> NAAQS. Parts of two Florida counties, including Nassau County, which is adjacent to JEA's service territory, were initially designated as being nonattainment areas. Duval County was not designated at this time. On August 10, 2015, EPA issued a final rule directing states to provide data to characterize current air

quality in areas with large sources of sulfur dioxide SO<sub>2</sub> emissions to identify maximum one-hour SO<sub>2</sub> concentrations in ambient air. The air quality data developed by the states in accordance with the final rule will be used by EPA in future rounds of area designations for the 2010 one-hour SO<sub>2</sub> NAAQS. A March 2015 court order requires EPA to complete designations of all areas by the end of 2020. The FDEP conducted dispersion modeling studies of several large SO<sub>2</sub>-emitting sources in the State of Florida (including JEA's NGS and SJRPP boilers), and found that the one-hour SO<sub>2</sub> NAAQS is being met in Duval County using either allowable emission rates or actual emission rates (for the past three years). EPA completed its review and issued a final rule on February 25, 2019 to maintain the one-hour standard at 75 ppb.

*State Implementation Plans.* The Clean Air Act requires states to develop a general plan to attain and maintain the NAAQS in all areas of the country and a specific plan to attain the standards for each area designated nonattainment for a NAAQS. These plans, known as State Implementation Plans or SIPs, are developed by state and local air quality management agencies and submitted to EPA for approval.

On June 12, 2015, EPA published a final rule concerning how provisions in EPA-approved SIPs treat excess emissions during periods of startup, shutdown or malfunction ("SSM").

The final rule updates EPA's SSM Policy as it applies to SIP provisions and clarifies, restates, and revises EPA's guidance concerning its interpretation of the Clean Air Act requirements with respect to treatment in SIPs of excess emissions that occur during periods of SSM. The EPA issued a "SIP call" for Florida and 35 other states requiring them to submit corrective SIP revisions by November 22, 2016. Florida submitted its SSM SIP revision on November 22, 2016. It is expected that most of existing SSM permit conditions for JEA's sources will not be affected, but a few permit modifications could be required with additional work practice standards during SSM events.

## ***MATS***

On February 16, 2012, the EPA issued a final rule intended to reduce emissions of toxic air pollutants from power plants. The Mercury and Air Toxics Standards ("MATS") Rule is intended to regulate four categories of hazardous air pollutants ("HAPs") emitted by coal- or oil-fired EGUs with a capacity of 25 MW or greater, namely mercury, HAP metals, acid gases and organic HAP.

Affected sources had until April 2015 to be in compliance, subject to a one-year extension. In June 2015, the U.S. Supreme Court determined that EPA's rule did not properly consider costs in developing MATS and directed EPA to address costs. On December 1, 2015, the EPA published a proposed supplemental finding and request for comment regarding the costs of the MATS rule, in response to the Supreme Court's decision. On December 15, 2015, the D.C. Circuit remanded MATS back to the EPA without vacatur, leaving MATS in effect and giving the EPA to opportunity to properly complete "supplemental findings" associated with the MATS rulemaking. In April, 2016, EPA's supplemental findings determined that it is still "appropriate and necessary" to regulate hazardous air pollutants ("HAPs") from coal-fired power plants.

Reports indicate that EPA will issue a proposed rule that may obviate the appropriate and necessary finding (obviating the need for the MATS rule) as well as the residual risk and technology review that EPA must complete in order to determine whether a tightening of the current MATS emission limits is necessary. The proposed rule package was sent to the U.S. Office of Management and Budget in October 2018 for interagency review. EPA published its MATS proposal on February 7, 2019 in the *Federal Register*. The proposal states that regulation of HAPS is not appropriate or necessary after reconsidering costs but that coal- and oil-fired EGUs would not be delisted from regulation under Section 112 of the Clean Air Act, and the 2012 MATS rule would remain in place. The comment period ended on April 17, 2019. EPA is in the process of reviewing the submitted comments and it is expected that EPA will issue a final rule at some time in the future.

Because of the controls already installed at JEA's EGUs, JEA did not need to install any new or additional control equipment in order to comply with the MATS rule, as dependent on fuel type. JEA does not anticipate a need for any new costs in order to comply with MATS regardless of whether it stays in place or if it is determined to not be appropriate and necessary.

### ***CCRs***

In April 2015, EPA finalized its rule to regulate the disposal and management of coal combustion residuals ("CCRs"), meaning fly ash, bottom ash, boiler slag and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015, and established technical requirements for surface impoundments and landfills. The rule requires protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by EPA, was to be enforced only by citizen-initiated lawsuits, rather than by EPA. However, on December 16, 2016, the President signed the Water Infrastructure Improvements for the Nation Act (the "WIIN Act"), which contains coal ash provisions that enable states to implement and enforce the requirements of the final CCR rule. The WIIN Act provides for the establishment of state and EPA permit programs for coal combustion residuals (coal ash), flexibility for states to incorporate the EPA final rule for coal combustion residuals or develop other criteria that are at least as protective as the final rule and requires EPA to approve state permit programs within 180 days of a state submitting a program for approval.

The rule applies to CCR management practices at the Power Park and Plant Scherer. The rule does not apply to management of CCRs at Northside Generating Station as long as it continues to burn a fuel mix with less than 50 percent coal. The currently operating cell within Area B of SJRPP must be closed in accordance with performance standards specified in the CCR rule but does not have to be retrofitted with a bottom liner. During closure, the top of the cell must be covered with an impermeable liner. The facility must continue to comply with the operating and monitoring requirements of the rule even after the plant decommissioning is completed, in accordance with the post-closure plan and corrective action plans that are developed for groundwater. The Power Park's two closed byproduct storage areas (Areas I and II) are not affected by this rule. The Power Park has no regulated surface impoundments. Existing surface impoundments, like that at Plant Scherer, are required to meet increased and more restrictive technical and operating criteria or to close. GPC has decided to close the surface impoundment at Plant Scherer instead of pursuing a retrofit, and it will no longer be in operation after 2019.

EPA left in place an amendment to the Federal Resource Conservation and Recovery Act known as the Bevill exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of being placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard and other contained or encapsulated applications.

### ***Cross-State Air Pollution Rule and Clean Air Interstate Rule***

On July 6, 2011 EPA finalized the Cross-State Air Pollution Rule ("CSAPR") to regulate interstate impacts of SO<sub>2</sub> and NO<sub>x</sub>. The final rule replaced the EPA's 2005 Clean Air Interstate Rule ("CAIR"). On April 29, 2014, the U.S. Supreme Court reversed a D.C. Circuit decision and upheld the CSAPR rule. CSAPR requires a total of 28 states, plus the District of Columbia, to reduce annual SO<sub>2</sub> emissions, annual NO<sub>x</sub> emissions and/or ozone season NO<sub>x</sub> emissions to assist in attaining the 1997 ozone and fine particle and 2006 fine particle NAAQS. CSAPR became effective on January 1, 2015 for SO<sub>2</sub> and annual NO<sub>x</sub>, and May 1, 2015 with respect to seasonal NO<sub>x</sub> requirements. The State of Florida currently is subject only to seasonal NO<sub>x</sub> requirements (May 1 through September 30) under CSAPR rule.

On December 3, 2015, EPA proposed an updated rule (known as the "transport rule"), which incorporated the 2008 ozone standard into EPA's cross-state air pollution analysis. The proposal indicates that Florida's emissions do not cause non-compliance with the 2008 ozone standard in any downwind states. The

rule was finalized on September 7, 2016, and Florida is no longer subject to CSAPR and has been removed from CSAPR beginning in 2017. Additional modeling will also be conducted with respect to the 2015 ozone standard, and Florida could again be linked to one or more downwind states, resulting in being subject to the CSAPR ozone season program again.

JEA's power plants will be able to comply with any additional NOx emission reduction requirements through increased usage of ammonia in their SCR/SNCR during the ozone season under CSAPR. JEA also has the option of purchasing NOx allowance credits in the market.

See also "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - St. Johns River Power Park - *Fuel Supply and Transportation*" herein.

### ***Regional Haze***

The EPA issued final regulations for a Regional Haze Program in June 1999. The purpose of the regulations is to improve visibility in the form of reducing regional haze in 156 national parks and wilderness areas ("Class I areas") across the country. Haze is formed, in part, from emissions of SO<sub>2</sub> and NOx. Because these pollutants can be transported over long distances, all 50 states, including those that do not have Class I areas, are required to participate in planning, analysis, and in many cases, emission control programs under the regional haze rule. Northside Unit 3 is subject to Best Available Retrofit Technology requirements under the EPA Regional Haze rules. Northside Unit 3 applied for and received an exemption under the Regional Haze Rule due to this unit's having minimal impacts on visibility in the Class I areas from particulate emissions as demonstrated by ambient air modeling.

### ***Water***

On May 14, 2014, EPA promulgated a draft rule to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. Under the rule, existing facilities that withdraw very large amounts of water are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems. The final rule was published in the Federal Register on August 15, 2014 and became effective October 14, 2014.

The new standards in the final rule do not affect any of its facilities other than Northside. Northside is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries or oceans to cool their plants. It is possible that new standards may prospectively require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available ("BTA"), to improvements to the existing screening facilities to the installation of other cooling technologies. A full two-year study is required to evaluate site specific conditions and form a basis for assessing BTA. JEA initiated these studies in 2018. Accordingly, costs have not been determined for Northside and are not currently included in JEA's capital program for the Electric System.

### ***Effluent Limitation Guidelines***

EPA issued the final Steam Electric Effluent Limitations Guidelines ("ELG") on September 30, 2015, and they became final on January 4, 2016. Under the final rule, new requirements for existing power plants would be phased in between 2018 and 2023. Requirements under the rule are waste-stream specific within a generating facility. JEA has evaluated compliance strategies that are being planned for NGS since SJRPP began the decommissioning process in January 2018. The investments to ensure compliance are not material.

Options for compliance at Plant Scherer are being developed by all co-owners and will be phased in from 2017 to 2023.

### ***Other Environmental***

On May 27, 2015, EPA and the U.S. Army Corps of Engineers (“USACE”) released the prepublication version of the final “Clean Water Rule: Definition of ‘Waters of the United States,’” (“WOTUS”) redefining the extent of Clean Water Act jurisdiction and which was published in the Federal Register on July 29, 2015. This rule contains many specific exemptions for connecting surface water features that are portions of the City’s existing stormwater management system permitted under the National Pollutant Discharge Elimination System (“NPDES”) Municipal Separate Stormwater Sewer System (“MS4”) permits. Also, this rule specifically exempts JEA’s permitted NPDES wastewater treatment ponds and potentially exempts identified NPDES Stormwater ponds from being considered as waters of the U.S., although discharges from such ponds would continue to be regulated.

The rule was stayed nationwide on October 9, 2015 and is the subject of ongoing legal challenges. On February 2, 2018, EPA and the USACE finalized a proposed rule that would postpone the effective date of the 2015 WOTUS rule for a period of two years. During the two-year period, the agencies were directed to proceed with a repeal and replace rulemaking process and eventually promulgate a new WOTUS definition and rule. On December 11, 2018, EPA and the USACE issued a proposed rule that would be consistent with the opinion of Justice Antonin Scalia as directed by President Trump in his February 28, 2017, Executive Order. JEA and other affected parties have begun to evaluate the proposed rule in regards to potential additional wetland mitigation requirements for future infrastructure projects.

JEA’s electric utility operations are subject to continuing environmental regulation. Federal, state, regional and local standards and procedures which regulate the environmental impact of JEA’s system are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the units in operation, under construction or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in increased costs of operating units, reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

JEA cannot predict at this time whether any additional legislation or rules will be enacted which will affect JEA’s operations, and if such laws or rules are enacted, what the costs to JEA might be in the future because of such action.

## **Factors Affecting the Electric Utility Industry**

### ***General***

The electric utility industry has been, and in the future may be, affected by a number of factors which could have an impact on the financial condition of an electric utility such as the Electric System. These factors likely would affect individual utilities in different ways. Such factors include, among others: (i) effects of compliance with changing environmental, licensing and regulatory requirements, (ii) regulatory changes and changes that might result from a national energy policy, (iii) uncertain access to low cost capital for replacement of aging fixed assets, (iv) increases in operating costs, (v) effects of competition from other suppliers of electricity and (vi) issues relating to the reliability of electric transmission systems and grids. In addition, municipal electric utilities may face competition from companies in other industries looking to diversify into the energy sector. Examples of developing competitive areas include retail sale of electricity, distributed battery and electric storage resources, renewable distributed generation, customer installation of fuel cells, third-party electric vehicle charging, home or business automation that enables greater customer

participation in energy markets, and third-party provision of energy management software and solutions. These factors, and others, are discussed in more detail below in relation to how they affect JEA.

The future financial condition of the Electric System could be adversely affected by, among other things, legislation, environmental and other regulatory actions promulgated by applicable federal, state and local governmental agencies. Future changes to new and existing regulations may substantially increase the cost of electric service by requiring changes in the design or operation of existing or new facilities. JEA cannot predict future policies such agencies may adopt.

### ***Future Legislation***

From time to time, additional federal or state legislation or regulations affecting the electric utility industry may be enacted. Such legislation can radically change the regulatory context in which JEA operates and can require increased capital or operating expenditures, or reduced operations, at existing and/or new generating facilities. Any such legislative changes are inherently impossible to predict with any certainty, particularly in the way they might apply to specific organizations or facilities, such as JEA. JEA, through its consultants and participation in state and national advocacy groups, maintains awareness of legislative issues that may impact operations, participating in advocacy roles as warranted.

Compliance with any future GHG emission reduction requirements could require JEA, at significant cost, to purchase allowances or offsets, change the type of boiler fuel JEA uses, retire high-emitting generation facilities and replace them with lower-emitting generation facilities, or implement carbon capture and sequestration technology. The estimation of costs of compliance with GHG legislation or with EPA rules is subject to significant uncertainties because it is based on several interrelated assumptions and variables, including timing of the implementation of rules, required levels of reductions, allocation requirements, the maturation and commercialization of carbon capture and sequestration technology and associated regulations, and JEA's selected compliance alternatives.

Any new state or federal legislation or changes to existing legislation or regulations could affect JEA's operations. JEA cannot predict whether any additional legislation or regulations will be enacted which will affect JEA's operations and if such laws are enacted, what the costs to JEA might be in the future.

## ***FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS***

### **Debt Relating to Electric Utility Functions**

#### ***Electric System Bonds***

As of September 30, 2018, \$1,089,315 in aggregate principal amount of bonds issued pursuant to the Electric System Resolution (the "Electric System Bonds") was outstanding. As of the date of this Annual Disclosure Report, there is \$1,017,685,000 in aggregate principal amount of Electric System Bonds outstanding under the Electric System Resolution, consisting of (a) \$458,530,000 in aggregate principal amount of variable rate Electric System Bonds and (b) \$559,155,000 in aggregate principal amount of fixed rate Electric System Bonds.

Electric System Bonds may be issued to finance any lawful purpose of JEA relating to the Electric System (other than for the purpose of financing the generating facilities of the Electric System). See "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION - Issuance of Additional Electric System Bonds" in APPENDIX B attached hereto.

From time to time, JEA requests Council approval of the issuance of Electric System Bonds and Subordinated Electric System Bonds. Pursuant to previous Council approvals, JEA currently is authorized to issue additional Electric System Bonds and/or Subordinated Electric System Bonds for the purpose of financing the costs of additions, extensions and improvements to the Electric System in such principal amount as shall provide JEA with “net proceeds” (defined as principal amount, less original issue discount, less underwriters’ discount, less costs of issuance) of approximately \$465,160,992. JEA expects that such current authorization will be adequate to enable JEA to maintain its Electric System capital improvement program as projected through the Fiscal Year ending September 30, 2023. See “ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Electric System - *Capital Program*” herein.

JEA also has received approvals from the Council for the issuance of Electric System Bonds and/or Subordinated Electric System Bonds for the purpose of refunding outstanding Electric System Bonds and Subordinated Electric System Bonds. JEA may issue additional Electric System Bonds or Subordinated Electric System Bonds to refund outstanding Electric System Bonds and/or Subordinated Electric System Bonds from time to time as it deems economical or advantageous.

In the future, JEA will continue to seek authorization as needed from the Council to issue additional Electric System Bonds and/or Subordinated Electric System Bonds in order to enable it to finance its Electric System capital program.

A summary of certain provisions of the Electric System Resolution, including a description of the proposed amendments thereto described below, is attached to this Annual Disclosure Report as APPENDIX B.

Liquidity support in connection with tenders for purchase of JEA’s Variable Rate Electric System Revenue Bonds, Series Three 2008A, Series Three 2008B-2, Series Three 2008B-3, Series Three 2008C-1, Series Three 2008C-2 and Series Three 2008C-3 (collectively, the “Senior Liquidity Supported Electric System Bonds”) currently is provided by certain banks pursuant to standby bond purchase agreements between JEA and each such bank. Any Senior Liquidity Supported Electric Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement between JEA and such bank and is not remarketed is required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the date so purchased. In addition, any Senior Liquidity Supported Electric Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement may be tendered or deemed tendered to JEA for payment upon the occurrence of certain “events of default” on the part of JEA under such standby bond purchase agreement. Upon any such tender or deemed tender for purchase, the Senior Liquidity Supported Electric Bond so tendered or deemed tendered will be due and payable immediately. For a discussion of certain “ratings triggers” contained in such standby bond purchase agreements giving rise to such an event of default, see “OTHER FINANCIAL INFORMATION - Effect of JEA Credit Rating Changes” herein. As of the date of this Annual Disclosure Report, no Senior Liquidity Supported Electric Bonds are held by the banks providing such standby bond purchase agreements. The standby bond purchase agreements are subject to periodic renewal at the discretion of the respective bank. The current expiration dates for the standby bond purchase agreements range from May 8, 2020 to August 22, 2022.

On July 27, 2010, the bank previously providing liquidity support for JEA Variable Rate Electric System Revenue Bonds, Series Three 2008B-1 and Series Three 2008D-1 and on October 22, 2012, the bank previously providing credit and liquidity support for JEA’s Variable Rate Electric System Revenue Bonds, Series Three 2008B-4 (such Series Three 2008B-1, 2008D-1 and 2008B-4 Bonds are referred to herein collectively as the “Bank Purchased Bonds”) purchased the applicable Bank Purchased Bonds pursuant to three substantially similar direct purchase agreements. The Bank Purchased Bonds are, as of the date of this Annual Disclosure Report, outstanding in the principal amounts of \$59,620,000, \$106,275,000 and \$49,010,000, respectively. Upon such purchases, the letter of credit and standby bond purchase agreement previously in effect for the respective Bank Purchased Bonds terminated. Except as described below, the bank does not have the option to tender the respective Bank Purchased Bonds for purchase for a period specified in the respective

direct purchase agreements, which period would be subject to renewal under certain conditions. The three direct purchase agreements were amended effective September 17, 2015, and December 11, 2018 and the current expiration date of each is December 10, 2021. At the end of the period specified, which period is subject to extension under certain conditions, the Bank Purchased Bonds are subject to mandatory tender for purchase. Any Bank Purchased Bond that is not remarketed and purchased from such bank on the mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such mandatory tender date. Such bank has no option to tender the Bank Purchased Bonds for payment by JEA during the holding period except upon the occurrence of certain “events of default” on the part of JEA under the respective direct purchase agreements and the occurrence of certain other conditions. Upon any such tender for payment, the Bank Purchased Bond so tendered would be due and payable immediately.

### ***Proposed Amendments to the Electric System Resolution***

In May 1998, JEA adopted a resolution (as amended, the “May 1998 Amending Resolution”) for the purpose of making certain material amendments to the Electric System Resolution. In addition to certain amendments to the Electric System Resolution that heretofore have become effective, the May 1998 Amending Resolution provides for the amendment of certain provisions of the Electric System Resolution relating to the priority of payments from the Electric System with respect to the Power Park (the “Power Park Amendment”), in a manner requiring (i) the consent of FPL, (ii) the consent of the holders of 60 percent or more in principal amount of the Power Park Issue Two Bonds outstanding and (iii) the consent of the holders of a majority in principal amount of the Power Park Issue Three Bonds outstanding. As of the date of this Annual Disclosure Report, JEA has not solicited any consents to the Power Park Amendment and has no intention of soliciting any such consents in the future.

If the Power Park Amendment ever were to become effective, it would amend the provisions of the Electric System Resolution relating to the priority of payments with respect to the Power Park to provide that payments with respect to (i) debt service on obligations issued by JEA with respect to the Power Park (including the Power Park Issue Two Bonds and the Power Park Issue Three Bonds) and any additional amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or similar fund with respect to the Power Park will no longer constitute a portion of the Cost of Operation and Maintenance (as defined in the Electric System Resolution), but will be payable on a parity with Subordinated Bonds (as defined in the Electric System Resolution) that may be issued in accordance with the provisions of the Electric System Resolution, including the Subordinated Electric System Bonds.

The amendments to the Electric System Resolution contained in the May 1998 Amending Resolution also would have amended the provisions of the Electric System Resolution relating to the priority of payments with respect to the Scherer 4 Project (and any other project that may be financed under the Restated and Amended Bulk Power Supply System Resolution) in a manner similar to that described above with respect to the Power Park, but the amendments relating to the Scherer 4 Project (and any other project that may be financed under the Restated and Amended Bulk Power Supply System Resolution) were rescinded by JEA in conjunction with the adoption of the Restated and Amended Bulk Power Supply System Resolution.

### ***Subordinated Electric System Bonds***

On August 16, 1988, JEA adopted a resolution (as amended, restated and supplemented, the “Subordinated Electric System Resolution”) authorizing the issuance of obligations of JEA (the “Subordinated Electric System Bonds”) that are junior and subordinate in all respects to the Electric System Bonds as to lien on, and source and security for payment from, the revenues of the Electric System. As of September 30, 2018, \$960,005,000 in aggregate principal amount of Subordinated Electric System Bonds was outstanding. As of the date of this Annual Disclosure Report, there is \$806,565,000 in aggregate principal amount of Subordinated Electric System Bonds outstanding under the Subordinated Electric System Resolution, consisting of

(a) \$132,420,000 in aggregate principal amount of variable rate Subordinated Electric System Bonds and (b) \$674,145,000 in aggregate principal amount of fixed rate Subordinated Electric System Bonds.

The Subordinated Electric System Bonds may be issued for the purpose of financing the cost of acquisition and construction of additions, extensions and improvements to the Electric System, or any other lawful purpose of JEA relating to the Electric System, or to refund any of the Electric System Bonds or the Subordinated Electric System Bonds.

Pursuant to the Subordinated Electric System Resolution and the laws of the State of Florida, and in accordance with the Electric System Resolution, the amount of Subordinated Electric System Bonds that may be issued by JEA is not limited and is subject only to approval by the Council and satisfaction of the conditions set forth in the Subordinated Electric System Resolution. For a discussion of the Council authorization currently in effect for the issuance of Electric System Bonds and/or Subordinated Electric System Bonds, see subsection “*Electric System Bonds*” above in this section.

A summary of certain provisions of the Subordinated Electric System Resolution, including a description of the proposed amendments thereto described below, is attached to this Annual Disclosure Report as APPENDIX C. See “SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATED ELECTRIC SYSTEM RESOLUTION - Additional Subordinated Bonds; Conditions to Issuance” in APPENDIX C attached hereto.

Liquidity support in connection with tenders for purchase of the Variable Rate Electric System Subordinated Revenue Bonds, 2000 Series A, 2000 Series F-1, 2000 Series F-2 and 2008 Series D (collectively, the “Subordinated Liquidity Supported Electric System Bonds”) currently is provided by certain banks pursuant to standby bond purchase agreements between JEA and each such bank. Any Subordinated Liquidity Supported Electric Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement between JEA and such bank and is not remarketed is required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the date so purchased. In addition, any Subordinated Liquidity Supported Electric Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement will constitute an “Option Subordinated Bond” within the meaning of the Subordinated Electric System Resolution and, as such, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain “events of default” on the part of JEA under such standby bond purchase agreement. Upon any such tender or deemed tender for purchase, the Subordinated Liquidity Supported Electric Bond so tendered or deemed tendered will be due and payable immediately. For a discussion of certain “ratings triggers” contained in such standby bond purchase agreements giving rise to such an event of default, see “OTHER FINANCIAL INFORMATION - Effect of JEA Credit Rating Changes” herein. As of the date of this Annual Disclosure Report, no Subordinated Liquidity Supported Electric Bonds are held by the banks providing such standby bond purchase agreements. Such standby bond purchase agreements are subject to periodic renewal. The current expiration dates of the standby bond purchase agreements range from October 2, 2020 to August 20, 2021.

### ***Power Park Issue Two Bonds***

As of September 30, 2018, no aggregate principal amount of bonds (the “Power Park Issue Two Bonds”) issued pursuant to a resolution adopted by JEA on March 30, 1982 entitled “St. Johns River Power Park System Revenue Bond Resolution” (as amended and supplemented, the “First Power Park Resolution”) were outstanding.

All outstanding Power Park Issue Two Bonds were defeased on January 5, 2018 in connection with the cessation of commercial operations of the Power Park. See “ELECTRIC UTILITY SYSTEM – *ELECTRIC UTILITY FUNCTIONS* – St. John’s River Power Park – *Early Termination of Power Park Joint Ownership*

*Agreement*” for additional information. The First Power Park Resolution was discharged and satisfied in accordance with its terms on March 21, 2018.

The First Power Park Resolution provided for the issuance of additional bonds (a) to finance the completion of construction of the initial facilities of the Power Park, (b) to finance the Cost of Acquisition and Construction of any Additional Facilities (as such terms are defined in the First Power Park Resolution) of the Power Park and (c) to refund Power Park Issue Two Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE FIRST POWER PARK RESOLUTION - Additional Power Park Bonds” in APPENDIX D attached hereto. JEA will not issue additional bonds under the First Power Park Resolution.

The First Power Park Resolution required that JEA allocate to the Electric System a portion of the output and capacity of its ownership interest in the Power Park and that JEA make payments from the Electric System therefor on a “take-or-pay” basis. Pursuant to the Electric System Resolution, JEA’s obligation to make payments from the Electric System with respect to the Power Park, including its share of debt service on the Power Park Issue Two Bonds, was a Contract Debt payable as a Cost of Operation and Maintenance of the Electric System. Such payments were payable from the revenues of the Electric System prior to any payments from such revenues for indebtedness not constituting Contract Debts issued for the Electric System, including the Electric System Bonds and the Subordinated Electric System Bonds. See the subsection “*Electric System Contract Debts*” below in this section.

Pursuant to the Power Park Joint Ownership Agreement, JEA and FPL entered into the FPL-Power Park Sale, pursuant to which JEA has agreed to sell, and FPL agreed to purchase, on a “take-or-pay” basis, 37.5 percent of JEA’s 80 percent share of the generating capacity of the Power Park and related energy until the Power Park Joint Ownership Agreement expires, which was expected to have been in 2022, subject to the limitation that FPL’s right to receive such capacity and related energy would have been suspended if and when the receipt by FPL of any additional amount of energy from such sale would have resulted in FPL having received energy from such sale in excess of 25 percent of the product of (a) the nameplate capacity of JEA’s 80 percent ownership interest in the Power Park, without any reduction for reserves or other unutilized capacity, and (b) the number of years (including fractions) from the date FPL first took energy pursuant to such sale until the latest maturity date of the bonds issued pursuant to the First Power Park Resolution. FPL’s right to receive such capacity and related energy terminated with the cessation of Power Park commercial operations on January 5, 2018.

Pursuant to the Power Park Joint Ownership Agreement, both JEA and FPL were obligated to make payments for the output, capacity, use and services of JEA’s interest in the Power Park which payments were due on such dates and in such aggregate amounts as shall be sufficient to provide Revenues (as defined in the First Power Park Resolution) in each year sufficient to allow JEA to pay or provide for the payment of all amounts payable out of such Revenues, including debt service on the bonds issued pursuant to the First Power Park Resolution; *provided, however*, that during any suspension of FPL’s right to receive the capacity and related energy being sold to it pursuant to the FPL-Power Park Sale, as described in the preceding paragraph, FPL was obligated only to pay its share of the debt service on the bonds issued pursuant to the First Power Park Resolution and the administrative fees and expenses incurred under the First Power Park Resolution.

A summary of certain provisions of the First Power Park Resolution is attached to this Annual Disclosure Report as APPENDIX D. In addition, a summary of certain provisions of the Power Park Joint Ownership Agreement is attached to this Annual Disclosure Report as APPENDIX G.

### ***Power Park Issue Three Bonds***

On February 20, 2007, the JEA Board adopted a resolution entitled “St. Johns River Power Park System Second Revenue Bond Resolution” (as supplemented, the “Second Power Park Resolution”). Bonds issued under the Second Power Park Resolution are referred to herein as the “Power Park Issue Three Bonds.”

As of September 30, 2018, \$280,605,000 of Power Park Issue Three Bonds was outstanding under the Second Power Park Resolution. As of the date of this Annual Disclosure Report, \$278,885,000 in aggregate principal amount of Power Park Issue Three Bonds is outstanding under the Second Power Park Resolution.

The Second Power Park Resolution provides for the issuance of Power Park Issue Three Bonds in order to pay the costs of JEA's ownership interest in certain additional facilities of the Power Park. See the subsection "*Power Park Issue Two Bonds*" above in this section for a discussion of JEA's interest in the Power Park and certain obligations of FPL by reason of FPL's ownership interest in the Power Park. Pursuant to the Electric System Resolution, JEA's obligation to make debt service payments on the Power Park Issue Three Bonds is a Contract Debt payable as a Cost of Operation and Maintenance of the Electric System regardless of whether the Power Park is operational. Such payments are payable from the revenues of the Electric System prior to any payments from such revenues for indebtedness not constituting Contract Debts issued for the Electric System, including the Electric System Bonds and the Subordinated Electric System Bonds. See the subsection "*Electric System Contract Debts*" below in this section. FPL has no obligation for debt service in respect of the Power Park Issue Three Bonds.

A summary of certain provisions of the Second Power Park Resolution, including a description of the amendments thereto described below, is attached to this Annual Disclosure Report as APPENDIX E.

### ***Bulk Power Supply System Bonds***

JEA financed the acquisition of a portion of its ownership in the Scherer 4 Project through the issuance of its bonds (the "Original Bulk Power Supply System Bonds") issued pursuant to a resolution of JEA adopted on February 5, 1991, as amended and supplemented (the "Original Bulk Power Supply System Resolution"). Pursuant to the Original Bulk Power Supply System Resolution, the Electric System was entitled to the entire capacity of the Scherer 4 Project and was required to pay for such capacity on a "take-or-pay" basis. During its Fiscal Year ended September 30, 1999, JEA caused all the remaining Original Bulk Power Supply System Bonds to be retired in advance of the scheduled due dates from certain available funds of the Electric System accumulated for that purpose. As a result, all of the covenants, agreements and other obligations of JEA under the Original Bulk Power Supply System Resolution were discharged and satisfied. However, JEA continued to make the output of the Scherer 4 Project available to the Electric System, and all costs of operating and maintaining the Scherer 4 Project continued to be paid as a Contract Debt of the Electric System, payable as part of the Electric System's Cost of Operation and Maintenance. See subsection "*Electric System Contract Debts*" below in this section.

On September 18, 2007, the JEA Board adopted a resolution that readopted, amended and restated the Original Bulk Power Supply System Resolution (the Original Bulk Power Supply System Resolution, as so readopted, amended and restated, is referred to herein as the "Restated and Amended Bulk Power Supply System Resolution"). The Restated and Amended Bulk Power Supply System Resolution permits JEA to issue one or more series of bonds thereunder ("Additional Bulk Power Supply System Bonds") for any lawful purpose of JEA related to the Scherer 4 Project (and any other projects that may be financed thereunder). The Restated and Amended Bulk Power Supply System Resolution also permits JEA to issue refunding Additional Bulk Power Supply System Bonds to refund any outstanding Additional Bulk Power Supply System Bonds from time to time as it deems economical or advantageous. As of September 30, 2018, \$100,720,000 in aggregate principal amount of bonds was outstanding under the Restated and Amended Bulk Power Supply System Resolution. As of the date of this Annual Disclosure Report, \$95,010,000 in aggregate principal amount of bonds is outstanding under the Restated and Amended Bulk Power Supply System Resolution. See "OTHER FINANCIAL INFORMATION - Revolving Credit Facilities" herein. JEA intends to issue Additional Bulk Power Supply System Bonds to finance its costs of capital improvements to the Scherer 4 Project. See "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Scherer 4 - *Capital Program*" herein.

A summary of certain provisions of the Restated and Amended Bulk Power Supply System Resolution is attached to this Annual Disclosure Report as APPENDIX F.

### ***Electric System Contract Debts***

Contract Debts, a component of the Electric System's Cost of Operation and Maintenance, is defined by the Electric System Resolution to mean any obligations of JEA under any contract, lease, installment sale agreement, bulk electric purchase power agreement or otherwise to make payments out of the revenues of the Electric System for property, services or commodities whether or not the same are made available, furnished or received, but shall not include (a) payments required to be made in respect of (i) debt service on any obligations incurred by JEA in connection with the financing of any separate bulk power supply utility or system undertaken by JEA and any additional amounts relating to "debt service coverage" with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than the Power Park and the Bulk Power Supply System Projects (as defined in the Electric System Resolution and which includes additional electric generating plants)) and (b) payments required to be made in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale entered into after February 29, 2000 as may be determined by JEA to be payable on a parity with the payment of Subordinated Bonds (as defined in the Electric System Resolution), including the Subordinated Electric System Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION" in APPENDIX B attached hereto. For a discussion of certain proposed amendments to the Electric System Resolution that amend the provisions thereof with respect to the priority of payment of JEA's obligations with respect to the Power Park, see subsection "*Proposed Amendments to the Electric System Resolution*" above in this section and therein the caption "May 1998 Amending Resolution" and "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION - Proposed Amendments to the Electric System Resolution - *May 1998 Amending Resolution*" in APPENDIX B attached hereto.

JEA's obligation to make payments from the Electric System to provide revenues to pay JEA's portion of the Power Park operating and maintenance expenses, debt service on the Power Park Issue Two Bonds and renewal and replacement costs relating to the Power Park and all other costs associated with the Power Park, as well as all debt service on the Power Park Issue Three Bonds, is a Contract Debt payable as a Cost of Operation and Maintenance of the Electric System pursuant to the Electric System Resolution. The Contract Debt payments with respect to the Power Park will be a Cost of Operation and Maintenance of the Electric System whether or not the Power Park is operating or operable and are required to be made in accordance with the terms of the Second Power Park Resolution.

Pursuant to the Restated and Amended Bulk Power Supply System Resolution, JEA is obligated to make the output and capacity of the Scherer 4 Project (and any other projects that may be financed under the Restated and Amended Bulk Power Supply System Resolution) available to the Electric System and is obligated to make payments from the Electric System on a "take-or-pay" basis to provide revenues to pay operating and maintenance expenses of the Scherer 4 Project (and such other projects), debt service on the Additional Bulk Power Supply System Bonds, renewal and replacement costs relating to the Scherer 4 Project (and such other projects) and all other costs relating to the Scherer 4 Project (and such other projects), and such payments constitute a Contract Debt of the Electric System, payable as a Cost of Operation and Maintenance of the Electric System.

See also "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - Electric System - *Purchase Power Contracts*" herein for a description of JEA's obligations pursuant to certain purchase power contracts, which obligations also constitute Contract Debts payable as a Cost of Operation and Maintenance of the Electric System pursuant to the Electric System Resolution.

JEA is authorized under the Electric System Resolution to construct or acquire and own and/or operate other electric generating utilities or systems for the purpose of furnishing and supplying electric energy and to issue debt obligations to finance the costs of any such separate electric generating utilities or systems, which obligations shall be payable on a parity with the payment of Subordinated Bonds (as defined in the Electric System Resolution), including the Subordinated Electric System Bonds. None of the revenues derived by JEA from the operation of the Power Park under the First Power Park Resolution or the Second Power Park Resolution, from the operation of the Scherer 4 Project under the Restated and Amended Bulk Power Supply System Resolution (and any other projects that may be financed thereunder), or from the operation of any other separate bulk power supply utility or system undertaken by JEA shall be deemed under the First Power Park Resolution, the Second Power Park Resolution, the Restated and Amended Bulk Power Supply System Resolution or the Electric System Resolution to be revenues of the Electric System. *For a discussion of certain proposed amendments to the Electric System Resolution that amend the provisions thereof with respect to the priority of payment of JEA's obligations with respect to the Power Park, see subsection "Proposed Amendments to the Electric System Resolution – May 1998 Amending Resolution" above in this section and "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION - Proposed Amendments to the Electric System Resolution – May 1998 Amending Resolution" in APPENDIX B attached hereto.*

### **Schedules of Debt Service Coverage**

The following table shows the Electric System Schedules of Debt Service Coverage for the years ended September 30, 2018 and September 30, 2017, respectively. Such Schedules of Debt Service Coverage were derived from supplemental information included with JEA's 2018 Financial Statements and certain other information available to JEA. Such Schedules of Debt Service Coverage should be read in conjunction with such financial statements and the notes thereto. Set forth in APPENDIX A to this Annual Disclosure Report are Schedules of Debt Service Coverage for JEA's interest in the Power Park and the Bulk Power Supply System for the years ended September 30, 2018 and September 30, 2017.

In accordance with the requirements of the Electric System Resolution, all the Contract Debt payments from the Electric System to the Power Park and the Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of JEA's interest in the Power Park and the Bulk Power Supply System are reflected as a purchased power expense on the Electric System Schedules of Debt Service Coverage. The Electric System Schedules of Debt Service Coverage do not include revenues of the Power Park or the Bulk Power Supply System, except that the purchased power expense described in the preceding sentence is net of interest income on funds maintained under the First Power Park Resolution, the Second Power Park Resolution and the Restated and Amended Bulk Power Supply System Resolution. In addition, the Electric System Schedules of Debt Service Coverage do not include revenues received by JEA pursuant to the FPL-Power Park Sale.

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**JEA Electric System Schedules of Debt Service Coverage  
(In Thousands)**

	<b>Fiscal Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Revenues:		
Electric .....	\$1,229,625	\$1,206,919
Investment income <sup>(1)</sup> .....	9,525	5,939
Earnings from The Energy Authority .....	4,074	6,335
Other, net <sup>(2)</sup> .....	22,216	29,490
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund .....	88,415	79,216
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund .....	(64,901)	(15,991)
Total revenues .....	<u>1,288,954</u>	<u>1,311,908</u>
Operating expenses <sup>(3)</sup> .....		
Fuel .....	328,160	253,204
Purchased power <sup>(4)</sup> .....	244,478	284,436
Other operation and maintenance .....	204,982	199,511
Utility taxes and franchise fees .....	59,551	57,951
Total operating expenses .....	<u>837,171</u>	<u>795,102</u>
Net revenues .....	<u>\$ 451,783</u>	<u>\$ 516,806</u>
Debt service on Electric System Bonds .....	\$ 71,890	\$ 71,557
Less: investment income on sinking fund .....	(1,436)	(1,431)
Less: Build America Bonds subsidy .....	(1,521)	(1,516)
Debt service requirement on Electric System Bonds .....	<u>\$ 68,933</u>	<u>\$ 68,610</u>
Debt service coverage on Electric System Bonds <sup>(5)</sup> .....	<u>6.55x</u>	<u>7.53x</u>
Net revenues (from above) .....	\$ 451,783	\$ 516,806
Debt service requirement on Electric System Bonds (from above) .....	\$ 68,933	\$ 68,610
Plus: aggregate subordinated debt service on Subordinated Electric System Bonds .....	129,469	137,892
Less: Build America Bonds subsidy .....	(2,045)	(2,070)
Debt service requirement on Subordinated Electric System Bonds .....	<u>127,424</u>	<u>135,822</u>
Debt service requirement on Electric System Bonds and Subordinated Electric System Bonds .....	<u>\$ 196,357</u>	<u>\$ 204,432</u>
Debt service coverage on Electric System Bonds and Subordinated Electric System Bonds <sup>(6)</sup> .....	<u>2.30x</u>	<u>2.53x</u>

(1) Excludes investment income on sinking funds.

(2) Excludes the Build America Bonds subsidy.

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

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

(5) Net revenues divided by debt service requirement on Electric System Bonds. Minimum annual coverage 1.20x.

(6) Net revenues divided by debt service requirement on Electric System Bonds and Subordinated Electric System Bonds. Minimum annual coverage is 1.15x.

## Management’s Discussion of Electric System Operations

### *Electric System Schedules of Debt Service Coverage*

**Revenues.** Total revenues decreased \$23.0 million, or 1.8 percent, for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017, primarily related to an increase in amounts paid from the revenue fund into the rate stabilization fund offset, in part, by higher electric revenues.

Total MWh sales increased 1.6 percent for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017, to 12,399,769 MWh from 12,200,770 MWh, primarily related to territorial sales increasing 2.6 percent to 12,364,340 MWh for the Fiscal Year ended September 30, 2018 from 12,050,135 MWh for the Fiscal Year ended September 30, 2017.

**Operating Expenses.** Total operating expenses increased \$42.0 million, or 5.3 percent, for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017. Total fuel and purchased power expenses increased \$35.0 million, or 6.5 percent, for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017, primarily related to a 29.6 percent increase in fuel expense offset, in part, by a 14.0 percent decrease in purchased power expense. As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. Total MWh power generated and purchased increased 1.6 percent for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017, to 12,874,102 MWh from 12,667,351 MWh, with an increase of 25.6 percent for MWh generated and a decrease of 28.2 percent for MWh purchased. The cost per MWh of power generated increased 5.8 percent while cost per MWh of purchased power increased 19.0 percent.

**Net Revenues.** Net revenues available for debt service decreased \$65.0 million, or 12.6 percent, to \$451.8 million for the Fiscal Year ended September 30, 2018 from \$516.8 million for the Fiscal Year ended September 30, 2017. Total revenues decreased \$23.0 million, or 1.8 percent, and total operating expenses increased \$42.0 million, or 5.3 percent, for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017, as stated above. The decrease in net revenues available for debt service is primarily related to the increase in the amounts paid from the revenue fund into the rate stabilization fund and the increase in fuel and purchased power expenses offset, in part, by higher electric revenues.

**Debt Service on Electric System Bonds.** The debt service requirement on Electric System Bonds increased 0.5 percent for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017.

During the Fiscal Year ended September 30, 2018, JEA issued Electric System Bonds as summarized in the following table:

<u>Series</u>	<u>Purpose</u>	<u>Month Issued</u>	<u>Par Amount Issued</u>	<u>Par Amount Refunded</u>
Series Three 2017B	Refunding <sup>(1)</sup>	December 2017	\$198,095,000	\$210,030,000

(1) Fixed rate bonds issued to refund fixed rate bonds.

During the Fiscal Year ended September 30, 2017, JEA issued Electric System Bonds as summarized in the following table:

<u>Series</u>	<u>Purpose</u>	<u>Month Issued</u>	<u>Par Amount Issued</u>	<u>Par Amount Refunded</u>
Series Three 2017A	Refunding <sup>(1)</sup>	February 2017	\$18,670,000	\$18,990,000

(1) Fixed rate bonds issued to refund fixed rate bonds.

**Debt Service Coverage Ratio on Electric System Bonds.** The debt service coverage ratio on Electric System Bonds decreased to 6.55 times for the Fiscal Year ended September 30, 2018 as compared to the debt service coverage ratio of 7.53 times for the Fiscal Year ended September 30, 2017 as a result of the 12.6 percent decrease in net revenues available for debt service and the 0.5 percent increase in the debt service requirement on Electric System Bonds between such periods.

**Aggregate Subordinated Debt Service on Subordinated Electric System Bonds.** Aggregate subordinated debt service on Subordinated Electric System Bonds decreased 6.2 percent for the Fiscal Year ended September 30, 2018 as compared to the Fiscal Year ended September 30, 2017, primarily related to lower principal amortization and lower interest as a result of the December 2018 bond refunding, see table below.

During the Fiscal Year ended September 30, 2018, JEA issued Subordinated Electric System Bonds as summarized in the following table:

<u>Series</u>	<u>Purpose</u>	<u>Month Issued</u>	<u>Par Amount Issued</u>	<u>Par Amount Refunded</u>
2017 Series B	Refunding <sup>(1)</sup>	December 2017	\$185,745,000	\$195,075,000

(1) Fixed rate bonds issued to refund fixed rate bonds.

During the Fiscal Year ended September 30, 2017, JEA issued Subordinated Electric System Bonds as summarized in the following table:

<u>Series</u>	<u>Purpose</u>	<u>Month Issued</u>	<u>Par Amount Issued</u>	<u>Par Amount Refunded</u>
2017 Series A	Refunding <sup>(1)</sup>	February 2017	\$71,735,000	\$68,080,000

(1) Fixed rate bonds issued to refund fixed rate bonds.

**Debt Service Coverage Ratio on Electric System Bonds and Subordinated Electric System Bonds.** The debt service coverage ratio on Electric System Bonds and Subordinated Electric System Bonds decreased to 2.30 times for the Fiscal Year ended September 30, 2018 as compared to the debt service coverage ratio of 2.53 times for the Fiscal Year ended September 30, 2017 as a result of the 12.6 percent decrease in net revenues available for debt service being proportionately greater than the 4.0 percent decrease in the debt service requirement on Electric System Bonds and Subordinated Electric System Bonds between such periods.

## Liquidity Resources

The Days of Cash on Hand for the Electric System and the Scherer 4 Project at September 30, 2018 was 221 days, and the Days of Liquidity was 320 days. The Days of Cash on Hand for the Electric System and the Scherer 4 Project at September 30, 2017 was 234 days, and the Days of Liquidity was 337 days. The Days of Cash on Hand computation is as follows:

(Cash and cash equivalents and Investments amounts under Current assets on the Combining Statement of Net Position + Renewal and Replacement Fund balance referenced in Note 4 of the Financial Statements attached hereto as APPENDIX A) / ((Total operating expenses - Depreciation + Contributions to General Fund, City of Jacksonville, Florida) / 365 days)

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The Days of Liquidity computation is as follows:

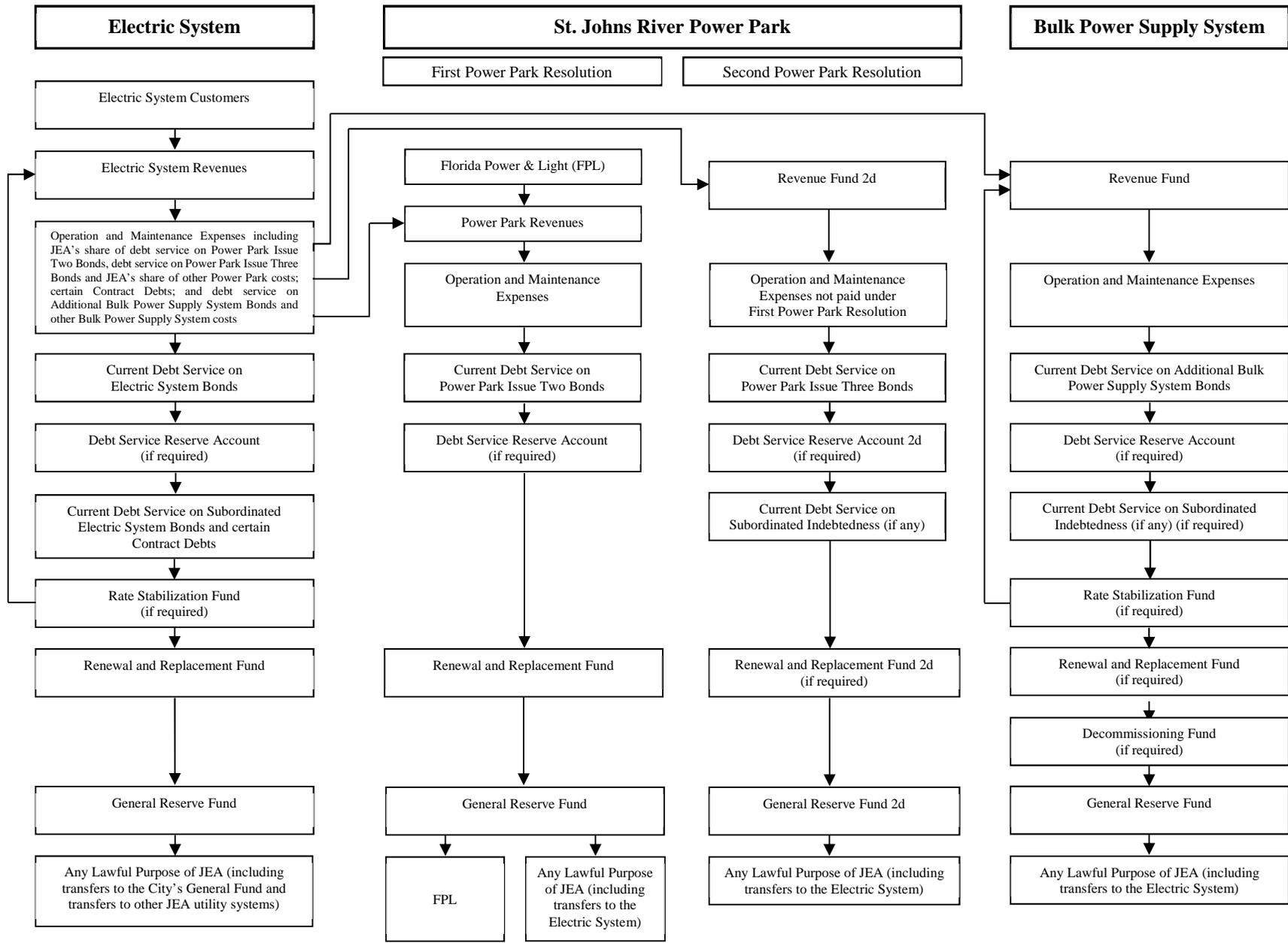
(Cash and cash equivalents and Investments amounts under Current assets on the Combining Statement of Net Position + Renewal and Replacement Fund balance referenced in Note 4 of the Financial Statements attached hereto as APPENDIX A + allocated share of available Revolving Credit Facility\*) / ((Total operating expenses - Depreciation + Contributions to General Fund, City of Jacksonville, Florida) / 365 days)

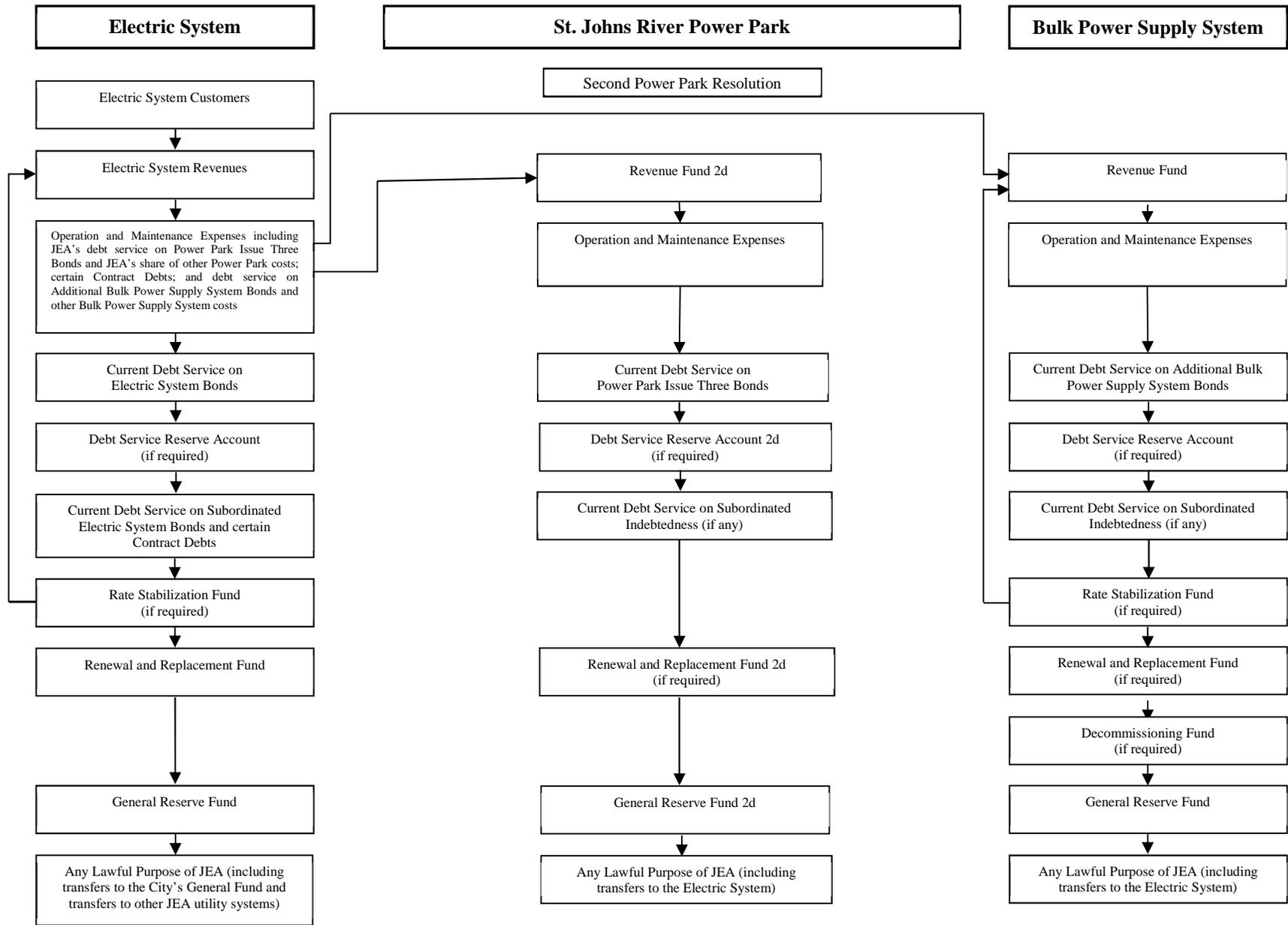
\* Allocated share of available Revolving Credit Facility at September 30, 2018 was approximately \$247.4 million and approximately \$245.7 million at September 30, 2017; however, total available balance of \$297 million could have been drawn.

### ***APPLICATION OF ELECTRIC SYSTEM REVENUES***

The following charts shows a summary of the major components of the application of revenues under the Electric System Resolution, the First Power Park Resolution, the Second Power Park Resolution and the Restated and Amended Bulk Power Supply System Resolution prior to the discharge of the First Power Park Resolution and after the discharge of the First Power Park Resolution, respectively. The First Power Park Resolution was discharged and satisfied in accordance with its terms on March 21, 2018. For a discussion of certain proposed amendments to the Electric System Resolution that amend the provisions thereof with respect to the priority of payment of JEA's obligations with respect to the Power Park, see the subsection "FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS - Debt Relating to Electric Utility Functions - Proposed Amendments to the Electric System Resolution*" - *May 1998 Amending Resolution*" herein and "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION - Proposed Amendments to the Electric System Resolution – *May 1998 Amending Resolution*" in APPENDIX B attached hereto.

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## OTHER FINANCIAL INFORMATION

### General

JEA maintains separate accounting records for the Electric System, the Scherer 4 Project (which is sometimes referred to herein and in JEA's financial statements as the "Bulk Power Supply System"), and its interest in the Power Park. For purposes of financial reporting, however, JEA prepares combined financial statements that include the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park, the Water and Sewer System and the District Energy System. Set forth in APPENDIX A hereto are (a) the financial statements of JEA for its Fiscal Year 2018 (which consist of the statement of net position of JEA as of September 30, 2018 and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended and the notes thereto; such financial statements are hereinafter referred to as "JEA's 2018 Financial Statements"), together with the report of Ernst & Young LLP, independent auditors, on such financial statements, (b) certain supplemental data as of September 30, 2018 and for the year then ended (which consist of the combining statement of net position, the combining statement of revenues, expenses and changes in net position and the combining statement of cash flows) and (c) certain statements of bond compliance information (which consist of schedules of debt service coverage for the year ended September 30, 2018 for the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park, the Water and Sewer System and the District Energy System), together with the report of Ernst & Young LLP, independent auditors, on such schedules. All such statements, information, data and schedules should be read in conjunction with the notes to JEA's 2018 Financial Statements, which are an integral part of the financial statements.

The assets reflected in the statement of net position included in JEA's 2018 Financial Statements include all of the assets of the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park, the Water and Sewer System and the District Energy System, and the liabilities reflected in such statement of net position include, among other things, the Electric System Bonds, the Subordinated Electric System Bonds, the Power Park Issue Two Bonds, the Power Park Issue Three Bonds, the Additional Bulk Power Supply System Bonds, the Water and Sewer System Bonds, the Subordinated Water and Sewer System Bonds and the District Energy System Bonds. The statement of revenues, expenses, and changes in net assets includes all expenses (*e.g.*, interest charges, operating and maintenance expenses, fuel expenses) of the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park, the Water and Sewer System and the District Energy System. However, revenues of JEA's interest in the Power Park and the Bulk Power Supply System are not included in such statement of revenues, expenses, and changes in net assets, except that interest income on funds maintained under the First Power Park Resolution, the Second Power Park Resolution and the Restated and Amended Bulk Power Supply System Resolution and revenues received from the FPL-Power Park Sale are included in the statement of revenues, expenses, and changes in net assets.

For financing purposes, the debt of JEA relating to the Electric Utilities Functions, the debt of JEA relating to its Water and Sewer System and the debt of JEA relating to the District Energy System are payable from and secured by separate revenue sources (*i.e.*, (a) the debt of JEA relating to its Electric Utility Functions is payable from and secured by the revenues derived by the Electric System from the sale of electricity and related services; (b) the debt of JEA relating to the Water and Sewer System is payable from and secured by the revenues derived by the Water and Sewer System from the sale of water and the provision of wastewater treatment and related services; and (c) the debt of JEA relating to the District Energy System is payable from and secured by the revenues derived by the District Energy System from the sale of chilled water and related services; provided, however, available revenues of the Water and Sewer System shall be deposited into a Debt Service Reserve Account established for the District Energy System Refunding Revenue Bonds, 2013 Series A (Federally Taxable) (the "2013 DES Bonds") and pledged to pay debt service on the 2013 DES Bonds in the event that revenues of the District Energy System are insufficient to pay debt service on the 2013 DES Bonds). Accordingly, potential purchasers of the Electric System Bonds are advised that the information in JEA's 2018

Financial Statements relating to JEA's Water and Sewer System and District Energy System is not relevant to a decision to purchase the Electric System Bonds and should not be taken into account with respect thereto.

### **Transfers to the City**

The Charter currently provides that, as consideration for the unique relationship between the City and JEA, there shall be assessed upon JEA in each Fiscal Year, for the uses and purposes of the City, from the revenues of the Electric System and Water and Sewer System operated by JEA available after the payment of all costs and expenses incurred by JEA in connection with the operation of the Electric System and the Water and Sewer System (including, without limitation, all costs of operation and maintenance, debt service on all obligations issued by JEA in connection with such Electric System and the Water and Sewer System and required reserves therefor and the annual deposit to the depreciation and reserve account required pursuant to terms of the Charter), an amount that is periodically negotiated by JEA and the City. The City's annual assessment of JEA does not include assessments pertaining to the District Energy System. The Charter provides that the Council may reconsider the assessment calculations every five years; however, pursuant to the Charter, the Council may also revise the assessments at any time by amending the Charter with a two-thirds vote of the Council. From time to time, proposals have been made, and may be made in the future, to increase the amount of the City's annual assessment on JEA.

Effective October 1, 2008, JEA is required to pay to the City a combined assessment for the Electric System and the Water and Sewer System and this combined assessment has been set forth in the Charter.

JEA and the City reached agreement on amendments ("2016 Amendments") to the Charter which affect the amount of the combined assessment that JEA is required to pay to the City. The 2016 Amendments were set forth in Ordinance 2015-764, were approved by the Council on March 8, 2016 and took effect on March 10, 2016. The 2016 Amendments set forth the combined assessment from fiscal year 2016-2017 through fiscal year 2020-2021. JEA and the City reached agreement on additional amendments ("2019 Amendments," and together with the 2016 Amendments, the "Charter Amendments") to the Charter set forth in Ordinance 2018-747, enacted by the Council on February 12, 2019, which set forth the combined assessment from fiscal year 2021-2022 through fiscal year 2022-2023. The Charter Amendments provide that effective October 1, 2016, the combined assessment for the Electric System and the Water and Sewer System will be equal, but not exceed the greater of (A) the sum of (i) the amount calculated by multiplying 7.468 mills by the gross kilowatt hours delivered by JEA to retail users of electricity in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year (other than sales of energy to FPL from JEA's St. Johns River Power Park System) during the 12-month period ending on April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such assessment is applicable, plus (ii) the amount calculated by multiplying 389.20 mills by the number of kgals (1000 gallons) potable water and sewer service, excluding reclaimed water service, provided to consumers during the 12-month period ending on April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such assessment is applicable or (B) a minimum calculated amount which increases by 1% per year from fiscal year 2016-2017 through fiscal year 2020-2021 using the fiscal year 2015-16 combined assessment of \$114,187,538 as the base year. The amounts applicable to clause (B) above are: for fiscal year 2016-2017 - \$115,329,413; for fiscal year 2017-2018 - \$116,482,708; for fiscal year 2018-2019 - \$117,647,535; for fiscal year 2019-2020 - \$118,824,010; and for fiscal year 2020-2021 - \$120,012,250; for fiscal year 2021-2022 - \$121,212,373; and for fiscal year 2022-2023 - \$122,424,496. A "mill" is one one-thousandth of a U.S. Dollar. The Charter Amendments provide that the amended assessment calculations for the electric system and the water and sewer system shall be in effect until September 30, 2023 and that the Council may reconsider the assessment calculations after October 1, 2022 and changes, if any, shall become effective October 1, 2023. As provided in the Charter, the Council may change the assessment calculation by ordinance within the provisions of the relevant section of the Charter. The Charter Amendments contemplate that in the event the Council does not reconsider the assessment calculations, the assessments shall be calculated using the existing formulas specified in the Charter, including

a minimum calculated amount in clause (B) therein, which increases by one percent per year for each fiscal year computed as provided in the Charter.

In addition to the changes to the annual assessment, the 2016 Amendments provide that JEA, pursuant to the terms of an Interagency Agreement with the City (the “Interagency Agreement”), agrees to provide total nitrogen water quality credit to the City to assist the City in meeting its Basin Management Action Plan load reduction goal (“BMAP Credit”). The 2016 Amendments provide that if JEA cannot provide the BMAP Credit pursuant to the terms of the Interagency Agreement, the Council and JEA shall work cooperatively to address the BMAP Credit shortfall or the Council may reconsider the assessment calculations. The 2019 Amendments provide that JEA, pursuant to amended terms of the Interagency Agreement, agrees to transfer additional future BMAP Credits to the City.

In recognition of the 2016 Amendments to the Charter as described above, JEA paid to the City an additional one-time contribution in the Fiscal Year ending September 30, 2016 of \$15,000,000 (the “2016 Additional Contribution”). The City has committed to use the 2016 Additional Contribution for City water and sewer infrastructure projects. Pursuant to the 2019 Amendments, JEA paid to the City an additional one-time contribution in the Fiscal Year ending September 30, 2019 of \$15,155,000 (the “2019 Additional Contribution”). The City intends to use \$15,000,000 of the 2019 Additional Contribution for City water and sewer infrastructure projects and \$155,000 for river level monitoring equipment.

The portion of the budgeted aggregate assessment calculated with respect to the Electric System has increased from approximately \$91,471,795 for the Fiscal Year ended September 30, 2018 to \$92,952,147 for the Fiscal Year ending September 30, 2019. While the Charter requires JEA to pay the JEA assessment to the City at such times as the City requests, but not in advance of collection, the Ordinance Code of the City requires JEA to pay the JEA assessment on a monthly basis. Pursuant to Section 21.07(f) of the Charter, although the calculation of the amounts assessed upon JEA pursuant to the Charter and the annual transfer of available revenues from JEA to the City pursuant to the Charter are based on formulas that are applied specifically to the respective utility systems operated by JEA, JEA may, in its discretion, determine how to allocate the aggregate assessment between the Electric System and the Water and Sewer System, and the aggregate assessment may be paid from any available revenues of JEA.

In addition, the Charter provides that the Council shall have the power to appropriate annually a portion of the available revenues of each utility system operated by JEA (other than electric, water and sewer systems) for the uses and purposes of the City in an amount to be based on a formula to be agreed upon by JEA and the Council.

The Charter imposes a monthly Franchise Fee which JEA was required to pay to the City commencing June 1, 2008 for revenues derived effective April 1, 2008 in an amount initially equal to three percent (and not to exceed six percent, with increases requiring a request by the Mayor of the City and a two-thirds supermajority vote by the Council) of the revenues of the Electric System derived within Duval County other than the beach communities and the Town of Baldwin and subject to a per customer maximum. The Charter authorizes JEA to pass through the amount of the Franchise Fee to the customers of JEA, which JEA does. As a result, the Franchise Fee has no effect on JEA’s net revenues.

## **Effect of JEA Credit Rating Changes**

### ***General***

JEA has entered into certain agreements that contain provisions giving counterparties certain rights and options in the event of a downgrade in JEA’s credit ratings below specified levels, which provisions commonly are referred to as “ratings triggers.”

The table below sets forth the current ratings and outlooks for JEA’s Electric System Bonds and Subordinated Electric System Bonds, without giving effect to any third-party credit enhancement. Given JEA’s current levels of ratings, JEA’s management does not believe that the ratings triggers contained in any of its existing agreements will have a material adverse effect on its results of operations or financial condition. However, JEA’s ratings reflect the views of the rating agencies and not of JEA, and therefore JEA cannot give any assurance that its ratings will be maintained at current levels for any period of time.

	<b>Fitch Ratings</b>	<b>Moody’s</b>	<b>S&amp;P</b>
Outstanding Electric System Bonds	AA (stable)	A2 (negative)	A+ (negative)
Outstanding Subordinated Electric System Bonds	AA (stable)	A3 (negative)	A (negative)

***Liquidity Support for JEA’s Variable Rate Bonds***

In particular, JEA has entered into standby bond purchase agreements with certain commercial banks in order to provide liquidity support in connection with tenders for purchase of the Senior Liquidity Supported Electric Bonds, and the Subordinated Liquidity Supported Electric Bonds (collectively the “Liquidity Supported Bonds”). As of the date of this Annual Disclosure Report, there is \$243,625,000 in aggregate principal amount of Senior Liquidity Supported Electric Bonds outstanding and \$132,420,000 in aggregate principal amount of Subordinated Liquidity Supported Electric Bonds outstanding. The standby bond purchase agreements relating to the Liquidity Supported Bonds provide that any of such Liquidity Supported Bonds that are purchased by the applicable bank pursuant to its standby bond purchase agreement may be tendered or deemed tendered to JEA for payment upon the occurrence of certain “events of default” with respect to JEA under such standby bond purchase agreement. Upon any such tender or deemed tender for purchase, such Liquidity Supported Bonds so tendered or deemed tendered will be due and payable immediately.

In general, each standby bond purchase agreement provides that it is an event of default on the part of JEA thereunder if the long-term ratings on the Liquidity Supported Bonds to which such standby bond purchase agreement relates, without giving effect to any third-party credit enhancement, fall below “BBB-” by Fitch Ratings, “Baa3” by Moody’s Investors Service (“Moody’s”) and/or “BBB-” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), or are suspended or withdrawn (generally for credit-related reasons).

**Interest Rate Swap Transactions**

From time to time, JEA enters into interest rate swap transactions pursuant to both its debt management policy (see “Debt Management Policy” below) and its investment policies (see “Investment Policies” below), which interest rate swap transactions may be for the account of the Electric System. JEA had interest rate swap transactions outstanding under interest rate swap master agreements with four different counterparties in an aggregate notional amount of \$522,470,000 as of September 30, 2018, of which, \$406,810,000 were for the account of the Electric System. For additional information concerning those interest rate swap transactions, see (a) “Debt Management Policy” below, (b) “Investment Policies” below and (c) Notes 1(k) and 8 to JEA’s 2018 Financial Statements set forth in APPENDIX A attached hereto.

Under each master agreement, the interest rate swap transactions entered into pursuant to that master agreement are subject to early termination upon the occurrence and continuance of certain “events of default” and upon the occurrence of certain “termination events.” One of such “termination events” with respect to JEA is a suspension or withdrawal of certain credit ratings with respect to JEA or a downgrade of such ratings to below the levels set forth in the master agreement or in the confirmation related to a particular interest rate swap transaction. Upon any such early termination of an interest rate swap transaction, JEA may owe to the counterparty a termination payment, the amount of which could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the applicable master agreement and would be based primarily upon market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. In general, the ratings triggers on the part of JEA contained in the master

agreements range from (x) below “BBB” by S&P and below “Baa2” by Moody’s to (y) below “A-” by S&P and below “A3” by Moody’s.

As of September 30, 2018, JEA’s estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that JEA would owe to its counterparties if all of the interest rate swap transactions were terminated) was \$86,356,000, of which \$70,103,000 was attributable to interest rate swap transactions entered into for the account of the Electric System. As of March 31, 2019, JEA’s estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$112,315,000, of which \$89,771,000 was attributable to interest rate swap transactions entered into for the account of the Electric System.

In connection with the issuance or proposed issuance of certain of JEA’s bonds, JEA has entered into various floating-to-fixed rate interest rate swap transactions for the account of the Electric System. These swap transactions are entered into with various providers and are otherwise described in the table below.

<u>Related Bonds</u>	<u>Counterparty</u>	<u>Initial Notional Amount</u>	<u>Notional Amount as of March 31, 2019</u>	<u>Fixed Rate of Interest</u>	<u>Variable Rate Index<sup>(1)</sup></u>	<u>Termination Date<sup>(2)</sup></u>
<i>Variable Rate Electric System Revenue Bonds, Series Three 2008A</i>	Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”)	\$100,000,000	\$51,680,000	3.836%	BMA Municipal Swap Index	10/1/2036
<i>Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, 2008B-2, 2008B-3 and 2008B-4</i>	Morgan Stanley Capital Services Inc. (“MSCS”)	\$117,825,000	\$82,575,000	4.351%	BMA Municipal Swap Index	10/1/2039
	JPMorgan Chase Bank, N.A. (“JPMorgan”)	\$116,425,000	\$85,200,000	3.661%	68% of 1 month LIBOR	10/1/2035
<i>Variable Rate Electric System Revenue Bonds, Series Three 2008C-1 and 2008C-2</i>	GSMMDP	\$174,000,000	\$84,800,000	3.717%	68% of 1 month LIBOR	9/16/2033
<i>Variable Rate Electric System Revenue Bonds, Series Three 2008D-1</i>	MSCS	\$98,375,000	\$62,980,000	3.907%	SIFMA Municipal Swap Index	10/1/2031
<i>Variable Rate Electric System Subordinated Revenue Bonds, 2008 Series D</i>	JPMorgan	\$40,875,000	\$39,175,000	3.716%	68% of 1 month LIBOR	10/1/2037

(1) The BMA Municipal Swap Index is now known as the SIFMA Municipal Swap Index.

(2) Unless earlier terminated.

## Debt Management Policy

JEA’s debt management policy applies to all current and future debt and related hedging instruments issued by JEA. The policy is designed to provide both broad policy guidance and facilitate management, control and oversight of JEA’s debt function, thus fostering ongoing access to the capital markets in order to fund future capital projects of JEA.

The counterparties with whom JEA may deal must meet the requirements for counterparties described under the caption “Investment Policies” below. The policy requires JEA staff to submit to the JEA Board an annual plan of finance, which will address, at a minimum, the amount of debt projected to be issued during the next Fiscal Year, whether such debt is senior or subordinated, whether such debt is fixed or variable, and whether any hedging instruments may be utilized. Under the policy, JEA’s net variable rate debt will not exceed 30 percent of total debt and JEA’s net variable rate debt plus net fixed-to-floating interest rate swaps

will not exceed 55 percent of total debt. “Net variable rate debt” is actual variable rate debt minus net variable rate assets. “Net variable rate assets” is actual variable rate assets minus the notional amount of investment/asset-matched interest rate swaps. “Net fixed-to-floating interest rate swaps” is the aggregate notional amount of fixed-to-floating swaps maturing in 10 years or less minus the aggregate notional amount of floating-to-fixed swaps maturing in 10 years or less outstanding on the last day of each month. “Total debt” equals fixed rate debt plus variable rate debt. “Variable rate assets” are investments maturing in less than one year. “Variable rate debt” is actual 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 percentages are to be computed monthly.

JEA’s fixed rate debt, variable rate debt and debt-related hedging instruments are to 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 purpose 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.

The policy creates procedures to be followed in conjunction with the issuance of fixed rate debt, variable rate debt and debt refundings. Beginning in the Fiscal Year ended September 30, 2010, deposits were made to the Rate Stabilization Fund for the Debt Management Strategy Reserve and 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 percent 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 percent), 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 reserve is capped at five percent of the par amount of the total outstanding variable rate debt. Withdrawals from the Debt Management Strategy Stabilization Fund for debt management strategy can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the Managing Director and Chief Executive Officer. Under JEA’s pricing policy, withdrawals from the Debt Management Strategy Stabilization Fund are limited to expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget. Any amounts withdrawn for these costs will subsequently be presented for approval by the Board.

The policy establishes a framework for JEA’s utilization of hedging instruments including interest rate swaps and caps and collars. The utilization of hedging instruments offers JEA a cost effective alternative to traditional debt financing choices. JEA is authorized to enter into floating-to-fixed rate swaps, fixed-rate-to-floating rate swaps and basis swaps (*i.e.*, swaps which seek to manage the risk associated with the mismatch between two benchmarks used to set the indices utilized in an interest rate swap transaction). The percentage of variable rate exposure (the notional amount of net fixed-to-floating interest rate swaps and net variable rate debt outstanding) to total debt outstanding may not exceed 55 percent. The notional amount of interest rate swaps, caps, collars and related hedging instruments is limited to the amount approved by the JEA Board from time to time.

Interest rate caps and related hedging instruments are to be utilized to help JEA manage interest rate risk in its debt management program. Generally, 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. It is also 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 the aggregate of outstanding caps will not be less than 75 percent of the average life of the associated aggregate swaps.

The policy sets out various decision rules which govern the decision to execute various hedging instruments. Valuations are performed on a quarterly basis and adjustments to fair value are included in JEA’s financial statements.

The policy calls for no more than \$500,000,000 of net interest rate swap and cap or other hedging instruments to be outstanding in the aggregate with any one provider or affiliate thereof. 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:

<u>Rating Level</u>	<u>Notional Amount</u>
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 ratings 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 cannot exceed \$400,000,000 for long dated transactions.

These diversification requirements include all interest rate swap, cap and other hedging instruments JEA may utilize to manage interest rate risks including, but not limited to, debt management and 100 percent investment/asset-matched program. Interest rate swap and cap transactions are to be competitively bid (unless otherwise determined by the Managing Director and Chief Executive Officer) by at least three providers that have executed interest rate swap agreements with JEA.

Under the policy, an annual budgeted reserve contribution is to be made to a reserve fund. The contributions to the reserve fund will be funded in three equal installments of 1 percent 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 rate debt interest rate swaps outstanding, but can be used for any lawful purpose as approved by JEA’s Managing Director and Chief Executive Officer.

The aggregate notional amount of all hedging instrument transactions entered into for the account of the Electric System outstanding at any one time, net of offsetting transactions, under all swap agreements is established at not to exceed (a) \$1.5 billion in the case of interest rate swaps, (b) \$500,000,000 in the case of basis swaps and (c) \$1 billion in the case of caps and collars. A transaction that reverses an original transaction in every respect thereby offsetting the cashflows perfectly is referred to herein as an “offsetting transaction.” Generally, in the past JEA has elected to receive or pay an upfront cash payment to reverse the original swap transaction. The phrase “net of offsetting transactions” would relate to reversals that remain on JEA’s books if JEA elected not to take/make an upfront cash payment.

**Investment Policies**

The goals of JEA’s investment policy are to (i) provide safety of capital, (ii) provide sufficient liquidity to meet anticipated cash flow requirements, and (iii) maximize investment yields while complying with the first two goals. Sound investment management practices help maintain JEA’s competitive position since investment income reduces utility rates. JEA’s funds are invested only in securities of the type and maturity permitted by its bond resolutions, Florida statutes, its internal investment policy and federal income tax limitations. JEA does not speculate on the future movement of interest rates and is not permitted to utilize debt leverage in its investment portfolio. Debt leverage is the practice of borrowing funds solely for the purpose of reinvesting the proceeds in an attempt to earn more income than the cost of the debt.

JEA invests its funds pursuant to Section 218.415, Florida Statutes, its various bond resolutions and its JEA Board-approved investment policy. As of September 30, 2018, 50 percent of JEA's total investment portfolio (including funds held under the Water and Sewer System Resolution, the Subordinated Water and Sewer System Resolution, the District Energy System Resolution, the Bulk Power Supply System Resolution, the Electric System Resolution, the Subordinated Electric System Resolution, the First Power Park Resolution and the Second Power Park Resolution) was invested in securities issued by the United States Government, federal agencies or state and local government entities and has a weighted average maturity of approximately 3.3 years. As of September 30, 2018, the remaining 50 percent of such investment portfolio was invested in commercial paper rated at least "A-1" and "P-1" by S&P and Moody's, respectively, having a weighted average maturity of less than 90 days, in money market mutual funds and in demand deposit bank accounts. JEA's funds that are invested in commercial paper, in money market mutual funds and in bank accounts are used primarily for operating expenses.

JEA has entered into securities lending agreements in the past wherein from time to time JEA loaned certain securities in exchange for eligible collateral consisting of United States Government and federal agency securities whose market values were at least 103 percent of the market values of the loaned securities which were re-priced daily. JEA earned a fee in connection with such securities lending agreements, which augmented its portfolio yield. Although JEA currently does not have any securities held pursuant to its securities lending program, JEA may enter into similar securities lending agreements in the future.

JEA previously implemented a strategy to lengthen synthetically the investment maturity of its short-term revolving funds by entering into 100 percent asset-matched interest rate swap transactions. Through the use of this strategy, JEA may lock-in a fixed rate of return for up to five years on those funds, such as debt service sinking funds, that it is permitted to invest only in short-term investment securities. As of September 30, 2018, JEA had, and as of the date of this Annual Disclosure Report, JEA has, no outstanding interest rate swap transactions for this purpose, although it may enter into interest rate swap transactions for this purpose in the future.

The JEA Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with whom JEA may enter into interest rate swap transactions. The counterparties with whom JEA may deal must be rated (i) "AAA/Aaa" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA-/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "A/A2" or better at the time of execution, ("AA-/Aa3" or better for interest rate swap transactions entered into prior to 2014), provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, swap agreements generally will require the counterparty to enter into a collateral agreement to provide collateral when (a) the ratings of such counterparty (or its guarantor) fall below "AA-/Aa3" by two rating agencies and (b) a termination payment would be owed to JEA. With respect to swap agreements entered into in 2014 between JEA and three swap counterparties, each counterparty will be required to provide collateral when (a) the ratings of such counterparty fall below "A+/A1" by any one of the rating agencies and (b) a termination payment would be owed to JEA above a specified threshold amount.

JEA's payment obligations under the interest rate swap transactions consist of periodic payments based upon fluctuations in interest rates and, in the event of a termination of a transaction prior to the stated term thereof, potential termination payments. The amounts of such potential termination payments are based primarily upon market interest rate levels and the remaining term of the transaction at the time of termination. JEA is authorized to enter into both (a) interest rate swap agreements the obligations of JEA under which are payable from available funds of the Electric System ("Electric System Swap Agreements") and (b) interest rate swap agreements the obligations of JEA under which are payable from available funds of the Water and Sewer System ("Water and Sewer System Swap Agreements").

In the case of interest rate swap transactions entered into pursuant to Electric System Swap Agreements, JEA's payment obligations thereunder are payable following the payment of the operation and maintenance expenses of the Electric System, including any Contract Debts of the Electric System, debt service on Electric System Bonds, debt service on any Subordinated Bonds of the Electric System (including Subordinated Electric System Bonds) and the deposits to the Renewal and Replacement Fund established by the Electric System Resolution.

All interest rate swap transactions for the account of the Electric System are required to be entered into pursuant to Electric System Swap Agreements. Interest rate swap transactions for the account of the Water and Sewer System may be entered into pursuant to either Water and Sewer System Swap Agreements or Electric System Swap Agreements. In the case of interest rate swap transactions for the account of the Water and Sewer System that are entered into pursuant to Electric System Swap Agreements, JEA has established procedures pursuant to which (a) all amounts received by JEA pursuant to such interest rate swap transactions are transferred to the Revenue Fund established pursuant to the Water and Sewer System Resolution and (b) all payments required to be made by JEA pursuant to such interest rate swap transactions are paid for from Revenues of the Water and Sewer System; *provided, however*, that no such payments may be made from Revenues of the Water and Sewer System until payment (or provision for payment) has been made of the operation and maintenance expenses of the Water and Sewer System, including any Contract Debts of the Water and Sewer System, debt service for the Water and Sewer System Bonds, debt service for any Subordinated Indebtedness of the Water and Sewer System (including the Subordinated Water and Sewer System Bonds) and the deposits to the Renewal and Replacement Fund established by the Water and Sewer System Resolution.

For further information regarding this interest rate swap program, see Notes 1(k) and 8 to JEA's 2018 Financial Statements set forth in APPENDIX A attached hereto.

### **Revolving Credit Facilities**

Effective December 17, 2015, JEA entered into a revolving credit agreement with JPMorgan Chase Bank, National Association ("JPMorgan") for a \$300,000,000 commitment (the "Revolving Credit Facility"). The Revolving Credit Facility was initially scheduled to expire on December 17, 2018. Effective May 24, 2018, JEA and JPMorgan amended the agreement to extend the expiration date to May 24, 2021, and effective November 1, 2018, the parties further amended the agreement to increase the maximum principal amount of the credit facility available for Electric System loans by \$200,000,000, for a total commitment equal to \$500,000,000. Subject to meeting various conditions, the Revolving Credit Facility is available to JEA to provide working capital and short-term and interim financing for capital projects in connection with any of its systems. Payment obligations allocable to the Electric System, Power Park (under the Second Power Park Resolution) and the Bulk Power System under the Revolving Credit Facility are payable from the respective revenues of the Electric System, Power Park (under the Second Power Park Resolution) and the Bulk Power Supply System, as applicable, but are subordinate to the payment of JEA's Electric System, Power Park and Bulk Power Supply System debt (including the Electric System Bonds, the Subordinated Electric System Bonds, the Power Park Issue Three Bonds, and the Additional Bulk Power Supply System Bonds). As of the date of this Annual Disclosure Report, JEA has \$5,000,000 in borrowings outstanding under the Revolving Credit Facility, which are for the account of the Water and Sewer System.

### **Loans Among Utility Systems**

Pursuant to the Charter, JEA has the authority to lend money from one of its utility systems to another of its utility systems under terms and conditions as determined by JEA. As of the date of this Annual Disclosure Report, no loans among the systems are outstanding.

## No Default Certificates

Section 13.F of the Electric System Resolution and Section 6.08 of the Subordinated Electric System Resolution require that JEA annually obtain a certificate of its independent firm of certified public accountants setting forth any default on the part of JEA of any covenant in the Electric System Resolution and the Subordinated Electric System Resolution. Section 716.3 of the First Power Park Resolution, Section 715.2 of the Second Power Park Resolution, and Section 714.2 of the Restated and Amended Bulk Power Supply System Resolution require that JEA annually obtain a certificate of its independent firm of certified public accountants stating whether or not, to the knowledge of the signer, JEA is in default with respect to any of the covenants, agreements or conditions on its part contained in the First Power Park Resolution, the Second Power Park Resolution, and the Restated and Amended Bulk Power Supply System Resolution, respectively, and if so, the nature of such default. The actual certificates provided by such accountants state that nothing has come to such accountants' attention that caused such accountants to believe that JEA failed to comply with the terms, covenants, provisions or conditions of the applicable section(s) of the relevant resolutions, *insofar as they relate to accounting matters* (emphasis supplied). The accountants have advised JEA that the italicized qualifying language is required to be included by their professional standards (specifically, Statement on Auditing Standards No. 62). JEA does not believe that any other nationally-recognized accounting firm will provide certificates that strictly meet the requirements of the applicable section(s) of the relevant resolutions and that differ materially from the certificates provided by JEA's accountants.

As required by the First Power Park Resolution JEA has filed with U.S. Bank National Association, as Trustee, within 120 days after the end of JEA's Fiscal Year Ended September 30, 2017, a certificate signed by an Authorized Officer (as defined in the First Power Park Resolution) of JEA which states that to the best of his knowledge and belief JEA has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained in the First Power Park Resolution and that there does not exist on the date of such certificate any default by JEA under the First Power Park Resolution or any Event of Default (as defined in the First Power Park Resolution) which, with the lapse of time specified in the applicable section of the First Power Park Resolution, would become an Event of Default.

Notwithstanding the failure of the accountants' certificates to strictly meet the requirements of the respective resolutions as described above, as of the date of this Annual Disclosure Report, JEA is not in default in the performance of any of the covenants, agreements or conditions contained in the Electric System Resolution, the Subordinated Electric System Resolution, the First Power Park Resolution, the Second Power Park Resolution, and the Restated and Amended Bulk Power Supply System Resolution.

## LITIGATION

In the opinion of the Office of General Counsel of the City, there is no pending litigation or proceedings that may result in any material adverse change in the financial condition of JEA relating to the Electric System other than as set forth in the financial statements of JEA in APPENDIX A of this Annual Disclosure Report and other than the matters set forth in this Annual Disclosure Report, including litigation relating to the Additional Vogtle Units PPA described below and described above under "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* – Electric System - *Litigation and Regulatory Proceedings*" and described in Note 10 of the financial statements of JEA. On September 11, 2018, MEAG filed suit against JEA in the Northern District of Georgia alleging claims for (i) a declaratory judgment that the Additional Vogtle Units PPA is enforceable against JEA, (ii) breach of contract for JEA's alleged failure to adhere to the Additional Vogtle Units PPA's cooperation clause, and (iii) specific performance requiring JEA to continue to comply with the Additional Vogtle Units PPA. The same day, JEA and the City of Jacksonville filed suit against MEAG in the Circuit Court, Fourth Judicial Circuit, Duval County, Florida, seeking a declaratory judgment that the Additional Vogtle Units PPA is invalid and unenforceable against JEA. MEAG removed JEA's and the City's suit to the Middle District of Florida. On April 9, 2019, the district court for the Northern District of Georgia entered an order granting JEA's motion to dismiss and dismissing MEAG's complaint. MEAG has

filed a notice of appeal of the dismissal to the Eleventh Circuit Court of Appeals. The parties are presently engaged in procedural litigation over the forum in which the substantive issues will be tried. JEA will vigorously defend and prosecute these actions, but provides no assurances regarding the outcome or consequences of the litigation. JEA and MEAG have commenced negotiations in an attempt to arrive at a mutually beneficial commercial resolution of their dispute. The ultimate outcome of this matter cannot be determined at this time.

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**OPERATING HIGHLIGHTS**

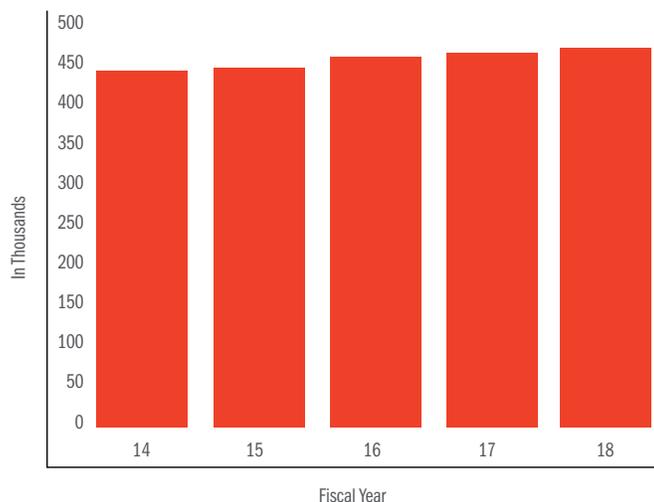
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# ELECTRIC FINANCIAL AND OPERATING HIGHLIGHTS

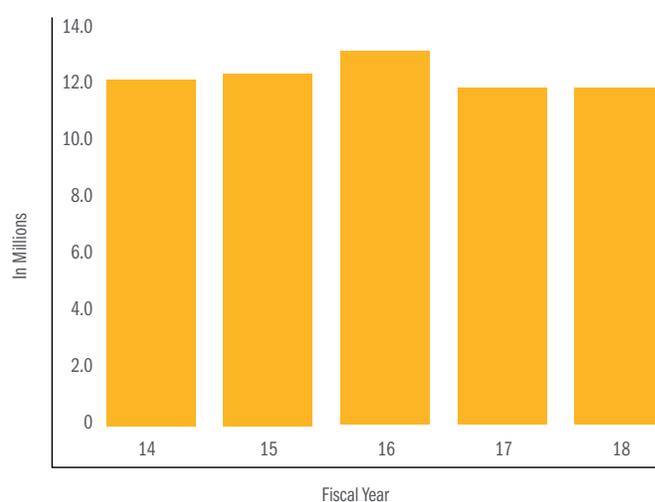
Years Ended September 30

	2018	2017	2016	2015	2014	% Change 2018-2017
<b>FINANCIAL HIGHLIGHTS</b>						
Total operating revenues (thousands)	\$1,366,111	\$1,428,329	\$1,364,242	\$1,370,212	\$1,479,483	-4.36%
Fuel and purchased power expenses (thousands)	\$530,246	\$536,250	\$485,874	\$517,239	\$585,021	-1.12%
Total operating expenses (thousands)	\$1,102,133	\$1,088,386	\$1,032,774	\$1,061,853	\$1,196,160	1.26%
Debt service coverage:						
Senior and subordinated - Electric	2.30 x	2.53 x	2.89 x	2.63 x	2.41 x	-9.09%
Senior - Electric	6.55 x	7.53 x	6.59 x	5.80 x	5.40 x	-13.01%
Bulk Power Supply System	3.47 x	1.75 x	1.81 x	1.24 x	2.24 x	98.29%
St. Johns River Power Park 2nd Resolution	1.60 x	1.18 x	1.17 x	1.16 x	2.21 x	35.59%
<b>OPERATING HIGHLIGHTS</b>						
Sales (megawatt hours)	12,732,236	13,893,852	14,586,486	14,379,697	14,312,013	-8.36%
Peak demand - megawatts 60 minute net	3,080	2,682	2,674	2,863	2,823	14.84%
Total accounts - average number	466,411	458,953	451,788	443,705	434,917	1.63%
Sales per residential account (kilowatt hours)	13,205	12,672	13,433	13,468	13,301	4.21%
Average residential revenue per kilowatt hour	\$11.42	\$11.44	\$11.24	\$11.82	\$11.97	-0.17%
Power supply:						
Natural gas	48%	39%	32%	32%	27%	23.08%
Coal	22%	43%	42%	50%	57%	-48.84%
Purchases	18%	12%	11%	8%	5%	50.00%
Petroleum coke	12%	6%	15%	10%	10%	100.00%
Oil	0%	0%	0%	0%	1%	0.00%

Average Number of Electric Retail Accounts



Retail Megawatt Hour Sales

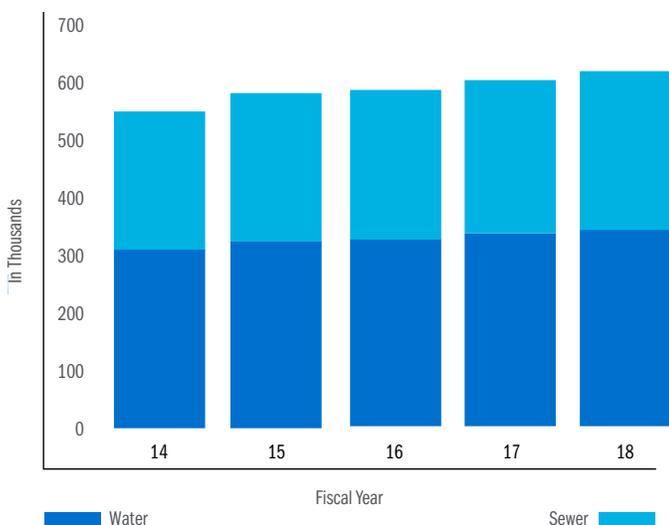


# WATER AND SEWER FINANCIAL AND OPERATING HIGHLIGHTS

Years Ended September 30

	2018	2017	2016	2015	2014	% Change 2018-2017
<b>FINANCIAL HIGHLIGHTS</b>						
Total operating revenues (thousands)	\$435,682	\$457,908	\$427,750	\$389,733	\$393,355	-4.85%
Operating expenses (thousands)	\$310,435	\$305,131	\$297,325	\$269,509	\$263,275	1.74%
Debt service coverage:						
Senior and subordinated	2.79 x	2.99 x	3.28 x	2.75 x	2.46 x	-6.69%
Senior	3.33 x	3.54 x	3.78 x	3.13 x	2.71 x	-5.93%
<b>OPERATING HIGHLIGHTS</b>						
<b>WATER</b>						
Total sales (kgals)	36,186,559	37,245,188	36,357,919	34,558,284	32,468,336	-2.84%
Total accounts - average number	348,159	341,016	333,139	325,352	318,708	2.09%
Average sales per residential account (kgals)	59.33	63.21	62.78	61.32	59.84	-6.14%
Average residential revenue per kgal	\$5.43	\$5.48	\$5.26	\$5.30	\$5.35	-0.91%
<b>SEWER</b>						
Total sales (kgals)	26,340,622	26,712,770	25,817,658	24,922,141	23,526,976	-1.39%
Total accounts - average number	270,871	264,336	257,719	250,974	244,836	2.47%
Average sales per residential account (kgals)	57.91	61.84	60.96	59.75	58.40	-6.36%
Average residential revenue per kgal	\$9.52	\$9.46	\$9.26	\$9.33	\$9.46	0.63%
<b>REUSE</b>						
Total sales (kgals)	3,119,739	3,290,311	2,644,046	1,783,730	1,300,838	-5.18%
Total accounts - average number	11,498	9,391	7,498	5,891	4,501	22.44%

Average Number of Water and Sewer Accounts



Water and Sewer Sales Volume



# FINANCIAL SUMMARY

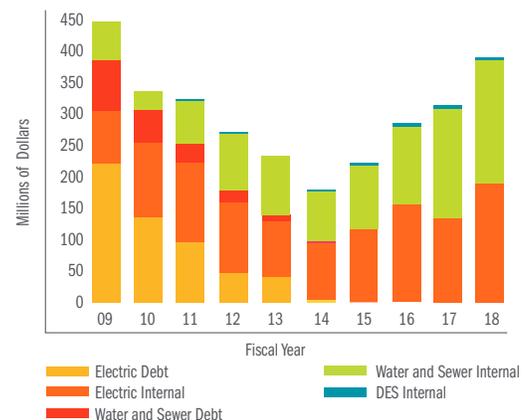
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

	2018-17	2017-16	2016-15	2015-14	2014-13
<b>Operating revenues:</b>					
Electric	\$1,267,202	\$1,382,206	\$1,321,713	\$1,324,883	\$1,431,167
Water and sewer	423,480	448,057	417,404	379,789	383,643
District energy system	8,348	8,185	8,337	8,778	8,682
Other, net	90,952	36,729	34,298	35,930	38,389
Total operating revenues	1,789,982	1,875,177	1,781,752	1,749,380	1,861,881
<b>Operating expenses:</b>					
Fuel and purchased power	530,246	536,250	485,874	517,239	585,021
Maintenance and other operating expense	429,989	392,142	380,219	374,166	364,764
Depreciation	360,609	386,699	382,432	366,486	375,505
State utility and franchise taxes	71,307	69,683	71,244	72,510	72,221
Recognition of deferred costs and revenues, net	6,856	(4,075)	(1,527)	(11,168)	49,271
Total operating expenses	1,399,007	1,380,699	1,318,242	1,319,233	1,446,782
Operating income	390,975	494,478	463,510	430,147	415,099
<b>Nonoperating revenues (expenses):</b>					
Interest on debt	(166,508)	(182,992)	(184,457)	(198,199)	(223,736)
Investment income	11,826	10,576	14,225	12,904	20,546
Allowance for funds used during construction	11,764	11,774	9,407	5,723	3,894
Other nonoperating income, net	9,857	5,918	8,765	11,833	7,280
Earnings from The Energy Authority	4,074	6,335	6,136	1,461	3,567
Loss on sale of asset	-	-	-	(199)	-
Other interest, net	(1,825)	(451)	(403)	(68)	(38)
Total nonoperating expenses, net	(130,812)	(148,840)	(146,327)	(166,545)	(188,487)
Income before contributions and special item	260,163	345,638	317,183	263,602	226,612
<b>Contributions (to) from:</b>					
General fund, City of Jacksonville	(116,620)	(115,823)	(129,187)	(111,688)	(109,188)
Capital contributions:					
Developers and other	82,157	66,875	53,652	52,709	38,845
Reduction of plant cost through contributions	(54,114)	(42,069)	(31,632)	(33,105)	-
Total contributions	(88,577)	(91,017)	(107,167)	(92,084)	(70,343)
Special item	(45,099)	-	-	151,490	-
Change in net position	126,487	254,621	210,016	323,008	156,269
Net position - beginning of year, originally reported	2,628,822	2,376,925	2,166,909	1,843,901	2,039,737
Effect of change in accounting	-	(2,724)	-	-	(352,105)
Net position - beginning of year, as restated	2,628,822	2,374,201	2,166,909	1,843,901	1,687,632
Net position - end of year	\$2,755,309	\$2,628,822	\$2,376,925	\$2,166,909	\$1,843,901

Total Operating Revenues and Expenses



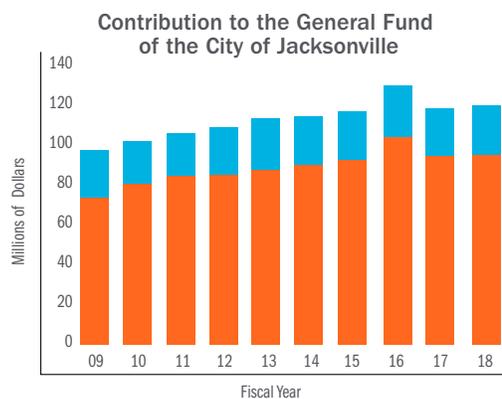
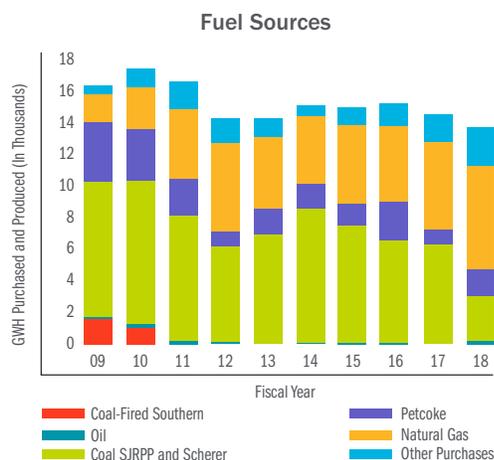
Sources of Capital Project Funding



# FINANCIAL SUMMARY, CONTINUED

Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

	2013-12	2012-11	2011-10	2010-09	2009-08
<b>Operating revenues:</b>					
Electric	\$1,383,696	\$1,473,134	\$1,624,473	\$1,548,248	\$1,525,966
Water and sewer	381,677	385,631	358,176	303,241	249,813
District energy system	8,471	8,571	8,067	7,595	6,914
Other, net	38,975	41,046	48,842	50,692	48,687
Total operating revenues	1,812,819	1,908,382	2,039,558	1,909,776	1,831,380
<b>Operating expenses:</b>					
Fuel and purchased power	539,646	548,030	733,296	741,374	719,296
Maintenance and other operating expense	371,041	366,751	334,066	322,672	295,480
Depreciation	378,067	379,570	351,931	353,606	344,158
State utility and franchise taxes	70,237	72,925	78,787	73,120	72,127
Recognition of deferred costs and revenues, net	64,305	59,153	27,014	22,149	33,108
Total operating expenses	1,423,296	1,426,429	1,525,094	1,512,921	1,464,169
Operating income	389,523	481,953	514,464	396,855	367,211
<b>Nonoperating revenues (expenses):</b>					
Interest on debt	(235,228)	(248,681)	(289,320)	(285,669)	(264,701)
Investment income (loss)	(13,240)	8,804	11,908	(3,604)	23,463
Allowance for funds used during construction	3,986	3,365	5,387	9,713	12,708
Other nonoperating income, net	7,530	16,420	7,698	3,832	-
Earnings from The Energy Authority	4,325	6,328	12,265	6,103	4,088
Water & Sewer Expansion Authority	-	-	(485)	(719)	(864)
Loss on sale of asset	-	-	-	-	(986)
Other interest, net	(134)	(23)	(109)	(54)	(72)
Total nonoperating expenses, net	(232,761)	(213,787)	(252,656)	(270,398)	(226,364)
Income before contributions and special item	156,762	268,166	261,808	126,457	140,847
<b>Contributions (to) from:</b>					
General fund, City of Jacksonville	(106,687)	(104,188)	(101,688)	(99,187)	(96,687)
Capital contributions:					
Developers and other	29,292	18,774	23,539	19,883	38,071
Water & Sewer Expansion Authority	-	-	11,465	-	-
City of Jacksonville Better Jacksonville Plan	-	-	-	-	1,516
Total contributions	(77,395)	(85,414)	(66,684)	(79,304)	(57,100)
<b>Change in net position</b>	<b>79,367</b>	<b>182,752</b>	<b>195,124</b>	<b>47,153</b>	<b>83,747</b>
<b>Net position - beginning of year, originally reported</b>	<b>1,991,311</b>	<b>1,808,559</b>	<b>1,613,435</b>	<b>1,566,282</b>	<b>1,482,535</b>
<b>Effect of change in accounting</b>	<b>(30,941)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position - beginning of year, as restated</b>	<b>1,960,370</b>	<b>1,808,559</b>	<b>1,613,435</b>	<b>1,566,282</b>	<b>1,482,535</b>
<b>Net position - end of year</b>	<b>\$2,039,737</b>	<b>\$1,991,311</b>	<b>\$1,808,559</b>	<b>\$1,613,435</b>	<b>\$1,566,282</b>



# OPERATING SUMMARY: ELECTRIC SYSTEM

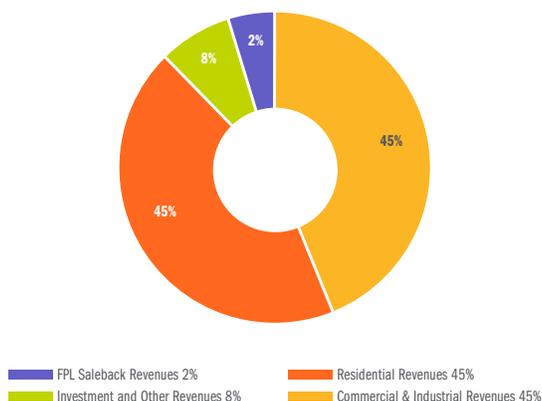
Electric System, Bulk Power System and St Johns River Power Park

	2018-17	2017-16	2016-15	2015-14	2014-13
<b>Electric revenues (000's omitted):</b>					
Residential	\$618,171	\$584,663	\$599,009	\$619,897	\$608,983
Commercial and industrial	594,395	587,972	597,796	627,547	632,121
Public street lighting	12,873	13,069	13,488	11,982	13,943
Sales for resale	5,474	21,813	31,210	32,424	34,700
Florida Power & Light saleback	30,767	128,737	130,053	128,475	159,747
Total	1,261,680	1,336,254	1,371,556	1,420,325	1,449,494
<b>Sales (megawatt hours):</b>					
Residential	5,414,721	5,108,945	5,328,245	5,243,002	5,086,866
Commercial and industrial	6,851,803	6,725,201	6,847,583	6,767,836	6,636,445
Public street lighting	59,176	65,721	80,108	89,376	111,325
Sales for resale					
Territorial	38,640	150,268	305,315	333,994	337,353
Off-system	35,429	150,635	169,037	83,367	136,342
Florida Power & Light saleback	332,467	1,693,082	1,856,198	1,862,122	2,003,682
Total	12,732,236	13,893,852	14,586,486	14,379,697	14,312,013
<b>Average number of accounts:</b>					
Residential	410,060	403,164	396,664	389,287	382,438
Commercial and industrial	52,573	52,060	51,472	50,867	48,999
Public street lighting	3,777	3,727	3,649	3,549	3,477
Sales for resale (1)	1	2	3	2	3
Total	466,411	458,953	451,788	443,705	434,917
<b>System installed capacity - MW (2)</b>	3,084	3,722	3,722	3,759	3,759
<b>Peak demand - MW (60 minute net)</b>	3,080	2,682	2,674	2,863	2,823
<b>System load factor - %</b>	48%	53%	56%	51%	51%
<b>Residential averages - annual:</b>					
Revenue per account - \$	1,507.51	1,450.19	1,510.12	1,592.39	1,592.37
kWh per account	13,205	12,672	13,433	13,468	13,301
Revenue per kWh - ¢	11.42	11.44	11.24	11.82	11.97
<b>All other retail - annual:</b>					
Revenue per account - \$	10,776.72	10,773.85	11,089.86	11,752.59	12,311.61
kWh per account	122,644	121,729	125,682	126,015	128,588
Revenue per kWh - ¢	8.79	8.85	8.82	9.33	9.57
<b>Heating-cooling degree days</b>	4,256	3,737	4,117	4,159	3,998

(1) Includes Florida Power and Light, but does not include the average number of off-system non-firm sales customers.

(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



# OPERATING SUMMARY: ELECTRIC SYSTEM, CONTINUED

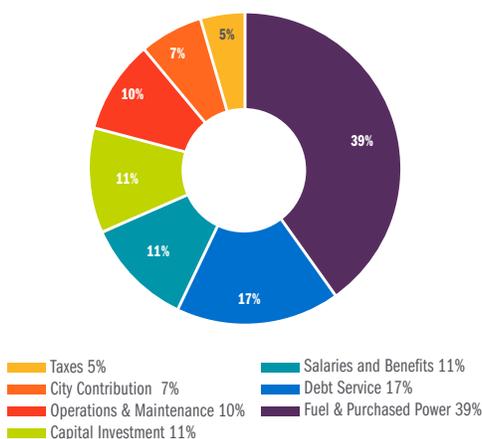
Electric System, Bulk Power System and St Johns River Power Park

	2013-12	2012-11	2011-10	2010-09	2009-08
<b>Electric revenues (000's omitted):</b>					
Residential	\$580,893	\$601,581	\$686,706	\$659,829	\$645,725
Commercial and industrial	617,962	670,983	704,976	647,316	678,218
Public street lighting	14,661	15,311	15,347	14,203	14,440
Sales for resale	29,989	37,153	41,155	53,990	52,941
Florida Power & Light saleback	158,031	166,873	196,353	190,293	157,898
Total	1,401,536	1,491,901	1,644,537	1,565,631	1,549,222
<b>Sales (megawatt hours):</b>					
Residential	4,877,264	4,806,144	5,444,926	5,707,670	5,300,203
Commercial and industrial	6,599,249	6,670,200	6,908,240	6,932,123	6,849,291
Public street lighting	123,177	122,614	122,402	121,413	120,191
Sales for resale					
Territorial	329,922	374,116	394,548	418,867	406,051
Off-system	42,286	74,852	99,953	391,559	579,730
Florida Power & Light saleback	1,810,651	1,806,781	2,492,559	2,950,244	2,659,565
Total	13,782,549	13,854,707	15,462,628	16,521,876	15,915,031
<b>Average number of accounts:</b>					
Residential	375,600	371,658	369,566	368,682	367,864
Commercial and industrial	47,709	47,230	46,710	46,325	45,810
Public street lighting	3,460	3,424	3,424	3,495	3,550
Sales for resale (1)	3	3	3	3	3
Total	426,772	422,315	419,703	418,505	417,227
<b>System installed capacity - MW (2)</b>	3,759	3,759	3,759	3,376	3,376
<b>Peak demand - MW (60 minute net)</b>	2,596	2,665	3,062	3,224	3,064
<b>System load factor - %</b>	54%	53%	50%	49%	49%
<b>Residential averages - annual:</b>					
Revenue per account - \$	1,546.57	1,618.64	1,858.14	1,789.70	1,755.34
kWh per account	12,985	12,932	14,733	15,481	14,408
Revenue per kWh - ¢	11.91	12.52	12.61	11.56	12.42
<b>All other retail - annual:</b>					
Revenue per account - \$	12,363.40	13,548.66	14,367.95	13,278.18	14,032.78
kWh per account	131,377	134,102	140,237	141,580	141,197
Revenue per kWh - ¢	9.41	10.10	10.25	9.38	9.94
<b>Heating-cooling degree days</b>	3,830	3,618	4,345	4,705	4,094

(1) Includes Florida Power and Light, but does not include the average number of off-system non-firm sales customers.

(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

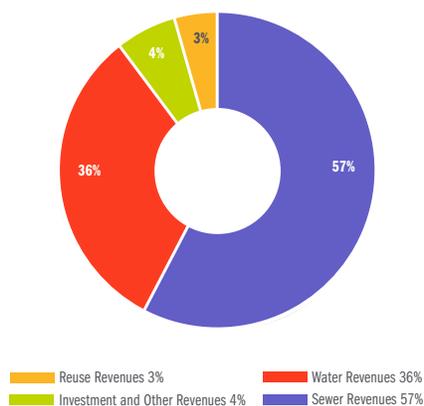
Electric System Revenue Uses



# OPERATING SUMMARY: WATER AND SEWER SYSTEM

	2018-17	2017-16	2016-15	2015-14	2014-13
<b>WATER</b>					
<b>Water revenues (000's omitted):</b>					
Residential	\$91,954	\$96,615	\$89,946	\$86,215	\$83,014
Commercial and industrial	47,494	47,969	46,212	45,078	43,647
Irrigation	32,004	36,836	34,846	32,681	30,088
Total	171,452	181,420	171,004	163,974	156,749
<b>Water sales (kgals):</b>					
Residential	16,932,812	17,624,952	17,086,586	16,271,698	15,507,752
Commercial and industrial	14,023,130	13,402,094	13,343,376	12,870,984	12,131,400
Irrigation	5,230,617	6,218,142	5,927,957	5,415,602	4,829,184
Total	36,186,559	37,245,188	36,357,919	34,558,284	32,468,336
<b>Average number of accounts:</b>					
Residential	285,404	278,838	272,157	265,373	259,159
Commercial and industrial	25,702	25,423	24,698	23,951	23,722
Irrigation	37,053	36,755	36,284	36,028	35,827
Total	348,159	341,016	333,139	325,352	318,708
<b>Residential averages - annual:</b>					
Revenue per account - \$	322.19	346.49	330.49	324.88	320.32
kgals per account	59.33	63.21	62.78	61.32	59.84
Revenue per kgal - \$	5.43	5.48	5.26	5.30	5.35
<b>SEWER</b>					
<b>Sewer revenues (000's omitted):</b>					
Residential	\$139,174	\$143,967	\$135,288	\$129,976	\$125,526
Commercial and industrial	108,126	107,446	103,731	101,910	97,339
Total	247,300	251,413	239,019	231,886	222,865
<b>Volume (kgals):</b>					
Residential	14,623,682	15,225,124	14,614,026	13,934,981	13,269,638
Commercial and industrial	11,716,940	11,487,646	11,203,632	10,987,160	10,257,338
Total	26,340,622	26,712,770	25,817,658	24,922,141	23,526,976
<b>Average number of accounts:</b>					
Residential	252,531	246,187	239,738	233,203	227,216
Commercial and industrial	18,340	18,149	17,981	17,771	17,620
Total	270,871	264,336	257,719	250,974	244,836
<b>Residential averages - annual:</b>					
Revenue per account - \$	551.12	584.79	564.32	557.35	552.45
kgals per account	57.91	61.84	60.96	59.75	58.40
Revenue per kgal - \$	9.52	9.46	9.26	9.33	9.46
<b>REUSE</b>					
<b>Reuse revenues (000's omitted):</b>	\$13,659	\$13,216	\$10,267	\$7,378	\$5,533
<b>Reuse sales (kgals):</b>	3,119,739	3,290,311	2,644,046	1,783,730	1,300,838
<b>Average number of accounts:</b>	11,498	9,391	7,498	5,891	4,501
<b>RAINFALL</b>					
<b>Inches</b>	57.41	72.89	31.38	49.43	51.17
<b>Days</b>	120	98	98	114	114

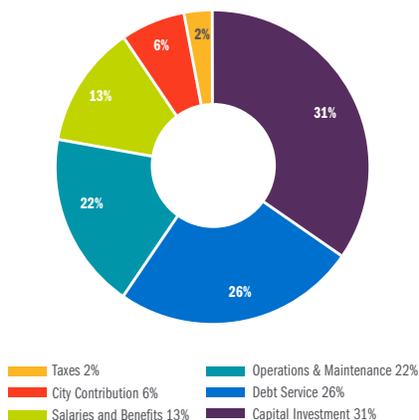
Water and Sewer System Revenue Sources



# OPERATING SUMMARY: WATER AND SEWER SYSTEM, CONTINUED

	2013-12	2012-11	2011-10	2010-09	2009-08
<b>WATER</b>	<b>Water revenues (000's omitted):</b>				
Residential	\$81,832	\$83,390	\$81,859	\$70,396	\$59,441
Commercial and industrial	42,809	43,629	40,299	34,872	27,591
Irrigation	32,796	34,802	35,932	26,876	19,080
Total	157,437	161,821	158,090	132,144	106,112
	<b>Water sales (kgals):</b>				
Residential	15,741,904	16,589,517	18,485,853	17,609,301	17,572,032
Commercial and industrial	11,777,128	12,134,488	12,271,645	12,091,091	12,184,482
Irrigation	5,568,772	6,621,039	8,225,409	7,049,874	7,089,431
Total	33,087,804	35,345,044	38,982,907	36,750,266	36,845,945
	<b>Average number of accounts:</b>				
Residential	253,662	250,204	248,605	247,609	246,276
Commercial and industrial	23,487	23,365	23,221	22,996	23,460
Irrigation	35,765	35,652	35,559	35,441	35,340
Total	312,914	309,221	307,385	306,046	305,076
	<b>Residential averages - annual:</b>				
Revenue per account - \$	322.60	333.29	329.27	284.30	241.36
kgals per account	62.06	66.30	74.36	71.12	71.35
Revenue per kgal - \$	5.20	5.03	4.43	4.00	3.38
<b>SEWER</b>	<b>Sewer revenues (000's omitted):</b>				
Residential	\$124,642	\$126,722	\$116,024	\$99,327	\$84,961
Commercial and industrial	96,009	94,232	81,633	70,831	59,017
Total	220,651	220,954	197,657	170,158	143,978
	<b>Volume (kgals):</b>				
Residential	13,439,781	14,091,702	15,597,512	14,847,431	14,353,777
Commercial and industrial	10,184,193	10,398,369	10,321,967	10,279,241	10,413,889
Total	23,623,974	24,490,071	25,919,479	25,126,672	24,767,666
	<b>Average number of accounts:</b>				
Residential	221,821	218,264	216,323	214,506	212,741
Commercial and industrial	17,462	17,351	17,269	17,229	17,617
Total	239,283	235,615	233,592	231,735	230,358
	<b>Residential averages - annual:</b>				
Revenue per account - \$	561.90	580.59	536.35	463.05	399.36
kgals per account	60.59	64.56	72.10	69.22	67.47
Revenue per kgal - \$	9.27	8.99	7.44	6.69	5.92
<b>REUSE</b>	<b>Reuse revenues (000's omitted):</b>				
	\$4,551	\$3,936	\$3,622	\$2,093	\$1,156
	<b>Reuse sales (kgals):</b>				
	1,109,653	1,330,359	1,551,175	989,010	805,925
	<b>Average number of accounts:</b>				
	3,143	2,241	1,666	1,201	837
<b>RAINFALL</b>	<b>Inches</b>				
	45.54	55.24	42.18	40.53	53.67
	<b>Days</b>				
	121	N/A	N/A	N/A	N/A

Water and Sewer System Revenue Uses



**JEA FINANCIAL INFORMATION**

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION,  
AND BOND COMPLIANCE INFORMATION

JEA

Years Ended September 30, 2018 and 2017  
With Report of Independent Auditors

Ernst & Young LLP



# JEA

## Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2018 and 2017

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## Report of Independent Auditors

The Board of Directors  
JEA  
Jacksonville, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of JEA, a component unit of the City of Jacksonville, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of JEA as of September 30, 2018 and 2017, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

***Adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions and GASB Statement No. 83, Certain Asset Retirement Obligations***

As discussed in Footnote 1 to the financial statements, JEA changed its method of accounting for postemployment benefits other than pensions and certain asset retirement obligations as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective October 1, 2016 and GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective October 1, 2017, respectively. Our opinion is not modified with respect to these matters.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedule of JEA's Proportionate Share of the Net Pension Liability and Schedule of JEA Contributions, SJRPP Plan – Schedule of Changes in Net Pension Liability and Related Ratios, SJRPP Pension Plan – Schedule of Contributions, OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios and OPEB Plan – Schedule of Contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.



### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we also have issued our report dated December 3, 2018 on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of JEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEA's internal control over financial reporting and compliance.

*Ernst + Young LLP*

December 3, 2018

# Management's Discussion and Analysis

## Introduction

JEA is a municipal utility operating in Jacksonville, Florida (Duval County) and parts of three adjacent counties. The operation is composed of three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). The Electric Enterprise Fund, Water and Sewer Fund, and DES are presented on a combined basis in the accompanying statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows.

## Overview of the Combined Financial Statements

This discussion and analysis serves as an introduction to JEA's basic financial statements. The information presented here should be read in conjunction with the financial statements and accompanying notes.

The basic financial statements are presented on a comparative basis for the fiscal years ended September 30, 2018 and 2017. The statements of net position present JEA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Revenue and expense information is presented in the accompanying statements of revenues, expenses, and changes in net position. The accompanying statements of cash flows present JEA's sources and uses of cash and cash equivalents and are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

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

The following tables summarize the financial condition and operations of JEA for the 2018 and 2017 fiscal years:

## Management's Discussion and Analysis (continued)

### Condensed Statements of Net Position

	2018	2017*	2016
	<i>(In millions)</i>		
<b>Assets and deferred outflows of resources</b>			
Current assets	\$ 874	\$ 902	\$ 917
Other noncurrent assets	1,677	1,624	1,552
Net capital assets	5,380	5,814	5,875
Deferred outflows of resources	435	438	462
<b>Total assets and deferred outflows of resources</b>	<b>\$ 8,366</b>	<b>\$ 8,778</b>	<b>\$ 8,806</b>
<b>Liabilities and deferred inflows of resources</b>			
Current liabilities	\$ 207	\$ 189	\$ 168
Current liabilities payable from restricted assets	367	449	389
Net pension liability	544	554	493
Other noncurrent liabilities	91	90	47
Long-term debt	4,053	4,410	4,791
Deferred inflows of resources	348	457	541
<b>Net position</b>			
Net investment in capital assets	1,857	1,622	1,420
Restricted	542	614	612
Unrestricted	357	393	345
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 8,366</b>	<b>\$ 8,778</b>	<b>\$ 8,806</b>

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

	2018	2017*	2016
	<i>(In millions)</i>		
Operating revenues	\$ 1,790	\$ 1,875	\$ 1,782
Operating expenses	(1,399)	(1,380)	(1,319)
Operating income	391	495	463
Nonoperating expenses, net	(131)	(149)	(146)
Contributions	(89)	(91)	(107)
Special Item	(45)	—	—
Change in net position	126	255	210
Net position – beginning of the year	2,629	2,377	2,167
Effect of adoption of GASB Statement No. 75	—	(3)	—
Net position – beginning of the year, restated	2,629	2,374	2,167
<b>Net position – end of the year</b>	<b>\$ 2,755</b>	<b>\$ 2,629</b>	<b>\$ 2,377</b>

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

## Management's Discussion and Analysis (continued)

### Financial Analysis of JEA for fiscal years 2018 and 2017

#### *Operating Revenues*

##### *2018 Compared to 2017*

###### *Electric Enterprise*

Total operating revenues decreased approximately \$62 million (4.4%) compared to fiscal year 2017. Electric revenues decreased \$114 million and other operating revenues increased by \$52 million. The \$114 million decrease in electric revenues was due to a \$97 million decrease in sales to FPL as a result of the shutdown of SJRPP in January 2018, and a \$40 million decrease in transfers from stabilization funds. See note 2, Regulatory Deferrals, for additional information. The decrease was partially offset by \$23 million increase in territorial sales. Territorial MWh sales were up 314,205 megawatt hours (MWh) (2.6%), resulting in a 1.0% increase in average MWhs per customer, driven by a 13.9% increase in degree days. SJRPP Sales to FPL decreased by 1,360,616 MWh and off-system sales decreased by 115,206 MWh, which brought the change to a net decrease in MWh sales of 1,161,617 MWh (8.4%). The increase in other operating revenues was driven by the FPL shutdown payment. See note 3, St. Johns River Power Park Decommissioning, for further details.

###### *Water and Sewer*

Total operating revenues decreased approximately \$22 million (4.9%) compared to fiscal year 2017. Water revenues decreased \$10 million (5.5%) due to a 2.8% decrease in consumption, which was partially offset by a 2.1% increase in customer accounts. Water consumption decreased 1,058,629 kgals to 36,186,559 kgals. Sewer revenues decreased approximately \$4 million (1.6%) primarily related to a 1.4% decrease in sales, which was partially offset by a 2.5% increase in sewer accounts. Sewer sales decreased 372,148 kgals to 26,340,622 kgals. The water and sewer revenue decreases were driven by a 22.4% increase in rain days. Reuse revenues increased approximately \$1 million (3.4%), primarily related to a 22.4% increase in reuse accounts, which was partially offset by a 5.2% decrease in sales. Reuse sales decreased 170,572 kgals to 3,119,739 kgals. Water and sewer revenues were impacted by an \$11 million net decrease in transfers from stabilization funds. See note 2, Regulatory Deferrals, for additional information. Other operating revenues increased by \$2 million due to additional waste disposal revenues.

###### *District Energy System*

Operating revenues remained flat when compared to fiscal year 2017 at \$9 million.

## Management's Discussion and Analysis (continued)

### **2017 Compared to 2016**

#### *Electric Enterprise*

Total operating revenues increased approximately \$64 million (4.7%) compared to fiscal year 2016. Electric revenues increased \$61 million and other operating revenues increased by \$3 million. The increase in electric revenues was due to an increase in transfers from stabilization funds related to fuel and debt management of \$96 million, which was partially offset by a \$35 million decrease in sales. See note 2, Regulatory Deferrals, for additional information. Territorial MWh sales were down 511,116 megawatt hours (MWh) (4.1%), resulting in a 5.6% decrease in average MWhs per customer. SJRPP Sales to FPL decreased by 163,116 MWh and off-system sales decreased by 18,402 MWh, which brought the total decrease in MWh sales to 692,634 MWh (4.7%).

#### *Water and Sewer*

Total operating revenues increased approximately \$30 million (7.1%) compared to fiscal year 2016. Water revenues increased \$10 million (6.1%) due to a 2.4% increase in consumption and a 2.4% increase in customer accounts. Water consumption increased 887,269 kgals to 37,245,188 kgals. Sewer revenues increased approximately \$12 million (5.2%) primarily related to a 3.5% increase in sales and a 2.6% increase in sewer accounts. Sewer sales increased 895,112 kgals to 26,712,770 kgals. Reuse revenues increased approximately \$3 million (28.7%), primarily related to a 24.4% increase in sales and a 25.2% increase in reuse accounts. Reuse sales increased 646,265 kgals to 3,290,311 kgals. Water and sewer revenues were impacted by a \$5 million net increase in transfers, primarily related to a withdrawal from the debt management stabilization fund for a debt defeasance. See note 2, Regulatory Deferrals, for additional information.

#### *District Energy System*

DES operating revenues remained flat when compared to fiscal year 2016 at \$9 million.

## Management's Discussion and Analysis (continued)

### *Operating Expenses*

#### *2018 Compared to 2017*

##### *Electric Enterprise*

Total operating expenses increased approximately \$14 million (1.3%), compared to fiscal year 2017.

Fuel and purchased power expense decreased approximately \$6 million (1.1%), compared to fiscal year 2017. Costs decreased by \$19 million while MWh generated and purchased increased by \$13 million. As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. In addition, the shutdown of the SJRPP power plant has decreased power production sourced by coal significantly. Total MWh power volumes increased 1.6% compared to fiscal year 2017 to 12,874,102 MWh, with an increase of 41.6% for MWh purchased and a decrease of 4.5% for MWh generated. Detailed below is JEA's power supply mix.

	<u>FY 2018</u>	<u>FY 2017</u>
Natural gas	48%	39%
Coal	22%	43%
Purchases	18%	12%
Petroleum coke	12%	6%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Operating expenses, other than fuel and purchased power, increased approximately \$20 million, compared to fiscal year 2017.

Maintenance and other operating expenses increased \$30 million. The drivers for the increase were a \$19 million increase in Scherer capital improvements and operating costs, \$14 million in SJRPP renewal and replacement expenses, and \$5 million increase in maintenance costs. These increases were offset by an \$8 million reduction in SJRPP operating expenses due to the plant shutdown.

Depreciation expense decreased \$28 million due to a decrease in the depreciable base, driven by the impairment of the SJRPP capital assets due to the shutdown of the SJRPP plant. State utility and franchise taxes increased \$2 million due to higher electric revenue taxable sales. Recognition of deferred costs and revenues, net increased \$16 million as a result of higher deferred cost amortization, primarily related to the reduced depreciation for SJRPP capital assets subsequent to the impairment. See note 3, St. Johns River Power Park Decommissioning, for additional details.

##### *Water and Sewer*

Operating expenses increased \$5 million (1.7%), compared to fiscal year 2017. Maintenance and other expenses increased \$8 million due to a \$5 million increase in professional services, industrial services, and compensation and a \$3 million increase in interfund charges. Depreciation expense increased \$2 million due to an increase in the depreciable base. Recognition of deferred costs and revenues, net decreased \$5 million due to a decrease in environmental projects paid from the rate stabilization fund.

##### *District Energy System*

Operating expenses remained flat when compared to fiscal year 2017 at \$7 million.

## Management's Discussion and Analysis (continued)

### 2017 Compared to 2016

#### *Electric Enterprise*

Total operating expenses increased approximately \$56 million (5.4%), compared to fiscal year 2016.

Fuel and purchased power expense increased approximately \$51 million (10.4%), compared to fiscal year 2016, primarily due to higher solid fuels, natural gas and purchased power costs. The increase in commodity costs was partially offset by a decrease in total MMH generated and purchased. Generation cost increased by \$62 million, purchased power cost increased by \$12 million, while MMh generated and purchased decreased by \$23 million. As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. Total MMh power volumes decreased 4.4% compared to fiscal year 2016 to 12,667,351 MMh, with a decrease of 5.6% for MMh generated and an increase of 3.7% for MMh purchased. Detailed below is JEA's power supply mix.

	FY 2017	FY 2016
Coal	43%	42%
Natural gas	39%	32%
Petroleum coke	6%	15%
Purchases	12%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Operating expenses, other than fuel and purchased power, increased approximately \$5 million, compared to fiscal year 2016. Maintenance and other operating expenses increased \$3 million. The drivers for the increase were a \$9 million increase in compensation and benefits costs and a \$3 million increase related to insurance costs. These increases were offset by a decrease of \$9 million in maintenance expenses due to a prior year major outage at Brandy Branch not repeated in the current year and reduced maintenance expenses at SJRPP and Scherer. Depreciation expense increased \$5 million due to an increase in the depreciable base. State utility and franchise taxes decreased \$2 million due to lower electric revenue sales. Recognition of deferred costs and revenues, net decreased \$1 million as a result of lower deferred cost amortization.

#### *Water and Sewer*

Operating expenses increased \$8 million (2.6%), compared to fiscal year 2016. Maintenance and other expenses increased \$10 million due to a \$5 million increase in compensation and benefits costs, \$4 million increase in interfund charges, and a \$1 million net increase in miscellaneous other operating expenses. Recognition of deferred costs and revenues, net decreased \$2 million due to a decrease in environmental projects paid from the rate stabilization fund.

#### *District Energy System*

DES operating expenses remained flat when compared to fiscal year 2016 at \$7 million.

## Management's Discussion and Analysis (continued)

### ***Nonoperating Revenues and Expenses***

#### ***2018 Compared to 2017***

There was a decrease of approximately \$18 million (12.1%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

	<b>FY 2018</b>
	<i>(in millions)</i>
<b>Changes in nonoperating expenses, net</b>	
Decrease in interest on debt	\$ 16
Investment gains – fair value adjustments	4
Decrease in investment income	(3)
Decrease in The Energy Authority earnings	(2)
Gain on sale of assets	2
Decrease in other nonoperating expenses - timber	2
Increase in other interest expense	(1)
<b>Total change in nonoperating expenses, net</b>	<b>\$ 18</b>

#### ***2017 Compared to 2016***

There was an increase of approximately \$3 million (1.7%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

	<b>FY 2017</b>
	<i>(in millions)</i>
<b>Changes in nonoperating expenses, net</b>	
Investment losses – fair value adjustments	\$ (9)
Increase in investment income	5
Decrease in other nonoperating income – timber	(3)
Increase in allowance for funds used during construction	2
Decrease in interest on debt	2
<b>Total change in nonoperating expenses, net</b>	<b>\$ (3)</b>

## Management's Discussion and Analysis (continued)

### ***Capital Assets and Debt Administration for Fiscal Years 2018 and 2017***

#### ***Capital Assets***

As of September 30, 2018, JEA had approximately \$5,380 million in capital assets, net of accumulated depreciation. This included \$2,662 million in electric plant, \$2,683 million in water and sewer plant, and \$35 million in chilled water plant. During fiscal year 2018, capital additions were \$387 million, which included \$183 million in electric plant, \$203 million in water and sewer plant, and \$1 million in chilled water plant. Also during fiscal year 2018, a \$451 million write down was recorded to the Electric Enterprise capital accounts due to the shutdown of the SJRPP power plant. More detailed information is presented in note 3, St. Johns River Power Park Decommissioning, to the financial statements. As of September 30, 2017, JEA had approximately \$5,814 million in capital assets, net of accumulated depreciation. This included \$3,162 million in electric plant, \$2,616 million in water and sewer plant, and \$36 million in chilled water plant. During fiscal year 2017, capital additions were \$327 million, which included \$145 million in electric plant, \$180 million in water and sewer plant, and \$2 million in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 6, Capital Assets, to the financial statements.

With the adoption of the depreciation ratemaking policy in 2014, the depreciation of contributed assets are not included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2018, \$2 million of contributed capital related to the Electric System and \$52 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2017, \$1 million of contributed capital related to the Electric System and \$41 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for improvements to existing generating facilities that are determined to be necessary as a result of JEA's annual resource planning process; (b) the Electric Enterprise Fund's capital requirements for transmission and distribution facilities and other capital items; and (c) the Water and Sewer Fund capital requirements that are determined to be necessary as a result of the annual resource planning process. The cost of the capital improvement program is planned to be provided from revenues generated from operations and existing construction fund balances.

Scherer is subject to a joint ownership agreement. JEA's share of the estimated capital expenditures relating to this plant is \$10 million and is included in the Electric Enterprise Fund amount above.

## Management's Discussion and Analysis (continued)

### **Debt Administration**

Debt outstanding at September 30, 2018, was \$3,999 million, a decrease of approximately \$402 million from the prior fiscal year. This decrease was due to defeasance of principal of \$994 million and regular principal payments of \$229 million, being partially offset by new debt issued of \$821 million.

Debt outstanding at September 30, 2017, was \$4,401 million, a decrease of approximately \$251 million from the prior fiscal year. This decrease was due to regular principal payments of \$182 million and defeasance of principal of \$159 million, being partially offset by new debt issued of \$90 million.

JEA's debt ratings on its long-term debt per Fitch and Moody's Investors Service remained unchanged from fiscal year 2017. On September 28, 2018, Standard & Poor's downgraded its long-term ratings on the Electric System senior, SJRPP, and Scherer bonds from AA- to A+ and the Electric System subordinated bonds from A+ to A. All ratings as of September 2018 and 2017 are as follows:

	2018					2017				
	Electric System	Water and Sewer System	SJRPP	Scherer	District Energy System	Electric System	Water and Sewer System	SJRPP	Scherer	District Energy System
<b>Senior debt</b>										
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa3	Aa2	Aa2	Aa2	Aa2	Aa3
Standard & Poor's	A+	AAA	A+	A+	AA+	AA-	AAA	AA-	AA-	AA+
Fitch	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA
<b>Subordinated debt</b>										
Moody's Investors Service	Aa3	Aa2	*	*	*	Aa3	Aa2	*	*	*
Standard & Poor's	A	AA+	*	*	*	A+	AA+	*	*	*
Fitch	AA	AA	*	*	*	AA	AA	*	*	*

\* There are no subordinated bonds related to this system.

### **Currently Known Facts Expected to have a Significant Effect on Financial Position and/or Changes in Operations**

#### *Setting of Rates*

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval.

In October 2017, the Board approved a new rate rider called SolarMax for customers purchasing a minimum of 7,000,000 kWh of annual solar purchase power, effective November 1, 2017. The Board also approved a wastewater rate for Leachate waste disposed at a JEA sewage treatment plant at a charge of \$5.16 per 100 gallons.

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its August 2018 meeting, an extension of the Economic Stimulus Rider from September 30, 2018 to September 30, 2021 that provides a financial incentive for new commercial or industrial customers to locate within the JEA service area.

## Management's Discussion and Analysis (continued)

### *Bond Ratings*

Moody's Investors Services lowered certain JEA bond ratings subsequent to the end of fiscal year 2018. As a result of the ratings change, commitment fees related to Electric System variable rate demand obligations and the interest rate related to the variable rate direct purchased bonds changed. For further details, see note 18, Subsequent Events.

### *Requests for Information*

The financial report is designed to provide a general overview of JEA's finances for all those with an interest in JEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

**Audited Financial Statements**

JEA

Statements of Net Position  
(In Thousands)

	September	
	2018	2017*
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 441,206	\$ 489,559
Investments	85,310	25,122
Accounts and interest receivable, net of allowance (\$1,830 for 2018 and \$2,101 for 2017)	251,148	245,444
Inventories:		
Fuel	36,871	72,772
Materials and supplies	59,204	69,721
Total current assets	<u>873,739</u>	<u>902,618</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	114,576	124,475
Investments	731,627	936,708
Accounts and interest receivable	62	984
Total restricted assets	<u>846,265</u>	<u>1,062,167</u>
Costs to be recovered from future revenues	808,096	541,021
Investment in The Energy Authority	6,811	6,283
Other assets	15,875	14,511
Total noncurrent assets	<u>1,677,047</u>	<u>1,623,982</u>
Net capital assets	5,380,259	5,813,799
Total assets	<u>7,931,045</u>	<u>8,340,399</u>
<b>Deferred outflows of resources</b>		
Unrealized pension contributions and losses	171,367	173,578
Unamortized deferred losses on refundings	143,722	133,356
Accumulated decrease in fair value of hedging derivatives	86,356	125,269
Unrealized asset retirement obligation	29,173	-
Unrealized OPEB contributions and losses	4,078	5,240
Total deferred outflows of resources	<u>434,696</u>	<u>437,443</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 8,365,741</u>	<u>\$ 8,777,842</u>

See accompanying notes to financial statements.

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

JEA

Statements of Net Position (continued)  
(In Thousands)

	September	
	2018	2017*
<b>Liabilities</b>		
Current liabilities:		
Accounts and accrued expenses payable	\$ 147,361	\$ 131,892
Customer deposits	59,883	57,278
Total current liabilities	<u>207,244</u>	<u>189,170</u>
Current liabilities payable from restricted assets:		
Debt due within one year	185,790	229,095
Renewal and replacement reserve	54,370	82,577
Interest payable	73,737	82,221
Construction contracts and accounts payable	53,369	54,961
Total current liabilities payable from restricted assets	<u>367,266</u>	<u>448,854</u>
Noncurrent liabilities:		
Net pension liability	544,203	554,337
Asset retirement obligation	22,526	—
Net OPEB liability	18,835	39,508
Other liabilities	49,227	50,022
Total other noncurrent liabilities	<u>634,791</u>	<u>643,867</u>
Long-term debt:		
Debt payable, less current portion	3,813,680	4,172,160
Unamortized premium, net	152,891	112,475
Fair value of debt management strategy instruments	86,356	125,269
Total long-term debt	<u>4,052,927</u>	<u>4,409,904</u>
Total liabilities	<u>5,262,228</u>	<u>5,691,795</u>
<b>Deferred inflows of resources</b>		
Revenues to be used for future costs	286,832	444,606
Unrealized pension gains	50,124	11,960
Unrealized OPEB gains	8,712	659
Accumulated increase in fair value of hedging derivatives	2,536	—
Total deferred inflows of resources	<u>348,204</u>	<u>457,225</u>
<b>Net position</b>		
Net investment in capital assets	1,856,725	1,622,160
Restricted for:		
Debt service	187,374	234,268
Other purposes	354,663	379,186
Unrestricted	356,547	393,208
Total net position	<u>2,755,309</u>	<u>2,628,822</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 8,365,741</u>	<u>\$ 8,777,842</u>

See accompanying notes to financial statements.

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

JEA

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

	September	
	2018	2017*
<b>Operating revenues</b>		
Electric	\$ 1,267,202	\$ 1,382,206
Water and sewer	423,480	448,057
District energy system	8,348	8,185
Other	90,952	36,729
Total operating revenues	1,789,982	1,875,177
<b>Operating expenses</b>		
Operations and maintenance:		
Fuel	421,052	458,794
Purchased power	109,194	77,456
Maintenance and other operating expenses	429,989	392,142
Depreciation	360,609	386,699
State utility and franchise taxes	71,307	69,683
Recognition of deferred costs and revenues, net	6,856	(4,075)
Total operating expenses	1,399,007	1,380,699
Operating income	390,975	494,478
<b>Nonoperating revenues (expenses)</b>		
Interest on debt	(166,508)	(182,992)
Investment income	11,826	10,576
Allowance for funds used during construction	11,764	11,774
Other nonoperating income, net	9,857	5,918
Earnings from The Energy Authority	4,074	6,335
Other interest, net	(1,825)	(451)
Total nonoperating expenses, net	(130,812)	(148,840)
Income before contributions	260,163	345,638
<b>Contributions (to) from</b>		
General Fund, City of Jacksonville, Florida	(116,620)	(115,823)
Developers and other	82,157	66,875
Reduction of plant cost through contributions	(54,114)	(42,069)
Total contributions, net	(88,577)	(91,017)
<b>Special items</b>	(45,099)	-
Change in net position	126,487	254,621
Net position, beginning of year	2,628,822	2,376,925
Effect of adoption of GASB Statement No. 75	-	(2,724)
Net position, beginning of year, as restated	2,628,822	2,374,201
<b>Net position, end of year</b>	\$ 2,755,309	\$ 2,628,822

See accompanying notes to financial statements.

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

JEA

Statements of Cash Flows  
(In Thousands)

	September	
	2018	2017
<b>Operating activities</b>		
Receipts from customers	\$ 1,740,598	\$ 1,758,515
Payments to suppliers	(790,962)	(738,231)
Payments to employees	(267,569)	(249,193)
Other operating activities	93,902	4,541
Net cash provided by operating activities	775,969	775,632
<b>Noncapital and related financing activities</b>		
Contribution to General Fund, City of Jacksonville, Florida	(116,569)	(115,694)
Net cash used in noncapital and related financing activities	(116,569)	(115,694)
<b>Capital and related financing activities</b>		
Defeasance of debt	(993,690)	(159,345)
Proceeds from issuance of debt	821,000	90,405
Acquisition and construction of capital assets	(384,577)	(308,133)
Repayment of debt principal	(229,095)	(181,525)
Interest paid on debt	(182,849)	(193,483)
Capital contributions	28,043	24,805
Other capital financing activities	63,197	2,528
Net cash used in capital and related financing activities	(877,971)	(724,748)
<b>Investing activities</b>		
Purchase of investments	(1,037,966)	(1,803,447)
Proceeds from sale and maturity of investments	1,179,471	1,861,596
Investment income	15,301	17,593
Distributions from The Energy Authority	3,513	6,182
Net cash provided by investing activities	160,319	81,924
Net change in cash and cash equivalents	(58,252)	17,114
Cash and cash equivalents at beginning of year	614,034	596,920
Cash and cash equivalents at end of year	\$ 555,782	\$ 614,034
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 390,975	\$ 494,478
Adjustments:		
Depreciation and amortization	361,889	388,040
Recognition of deferred costs and revenues, net	6,856	(4,075)
Other nonoperating income, net	1,073	(1,072)
Changes in noncash assets and noncash liabilities:		
Accounts receivable	26,486	(14,185)
Accounts receivable, restricted	16	32
Inventories	46,419	(24,692)
Other assets	6,421	(27,625)
Accounts and accrued expenses payable	979	23,262
Current liabilities payable from restricted assets	(49,998)	4,409
Other noncurrent liabilities and deferred inflows	(15,147)	(62,940)
Net cash provided by operating activities	\$ 775,969	\$ 775,632
<b>Noncash activity</b>		
Contribution of capital assets from developers	\$ 54,114	\$ 42,069
Unrealized losses on fair value of investments, net	\$ (3,386)	\$ (7,710)

See accompanying notes to financial statements.

# JEA

## Notes to Financial Statements (Dollars in Thousands)

Years Ended September 30, 2018 and 2017

### 1. Summary of Significant Accounting Policies and Practices

#### (a) Reporting Entity

JEA is currently organized into three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the Electric System; the Bulk Power Supply System (Scherer), which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company (Georgia Power) and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which is jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of water and sewer system activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in Scherer and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership interests in respective plants as of September 30, 2018 and 2017:

	2018	2017
Bulk Power Supply System:		
Inventories	\$ 7,463	\$ 7,042
Costs to be recovered from future revenues	6,155	11,686
Capital assets, net	135,595	143,981
Debt due within one year	5,710	5,205
Long-term debt	94,602	100,465
Revenues to be used for future costs	37,560	41,438
SJRPP:		
Inventories	1,680	53,977
Other current assets	68,672	63,040
Capital assets, net	10,144	474,437
Restricted assets	97,490	272,823
Costs to be recovered from future revenues	261,277	4,042
Long-term debt	281,359	420,060
Other liabilities	110,152	184,464

The Electric Enterprise Fund, Water and Sewer Fund, and the DES are governed by the JEA Board of Directors (Board). The Board is responsible for setting rates based on operating and maintenance expenses and depreciation of the respective operations. The operations of the Bulk Power Supply System and SJRPP are subject to joint ownership agreements, and rates are established on a cost-of-service basis, including operating and maintenance expenses and debt service. See note 1(s), Setting of rates.

## JEA

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

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

##### **(b) Basis of Accounting**

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

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.
- Restricted consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

##### **(c) Revenues**

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

JEA

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

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

Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to stabilization funds. Discounts and allowances totaled \$32,441 in fiscal year 2018 and \$31,664 in 2017. JEA withdrew the net amount of \$15,813 in fiscal year 2018 and \$65,791 in 2017 from stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 7.1% of its electric revenue from electricity sold to FPL in fiscal year 2018 and 9.2% in 2017. Operating revenues include amounts estimated for unbilled services provided during the reporting period of \$82,576 in 2018 and \$73,244 in 2017.

**(d) Capital Assets**

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

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

**(e) Allowance for Funds Used During Construction**

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

<b>Average AFUDC Rate (%)</b>	<b>2018</b>	<b>2017</b>
Electric Enterprise Fund	4.3%	4.2%
Water and Sewer Fund	4.3%	4.2%
District Energy System	3.7%	3.6%

The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was \$166,508 for fiscal year 2018 and \$182,992 for 2017, of which \$11,764 was capitalized in fiscal year 2018 and \$11,774 in 2017. There was no investment income on bond proceeds in either year that reduced the amount of interest expense.

JEA

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

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

**(f) Depreciation**

Depreciation of capital assets is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. Depreciation begins on the date the assets are placed in service. Generally, recurring renewal and replacement capital additions are placed in service at the end of each fiscal year. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.2% and 3.5% for fiscal years 2018 and 2017, respectively. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

Average Depreciable Life (Years)	2018	2017
Electric Enterprise Fund	23.9	24.1
Water and Sewer Fund	27.6	27.7
District Energy System	23.7	24.0

**(g) Amortization**

Amortization of bond discounts and premiums is computed on a straight-line basis, which approximates the effective-interest method over the remaining term of the outstanding bonds.

**(h) Losses on Refundings**

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as deferred outflows of resources on the accompanying statements of net position. Whereas JEA has incurred accounting losses on refundings, calculated as the difference between the net carrying value of the refunded and the refunding bonds, JEA has over time realized economic gains calculated as the present value difference in the future debt service on the refunded and refunding bonds.

**(i) Investments**

Investments are presented at fair value or cost, which is further explained in note 14, *Fair Value Measurements*. Realized and unrealized gains and losses for all investments are included in investment income on the statements of revenues, expenses, and changes in net position. The investment in The Energy Authority (TEA) is recorded on the equity method (see note 7, Investment in The Energy Authority, for additional information).

JEA

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

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

**(j) Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

**(k) Interest Rate Swap Agreements**

JEA's risk management policies allow for the use of interest rate swaps to manage financial exposures, but prohibit the use of these instruments for speculative or trading purposes. JEA utilizes interest rate swaps to manage the interest rate risk associated with various assets and liabilities. Interest rate swaps are used in the area of debt management to take advantage of favorable market interest rates. Interest rate swaps are authorized under the policy to be used in the area of investment management to increase the yield on revolving short-term investments.

JEA applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, where applicable for effective hedging instruments. For effective hedging instruments, the changes in fair value are recorded on the statements of net position as deferred outflows and inflows of resources. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the statements of revenues, expenses, and changes in net position as an adjustment to investment income.

Under JEA's interest rate swap programs, JEA either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specified period of time (unless earlier terminated) or JEA pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded as either an adjustment to investment income (asset management) or interest on debt (debt management) in the statements of revenues, expenses, and changes in net position. No money is initially exchanged when JEA enters into a new interest rate swap transaction.

During fiscal years 2018 and 2017, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section in note 8, Long-Term Debt, for more information on JEA's debt management interest rate swap program.

**(l) Inventory**

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet generation requirements. Inventories are valued at average cost, with obsolete items being expensed when identified.

JEA

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

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

**(m) Energy Market Risk Management Program**

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred outflow of resources or a deferred inflow of resources until such time that the transactions end. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position.

**(n) Capital Contributions**

Capital contributions represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statement of revenues, expenses, and changes in net position at the time of receipt. Assets received are recorded as contributions from developers and others at acquisition cost. Corresponding expenses of \$54,114 and \$42,069 were recorded in fiscal years 2018 and 2017 to recognize the costs of the assets since it will not be included in revenue requirements charged to customers in the future.

**(o) Pension**

For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and fiduciary net position; JEA's portion of the City of Jacksonville General Employees' Retirement Plan (GERP) and St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) have been determined on the same basis as reported in the GERP and SJRPP Plan financial statements. Employer contributions made subsequent to the measurement date and before the fiscal year end are recorded as a deferred outflow of resources.

**Basis of Accounting** – The pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contribution, benefit payments and refunds are recognized when due and payable in accordance with the terms of the plans. Florida law and the Florida Division of Retirement require plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll or in dollars. The Florida Division of Retirement reviews and approves the GERP actuarial report to ensure compliance with actuarial standards. The SJRPP Plan is governed by a five-member Pension Committee to ensure compliance with actuarial standards.

JEA

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

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

**Method Used to Value Investments** – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments in GERP is based on independent appraisals or estimates of fair value as provided by third-party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third-party fund managers. Investments are managed by third-party money managers while cash and securities are generally held by the independent custodians.

**(p) Compensated Absences**

JEA employees accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements and other employment plans. Accrued leave may be taken at any time when authorized. In addition, employees may elect to sell back any leave accrued during the fiscal year. Leave accrued over the maximum allowed leave balances is paid to the employee after the end of the fiscal year.

Upon termination from employment, employees are paid for their unused leave balances. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB No. 16), the amount reflected as the current portion is estimated based upon historical trends of retirements and attrition.

This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB No. 16.

Compensated absences liabilities are accrued when incurred in the financial statements in conformity with generally accepted accounting principles (GAAP). The compensated absences liability is determined based on current rates of pay.

The compensated absence liability as of September 30, 2018, was \$30,854. Of this amount, \$1,423 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of \$29,431 was included in other liabilities on the accompanying statements of net position. During fiscal year 2018, annual leave earned totaled \$21,983 and annual leave taken totaled \$22,788. The compensated absence liability as of September 30, 2017, was \$31,798. Of this amount, \$3,527 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of \$28,271 was included in other liabilities on the accompanying statements of net position. During fiscal year 2017, annual leave earned totaled \$21,856 and annual leave taken totaled \$19,757.

**(q) Pollution Remediation Obligations**

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

JEA

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

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

**(r) Asset Retirement Obligations**

JEA applies GASB Statement No. 83, *Certain Asset Retirement Obligations*. See note 3, St. Johns River Power Park Decommissioning, for further discussion.

**(s) Costs to Be Recovered from Future Revenues/Revenues to Be Used for Future Costs**

JEA records certain assets and liabilities (or deferred inflows) that result from the effects of the ratemaking process that would not be recorded under GAAP for nonregulated entities. Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to its customers. If cost-based regulation were to be discontinued in the electric industry for any reason, market prices for electricity could be reduced or increased and utilities might be required to reduce their statements of net position amounts to reflect market conditions.

Discontinuance of cost-based regulation could also require affected utilities to write off their associated regulatory assets and liabilities. Management cannot predict the potential impact, if any, of the change in the regulatory environment on JEA's future financial position and results of operations.

**(t) Setting of Rates**

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval.

In October 2017, the Board approved a new rate rider called SolarMax for customers purchasing a minimum of 7,000,000 kWh of annual solar purchase power, effective November 1, 2017. The Board also approved a wastewater rate for Leachate waste disposed at a JEA sewage treatment plant at a charge of \$5.16 per 100 gallons.

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its August 2018 meeting, an extension of the Economic Stimulus Rider from September 30, 2018 to September 30, 2021 that provides a financial incentive for new commercial or industrial customers to locate within the JEA service area.

**(u) Reclassifications**

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

JEA

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

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

(v) *Pervasiveness of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(w) *Newly Adopted Standards for Fiscal Year 2018*

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB)*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses for governments that provide OPEB benefits. Note disclosure and required supplementary information requirements are also addressed. For comparative purposes, the statement of net position and statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 were restated for this change. See the chart below for details of the restatement.

	Originally Reported October 1, 2016	GASB 75	As Restated October 1, 2016
<i>Statement of Net Position</i>			
<b>Assets</b>			
Costs to be recovered from future revenues	\$ 463,610	\$ 39,337	\$ 502,947
Other assets	17,931	(2,724)	15,207
<b>Deferred outflows of resources</b>			
Unrealized OPEB contributions	—	5,061	5,061
<b>Noncurrent liabilities</b>			
Net OPEB liability	—	44,398	44,398
<b>Net position</b>	<b>2,376,925</b>	<b>(2,724)</b>	<b>2,374,201</b>
<i>Statement of Revenues, Expenses, and Change in Net Position</i>			
<b>Adjustment to beginning net position</b>			
Effect of adoption of GASB Statement No. 75	—	(2,724)	(2,724)

## JEA

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

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

In March 2016, GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources related to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. In addition, this statement requires a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the beneficial interests. The implementation of this statement did not have an impact on JEA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is effective for JEA in fiscal year 2019. However, JEA early adopted this statement in fiscal year 2018 in association with its accounting for the shutdown and dismantlement of St. Johns River Power Park. See note 3, SJRPP for details.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits. The implementation of this statement did not have an impact on JEA's financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an impact on JEA's financial statements.

#### **(x) Recently Issued Accounting Pronouncements Not Yet Effective**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for JEA in fiscal year 2020. The impact on JEA's financial reporting will be the reporting of its pension and other postemployment benefit plans in fiduciary fund financial statements.

## JEA

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

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for JEA in fiscal year 2021. The impact on JEA's financial reporting has not been determined.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for JEA in fiscal year 2019. The impact on JEA's financial statements will be additional disclosures within the financial statement footnotes.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. However, GASB allows those entities meeting the criteria for regulated operations, and electing to apply the related provisions of Statement 62, to continue to capitalize qualifying interest cost as a regulatory asset. This statement is effective for JEA in fiscal year 2021. The impact on JEA's financial reporting has not been determined.

In August 2018, GASB issues Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for JEA in fiscal year 2020. The implementation of this statement is not expected to have an impact on JEA's financial statements.

JEA

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

**2. Regulatory Deferrals**

Based on regulatory action taken by the Board and in accordance with the Regulated Operations section within GASB Statement 62, JEA has recorded the following regulatory assets and liabilities that will be included in the ratemaking process and recognized as expenses and revenues, respectively, in future periods. These amounts are shown under other noncurrent assets or deferred inflows of resources on the accompanying statements of net position.

**Regulatory Assets**

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

<b>Regulatory Asset</b>	<b>2018</b>	<b>2017 Restated</b>
Unfunded pension costs	\$ 433,583	\$ 392,719
SJRPP and Bulk Power cost to be recovered	267,432	14,940
Water environmental projects	59,859	68,409
Unfunded OPEB costs	23,469	34,927
Storm costs to be recovered	18,966	27,999
Debt issue cost	4,787	2,027
Total regulatory assets	<b>\$ 808,096</b>	<b>\$ 541,021</b>

**Unfunded Pension Costs** – Accrued pension represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation. In fiscal year 2018, the asset consisted of amounts attributable to JEA's portion of the GERP. For the SJRPP pension plan, JEA made excess contributions during fiscal year 2018 that resulted in a regulatory liability. See excess pension contributions in the Regulatory Liabilities section of this footnote. In fiscal year 2017, the balance includes amounts attributable to JEA's portion of the GERP and amounts related to the SJRPP Plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension.

JEA

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

**2. Regulatory Deferrals (continued)**

***SJRPP and Bulk Power costs to be recovered***— SJRPP deferred debt-related costs of \$261,277 at September 30, 2018 and \$3,254 at September 30, 2017 are the result of differences between expenses in determining rates and those used in financial reporting. During fiscal year 2018, operations of SJRPP, as generating facility, ceased and the majority of the assets are being dismantled. A write down of \$451,037 of undepreciated book value of the assets was recognized during fiscal year 2018 and \$128,280 of bonds were defeased as a result of the shutdown of SJRPP. After shutdown, SJRPP has remaining plant in service assets of \$3,484 and outstanding debt of \$280,605. The details relating to the shutdown of SJRPP are further discussed in note 3, St. Johns River Power Park Decommissioning. The JEA board approved the deferral of this regulatory asset. SJRPP has a contract with the JEA Electric System to recover these costs from future revenues that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. The Bulk Power Supply System deferred debt-related costs were \$6,155 at September 30, 2018 and \$11,686 at September 30, 2017. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation. The Bulk Power Supply System will recover these costs from future revenues that will coincide with the retirement of long-term debt.

***Water Environmental Projects***— In August 2015, the Board approved the recovery of previously approved environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was \$101,277 of which \$59,859 remained unrecovered as of September 30, 2018 and \$68,409 remained unrecovered as of September 30, 2017. This deferral is being amortized over ten years.

***Unfunded OPEB Costs***— Accrued OPEB represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to JEA's other postemployment benefit plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for OPEB. The Board approved the recovery of the unfunded amounts in future revenue requirements with the adoption of GASB 75 in fiscal year 2018. In addition, the Board approved the deferral of the difference between the annual contributions (funding) and OPEB expense.

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

***Debt issue costs***— With the application of regulatory accounting in fiscal year 2015, the Board approved deferral of the issue costs on all new debt issues with the amounts being amortized over the life of the bonds, as they are included in revenue requirements. These costs are incurred in connection with the issuance of debt obligations and are mainly underwriter fees and legal costs. Unrecovered costs remaining at the end of the fiscal year were \$4,787 in fiscal year 2018 and \$2,027 in 2017.

JEA

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

2. Regulatory Deferrals (continued)

Regulatory Liabilities

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

Regulatory Liabilities	2018	2017
Fuel stabilization	\$ 74,376	\$ 131,715
Environmental	55,077	41,630
Nonfuel purchase power	53,493	25,189
Debt management stabilization	44,093	44,093
SJRPP and Bulk Power revenues to be used for future costs	37,560	189,070
Excess pension contributions	10,624	—
Self-insurance medical reserve	8,139	9,214
Customer benefit stabilization	3,470	3,695
Total regulatory liabilities	<u>\$ 286,832</u>	<u>\$ 444,606</u>

**Fuel stabilization**— This account represents the difference between the fuel costs incurred and fuel charge revenues collected from customers, inclusive of accrued utility revenue and fuel costs. During fiscal year 2018, a net of \$57,339 of costs were incurred in excess of the revenues collected and was recognized as a reduction of the regulatory liability. During fiscal year 2017, a net of \$48,400 of costs were incurred in excess of the revenues collected and was recognized as a reduction of the regulatory liability.

**Environmental**— The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt-hour and water customer kilogallon sales. Electric costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Water costs included in the surcharge include operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or over-collected are recorded as a regulatory asset or liability. During fiscal year 2018, \$31,401 was collected through the surcharge with \$8,551 of recovery of previously approved environmental capital projects, \$6,169 of capital projects, and \$3,234 of operations and maintenance costs being incurred with the remaining \$13,447 recognized as a regulatory liability. During fiscal year 2017, \$31,659 was collected through the surcharge with \$11,286 of capital projects, \$8,551 of recovery of previously approved environmental capital projects, and \$1,866 of operations and maintenance costs being incurred with the remaining \$9,956 recognized as a regulatory liability.

**Nonfuel purchased power**— JEA entered into a power purchase agreement related to the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia (Plant Vogtle). This agreement is discussed in further detail in note 10, Fuel Purchase and Purchased Power Commitments. Related to that agreement, the JEA Board approved a nonfuel purchased power stabilization fund to balance the timing of the payments for Plant Vogtle's debt service with the anticipated in service date. It may be used for other purposes with the Board's approval. The amounts included in the fund are to be used for Plant Vogtle or refunded to customers if not needed. During fiscal year 2018, \$40,000 was deposited into the stabilization fund to fund the additional debt service payments as a result of the new anticipated in service dates.

## JEA

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

#### 2. Regulatory Deferrals (continued)

**Debt management stabilization**— The Board has authorized the use of a debt management stabilization fund. Amounts are included in the fund based on differences between budgeted and actual debt cost up to an established maximum reserve fund. The reserve is available to support JEA during times of financial market crisis. Withdrawals from the debt management stabilization fund for debt management strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit, or unanticipated credit expenses. The reserve can also be used to reduce short-term variable interest expense in excess of the amounts included in the budget. The Board evaluates during the budget approval process and periodically throughout the year the amounts in the reserve that will be included in JEA's annual revenue requirements. As a result, \$44,093 collected in the past for the debt management stabilization fund was recorded as a regulatory liability at September 30, 2018 and 2017, respectively. During fiscal year 2018, no additional amounts were deposited or withdrawn from the stabilization fund. During fiscal year 2017, \$18,323 was withdrawn and used to defease bonds.

**SJRPP and Bulk Power revenues to be used for future costs**— As a result of the shutdown of SJRPP, the deferred debt-related revenues of \$144,933 at the shutdown date in January 2018 was adjusted. Through the regulatory approval by the board, a regulatory asset was recorded. See SJRPP and Bulk Power costs to be recovered in this note for further details. SJRPP had deferred debt-related revenues of \$147,632 at September 30, 2017 as the result of differences between revenues in determining rates and those used in financial reporting. Bulk Power Supply System early debt principal in excess of straight-line depreciation of \$37,560 at September 30, 2018 and \$41,438 at September 30, 2017 is included in deferred inflows of resources on the accompanying statements of net position.

**Excess pension contributions**— Excess pensions contributions represents a regulatory liability related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to the SJRPP Plan. The regulatory liability is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension.

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

Under the self-insurance program, JEA is liable for all claims. JEA retains an additional stop-loss policy for claims in excess of \$250 per employee, with an aggregate limit of 125.0% of claims. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through a third-party insurance company and, as such, the administrator is responsible for processing the claims in accordance with the benefit specifications with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study and include claims that have been incurred but not reported.

JEA

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

2. Regulatory Deferrals (continued)

The changes in the self-insurance medical reserve for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Beginning balance	\$ 9,214	\$ 11,178
Contributions	29,561	29,615
Incurred claims	(30,636)	(31,579)
Ending balance	<u>\$ 8,139</u>	<u>\$ 9,214</u>

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

3. St. Johns River Power Park Decommissioning

JEA and FPL entered into an Agreement for Joint Ownership, Construction and Operation of SJRPP Coal Units #1 and #2 (JOA) dated as of April 2, 1982. JEA owns 80% and FPL owns 20% of SJRPP. A Purchased Power Agreement (PPA) in the JOA assigned 37.5% of JEA's 80% generation to FPL, which effectively provided 50% of the generation to both owners of SJRPP. The JOA ends on April 2, 2022. JEA and FPL reached an agreement to close SJRPP, including early termination of the PPA. On May 16, 2017, JEA's board of directors approved the Asset Transfer and Contract Termination Agreement, which outlined the terms of the retirement, decommissioning, and dismantling of the plant. The week following, FPL approved the contract and filed a petition with the Florida Public Service Commission (FPSC) for approval to shut down SJRPP. The final order was approved by FPSC in October 2017.

Shutdown occurred on January 5, 2018. On that date, FPL paid JEA \$90,400, made up of FPL's cash reserves at SJRPP and a shutdown cash payment of \$51,869 as a result of the early termination of the PPA. The payment was recorded as other operating revenue and the expenses related to the shutdown were charged to maintenance and other operating expenses on the statement of revenues, expenses, and changes in net position.

In addition, on that date, FPL paid JEA the FPL Debt Service Reserves, which JEA then paid to an escrow account to consummate the bond defeasance of \$128,280 of Issue Two debt. On January 5, 2018, JEA defeased all of the SJRPP System Revenue Issue Two debt and, on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution.

As part of the agreement, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited into the SJRPP Pension Fund. JEA paid a total of \$8,974 in separation benefits for SJRPP employees.

## JEA

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

#### 3. St. Johns River Power Park Decommissioning (continued)

FPL conveyed their 20% interest in SJRPP's fuel inventory to JEA. The fuel inventory received, totaling \$4,595, was recorded at fair value. The remaining coal at SJRPP was transferred and consumed at JEA Northside Units 1 and 2. These transactions were recorded at the book value of the coal as the coal was transferred. Based on a physical inventory, the book balance of coal inventory at September 30, 2018 was written down by \$11,484 to reflect the remaining coal at SJRPP of \$1,015.

FPL received a credit for their estimated share of the material and supplies inventory balance at shutdown, pending sale of the inventory. After the sales period passed, FPL paid a shutdown payment adjustment for their share of 20% of the loss on the remaining materials and supplies inventory. JEA is in the process of liquidating the material and supplies inventory. However, the remaining materials and supplies was written down to fair value. As a result, an adjustment of \$22,444 was recorded to adjust the remaining balance down to \$665.

As part of the agreement, the parties agreed that all operation of SJRPP as a generating facility would cease at shutdown. As such, the majority of the plant assets will be dismantled. As a result of the shutdown of SJRPP and in accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets*, an impairment loss of \$451,037 was recorded, as a special item, on the un-depreciated book value of the assets that are being dismantled. In conjunction with the recording of the impairment loss related to SJRPP decommissioning, it was determined that there were certain items included in the regulatory asset balance that were longer going to be recovered through the ratemaking process, primarily those costs deferred related to debt issues that were defeased. As a result, an additional adjustment of \$45,099 to regulatory balances was included in the statement of revenues, expenses and changes in net position in the current period, as a special item. The remaining regulatory balance will be amortized over the life of the remaining debt outstanding related to Issue Three debt. See note 2, Regulatory Deferrals, for additional information related to SJRPP's regulatory deferrals.

FPL conveyed their 20% undivided ownership of plant in service assets to JEA. The retained plant in service assets were recorded at fair value. At the end of fiscal year 2018, JEA had remaining plant in service assets of \$3,484. In addition, FPL will convey their 20% undivided ownership interest in the SJRPP site to JEA upon completion of dismantlement and environmental remediation.

JEA

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

**3. St. Johns River Power Park Decommissioning (continued)**

Under a service management agreement, FPL will pay 20% of the dismantlement and remediation costs incurred. Dismantlement and remediation is expected to be complete by April 2020. Monitoring of the site will continue for ten years subsequent to the completion date. JEA's share of the estimated cost for dismantlement and remediation is approximately \$43,204. As discussed in note 1, Summary of Significant Accounting Policies and Practices, JEA early adopted Statement No. 83, *Certain Retirement Obligations* in association with its accounting for the asset retirement obligations (ARO) related to dismantlement and remediation at SJRPP. The current portion of the remaining liability, \$6,647, is recorded in accounts and accrued expenses payable and the long-term portion, \$22,526, is a separate line item, asset retirement obligation, on the statement of net position. These amounts are offset by the separate line item, unrealized asset retirement obligation, in deferred outflows of resources, totaling \$29,173. Currently, JEA does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on the site until completion of future environmental studies. In addition, conditions that are currently unknown could result in additional exposure, the amount and materiality of which cannot presently be reasonably estimated. Based upon information currently available, however, JEA believes its ARO accurately reflects the estimated cost of remedial actions currently required.

**4. Restricted Assets**

Restricted assets were held in the following funds at September 30, 2018 and 2017:

	September 30, 2018				
	Electric	SJRPP	Water and Sewer	DES	Total
	\$	\$	\$	\$	\$
Renewal and Replacement Fund	189,929	52,610	141,423	1,078	385,040
Sinking Fund	167,483	7,446	81,242	2,340	258,511
Debt Service Reserve Fund	65,433	11,354	102,850	-	179,637
Revenue Fund	-	26,014	-	-	26,014
Adjustment to fair value of investments	(3,302)	66	(1,347)	-	(4,583)
Environmental Fund	-	-	1,159	-	1,159
Construction Fund	203	-	284	-	487
Total	<u>\$ 419,746</u>	<u>\$ 97,490</u>	<u>\$ 325,611</u>	<u>\$ 3,418</u>	<u>\$ 846,265</u>
	September 30, 2017				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	\$ 201,388	\$ 82,577	\$ 150,331	\$ 899	\$ 435,195
Sinking Fund	174,529	51,280	82,208	2,331	310,348
Debt Service Reserve Fund	65,433	141,145	107,488	-	314,066
Revenue Fund	-	1,903	-	-	1,903
Adjustment to fair value of investments	750	(4,082)	2,133	-	(1,199)
Environmental Fund	-	-	1,839	-	1,839
Construction Fund	-	-	15	-	15
Total	<u>\$ 442,100</u>	<u>\$ 272,823</u>	<u>\$ 344,014</u>	<u>\$ 3,230</u>	<u>\$ 1,062,167</u>

The Electric System, SJRPP System, Bulk Power Supply, Water and Sewer System, and the DES are permitted to invest restricted funds in specified types of investments in accordance with their bond resolutions and the investment policy.

# JEA

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

### 4. Restricted Assets (continued)

The requirements of the respective bond resolutions for contributions to the respective systems' renewal and replacement funds are as follows:

Electric System:	An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the First SJRPP Bond Resolution. An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the Second SJRPP Bond Resolution. However, no such deposit is required under the Second SJRPP Bond Resolution as long as the First SJRPP Bond Resolution has not been discharged. On January 5, 2018, JEA defeased all the SJRPP System Revenue Issue Two bonds in their entirety and on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution; therefore, the deposits required under the Second SJRPP Bond Resolution began in fiscal year 2018.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.
Water and Sewer System:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues.
DES:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.

### 5. Cash and Investments

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

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

JEA

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

5. Cash and Investments (continued)

At September 30, 2018 and 2017, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2018	2017
Securities:		
U.S. Treasury and government agency securities	\$ 462,897	\$ 538,887
State and local government securities	223,845	323,507
Commercial paper	133,074	170,829
Local government investment pool	194,786	138,207
Money market mutual funds	23,208	51,460
Total securities, at fair value	<u>\$ 1,037,810</u>	<u>\$ 1,222,890</u>

These securities are held in the following accounts:

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 441,206	\$ 489,559
Investments	85,310	25,122
Restricted assets:		
Cash and cash equivalents	114,576	124,475
Investments	731,627	936,708
Total cash and investments	<u>1,372,719</u>	<u>1,575,864</u>
Plus: interest due on securities	2,878	2,967
Less: cash on deposit	(337,787)	(355,941)
Total securities, at fair value	<u>\$ 1,037,810</u>	<u>\$ 1,222,890</u>

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2018, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Puttable securities are presented as investments with a maturity of less than one year.

JEA

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

5. Cash and Investments (continued)

The maturity distribution of the investments held at September 30, 2018 is listed below.

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
U.S. Treasury and government agency securities	\$ 245,490	\$ 193,550	\$ 12,956	\$ 10,901	\$ 462,897
State and local government securities	48,852	86,537	8,821	79,635	223,845
Commercial paper	133,074	—	—	—	133,074
Local government investment pools	194,786	—	—	—	194,786
Money market mutual funds	23,208	—	—	—	23,208
Total securities, at fair value	\$ 645,410	\$ 280,087	\$ 21,777	\$ 90,536	\$ 1,037,810

**Interest Rate Risk**—As a means of limiting its exposure to fair value losses arising from rising interest rates, JEA's investment policy requires the investment portfolio to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the bond resolution relating to those bond issues. JEA's investment policy also limits investments in commercial paper to maturities of less than nine months.

**Credit Risk**—JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the Florida Statutes and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (2) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S., or the governments of Canada or Canadian provinces and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2018, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. In addition, JEA's investment policy limits the commercial paper investment in any one issuer to \$12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25% of the total cash and investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2018, JEA had 12.8% of its investments in commercial paper.

## JEA

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

#### 5. Cash and Investments (continued)

**Custodial Credit Risk**—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, JEA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of JEA's investments are held by JEA or by an agent in JEA's name.

**Concentration of Credit Risk**—As of September 30, 2018, investments in any one issuer representing 5% or more of JEA's investments included \$235,878 (22.7%) invested in issues of the Federal Home Loan Bank, \$170,424 (16.4%) held in U.S. Treasury securities, and \$56,595 (5.5%) invested in issues of the Federal Farm Credit Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total cash and investments regardless of statement of net position classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total cash and investment portfolio (regardless of statement of net position classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2018, investments in all security types were within the allowable policy limits.

JEA

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

6. Capital Assets

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance September 30, 2017	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2018
<b>Electric Enterprise Fund:</b>					
Generation assets	\$ 3,685,363	\$ -	\$ (5,686)	\$ 20,237	\$ 3,699,914
Transmission assets	571,810	-	(175)	22,223	593,858
Distribution assets	1,927,058	-	(5,881)	78,899	2,000,076
Other assets	459,240	-	(1,754)	(8,609)	448,877
Total capital assets	6,643,471	-	(13,496)	112,750	6,742,725
Less: accumulated depreciation and amortization	(3,718,060)	(680,606)	13,496	-	(4,385,170)
Land	130,246	-	(197)	237	130,286
Construction work-in-process	106,012	183,278	-	(114,763)	174,527
Net capital assets	3,161,669	(497,328)	(197)	(1,776)	2,662,368
<b>Water and Sewer Fund:</b>					
Pumping assets	509,490	-	(9,533)	25,691	525,648
Treatment assets	627,165	-	(7,037)	26,141	646,269
Transmission and distribution assets	1,182,420	-	(312)	24,772	1,206,880
Collection assets	1,485,168	-	(427)	23,857	1,508,598
Reclaimed water assets	138,535	-	(730)	(271)	137,534
General and other assets	397,765	-	(1,512)	10,812	407,065
Total capital assets	4,340,543	-	(19,551)	111,002	4,431,994
Less: accumulated depreciation	(1,991,742)	(140,025)	19,551	4,189	(2,108,027)
Land	61,259	-	(11)	(33)	61,215
Construction work-in-process	205,890	202,761	-	(110,969)	297,682
Net capital assets	2,615,950	62,736	(11)	4,189	2,682,864
<b>District Energy System:</b>					
Chilled water plant assets	55,240	-	(940)	2,076	56,376
Total capital assets	55,240	-	(940)	2,076	56,376
Less: accumulated depreciation	(24,091)	(2,403)	940	-	(25,554)
Land	3,051	-	-	-	3,051
Construction work-in process	1,980	1,250	-	(2,076)	1,154
Net capital assets	36,180	(1,153)	-	-	35,027
<b>Total</b>	<b>\$ 5,813,799</b>	<b>\$ (435,745)</b>	<b>\$ (208)</b>	<b>\$ 2,413</b>	<b>\$ 5,380,259</b>

JEA

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

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2017 is as follows:

	Balance September 30, 2016	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2017
<b>Electric Enterprise Fund:</b>					
Generation assets	\$ 3,679,557	\$ —	\$ (41,299)	\$ 47,105	\$ 3,685,363
Transmission assets	547,705	—	(1,563)	25,668	571,810
Distribution assets	1,822,944	—	(5,011)	109,125	1,927,058
Other assets	436,508	—	(3,238)	25,970	459,240
Total capital assets	6,486,714	—	(51,111)	207,868	6,643,471
Less: accumulated depreciation and amortization	(3,525,733)	(243,438)	51,111	—	(3,718,060)
Land	127,895	—	(30)	2,381	130,246
Construction work-in-process	181,247	144,855	—	(220,090)	106,012
Net capital assets	3,270,123	(98,583)	(30)	(9,841)	3,161,669
<b>Water and Sewer Fund:</b>					
Pumping assets	501,502	—	(9,152)	17,140	509,490
Treatment assets	606,217	—	(6,434)	27,382	627,165
Transmission and distribution assets	1,161,588	—	(314)	21,146	1,182,420
Collection assets	1,468,752	—	(530)	16,946	1,485,168
Reclaimed water assets	131,557	—	(91)	7,069	138,535
General and other assets	382,964	—	(3,408)	18,209	397,765
Total capital assets	4,252,580	—	(19,929)	107,892	4,340,543
Less: accumulated depreciation	(1,879,932)	(135,928)	19,929	4,189	(1,991,742)
Land	59,714	—	(830)	2,375	61,259
Construction work-in-process	135,881	180,276	—	(110,267)	205,890
Net capital assets	2,568,243	44,348	(830)	4,189	2,615,950
<b>District Energy System:</b>					
Chilled water plant assets	53,648	—	(88)	1,680	55,240
Total capital assets	53,648	—	(88)	1,680	55,240
Less: accumulated depreciation	(21,815)	(2,364)	88	—	(24,091)
Land	3,051	—	—	—	3,051
Construction work-in process	1,675	1,985	—	(1,680)	1,980
Net capital assets	36,559	(379)	—	—	36,180
<b>Total</b>	<b>\$ 5,874,925</b>	<b>\$ (54,614)</b>	<b>\$ (860)</b>	<b>\$ (5,652)</b>	<b>\$ 5,813,799</b>

JEA

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

**7. Investment in The Energy Authority**

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has eight members, and JEA's ownership interest in TEA is 16.7%. TEA provides wholesale power marketing and resource management services to members (including JEA) and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists members (including JEA) and nonmembers with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were \$4,074 in fiscal year 2018 and \$6,335 in 2017 for all power marketing activities. JEA's distributions from TEA were \$3,513 in fiscal year 2018 and \$6,182 in 2017. The investment in TEA was \$6,811 at September 30, 2018 and \$6,283 at September 30, 2017 and is included in noncurrent assets on the accompanying statement of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2018 and 2017. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2018	2017
Condensed statement of net position:		
Current assets	\$ 165,904	\$ 177,777
Noncurrent assets	21,510	15,622
Total assets	<u>\$ 187,414</u>	<u>\$ 193,399</u>
Current liabilities	\$ 146,768	\$ 155,313
Noncurrent liabilities	15	394
Members' capital	40,631	37,692
Total liabilities and members' capital	<u>\$ 187,414</u>	<u>\$ 193,399</u>
Condensed statement of operations:		
Operating revenues	\$ 1,334,738	\$ 1,153,933
Operating expenses	1,252,868	1,092,748
Operating income	<u>\$ 81,870</u>	<u>\$ 61,185</u>
Net income	<u>\$ 81,975</u>	<u>\$ 61,223</u>

As of September 30, 2018, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to \$28,929 and TEA's natural gas procurement and trading activities up to \$31,000, in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. JEA has approved up to \$60,000 (plus attorney fees) for TEA's natural gas procurement and trading activities.

## JEA

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

#### 7. Investment in The Energy Authority (continued)

Generally, JEA's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity, or transmission that was delivered or made available, or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract. Generally, JEA's guaranty obligations for natural gas procurement and trading would arise if TEA did not make the contractually required payment for natural gas or transportation that was delivered or purchased or if TEA failed to deliver natural gas or transportation as required under a contract.

Upon JEA's making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. Upon JEA's making any payments under its natural gas guaranty, it has certain contribution rights with the other members of TEA in order that payments under the TEA member guaranties would be equalized ratably in proportion to their respective amounts of guaranties, as adjusted by the actual natural gas member volumes and prices for the calendar year. After such contributions have been effected, JEA would only have recourse against TEA to recover amounts paid under the guaranty.

The term of these guaranties is generally indefinite, but JEA has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. Such termination would be because of JEA's withdrawal from membership in TEA, or such termination could cause JEA's membership in TEA to be terminated.

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

## JEA

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

#### 8. Long-Term Debt

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System, and DES revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Bulk Power Supply System bonds are governed by a single bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the First and Second Power Park Resolutions; and the DES bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the net revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds is payable semiannually on April 1 and October 1, and principal is payable on October 1.

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of SJRPP Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

On January 5, 2018, JEA defeased all the SJRPP System Revenue Issue Two bonds in their entirety and on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution.

JEA

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

8. Long-Term Debt (continued)

Below is the schedule of outstanding indebtedness for the fiscal years 2018 and 2017.

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30 2018	September 30 2017
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.000%	2039	\$ 5	\$ 5
Series Three 2005B	4.750%	2033	100	100
Series Three 2008A <sup>(2)</sup>	Variable	2027–2036	51,680	51,680
Series Three 2008B-1 <sup>(3)</sup>	Variable	2018–2040	60,020	60,395
Series Three 2008B-2 <sup>(2)</sup>	Variable	2025–2040	41,900	41,900
Series Three 2008B-3 <sup>(2)</sup>	Variable	2024–2036	37,000	37,000
Series Three 2008B-4 <sup>(3)</sup>	Variable	2018–2036	49,410	49,810
Series Three 2008C-1 <sup>(2)</sup>	Variable	2024–2034	44,145	44,145
Series Three 2008C-2 <sup>(2)</sup>	Variable	2024–2034	43,900	43,900
Series Three 2008C-3 <sup>(2)</sup>	Variable	2030–2038	25,000	25,000
Series Three 2008D-1 <sup>(3)</sup>	Variable	2018–2036	108,900	111,420
Series Three 2009C	N/A	N/A	–	3,355
Series Three 2009D <sup>(6)</sup>	6.056%	2033–2044	45,955	45,955
Series Three 2010A	4.000%	2018–2019	10,065	14,980
Series Three 2010C	4.125–4.500%	2026–2031	1,950	8,975
Series Three 2010D	4.250–5.000%	2018–2038	7,210	79,470
Series Three 2010E <sup>(6)</sup>	5.350–5.482%	2028–2040	34,255	34,255
Series Three 2012A	4.000–4.500%	2023–2033	16,995	60,750
Series Three 2012B	2.000–5.000%	2019–2039	85,615	128,250
Series Three 2013A	3.000–5.000%	2018–2026	74,865	93,815
Series Three 2013B	3.000–5.000%	2026–2038	7,500	7,500
Series Three 2013C	4.000–5.000%	2018–2030	19,335	28,685
Series Three 2014A	3.400–5.000%	2018–2034	12,870	32,305
Series Three 2015A	2.750–5.000%	2018–2041	69,975	79,495
Series Three 2015B	3.375–5.000%	2018–2031	23,900	36,005
Series Three 2017A	5.000%	2019	18,670	18,670
Series Three 2017B	3.375–5.000%	2026–2039	198,095	–
Total Electric System Senior Revenue Bonds			1,089,315	1,137,820

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2018	2017
Electric System Subordinated Revenue Bonds:				
2000 Series A <sup>(2)</sup>	Variable	2021-2035	\$ 30,965	\$ 30,965
2000 Series F-1 <sup>(2)</sup>	Variable	2026-2030	37,200	37,200
2000 Series F-2 <sup>(2)</sup>	Variable	2026-2030	24,800	24,800
2008 Series D <sup>(2)</sup>	Variable	2024-2038	39,455	39,455
2009 Series A	N/A	N/A	-	21,140
2009 Series D	5.000%	2018	11,660	23,925
2009 Series E	4.000%	2018	295	2,215
2009 Series F <sup>(6)</sup>	4.800-6.406%	2018-2034	63,670	64,670
2009 Series G	4.000-5.000%	2018-2019	16,090	16,090
2010 Series A	N/A	N/A	-	710
2010 Series B	4.000-5.000%	2018-2024	4,605	7,535
2010 Series C	N/A	N/A	-	4,385
2010 Series D <sup>(6)</sup>	4.000-5.582%	2018-2027	44,125	45,575
2012 Series A	3.250-5.000%	2018-2033	62,440	88,500
2012 Series B	3.250-5.000%	2018-2037	52,995	93,750
2013 Series A	3.000-5.000%	2018-2030	44,585	54,110
2013 Series B	3.000-5.000%	2018-2026	21,275	25,385
2013 Series C	1.375-5.000%	2018-2038	78,330	80,390
2013 Series D	4.000-5.250%	2018-2035	88,660	124,025
2014 Series A	4.000-5.000%	2018-2039	121,320	206,105
2017 Series A	3.000-5.000%	2018-2019	31,790	71,735
2017 Series B	3.375-5.000%	2018-2034	185,745	-
Total Electric System Subordinated Revenue Bonds			960,005	1,062,665

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2018	2017
Bulk Power Supply System Revenue Bonds:				
Series 2010A <sup>(6)</sup>	4.600–5.920%	2018–2030	\$ 37,400	\$ 39,875
Series 2014A	2.000–5.000%	2018–2038	63,320	66,050
Total Bulk Power System Revenue Bonds			100,720	105,925
SJRPP System Revenue Bonds:				
Issue Two, Series Seventeen	N/A	N/A	–	100
Issue Two, Series Eighteen	N/A	N/A	–	50
Issue Two, Series Nineteen	N/A	N/A	–	100
Issue Two, Series Twenty	N/A	N/A	–	100
Issue Two, Series Twenty-One	N/A	N/A	–	5
Issue Two, Series Twenty-Two	N/A	N/A	–	5
Issue Two, Series Twenty-Three	N/A	N/A	–	64,910
Issue Two, Series Twenty-Four	N/A	N/A	–	29,625
Issue Two, Series Twenty-Five	N/A	N/A	–	45
Issue Two, Series Twenty-Six	N/A	N/A	–	65,970
Issue Two, Series Twenty-Seven	N/A	N/A	–	7,025
Issue Three, Series One <sup>(5)</sup>	4.500%	2037	100	100
Issue Three, Series Two <sup>(5)</sup>	5.000%	2034–2037	29,370	29,370
Issue Three, Series Four <sup>(5)(6)</sup>	4.500–5.450%	2018–2028	22,410	24,085
Issue Three, Series Six <sup>(5)</sup>	2.375–5.000%	2019–2037	91,330	91,330
Issue Three, Series Seven <sup>(5)</sup>	2.000–5.000%	2019–2033	79,500	79,500
Issue Three, Series Eight <sup>(5)</sup>	2.000–5.000%	2019–2039	57,895	57,895
Total SJRPP System Revenue Bonds			280,605	450,215

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2018	2017
Water and Sewer System Senior Revenue Bonds:				
2006 Series B <sup>(4)</sup>	Variable	2018-2022	\$ 30,370	\$ 34,625
2008 Series A-2 <sup>(2)</sup>	Variable	2028-2042	51,820	51,820
2008 Series B <sup>(2)</sup>	Variable	2023-2041	85,290	85,290
2009 Series B	3.750-5.000%	2018-2019	18,295	25,565
2010 Series A <sup>(6)</sup>	6.210-6.310%	2026-2044	83,115	83,115
2010 Series B	4.700-5.700%	2018-2025	13,840	15,570
2010 Series C	5.000%	2020	3,000	9,545
2010 Series D	4.000-5.000%	2018-2039	42,525	101,850
2010 Series E	4.000-5.000%	2021-2039	11,865	60,990
2010 Series F <sup>(6)</sup>	3.750-5.887%	2018-2040	44,275	45,520
2012 Series A	3.000-5.000%	2019-2041	162,430	317,935
2012 Series B	2.000-5.000%	2018-2037	76,380	130,085
2013 Series A	4.500-5.000%	2018-2027	63,660	89,740
2013 Series B	N/A	N/A	-	3,830
2014 Series A	2.000-5.000%	2018-2040	217,790	284,595
2017 Series A	3.125-5.000%	2020-2041	378,220	-
Total Water and Sewer System Senior Revenue Bonds			1,282,875	1,340,075
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1 <sup>(2)</sup>	Variable	2018-2038	50,950	52,950
Subordinated 2008 Series A-2 <sup>(2)</sup>	Variable	2030-2038	25,600	25,600
Subordinated 2008 Series B-1 <sup>(2)</sup>	Variable	2030-2036	30,885	30,885
Subordinated 2010 Series A	5.000%	2018-2022	8,275	13,150
Subordinated 2010 Series B	3.000-5.000%	2020-2025	3,255	12,770
Subordinated 2012 Series A	3.000%	2021	1,440	20,320
Subordinated 2012 Series B	3.250-5.000%	2030-2043	29,685	35,505
Subordinated 2013 Series A	2.125-5.000%	2018-2029	37,435	72,250
Subordinated 2017 Series A	2.750-5.000%	2021-2034	58,940	-
Total Water and Sewer System Subordinated Revenue Bonds			246,465	263,430

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2018	2017
Water and Sewer System Other Subordinated Debt				
Revolving Credit Agreement <sup>(7)</sup>	Variable	2021	\$ 3,000	\$ 3,000
Total Water and Sewer System Other Subordinated Debt			<u>3,000</u>	<u>3,000</u>
District Energy System:				
2013 Series A	1.725–4.538%	2018–2034	<u>36,485</u>	<u>38,125</u>
Total District Energy System			<u>36,485</u>	<u>38,125</u>
Total Debt Principal Outstanding			3,999,470	4,401,255
Less: Debt Due Within One Year			(185,790)	(229,095)
Total Long-Term Debt			<u>\$ 3,813,680</u>	<u>\$ 4,172,160</u>

- (1) Interest rates apply only to bonds outstanding at September 30, 2018. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode, or the flexible mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2018 and 2017.
- (2) Variable rate demand obligations – interest rates ranged from 1.53% to 1.68% at September 30, 2018.
- (3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 1.96% at September 30, 2018.
- (4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 3.02% to 3.07% at September 30, 2018.
- (5) SJRPP System Issue Three Bonds were issued under the Second Power Park Resolution, whereby JEA is responsible for 100% of the related debt service payments. Whereas the SJRPP System Issue Two Bonds issued under the First Power Park Resolution, JEA is responsible for approximately 62.5% of the related debt service payments and FPL the remainder. On January 5, 2018, JEA defeased all the SJRPP System Issue Two Bonds in their entirety and on March 21, 2018, JEA satisfied and discharged the First Power Park Resolution.
- (6) Federally Taxable – Issuer Subsidy – Build America Bonds where JEA expects to receive a cash subsidy payment from the United States Department of the Treasury for an amount up to 35% of the related interest.
- (7) Revolving Credit Agreement – interest rates were 3.39% at September 30, 2018.

JEA

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

**8. Long-Term Debt (continued)**

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2018 was as follows:

<b>System</b>	<b>Debt Payable September 30, 2017</b>	<b>Par Amount of Debt Issued</b>	<b>Par Amount of Debt Refunded or Defeased</b>	<b>Scheduled Debt Principal Payments</b>	<b>Debt Payable September 30, 2018</b>	<b>Current Portion of Debt Payable September 30, 2018</b>
Electric	\$ 2,200,485	\$ 383,840	\$ (405,105)	\$ (129,900)	\$ 2,049,320	\$ 124,980
Bulk Power Supply	105,925	–	–	(5,205)	100,720	5,710
SJRPP	450,215	–	(128,280)	(41,330)	280,605	1,720
Water and Sewer	1,603,505	437,160	(460,305)	(51,020)	1,529,340	51,720
DES	38,125	–	–	(1,640)	36,485	1,660
<b>Total</b>	<b>\$ 4,398,255</b>	<b>\$ 821,000</b>	<b>\$ (993,690)</b>	<b>\$ (229,095)</b>	<b>\$ 3,996,470</b>	<b>\$ 185,790</b>

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2017 was as follows:

<b>System</b>	<b>Debt Payable September 30, 2016</b>	<b>Par Amount of Debt Issued</b>	<b>Par Amount of Debt Refunded or Defeased</b>	<b>Scheduled Debt Principal Payments</b>	<b>Debt Payable September 30, 2017</b>	<b>Current Portion of Debt Payable September 30, 2017</b>
Electric	\$ 2,359,485	\$ 90,405	\$ (153,210)	\$ (96,195)	\$ 2,200,485	\$ 129,900
Bulk Power Supply	111,970	–	–	(6,045)	105,925	5,205
SJRPP	494,000	–	–	(43,785)	450,215	41,330
Water and Sewer	1,643,515	–	(6,135)	(33,875)	1,603,505	51,020
DES	39,750	–	–	(1,625)	38,125	1,640
<b>Total</b>	<b>\$ 4,648,720</b>	<b>\$ 90,405</b>	<b>\$ (159,345)</b>	<b>\$ (181,525)</b>	<b>\$ 4,398,255</b>	<b>\$ 229,095</b>

JEA

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

**8. Long-Term Debt (continued)**

The debt service to maturity on the outstanding debt (excluding short-term bank borrowings) as of September 30, 2018 is summarized as follows:

Fiscal Year Ending September 30	Electric System		Bulk Power Supply System		SJRPP	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 124,980	\$ 34,676	\$ 5,710	\$ 2,116	\$ 1,720	\$ 5,603
2019	116,230	72,122	6,150	3,959	13,780	11,128
2020	60,790	66,757	6,975	3,716	13,340	10,444
2021	59,140	63,939	7,080	3,498	14,175	9,894
2022	58,135	61,381	7,270	3,274	15,285	9,310
2023–2027	412,705	267,922	24,955	12,689	85,040	37,109
2028–2032	527,685	180,414	22,750	6,749	77,645	21,324
2033–2037	535,695	86,762	15,305	2,895	52,060	8,990
2038–2042	144,750	14,698	4,525	187	7,560	456
2043–2047	9,210	842	–	–	–	–
<b>Total</b>	<b>\$ 2,049,320</b>	<b>\$ 849,513</b>	<b>\$ 100,720</b>	<b>\$ 39,083</b>	<b>\$ 280,605</b>	<b>\$ 114,258</b>

Fiscal Year Ending September 30	Water and Sewer System		District Energy System		Total Debt Service <sup>(1)(2)(3)</sup>
	Principal	Interest	Principal	Interest	
2018	\$ 51,720	\$ 29,521	\$ 1,660	\$ 680	\$ 258,386
2019	54,705	59,741	1,690	1,330	340,835
2020	56,340	57,535	1,725	1,296	278,918
2021	58,950	55,404	1,770	1,254	275,104
2022	59,550	52,973	1,815	1,206	270,199
2023–2027	294,405	225,940	10,005	5,102	1,375,872
2028–2032	295,730	159,214	12,165	2,943	1,306,619
2033–2037	356,835	96,163	5,655	388	1,160,748
2038–2042	285,850	30,530	–	–	488,556
2043–2047	15,255	1,274	–	–	26,581
<b>Total</b>	<b>\$ 1,529,340</b>	<b>\$ 768,295</b>	<b>\$ 36,485</b>	<b>\$ 14,199</b>	<b>\$ 5,781,818</b>

- (1) Includes debt service accrued from October 1 through September 30 of the corresponding fiscal year, except for fiscal year 2018, which excludes payments made during the fiscal year.
- (2) Interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2018.
- (3) Interest in the above table reflects total interest on the Federally Taxable – Issuer Subsidy – Build America Bonds and does not reflect the impact of the 35% cash subsidy payments that JEA expects to receive in the future from the United States Department of the Treasury.

JEA

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

8. Long-Term Debt (continued)

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

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2019	2019	2019	2019	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2018 is summarized as follows:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain/(Loss)
Electric	Series Three 2017B	Refunding <sup>(1)</sup>	Senior	Dec 2017	\$ 198,095	\$ 210,030	\$ (6,413)
Electric	2017 Series B	Refunding <sup>(2)</sup>	Subordinated	Dec 2017	185,745	195,075	(8,407)
Water and Sewer	2017 Series A	Refunding <sup>(3)</sup>	Senior	Dec 2017	378,220	394,335	(11,076)
Water and Sewer	2017 Series A	Refunding <sup>(4)</sup>	Subordinated	Dec 2017	58,940	65,970	(1,915)
					<u>\$ 821,000</u>	<u>\$ 865,410</u>	<u>\$ (27,811)</u>

- (1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of \$324,904 compared to prior debt service of \$346,747 and \$17,425 of net present value economic savings.
- (2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of \$291,178 compared to prior debt service of \$304,128 and \$12,314 of net present value economic savings.
- (3) Fixed rate bonds issued to refund fixed rate bonds with new debt service of \$588,806 compared to prior debt service of \$635,880 and \$33,648 of net present value economic savings.
- (4) Fixed rate bonds issued to refund fixed rate bonds with new debt service of \$86,518 compared to prior debt service of \$93,337 and \$5,283 of net present value economic savings.

The JEA Board has authorized the issuance of additional refunding bonds within certain parameters for the Electric System, SJRPP, and Water and Sewer System. The following table summarizes the maximum amounts that could be issued:

System	Authorization		Expiration
	Senior	Subordinated	
Electric	\$ 672,905	\$ 447,255	December 31, 2018
SJRPP Issue Three	80,000	—	December 31, 2018
Water and Sewer	424,780	206,060	December 31, 2018

## JEA

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

#### 8. Long-Term Debt (continued)

##### ***Variable Rate Demand Obligations (VRDOs) – Liquidity Support***

For the Electric System and the Water and Sewer System VRDOs appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2018, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period. Commitment fees range from 0.38% to 0.42% with stated termination dates ranging from May 8, 2020 to August 22, 2022, unless otherwise extended. See note 18, Subsequent Events, for further details.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2018, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The commitment fee is 0.48% with a stated expiration date of December 2, 2018, unless otherwise extended. Subsequent to the end of the fiscal year, the letter of credit and reimbursement agreement was renewed. See note 18, Subsequent Events, for further details.

JEA has entered into continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, Series Three 2008B-4 and Series Three 2008D-1 (collectively, the Direct Purchased Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchased Bonds for purchase for a period specified in the respective continuing covenant agreements, which period would be subject to renewal under certain conditions. Any Direct Purchased Bond that was not purchased from such bank on the scheduled mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such scheduled mandatory tender date. Upon any such tender for payment, the Direct Purchased Bond so tendered would be due and payable immediately. The current expiration date of the continuing covenant agreements is December 12, 2018, unless otherwise extended. The interest rate is variable and set weekly based upon SIFMA plus 40 basis points. Subsequent to the end of the fiscal year, the continuing covenant agreements were renewed. See note 18, Subsequent Events, for further details.

## JEA

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

#### 8. Long-Term Debt (continued)

##### ***Short-Term Bank Borrowings***

As of September 30, 2018, JEA has a revolving credit agreement with a commercial bank for an unsecured amount of \$300,000. This agreement became effective on December 17, 2015, when JEA terminated the prior two revolving credit agreements with a total available amount of \$300,000 with two commercial banks. The revolving credit agreement may be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES, and for operating expenditures or for capital expenditures.

During fiscal year 2016, the revolving credit agreement was drawn upon by the Water and Sewer System for \$3,000 and remains outstanding as of September 30, 2018, with \$297,000 available to be drawn.

The revolving credit agreement is scheduled to expire on May 24, 2021. Subsequent to the end of the fiscal year, the revolving credit agreement was amended. See note 18, Subsequent Events, for further details.

##### ***Debt Management Strategy***

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

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

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

JEA

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

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2018, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	\$ 174,000	\$ 84,800	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	85,600	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	30,370	4.0-4.1%	Oct 2006	Oct 2018-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		<u>\$ 771,520</u>	<u>\$ 522,470</u>				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2017, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	\$ 174,000	\$ 84,800	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	86,000	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	34,625	3.9-4.1%	Oct 2006	Oct 2017-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		<u>\$ 771,520</u>	<u>\$ 527,125</u>				

JEA

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

**8. Long-Term Debt (continued)**

The following table includes fiscal year 2018 and 2017 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

System	Changes in Fair Value		Fair Value at September 30, 2018		
	Classification	Amount	Classification	Amount <sup>(1)</sup>	Notional
Electric	Deferred outflows	\$ (31,247)	Fair value of debt management strategy instruments	\$ (70,103)	\$ 406,810
Water and Sewer	Deferred outflows	(7,666)	Fair value of debt management strategy instruments	(16,253)	115,660
Total		<u>\$ (38,913)</u>		<u>\$ (86,356)</u>	<u>\$ 522,470</u>

System	Changes in Fair Value		Fair Value at September 30, 2017		
	Classification	Amount	Classification	Amount <sup>(1)</sup>	Notional
Electric	Deferred outflows	\$ (44,458)	Fair value of debt management strategy instruments	\$ (101,350)	\$ 407,210
Water and Sewer	Deferred outflows	(12,067)	Fair value of debt management strategy instruments	(23,919)	119,915
Total		<u>\$ (56,525)</u>		<u>\$ (125,269)</u>	<u>\$ 527,125</u>

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

JEA

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

**8. Long-Term Debt (continued)**

For fiscal years ended September 30, 2018 and 2017, the weighted-average rates of interest for each index type of floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

	2018	2017
68% of LIBOR Index:		
Notional amount outstanding	\$ 209,575	\$ 209,975
Variable rate received (weighted average)	1.17%	0.60%
Fixed rate paid (weighted average)	3.69%	3.70%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	\$ 282,525	\$ 282,525
Variable rate received (weighted average)	1.27%	0.80%
Fixed rate paid (weighted average)	4.02%	4.00%
CPI Index:		
Notional amount outstanding	\$ 30,370	\$ 34,625
Variable rate received (weighted average)	2.87%	2.60%
Fixed rate paid (weighted average)	4.02%	4.00%
Net debt management swap loss	\$ (13,395)	\$ (16,181)

JEA

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

8. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2018:

Electric System <sup>(1)</sup>				
Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2018	\$ 400	\$ 501	\$ 820	\$ 1,721
2019	425	6,031	9,794	16,250
2020	3,200	6,024	9,784	19,008
2021	3,275	5,970	9,713	18,958
2022	3,375	5,914	9,640	18,929
2023-2027	91,100	27,219	44,951	163,270
2028-2032	172,605	16,714	28,162	217,481
2033-2037	114,180	6,745	11,464	132,389
2038-2042	18,250	466	780	19,496
<b>Total</b>	<b>\$ 406,810</b>	<b>\$ 75,584</b>	<b>\$ 125,108</b>	<b>\$ 607,502</b>

Water and Sewer System <sup>(1)</sup>				
Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2018	\$ 5,520	\$ 558	\$ 320	\$ 6,398
2019	5,740	2,036	2,278	10,054
2020	9,195	1,861	2,222	13,278
2021	4,860	1,581	2,132	8,573
2022	5,055	1,433	2,084	8,572
2023-2027	17,595	5,751	9,147	32,493
2028-2032	4,540	5,010	7,971	17,521
2033-2037	21,430	4,239	6,741	32,410
2038-2042	41,725	1,597	2,540	45,862
<b>Total</b>	<b>\$ 115,660</b>	<b>\$ 24,066</b>	<b>\$ 35,435</b>	<b>\$ 175,161</b>

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swaps was determined by using the interest rates that were in effect at the financial statement date of September 30, 2018. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2018.

JEA

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

**8. Long-Term Debt (continued)**

**Credit Risk**— JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2018, were in a liability position. Therefore, if counterparties failed to perform as contracted, JEA would not be subject to any credit risk exposure at September 30, 2018.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2018, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A3/A	\$ 175,925
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/AA	124,775
Merrill Lynch Derivative Products AG	A-/A3/A+	85,290
Total		<u>\$ 522,470</u>

**Interest Rate Risk**— JEA is exposed to interest rate risk where changes in interest rates could affect the related net cash flows and fair values of outstanding interest rate swaps. On a pay-fixed, receive-variable interest rate swap, as the floating swap index decreases, JEA's net payment on the swap increases, and as the fixed rate swap market declines as compared to the fixed rate on the swap, the fair value declines.

**Basis Risk**— JEA is exposed to basis risk on certain pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received on certain hedging derivative instruments are based on a rate or index other than interest rates that JEA pays on its hedged variable-rate debt, which is reset every one or seven days. As of September 30, 2018, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 1.71%, while the SIFMA swap index rate is 1.56% and 68% of LIBOR is 1.43%.

**Termination Risk**— JEA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument were in a liability position, JEA would be liable to the counterparty for a payment equal to the liability.

JEA

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

8. Long-Term Debt (continued)

**Market Access Risk**—JEA is exposed to market access risk due to potential market disruptions in the municipal credit markets that could inhibit the issuing or remarketing of bonds and related hedging instruments. JEA maintains strong credit ratings (see Debt Administration section of the Management Discussion and Analysis) and, to date, has not encountered any barriers to the credit markets.

9. Transactions with City of Jacksonville

**Utility and Administrative Services**

JEA is a separately governed authority and considered a discretely presented component unit of the City. JEA provides electric, water, and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City including insurance, legal, and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related-party transactions with the City were as follows:

	2018	2017
Revenues	\$ 35,708	\$ 36,842
Expenses	\$ 6,031	\$ 5,433

**City Contribution**

On March 22, 2016, the City and JEA entered into a five-year agreement, which established the contribution formula for the fiscal years 2017 through 2021.

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA, at its sole discretion, may utilize any of its available revenues, regardless of source, to satisfy its total annual obligation to the City.

The contributions from the JEA Electric Enterprise Fund and JEA Water and Sewer Fund for fiscal years 2018 and 2017 were as follows:

	2018	2017
Electric	\$ 91,472	\$ 92,271
Water and Sewer	\$ 25,148	\$ 23,552

# JEA

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

### 9. Transactions with City of Jacksonville (continued)

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 7.468 mills per kilowatt hour delivered by JEA to retail users in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 389.2 mills per thousand gallons of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum increase of 1% per year through 2021, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

#### **Franchise Fees**

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. These amounts are included in operating revenues and expenses and were as follows:

	2018	2017
Electric	\$ 28,496	\$ 27,704
Water and Sewer	\$ 10,476	\$ 10,562

#### **Insurance Risk Pool**

JEA is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, and natural disasters. In addition, JEA is exposed to risks of loss due to injuries and illness of its employees. These risks are managed through the Risk Management Division of the City, which administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and the Jacksonville Aviation Authority. The general objectives are to formulate, develop, and administer, on behalf of the members, a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program.

JEA

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

**9. Transactions with City of Jacksonville (continued)**

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

	2018	2017
General liability	\$ 2,240	\$ 1,511
Workers' compensation	\$ 1,613	\$ 1,435

The following table shows the estimated workers' compensation and general liability loss accruals for the City and JEA's portion for the fiscal years ended September 30, 2018 and 2017. The amounts are recorded by the City at present value using a 4% discount rate for the fiscal years ended September 30, 2018 and September 30, 2017.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	\$ 94,300	\$ 3,156	\$ 15,531	\$ 2,308
Change in provision	32,394	468	5,939	1,245
Payments	(23,052)	(1,032)	(6,170)	(997)
Ending balance	<u>\$ 103,642</u>	<u>\$ 2,592</u>	<u>\$ 15,300</u>	<u>\$ 2,556</u>

**10. Fuel Purchase and Purchased Power Commitments**

JEA has made purchase commitments for Scherer Unit 4 through calendar year 2022. Northside coal and petroleum coke commitments concluded at the end of September 2018. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts. The majority of JEA's coal and petroleum coke supply is purchased with transportation included.

In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends the rail contract through calendar year 2028. Georgia Power has also entered into an agreement with the Norfolk Southern Railway Company (NS) that extends through December 31, 2019.

JEA

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

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

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

Fiscal Year Ending	Coal and Pet		Transmission	Total
	Coke Fuel	Natural Gas Transportation		
2019	2,049	7,236	6,091	15,376
2020	1,165	7,256	7,212	15,633
2021	553	4,817	7,493	12,863
2022	247	—	7,776	8,023
2023	49	—	8,009	8,058
2024-2042	—	—	175,653	175,653

***Vogtle Units Purchased Power Agreement***

*Overview*

As a result of an earlier 2008 Board policy establishing a 10% of total energy from nuclear energy goal, JEA entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with the Municipal Electric Authority of Georgia (MEAG) for 206 megawatts (MW) of capacity and related energy from MEAG's interest in two additional nuclear generating units (the Additional Vogtle Units or Plant Vogtle Units 3 and 4) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The owners of the Additional Vogtle Units include Georgia Power Company (Georgia Power), Oglethorpe Power Corporation (Oglethorpe), MEAG and the City of Dalton, Georgia (collectively, the Owners or Vogtle Co-Owners). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 13% of JEA's total energy requirements in the year 2023.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

The Additional Vogtle Units PPA requires JEA to pay MEAG for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG and on the loans made and to be made by the Project J Entity referred to below, in each case, to finance the portion of the capacity to be sold to JEA from the Additional Vogtle Units) plus a margin over the term of the Additional Vogtle Units PPA. Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date and is required to pay for such capacity and energy on a "take-or-pay" basis (that is, whether or not either Additional Vogtle Unit is completed or is operating or operable, and whether or not its output is suspended, reduced or the like or terminated in whole or in part), except that JEA is not obligated to pay the "margin" referred to above during such periods in which the output of either Additional Vogtle Unit is suspended or terminated.

On September 11, 2018, MEAG filed a complaint in the United States District Court for the Northern District of Georgia seeking a declaratory judgment that the Additional Vogtle Units PPA is lawful and enforceable and ordering specific performance from JEA with the terms of the Additional Vogtle Units PPA. On the same day, JEA and the City, as plaintiffs, filed a complaint in the Fourth Judicial Circuit Court of Florida seeking a declaratory judgment that the Additional Vogtle Units PPA violates the Florida Constitution and laws and public policy of the state of Florida and is therefore ultra vires, void ab initio, and unenforceable. For additional information about such litigation, see the Litigation and Regulatory Proceedings section in this note.

#### *Financing and In-Service Costs*

MEAG created three separate "projects" (Vogtle Units 3 and 4 Project Entities) for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). The project corresponding to the portion of MEAG's ownership interest, which will provide the capacity and energy to be purchased by JEA under the Additional Vogtle Units PPA, is referred to herein as "Project J." MEAG currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately \$6,485,000, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. MEAG has additionally provided that its total financing needs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately \$6,975,000. Based on information provided by MEAG, (i) the portion of the total in-service cost for Plant Vogtle Units 3 and 4 allocable to Project J is approximately \$2,715,000 and (ii) the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately \$203,000 resulting in total financing needs of approximately \$2,918,000.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

**Financing for Project J** – In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG, MEAG issued approximately \$1,248,435 of its Plant Vogtle Units 3 and 4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. Of the total 2010 PPA Bonds, approximately \$1,224,265 were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest, subject to reduction due to sequestration. At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2018 for the current fiscal year through fiscal year 2027. The exact amount of such reduction is determined on or about the beginning of the federal government's fiscal year, or October 1, and is subject to adjustment thereafter. The current reduction amount of 6.2% became effective on October 1, 2018. MEAG issued approximately \$185,180 of additional Project J tax-exempt bonds on September 9, 2015.

On June 24, 2015, in order to obtain certain loan guarantees from the United States Department of Energy (DOE) for further funding of Plant Vogtle Units 3 and 4, MEAG divided its undivided ownership interest in Plant Vogtle Units 3 and 4 into three separate undivided interests and transferred such interests to the Vogtle Units 3 and 4 Project Entities. MEAG transferred approximately 41.175% of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG's ownership interest attributable to Project J), to MEAG Power SPVJ, LLC (the Project J Entity).

The Project J Entity entered into a loan guarantee agreement with the DOE in 2015, subsequently amended in 2016 and 2017, under which the Project J Entity is permitted to borrow from the Federal Financing Bank (FFB) an aggregate amount of approximately \$577,743. To date, the Project J Entity has received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of approximately \$341,446. There is additional borrowing capacity of approximately \$236,297 under the Project J Entity's existing DOE-guaranteed loan. On September 28, 2017, DOE, MEAG, and the Vogtle Units 3 and 4 Project Entities entered into a conditional commitment for additional DOE loan guarantees in the aggregate amount of \$414,700. On September 17, 2018, the DOE extended the expiration date of such conditional commitment to March 31, 2019. Subject to satisfaction of the conditions contained in such conditional commitment, it is expected that the Project J Entity will obtain from FFB such additional lending commitment in the amount of \$111,541. While MEAG expects that the total financing needs for Project J will exceed the aggregate of the Project J Entity's FFB lending commitments and the balance will be financed in the capital markets, in the event that the JEA litigation challenging its obligations under the Additional Vogtle Units PPA materially impedes access to capital markets for MEAG, Georgia Power has agreed to provide certain funding as described below under "Description of Construction Contracts and Status of Construction".

JEA

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

Summary of financing associated with Project J:

	<b>Borrowings to Date</b>	<b>Additional Capacity</b>	<b>Total Projected Borrowings</b>
2010A Build America Bonds	\$ 1,224,265	\$ —	\$ 1,224,265
2010B tax-exempt bonds	24,170	—	24,170
2015A tax-exempt bonds	185,180	—	185,180
DOE loan guarantee	341,446	236,297	577,743
Additional conditional DOE loan guarantee	—	111,541	111,541
Additional public markets bonds	—	666,290	666,290
Other sources of funds	—	129,198	129,198
Total	<u>\$ 1,775,061</u>	<u>\$ 1,143,326</u>	<u>\$ 2,918,387</u>

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Based on information provided by MEAG, JEA's portion of the debt service on the outstanding Project J debt as of September 30, 2018 is summarized as follows:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
2019	\$ 12,750	\$ 98,800	\$ 111,550	\$ (27,612)	\$ (71,188)	\$ 12,750
2020	16,183	97,995	114,178	(27,392)	(70,603)	16,183
2021	19,952	97,058	117,010	(27,100)	(69,958)	19,952
2022	20,706	95,983	116,689	(26,790)	(33,262)	56,637
2023	22,100	94,842	116,942	(26,466)	(4,207)	86,269
2024	22,967	93,642	116,609	(26,129)	—	90,480
2025	23,819	92,385	116,204	(25,776)	—	90,428
2026	24,685	91,079	115,764	(25,409)	—	90,355
2027	25,570	89,721	115,291	(25,026)	—	90,265
2028	26,538	88,311	114,849	(24,626)	—	90,223
2029	27,511	86,844	114,355	(24,209)	—	90,146
2030	28,528	85,318	113,846	(23,774)	—	90,072
2031	29,586	83,733	113,319	(23,320)	—	89,999
2032	30,661	82,084	112,745	(22,847)	—	89,898
2033	31,842	80,370	112,212	(22,353)	—	89,859
2034	33,035	78,587	111,622	(21,838)	—	89,784
2035	34,272	76,733	111,005	(21,301)	—	89,704
2036	28,275	74,805	103,080	(20,740)	—	82,340
2037	16,223	72,799	89,022	(20,155)	—	68,867
2038	10,905	70,713	81,618	(19,545)	—	62,073
2039	6,973	68,543	75,516	(18,909)	—	56,607
2040	1,424	66,250	67,674	(18,246)	—	49,428
2041	—	63,866	63,866	(17,553)	—	46,313
2042	—	31,076	31,076	(9,217)	—	21,859
2043	—	4,058	4,058	(1,249)	—	2,809
<b>Total</b>	<b>\$ 494,505</b>	<b>\$ 1,965,595</b>	<b>\$ 2,460,100</b>	<b>\$ (547,582)</b>	<b>\$ (249,218)</b>	<b>\$ 1,663,300</b>

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

##### *Description of Construction Contracts and Status of Construction*

In 2008, Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners, entered into a contract (EPC Contract) pursuant to which the Contractor agreed to design, engineer, procure, construct, and test the Additional Vogtle Units. The entities that constituted the Contractor prior to June 9, 2017 were Westinghouse Electric Company LLC (Westinghouse) and WECTEC Global Project Services Inc. (WECTEC, and together with Westinghouse, the Contractor).

On March 29, 2017, Westinghouse and WECTEC each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

On June 9, 2017, Georgia Power (for itself and as agent for the other Vogtle Co-Owners) and the Contractor entered into a services agreement (Services Agreement) for the Contractor to transition construction management of Plant Vogtle Units 3 and 4 to Southern Nuclear Operating Company, an affiliate of Georgia Power (SNC or Southern Nuclear), and to provide ongoing design, engineering, and procurement services to SNC. The Services Agreement has taken effect and provides that the Contractor will generally be compensated on a time and materials basis for services rendered. The Services Agreement will continue until the start-up and testing of Plant Vogtle Units 3 and 4 is complete and electricity is generated and sold from both units. Facility design and engineering remains the responsibility of Westinghouse under the Services Agreement. The Services Agreement is terminable by the Vogtle Co-Owners upon 30 days' written notice.

As a result of the Westinghouse and WECTEC bankruptcy, Georgia Power, along with SNC acting as the project manager, will manage the remaining bulk construction phase of the Additional Vogtle Units on behalf of the Owners pursuant to a revised Ownership Participation Agreement. Effective October 23, 2017, Bechtel Power Corporation (Bechtel) will serve as the prime construction contractor for the remaining construction activities for Plant Vogtle Units 3 and 4 under a Construction Agreement entered into between Bechtel and Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners (Construction Agreement).

Unlike the EPC Contract, which required the Contractor to absorb most of the construction cost overruns for the Additional Vogtle Units, the Construction Agreement is a cost reimbursable plus fee arrangement, whereby Bechtel will be reimbursed by the Vogtle Co-Owners for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel's performance against cost and schedule targets. Each Vogtle Co-Owner is severally (not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to Bechtel under the Construction Agreement.

The Vogtle Co-Owners may terminate the Construction Agreement at any time for their convenience, provided that the Vogtle Co-Owners will be required to pay amounts related to work performed prior to the termination (including the applicable portion of the base fee), certain termination-related costs, and, at certain stages of the work, the at-risk fee. Bechtel may terminate the Construction Agreement under certain circumstances, including certain Vogtle Co-Owner suspensions of work, certain breaches of the Construction Agreement by the Vogtle Co-Owners, Vogtle Co-Owner insolvency, and certain other events.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

Georgia Power recommended in the 17th Vogtle Construction Monitoring report (the VCM 17 Report, filed with the Georgia Public Service Commission (“GPSC”) on August 31, 2017), that the construction of the Additional Vogtle Units be continued. The Vogtle Co-Owners recommended that the Additional Vogtle Units be completed on the condition that any of the Owners have the right to abandon the construction of the Plant Vogtle Units 3 and 4 if the revised cost estimate or the revised construction schedule is not approved by the GPSC or if there is a determination by the GPSC that any of Georgia Power’s share of the total investment in Plant Vogtle Units 3 and 4 or Georgia Power’s associated financing costs will not be recovered in Georgia Power’s retail rates, because they are deemed by the GPSC to be unreasonable or imprudent.

The Vogtle Co-Owners entered into an amendment, dated as of November 2, 2017, to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the “Joint Ownership Agreements”) to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Pursuant to the Joint Ownership Agreements, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain adverse events occur including: (1) termination or rejection in bankruptcy of certain agreements, including the Services Agreement or the Construction Agreement; (2) the GPSC or Georgia Power determines that any of Georgia Power’s costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates because such costs are deemed unreasonable or imprudent; or (3) an increase in the construction budget contained in the Vogtle Construction Monitoring 17 Report of more than \$1,000,000 or extension of the project schedule contained in the VCM 17 Report of more than one year. In addition, pursuant to the Joint Ownership Agreements, the required approval of holders of ownership interests in Plant Vogtle Units 3 and 4 is at least (1) 90% for a change of the primary construction contractor and (2) 67% for material amendments to the Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

The Joint Ownership Agreements also provide that the Vogtle Co-Owners’ sole recourse against Georgia Power or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Co-Owners is limited to removal of Georgia Power and/or Southern Nuclear as agent, except in cases of willful misconduct.

On December 21, 2017, the GPSC took a series of actions related to the construction of Plant Vogtle Units 3 and 4 and issued its related order on January 11, 2018. Among other actions, the GPSC (i) accepted Georgia Power’s recommendation to continue construction of Plant Vogtle Units 3 and 4, with Southern Nuclear serving as construction manager and Bechtel as primary contractor and (ii) approved the revised schedule placing Vogtle Unit 3 in service in November 2021 and Vogtle Unit 4 in service in November 2022. In its January 11, 2018 order, the GPSC stated if certain conditions change and assumptions upon which Georgia Power’s VCM 17 Report are based do not materialize, the GPSC reserved the right to reconsider the decision to continue construction.

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

During the latter part of the second quarter through the early part of the third quarter of 2018, Georgia Power advised the other Vogtle co-owners that it had become aware that certain estimated future Vogtle project costs were projected to exceed the corresponding budgeted amounts. The base capital costs estimated to complete construction were expected to increase by approximately \$1,400,000 (the aggregate 22.7% shares of the Vogtle Units 3 and 4 Project Entities were estimated at \$317,800). Georgia Power stated that although it believed these increased costs to be reasonable and necessary to complete the project, Georgia Power did not intend to seek rate recovery for these cost increases included in the current base capital cost forecast (or any related financing costs). As a result of the increase in the total project capital cost forecast and Georgia Power's decision not to seek rate recovery of its allocation of the increase in the costs as described above, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 were required to vote to continue construction. MEAG, and the other Vogtle Co-Owners, are evaluating these increased capital costs along with a project-level contingency estimated by Georgia Power in a preliminary amount of \$800,000 (the aggregate 22.7% shares of the Vogtle Units 3 & 4 Project Entities estimated at \$182,000). In connection with future Vogtle Construction Monitoring filings, Georgia Power may request the GPSC to evaluate costs currently included in the construction contingency estimate for rate recovery as and when they are appropriately included in the base capital cost forecast.

On September 26, 2018, the co-owners received the required vote to continue construction of Plant Vogtle Units 3 and 4. In connection with the vote to continue construction, Georgia Power entered into (i) a binding term sheet (the Vogtle Owner Term Sheet) with the other co-owners to take certain actions which partially mitigate potential financial exposure for the other co-owners, including amendments to the Vogtle Joint Ownership Agreements and the purchase of production tax credits (PTCs) from the other co-owners, and (ii) a binding term sheet (the MEAG Term Sheet and, together with the Vogtle Owner Term Sheet, the "Term Sheets") with MEAG and the Project J Entity to provide funding with respect to the Project J Entity's ownership interest in Plant Vogtle Units 3 and 4 under certain circumstances.

Under the Vogtle Owner Term Sheet, among other amendments to the Vogtle Joint Ownership Agreements, provisions of the Vogtle Joint Ownership Agreements requiring that co-owners holding 90% of the ownership interests in Plant Vogtle Units 3 and 4 vote to continue construction following certain adverse events would be amended. In particular, an increase in the construction cost estimate for Plant Vogtle Units 3 and 4 would no longer constitute an adverse event and thus would no longer require a vote. In addition, the adverse event relating to disallowances of cost recovery by Georgia Power would be amended to exclude any additional amounts paid by Georgia Power on behalf of the other co-owners pursuant to certain Vogtle Owner Term Sheet provisions and the first 6% of costs during any six-month VCM reporting period that are disallowed by the GPSC for recovery, or for which Georgia Power elects not to seek cost recovery, through retail rates. In addition, the Vogtle Owner Term Sheet provides that the Vogtle Joint Ownership Agreements would be revised to provide that Georgia Power may cancel the project at any time in its sole discretion.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

Pursuant to the MEAG Term Sheet<sup>1</sup>, if the Project J Entity is unable to make its payments due under the Vogtle Joint Ownership Agreements solely because (i) the conduct of JEA, such as JEA's continuation of its litigation challenging its obligations under the Additional Vogtle Units PPA, materially impedes access to capital markets for MEAG for Project J, or (ii) the Additional Vogtle Units PPA is declared void by a court of competent jurisdiction or rejected by JEA under the applicable provisions of the United States Bankruptcy Code (each of (i) and (ii), a JEA Default), Georgia Power will purchase from the Project J Entity the rights to PTCs attributable to the Project J Entity's share of Plant Vogtle Units 3 and 4 (approximately 206 MM) at varying prices dependent upon the stage of construction of Plant Vogtle Units 3 and 4.

At the option of MEAG, as an alternative or supplement to Georgia Power's purchase of PTCs as described above, Georgia Power has agreed to provide up to \$250,000 in funding to MEAG for Project J in the form of loans (either advances under the Vogtle Joint Ownership Agreements or the purchase of Project J Bonds), subject to any required approvals of the GPSC and the DOE.

In the event the Project J Entity certifies to Georgia Power that it is unable to fund its obligations under the Vogtle Joint Ownership Agreements as a result of a JEA Default and Georgia Power becomes obligated to provide funding as described above, MEAG is required to (i) assign to Georgia Power its right to vote on any future adverse event and (ii) diligently pursue JEA for its breach of the Project J PPA.

Under the terms of the MEAG Term Sheet, Georgia Power may decline to provide any funding in the form of loans, including in the event of a failure to receive any required GPSC or DOE approvals, and cancel the project in lieu of providing such loan funding.

#### *Litigation and Regulatory Proceedings*

**Litigation** – As noted in the Overview section, on September 11, 2018, both MEAG and JEA filed court actions seeking declaratory judgment on the enforceability of the Additional Vogtle Units PPA. MEAG filed its action in the United States District Court for the Northern District of Georgia, Civil Action No.: 1:18-CV-04295-MHC and JEA and the City filed their action in the Circuit Court, Fourth Judicial Circuit, Duval County, Florida, Case No.: 16-2018-CA-006197-XXXX-CV-G, removed to the United States District Court for the Middle District of Florida, Case No.: 3:18-cv-174-J-39JRK. Both cases are engaged in extensive procedural litigation over the forum in which the substantive issues will be tried. JEA will vigorously defend and prosecute these actions, but provides no assurances regarding the outcome or consequences of the litigation.

<sup>1</sup> Information provided regarding the MEAG Term Sheet is based on information filed by MEAG with the Municipal Securities Rulemaking Board (the "MSRB"), through the MSRB's Electronic Municipal Market Access ("EMMA") website currently located at <http://emma.msrb.org>. JEA has not been able to independently review the MEAG Term Sheet.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

**Regulatory Proceedings** – On September 17, 2018, JEA filed a petition with the Federal Energy Regulatory Commission (FERC) seeking a determination that FERC has exclusive jurisdiction pursuant to the Federal Power Act (FPA) over the Additional Vogtle Units PPA (FERC Petition). If FERC grants jurisdiction over the Additional Vogtle Units PPA, FERC will determine the validity of the Additional Vogtle Units PPA terms and conditions under the “just and reasonable” standard set forth in the FPA. Numerous entities, including MEAG, public utilities, municipalities, and trade groups, have filed comments with FERC challenging the theories of law and arguments raised in the FERC Petition. There is no deadline for FERC to render a decision on the FERC Petition.

#### ***Option to Purchase Interest in Lee Nuclear Station***

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2026 with respect to Unit 1 and 2028 with respect to Unit 2. The total cost of the option was \$7,500, payment of which has been completed. JEA obtained this option in furtherance of its 2010 policy target to acquire up to 30% of JEA’s energy requirements from nuclear sources by 2030.

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The Lee Project COL was received from the NRC in December 2016. In August 2017, Duke Carolinas filed with the North Carolina Utilities Commission and the South Carolina Public Service Commission to cancel the plant. This cancellation allows Duke Carolinas to seek cost recovery for the expenditures on licensing the plant, however, the NRC license remains active and the cancellation is not permanent. There is currently no schedule for negotiating an EPC agreement.

Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and, if it does exercise the option, it must specify the percentage undivided ownership interest in the Lee Project that it will acquire.

After JEA exercises the option (should it elect to do so) and various regulatory approvals are obtained, JEA must pay Duke Carolinas the exercise price for the option. Such price is generally JEA’s pro rata share, based on its percentage ownership interest in the Lee Project, of the development and pre construction cost for the Lee Project incurred by Duke Carolinas from the beginning of the Lee Project through the closing date of the option exercise. JEA is undecided as to the financing structure it would employ to finance its interest in the Lee Project, should it elect to exercise its option.

Under certain circumstances, should the Lee Project be terminated by Duke Carolinas, Duke may be obligated to provide JEA with options for alternative resources (but not necessarily from nuclear resources) to replace JEA’s optionable portion of the projected Lee Project capacity.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

Such alternative resources are to be available to JEA within two years of the projected online date for the Lee Project, once such date is set. No alternative resource for the Lee Project has yet been proposed by Duke Carolinas.

##### **Solar Projects**

In 2009, JEA entered into a 30-year purchased power agreement with Jacksonville Solar, LLC for the produced energy, as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and generated approximately 18,391 MMWh of electricity in 2018 and 20,074 MMWh of electricity in 2017. JEA pays only for the energy produced. Purchases of energy were \$3,592 for fiscal year 2018 and \$3,819 in 2017.

As part of JEA's continued commitment to the environment, and to increase JEA's level of carbon-free renewable energy generation, in December 2014, the Board established a solar policy to add up to 38 MMWac of solar photovoltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Seven PPAs, representing 27 MMWac, have been finalized. One other PPA, which had been finalized, was terminated due to the failure of the awardee (SunEdison) to establish site control within the time allowed by the contract. The solar PPAs are distributed around JEA's service territory.

The projects for this 2014 initiative are scheduled for completion in 2018. As of the end of fiscal year 2018, five of the seven projects had been completed: NW Jacksonville Solar, Old Plank Road Solar, Starratt Solar, Simmons Solar, and Blair Road Solar. JEA entered into 20-25 year purchased power agreements for the energy and the associated environmental attributes from each solar farm. The solar facilities generated approximately 36,755 MMWh in 2018 and 5,394 MMWh in 2017. JEA pays only for the energy produced. Purchases of energy were \$2,703 for fiscal year 2018 and \$354 in 2017.

The JEA Board approved a further solar expansion consisting of five 50 MMWac solar facilities to be constructed on JEA owned property. These projects, totaling 250 MMWac, will be structured as PPAs. EDF-DS was selected as the vendor for the sites and contract negotiations are currently underway. It is expected the facilities will be phased into service with all sites completed by 2022.

##### **Trail Ridge Landfill**

JEA purchases energy from two landfill gas-to-energy facilities through PPA agreements with Landfill Energy Systems (LES). Each agreement is for 9.6 MWs. Currently, JEA purchases 9.6 MW from Trail Ridge Landfill in Jacksonville, FL and 6.4 MW from Sarasota Landfill in Sarasota, FL. LES can supply the remaining 3.2 MW from Sarasota if it is expanded and becomes available. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville, which came online in January 2015. Purchases of landfill energy were 76,821 MMWh for \$4,554 in fiscal year 2018 and 89,682 MMWh for \$3,671 in 2017.

# JEA

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

### 11. Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. In December 2017, JEA entered into a financial swap that locked in the monthly commodity price of natural gas for calendar year 2018 for approximately 40% of its expected annual natural gas requirements. In August and September 2018, JEA entered into financial swaps that locked in the monthly commodity price of natural gas for December 2019 through December 2021 for approximately 45% of its expected annual natural gas requirements in those years. There was no additional activity in the program during fiscal year 2017.

JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. Deferred charges of \$1,851 were included in deferred inflows of resources on the statements of net position at September 30, 2018 and \$0 at 2017. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position. For the year ended September 30, 2018, there was a realized gain included in fuel expense of \$4,191 and a realized loss of \$323 in 2017.

### 12. Pension Plans

Substantially all employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employee Retirement Plan (GERP), as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative. GERP, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the 2017 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at: <http://www.coj.net/departments/finance/docs/accounting/city-of-jacksonville-2017-cafr-secure.aspx> or by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418.

The first phase of pension reform was approved by the City of Jacksonville in April 2017. The reform provides for a dedicated funding source for the GERP, Corrections Officers Plan, and Police and Fire Pension Plan through the extension of the Better Jacksonville Plan half-cent sales tax. The surtax will remain in effect until the earlier of December 31, 2060 or when it is determined by the actuarial report to the Florida Department of Management Services that the funding level of each of the City's three defined benefit retirement plans, which are funded by surtax, is expected to reach or exceed 100%.

In order for the plan to benefit from the sales tax revenue, the GERP was closed to new members and employees as of September 30, 2017.

## JEA

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

#### 12. Pension Plans (continued)

**Plan Benefits Provided** – Participation in the GERP is mandatory for all full-time employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and the City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of GERP. Elected officials are members of the Florida Retirement System Elected Officer Class. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of 2.5% of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of 80% of final monthly compensation. A time service retirement benefit is payable bi-weekly, to commence upon the first payday coincident with or next payday following the member's actual retirement, and will continue until death.

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed \$150 per month.

**Contributions** – Florida law requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. In fiscal year 2018, JEA plan members were required to contribute 10% of their annual covered salary. In fiscal year 2017, JEA plan members were required to contribute 8% of their annual covered salary. JEA's contribution of the covered payroll for the JEA plan members was \$35,459 (21.09%) in fiscal year 2018 and \$48,942 (38.27%) in 2017. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

#### ***Defined Contribution Plan***

The City has, by ordinance, a defined contribution (DC) plan within the Jacksonville Retirement System for GERP participants as an employee choice alternative to the defined benefit (DB) plans. Beginning in fiscal year 2011, employees had the option to participate in a DC plan. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees hired prior to September 30, 2017 can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation. All employees hired after September 30, 2017 now enter this plan.

In fiscal years 2018 and 2017, JEA plan members of the defined contribution plan were required to contribute 8% of their annual covered salary. JEA's contribution for the members of the defined contribution plan was \$1,886 (11.31%) in fiscal year 2018 and \$982 (8%) in 2017. Any contribution forfeitures were used to offset plan expenses.

JEA

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

12. Pension Plans (continued)

***Disability Program Fund***

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated between the pension contribution and a disability program fund. Due to this change, a physical exam is not required to participate in the plans.

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflow of Resources Related to Pensions***

**Net Pension Liability** – JEA's net pension liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of September 30, 2017 and September 30, 2016, respectively. JEA's allocated share of the net pension liability is \$527,680 (51.68%) as of September 30, 2018, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2017. JEA's allocated share of the net pension liability as of September 30, 2017 was \$541,025 (50.37%), based on an allocation proportional to the actual contributions paid during the year ended September 30, 2016.

For the year ended September 30, 2018 and 2017, JEA's recognized pension expense is \$77,111 and \$74,849, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA

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

**12. Pension Plans (continued)**

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

	September 30	
	2018	2017
<b>Deferred outflows of resources</b>		
Changes in assumptions	\$ 59,741	\$ 49,859
Contributions subsequent to the measurement date	35,459	48,942
Differences between expected and actual experience	25,477	24,354
Net difference between projected and actual earnings on pension investments	–	24,319
Changes in proportion	16,452	9,599
<b>Total</b>	<b>\$ 137,129</b>	<b>\$ 157,073</b>
 <b>Deferred inflows of resources</b>		
Net difference between projected and actual earnings on pension investments	\$ (37,760)	\$ –
Changes in assumptions	(3,730)	(5,454)
Differences between expected and actual experience	(1,543)	(2,525)
<b>Total</b>	<b>\$ (43,033)</b>	<b>\$ (7,979)</b>

Contributions of \$35,459 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2019	\$ 28,251
2020	24,888
2021	8,622
2022	(3,124)
<b>Total</b>	<b>\$ 58,637</b>

JEA

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

**12. Pension Plans (continued)**

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00%-6.00%, of which 2.75% is the Plan's long-term payroll inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy post-retirement mortality rates	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled mortality rates	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females

The actuarial assumptions used in the valuations were based on the results of an experience study for the period October 1, 2007 to September 30, 2012. Data from the experience study is reviewed in conjunction with each annual valuation, and updates to the mortality improvement scale and discount rate have been made as of September 30, 2017.

JEA

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

12. Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Marco Advisors.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	35%	6.40%
International equity	20%	7.40%
Real estate	25%	5.10%
Fixed income	19%	1.75%
Cash	1%	1.10%
<b>Total</b>	<b>100%</b>	

**Discount Rate** – The discount rate used to measure the total pension liability is 7.20%. The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at their applicable contribution rates and that City contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 7.20% for 2018 and 7.40% for 2017, as well as what the Jacksonville GERP's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate used:

	Net Pension Liability	
	2018	2017
1% decrease	\$ 713,777	\$ 713,190
Current discount	527,680	541,025
1% increase	372,518	397,385

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is included in the 2017 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

JEA

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

12. Pension Plans (continued)

**St. Johns River Power Park Plan Description**

**Plan Description** – The SJRPP Plan is a single employer contributory defined benefit plan that covers employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan is required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a five-member pension committee (Pension Committee). As part of the Asset Transfer Agreement with FPL related to the shutdown of SJRPP, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited in SJRPP Pension Fund.

The SJRPP Plan periodically issues stand-alone financial statements, with the most recent report issued for the year ended September 30, 2017. This report may be obtained at [https://www.jea.com/About/Investor\\_Relations/Financial\\_Reports/SJRPP\\_Pension](https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension).

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

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

Upon reaching one of the three conditions for retirement described above, a member in Tier One is entitled to a retirement benefit of:

- 2.0% of final average earnings (FAE) multiplied by the number of years of credited service, not to exceed 15 years
- plus 2.4% of FAE multiplied by the number of years of credited service in excess of 15 years, but not to exceed 30 years
- plus .65% of the excess FAE over the Social Security Average Wages multiplied by years of credited service, not to exceed 35 years

FAE is the annual average of a participant’s earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination. Retirement benefits are payable bi-weekly beginning on the first day of the month following or coincident with the participant’s Earliest Retirement Age.

JEA

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

**12. Pension Plans (continued)**

As of February 25, 2013, the accrued benefits in Tier One of newly classified Tier Two participants were frozen. Distribution of frozen Tier One Benefits is governed by the provisions applicable to Tier One. Tier Two Benefits employees receive annual pay credits to their Cash Balance accounts in the amount of 6.0% of earnings between February 25, 2013 and September 30, 2015 and 8.5% of earnings on or after October 1, 2015. Cash Balance Accounts are credited with interest at the rate of 4% per year. Benefits may be distributed as a lump sum, by rollover in accordance with the Internal Revenue Service Code or as an annuity, at the election of the participant.

For participants retired on or after October 1, 2003, each member and survivor of Tier One is entitled to a COLA. The COLA consists of a 1% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

**Employees Covered by Benefit Terms** – At September 30, 2018 and September 30, 2017, the following employees were covered by the benefit terms:

	<u>2018</u>	<u>2017</u>
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	309	299
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	54	49
Active Plan Members	159	209
<b>Total Plan Members</b>	<u>522</u>	<u>557</u>

**Contributions** – The SJRPP Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. In fiscal years 2018 and 2017, SJRPP plan members were required to contribute 4% of their annual covered salary, and SJRPP employer's contribution to the SJRPP Plan was \$26,409 (454.62%) in 2018 and \$8,039 (51.47%) in 2017.

**Net Pension Liability** – SJRPP's net pension liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of September 30, 2017 and September 30, 2016, respectively.

JEA

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

12. Pension Plans (continued)

**Actuarial Assumptions** –The total pension liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	7.00%
Mortality rates	Mortality Rates used by the Florida Retirement System for classes other than Special Risk, described as follows:

Healthy Mortality (Pre-Retirement and Post-Retirement) rates used:

Females: RP2000 Healthy Annuitant rates with 100% White Collar adjustment, generationally projected from year 2000 using Scale BB.

Males: RP2000 Healthy Annuitant rates with 50% White Collar/50% Blue Collar adjustment, generationally projected from year 2000 using Scale BB.

The actuarial assumptions used in the October 1, 2017 valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued. Mortality rates were developed by the Florida Retirement System in a recent experience study and are mandated by the State Statutes for funding valuations.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation at the measurement date of September 30, 2017, are summarized in the following table.

JEA

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

12. Pension Plans (continued)

The target allocation and the best estimates of the rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	47%	6.56%
Fixed income	45%	2.20%
International equity	8%	5.50%
<b>Total</b>	<b>100%</b>	

**Discount Rate** – The discount rate used to measure the total pension liability is 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of SJRPP, calculated using a discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	2018	2017
1% decrease	\$ 33,976	\$ 33,650
Current discount rate	16,523	16,640
1% increase	1,896	2,206

JEA

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

**12. Pension Plans (continued)**

Changes in the net pension liability are detailed below.

	2017	2016
<b>Total pension liability</b>		
Beginning balance	\$ 158,926	\$ 155,143
Service cost	1,032	1,210
Interest on the total pension liability	10,768	10,514
Changes in benefit terms	-	(59)
Difference between expected and actual experience	10,826	4,444
Changes in assumptions	26	-
Benefit payments	(12,257)	(12,326)
Ending balance	169,321	158,926
 <b>Plan fiduciary net position</b>		
Beginning balance	142,286	138,902
Employer contributions	8,039	2,142
Employee contributions	625	629
Pension plan net investment income (loss)	14,571	13,379
Benefit payments	(12,257)	(12,326)
Administrative expense	(466)	(440)
Ending balance	152,798	142,286
Net pension liability	\$ 16,523	\$ 16,640

**Plan Assets** – Cash balances are amounts on deposit with the SJRPP Plan’s trust bank, as well as amounts held in various money market funds as authorized in the Investment Policy Statement (Policy). All investments shall comply with the Policy as approved by the Pension Committee, and with the fiduciary standards set forth by the Employee Retirement Income Security Act and requirements set forth by the Florida Statutes. The trust bank balances are collateralized and subject to the Florida Security for Public Deposits Act of Chapter 280, Florida Statutes.

The Plan follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual fund is a 2a-7 fund registered with the SEC and, therefore is presented at actual pooled share price, which approximates fair value.

JEA

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

**12. Pension Plans (continued)**

At September 30, 2017, the SJRPP Plan's cash and cash equivalents consist of the following:

Cash on hand	\$	1
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account		3,365
<b>Total cash and cash equivalents</b>	<b>\$</b>	<b>3,366</b>

The Policy specifies investment objectives and guidelines for the SJRPP Plan's investment portfolio and provides asset allocation targets for various asset classes.

At September 30, 2017, investments controlled by the SJRPP Plan that represent 5% or more of the SJRPP Plan's net position were the Alliance Domestic Passive Collective Trust with a basis of \$17,581 and a fair market value of \$44,328. This investment represent 29% of the fiduciary net position available for benefits.

*Risk*

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

*Interest Rate Risk*

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the SJRPP Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. As of September 30, 2017, the average modified duration of the managed fixed securities portfolio was 4.8 years.

*Credit risk*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The SJRPP Plan's rated debt instruments as of September 30, 2017 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization.

The fixed income managers limit their investments to securities with an investment grade rating (BBB or equivalent) and the overall weighted average composite quality rating of the managed fixed income portfolio was Aa3.

JEA

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

12. Pension Plans (continued)

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the SJRPP Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the SJRPP Plan's investments are held by the SJRPP Plan's directed trustee and custodian in the SJRPP Plan's name, or by an agent in the SJRPP Plan's name.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Policy specifies an overall target allocation of 55% equities and 45% fixed income, including cash. The Policy further specifies target allocations for the equity investments among several asset classes.

The fair value of the asset classes and portfolio as of September 30, 2017, and specific target allocations are as follows:

	Fair Value	Actual Percent	Target Percent
U.S. Government Securities and Agencies	\$ 28,258	19%	N/A
Corporate bonds – non-convertible	30,658	20%	N/A
Money Market/Cash	3,366	2%	N/A
Total fixed income	<u>62,282</u>	<u>41%</u>	<u>45%</u>
S&P 500 Index Fund	44,328	29%	28%
S&P 400 Mid-Cap Index Fund	18,428	12%	15%
Small and Mid-Cap Value Fund	13,652	9%	4%
International equities	13,920	9%	8%
Total equities	<u>\$ 90,328</u>	<u>59%</u>	<u>55%</u>
Total	<u>\$ 152,610</u>		

The Policy allows the percentage allocation to each asset class to vary by plus or minus 5% depending upon market conditions.

For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments was 10.39%. This reflects the changing amounts actually invested.

JEA

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

12. Pension Plans (continued)

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through its investments in an international equity mutual fund. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 9% of total investments as of September 30, 2017.

*Fair Value Disclosures*

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The SJRPP Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

The table below summarizes the SJRPP Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices.

	Level 1	Level 2	Total
U.S. Government Securities and Agencies	\$ 16,662	\$ 11,596	\$ 28,258
Corporate bonds - non-convertible	–	30,658	30,658
Money Market/Cash	3,366	–	3,366
Total fixed income	20,028	42,254	62,282
S&P 500 Index Fund	44,328	–	44,328
S&P 400 Mid-Cap Index Fund	17,852	576	18,428
Small and Mid-Cap Value Fund	12,430	1,222	13,652
International equities	–	13,920	13,920
Total equities	74,610	15,718	90,328
Total	\$ 94,638	\$ 57,972	\$ 152,610

JEA

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

12. Pension Plans (continued)

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

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

**Net Pension Liability** – SJRPP’s net pension liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of September 30, 2017 and September 30, 2016, respectively. SJRPP’s net pension liability is \$16,523 as of September 30, 2018 and \$16,640 as of September 30, 2017. As discussed in note 3, St. Johns River Power Park, during fiscal year 2018, JEA assumed FPL’s portion of the pension obligation in accordance with the shutdown agreement.

For the year ended September 30, 2018 and 2017, SJRPP recognized pension expense is \$14,408 and \$4,785, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30	
	2018	2017
<b>Deferred outflows of resources</b>		
Contributions subsequent to the measurement date	\$ 26,641	\$ 8,664
Net difference between projected and actual earnings on pension plan investments	4,091	6,136
Differences between expected and actual experience	2,451	4,022
Changes in assumptions	1,055	1,809
Total	<u>\$ 34,238</u>	<u>\$ 20,631</u>
<b>Deferred inflows of resources</b>		
Net difference between projected and actual earnings on pension plan investments	\$ (7,091)	\$ (4,976)
Total	<u>\$ (7,091)</u>	<u>\$ (4,976)</u>

JEA

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

**12. Pension Plans (continued)**

Contributions of \$26,641 were reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the September 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2019	\$ 1,421
2020	1,679
2021	(1,643)
2022	(951)
<b>Total</b>	<u>\$ 506</u>

**13. Other Postemployment Benefits**

***Plan Description***

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

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

**Plan membership** – As of September 30, 2017 (the actuarial valuation date), the OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	502
Active plan members	<u>2,041</u>
<b>Total</b>	<u><u>2,543</u></u>

JEA

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

13. Other Postemployment Benefits (continued)

**Benefits provided** – The postretirement benefit portion of the benefits plan (OPEB Plan) refers to the benefits applicable to current and future retirees and their beneficiaries. In addition, retirees are eligible to continue life insurance coverage through the plan sponsored by JEA. Premiums for the first \$5,000 of coverage are being subsidized by the employer and, as such, are considered as other postemployment benefits for purposes of GASB Statement No. 75. As of January 1, 2017, the PPO plan out of pocket maximums increased to \$5,000/\$10,000, the deductible increased to \$500 per year, the coinsurance changed to 80%/50%, and the specialist copay increased to \$60. The HRA out of pocket maximum increased to \$5,000/\$10,000. The HSA deductible was set to \$1,500 for in network and \$2,500 for out of network. The copays for prescription drug benefits under all plan options increased to \$10/\$40/\$60 and copays for specialty drugs increased to \$250. Under the HSA Plan, the deductible must be satisfied before the prescription co-pay requirements. The table below outlines other key components of the OPEB plan.

	PPO		HRA		HSA	
	In- Network	Out-of- Network	In- Network	Out-of- Network	In- Network	Out-of- Network
Annual deductible	\$ 500	\$ 1,000	\$ 1,500	\$ 3,000	\$ 1,500	\$ 2,500
Primary Care Physician co-pay	\$ 25	40%	\$ 25	40%	20%*	40%*
Specialist co-pay	\$ 60	40%	\$ 60	40%	20%*	40%*
Co-insurance	20%	40%	20%	40%	20%*	40%*

\*After the annual deductible is met

**Contributions** – Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage and the member is responsible for payment of the applicable premiums.

Florida law prohibits JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups blended-rate premiums.

In 2008, JEA began to advance-fund the OPEB obligation. This was accomplished by establishing a separate trust into which JEA makes periodic deposits and withdrawals to reimburse operations for costs incurred on a pay-as-you-go basis.

JEA

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

13. Other Postemployment Benefits (continued)

**Actuarial assumptions** – The total OPEB liability in the October 1, 2017 and October 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5%–12.5%, including inflation; varies by years of service
Investment rate of return	7.00%
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.57% as of October 1, 2017 and 4.59% as of October 1, 2016 (including the impact of the excise tax).
Mortality rates	Mortality tables used for Regular Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a state wide experience study covering the period 2008 through 2013.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation at the measurement date of September 30, 2017 and September 30, 2016, are summarized in the following table.

The target allocation and the best estimates of the rate of return for each major asset class are summarized in the following table:

Asset Class	2017		2016	
	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Large cap domestic equity	34%	8.0%	39%	9.0%
Global fixed income	18%	4.6%	24%	4.0%
International equity	15%	8.5%	10%	9.8%
Domestic fixed income	12%	4.3%	16%	3.5%
Small cap domestic equity	11%	8.5%	11%	9.8%
Real estate	10%	7.4%	0%	NA
<b>Total</b>	<b>100%</b>		<b>100%</b>	

JEA

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

**13. Other Postemployment Benefits (continued)**

**Discount Rate** – GASB Statement No. 75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As the assets are projected to be sufficient to meet benefit payments, the assumed valuation discount rate of 7.00% was used.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the net OPEB liability, calculated using a discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a rate that is 1% lower or 1% higher than the current rate:

	<u>2018</u>	<u>2017</u>
1% decrease	\$ 23,779	\$ 46,273
Current discount rate	18,835	39,508
1% increase	14,662	33,799

**Healthcare Cost Trend Rate** – JEA followed the Getzen model with trend rates for costs and premiums declining over a 22-year period from 7.00% assumed for the year 2018 to the ultimate level of 4.57%.

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** – The following presents the net OPEB liability, calculated using a healthcare cost trend rate of 7.0% down to 4.57%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current trend rate:

	<u>2018</u>	<u>2017</u>
1% decrease	\$ 14,401	\$ 33,442
Current healthcare cost trend rate	18,835	39,508
1% increase	24,098	46,709

JEA

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

**13. Other Postemployment Benefits (continued)**

Changes in the net OPEB liability are detailed below.

	2018	2017
<b>Total OPEB liability</b>		
Beginning balance	\$ 60,949	\$ 62,554
Service cost	811	781
Interest on the total OPEB liability	4,253	4,203
Changes in benefit terms	(11,556)	–
Difference between expected and actual experience	(7,891)	–
Benefit payments	(2,019)	(6,589)
Ending balance	<u>44,547</u>	<u>60,949</u>
 <b>Plan fiduciary net position</b>		
Beginning balance	21,441	18,156
Employer contributions	5,240	5,061
Net investment income	2,942	2,135
Reimbursements to employer	(3,911)	(3,911)
Ending balance	<u>25,712</u>	<u>21,441</u>
Net OPEB liability	<u>\$ 18,835</u>	<u>\$ 39,508</u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 57.72%	 35.18%
 Covered payroll	 \$155,326	 \$150,073
 Net OPEB liability as a percentage of covered payroll	 12.13%	 26.33%

**Plan Assets** – The assets of the plan consist of shares held in the Florida Municipal Investment Trust (FMIT), which is administered by the Florida League of Cities. The FMIT is an interlocal governmental entity created under the laws of the State of Florida and an Authorized Investment under Sec. 163.01 Florida Statutes. It is considered an external investment pool for reporting purposes. JEA owns shares in the OPEB Fund A as directed in the Master Trust Agreement. OPEB Fund A target asset allocation is 60% equities and 40% fixed income.

At September 30, 2017 and September 30, 2016, the OPEB Plan's cash and money market balance within the OPEB Fund A was \$309 and \$322, respectively.

*Risk*

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

JEA

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

**13. Other Postemployment Benefits (continued)**

*Interest Rate Risk*

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The table below details the interest rate risk in years for investments in the trust.

Fixed Income Fund	September 30, 2017		September 30, 2016	
	Modified Duration	Weighted Average Maturity	Modified Duration	Weighted Average Maturity
FMIT Broad Market High Quality Bond Fund	4.74	6.10	4.45	5.90
FMIT Core Plus Fixed Income Fund	2.24	7.40	2.04	6.84

*Credit risk*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The FMIT Broad Market High Quality Bond Fund was rated by Fitch as AAf/S4 as of September 30, 2017 and September 30, 2016. The remaining funds of the trust are unrated.

*Money-Weighted rates of return*

The money-weighted rates of return for the fiscal years ended September 30, 2017 and September 30, 2016 are listed below.

Year Ended	Return
2016	7.90%
2017	13.35%

JEA

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

13. Other Postemployment Benefits (continued)

*Fair Value Disclosures*

The table below summarizes the OPEB Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. JEA's investment is in shares of the FMIT OPEB Fund A. The disclosure below is based on the asset allocation provided by the FMIT of those investments held by OPEB Fund A.

	September 30, 2017			September 30, 2016		
	Level 2	Level 3	Total	Level 2	Level 3	Total
FMIT Broad Market High Quality Bond Fund	\$ 3,831	\$ -	\$ 3,831	\$ 3,280	\$ -	\$ 3,280
FMIT Core Plus Fixed Income Fund	-	5,785	5,785	-	4,996	4,996
Total fixed income	3,831	5,785	9,616	3,280	4,996	8,276
FMIT High Quality Growth Portfolio	2,057	-	2,057	1,630	-	1,630
FMIT Large Cap Diversified Value Portfolio	2,160	-	2,160	1,758	-	1,758
FMIT Russell 1000 Enhanced Index Portfolio	5,991	-	5,991	4,803	-	4,803
FMIT Diversified Small to Mid Cap Equity Portfolio	2,905	-	2,905	2,444	-	2,444
FMIT International Equity Portfolio	2,674	-	2,674	2,208	-	2,208
Total equities	15,787	-	15,787	12,843	-	12,843
Total	\$ 19,618	\$ 5,785	\$ 25,403	\$ 16,123	\$ 4,996	\$ 21,119

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

**Net OPEB Liability** – JEA's net OPEB liability at September 30, 2018 and September 30, 2017 was measured based on an actuarial valuation as of and with the measurement dates of September 30, 2017 and September 30, 2016, respectively. JEA's net OPEB liability is \$18,835 as of September 30, 2018 and \$39,508 as of September 30, 2017.

For the year ended September 30, 2018 and 2017, JEA recognized OPEB expense is (\$9,272) and \$3,508, respectively. As JEA has implemented regulatory accounting for OPEB, the difference between the recognized OPEB expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA

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

**13. Other Postemployment Benefits (continued)**

The JEA Plan recorded deferred outflows of resources and deferred inflows of resources related to OPEB as detailed in the table below.

	September 30	
	2018	2017
<b>Deferred outflows of resources</b>		
Contributions subsequent to the measurement date	\$ 4,078	\$ 5,240
<b>Total</b>	<b>\$ 4,078</b>	<b>\$ 5,240</b>
<b>Deferred inflows of resources</b>		
Differences between expected and actual experience	\$ (7,102)	\$ —
Net difference between projected and actual earnings on pension plan investments	(1,610)	(659)
<b>Total</b>	<b>\$ (8,712)</b>	<b>\$ (659)</b>

Contributions of \$4,078 were reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the September 30, 2017 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2019	\$ (1,233)
2020	(1,233)
2021	(1,233)
2022	(1,068)
2023	(789)
Thereafter	(3,156)
<b>Total</b>	<b>\$ (8,712)</b>

JEA

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

**14. Fair Value Measurements**

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For JEA, this statement applies to certain investments, interest rate swap agreements, and natural gas cash flow hedges.

JEA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

***Investments***

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). The local government investment pools transact with participants at a stable NAV and are recorded at NAV. Certain U.S. Treasury and government agency securities and commercial paper are measured at cost.

	2018			
	Total	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
U.S. Treasury and government agency securities	\$ 453,060	\$ 453,060	\$ -	\$ -
State and local government securities	223,845	-	223,845	-
Total investments by fair value level	<u>\$ 676,905</u>	<u>\$ 453,060</u>	<u>\$ 223,845</u>	<u>\$ -</u>
<b>Investments measured at NAV</b>				
Local government investment pools	194,786			
Money market mutual funds	23,208			
Total investments measured at fair value	<u>894,899</u>			
<b>Investments measured at cost</b>				
Commercial paper	133,074			
U.S. Treasury and government agency securities	9,837			
Total investments by cost	<u>142,911</u>			
Total investments per statement of net position	<u>\$ 1,037,810</u>			

JEA

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

14. Fair Value Measurements (continued)

	2017			
	Total	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
U.S. Treasury and government agency securities	\$ 420,524	\$ 420,524	\$ –	\$ –
State and local government securities	323,507	54,923	268,584	–
Total investments by fair value level	<u>\$ 744,031</u>	<u>\$ 475,447</u>	<u>\$ 268,584</u>	<u>\$ –</u>
<b>Investments measured at NAV</b>				
Local government investment pools	138,207			
Money market mutual funds	51,460			
Total investments measured at fair value	<u>933,698</u>			
<b>Investments measured at cost</b>				
Commercial paper	170,829			
U.S. Treasury and government agency securities	118,363			
Total investments by cost	<u>289,192</u>			
Total investments per statement of net position	<u>\$ 1,222,890</u>			

**Interest Rate Swap Agreements**

JEA's interest rate swap agreements are valued using market rates as of September 30, 2018 and 2017 and standard cash flow present valuing techniques, which places them at Level 2 in the fair value hierarchy. The agreements are recorded at fair value as part of long-term debt in the statements of net position. The fair value of the interest rate swap agreements is detailed below.

	2018	2017
Electric	\$ (70,103)	\$ (101,350)
Water and Sewer	(16,253)	(23,919)
Total	<u>\$ (86,356)</u>	<u>\$ (125,269)</u>

**Natural Gas Cash Flow Hedges**

JEA's natural gas cash flow hedges consisted of swap agreements for either a 3-month or 12-month period, covering calendar year 2018 and December 2019 through December 2021. These hedges were valued using prices observed on commodities exchanges and/or using industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which placed them at Level 3 in the fair value hierarchy. The fair market value changes in the hedges were recorded on a net basis in the statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2018 and 2017, deferred credits of \$2,536 and \$0 were included in deferred inflows of resources on the statements of net position, respectively.

## JEA

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

#### 15. Commitments and Contingent Liabilities

##### **Grants**

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

##### **Regulatory Initiatives**

The electric industry and water and wastewater industry have been and will continue to be affected by a number of legislative and regulatory initiatives. The following summarizes the key regulations affecting JEA:

**Electric Enterprise System** – On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO<sub>2</sub>) fossil fuel-fired electric generating units (EGUs):

- The Final Clean Power Plan (CPP), applicable to existing fossil fuel-fired electric EGUs.
- The Final Carbon Pollution Standards Rule (CPS), applicable to new, modified and reconstructed fossil fuel-fired EGUs.
- The Proposed Federal Plan applicable to states that fail to submit an approvable plan that achieves CPP goals.

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. On March 28, 2017, President Trump issued an Executive Order establishing a national policy "in favor of energy independence, economic growth, and the rule of law". The President has directed agencies to review existing regulations that potentially burden the development of domestic energy resources, and appropriately suspend, revise, or rescind regulations that unduly burden the development of U.S. energy resources beyond what is necessary to protect the public interest or otherwise comply with the law. The Executive Order specifically directed EPA to review and, if appropriate, initiate reconsideration proceedings to suspend, revise or rescind the new EPA Final Rules pertaining to CO<sub>2</sub> emissions. EPA initially obtained temporary court orders to hold the court challenge of the CPP and the CPS in abeyance, pending the completion of EPA's review of the rules. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

On August 30, 2018, EPA a proposed rule to replace the CPP. The proposed rule is titled the Affordable and Clean Energy (ACE) Rule. ACE proposes new Existing Source Performance Standards (ESPS) to regulate CO<sub>2</sub> emissions from fossil-fueled boilers. The ACE standards are significantly less stringent than the CPP standards. ACE also proposes to simplify and remove considerable ambiguity from EPA's New Source Review (NSR) rules applicable to major improvements to generating units. EPA has also promulgated but not issued proposed New Source Performance Standards (NSPS) for fossil-fueled units. Provisions of ACE are anticipated to be complied with without significant capital expenditure and do not represent significant cost exposure for JEA. Similarly, since JEA is not presently anticipating construction of any electric generation units that would be impacted by a new NSPS, the pending rule likewise does not represent significant cost exposure for JEA. Because these rules are either proposed or pending issuance, it is difficult to know when or if the rules will become "final" and enforceable. For this reason, JEA is unable, at this time, to definitively ascertain the impact to JEA to come from prospective regulation of CO<sub>2</sub> emissions.

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act, because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter (PM<sub>2.5</sub>), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO<sub>2</sub> and NO<sub>x</sub> emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of PM<sub>2.5</sub> and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NO<sub>x</sub> emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule. However, the EPA has made known that it is in the early stages of developing a supplemental rule (CSAPR Update II) to address the 2015 ozone and PM<sub>2.5</sub> NAAQS. It is possible that the CSAPR Update II may mandate deeper emission reductions and an expansion of the geographic area for regulation, possibly to again include Florida. The EPA has not established a rulemaking schedule for the CSAPR Update II. Consequently, JEA is not able to estimate any impacts from the CSAPR Update II.

On December 21, 2011, the EPA issued its Mercury and Air Toxics Standards (MATS) rule, setting forth maximum achievable control technology (MACT) standards for coal and oil generating stations. The new standards regulate four categories of hazardous air pollutants (HAPS) emitted by coal- or oil-fired EGUs, namely mercury, HAP metals, acid gases, and organic HAP.

The compliance deadline for affected sources to have all necessary pollution controls installed was April 2015. JEA's units that are regulated under MATS comply with all rule requirements.

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

**15. Commitments and Contingent Liabilities (continued)**

In April 2015, the EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015 and established technical requirements for surface impoundments and landfills. The rule requires protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, is enforced only by citizen-initiated lawsuits, rather than by the EPA. However, with passage of the WIN Act in 2016, the rule can now be reformed to provide the following: 1) conversion from a “self-implementing” program to a permit program the states or EPA would have primary responsibility to administer and enforce; and, 2) flexibility for state programs to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements.

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of CCRs at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. The currently operating cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule even after the plant was decommissioned in 2018. SJRPP’s two closed byproduct storage areas (Areas I and II) are not affected by this rule. SJRPP has no regulated surface impoundments. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities is currently projected to run through 2030.

The EPA left in place the Beville exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard, and other contained applications that should not involve any exposure by the public to unsafe contaminants.

On November 22, 2010, the EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for the EPA to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. The EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

With few changes to the proposed rule, the EPA published the final rule in the Federal Register in August 2015. The new standards will not affect any JEA facilities other than NGS. NGS is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries, or oceans to cool their plants. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA) to improvements to the existing screening facilities or installation of cooling towers. A full two-year biological study is required to evaluate site-specific conditions and form a basis for assessing BTA and was initiated in 2018. Estimated final compliance deadlines are not expected until after 2024 and will depend on the level of upgrade ultimately required. Accordingly, costs of compliance have not been determined for NGS and are not included in JEA's capital program for the Electric System.

On September 30, 2016, the EPA issued the Effluent Limitation Guidelines for Steam Electric Power Plants. In setting the new and more stringent standards, the EPA evaluated the technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in as soon as possible on or after November 1, 2018, but no later than December 31, 2023. The costs of compliance at NGS and Scherer have been evaluated and are anticipated in operating budgets and in JEA's five-year capital program for the Electric System.

**Water Supply System Regulatory Initiatives** – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SRVMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida, the Suwannee River Water Management District (SRVMD), Florida Department of Environmental Protection (FDEP), and the SRVMD have set or are setting/revising Minimum Flows and Levels (MFLs) for water bodies in the region. MFLs are intended to assess the potential for ecological resource risks from water withdrawals and ensure sustainable supplies. In 2015, MFLs were adopted in the SRVMD and a determination required a recovery strategy. By permit, JEA will participate to the extent of its proportionate impact in prevention and recovery strategies that may be developed to ensure the groundwater resource remains sustainable.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

**Wastewater Treatment System Regulatory Initiatives** – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities. By virtue of exceeding its own regulatory obligation, JEA has generated nutrient reduction credits and has assisted the City in meeting a portion of their Municipal Separate Storm System nutrient requirements by transferring 33.44 short tons per year. This was recognized in JEA's annual contribution agreement negotiated in 2016. In 2013, both the FDEP and EPA reaffirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL.

#### ***Pollution Remediation Obligations***

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities, the liability is estimated to be \$20,726 at September 30, 2018. The accrual is related to the following environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; WSSC PCB Issue, Northside Generating Station RCRA Corrective Action program; and remediation at a number of miscellaneous petroleum sites. Of the \$20,726 that JEA has accrued as environmental liabilities, approximately \$15,795 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain and no accurate prediction of range of loss is possible at this time: Pickettville Road Landfill CERCLA site post-closure activities and the Ellis Road CERCLA site. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity. Costs associated with these obligations that were expensed prior to the approval of regulatory accounting for environmental projects are recorded in other noncurrent liabilities and total \$16,818. The remaining liability is recognized as part of revenues to be used for future costs.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

##### ***Northside Generating Station Byproduct***

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

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

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff is suing multiple defendants seeking damages allegedly resulting from construction defects at The Promenade, a retail shopping mall in D'Iberville, Mississippi. Plaintiff amended the complaint in April 2010 to add JEA as a defendant on various product liability theories, claiming that JEA's ash byproduct was allegedly incorporated as a component of the product of another party defendant and used by other party defendants at the subject project. Plaintiff seeks injunctive relief, to remediate the site, and damages. Multiple third party claims and cross claims were raised and remain pending. JEA believes it has good and meritorious defenses in this action and will vigorously defend the case. The plaintiff is seeking approximately \$75,000; however, the trial court ruled that JEA is entitled to a sovereign immunity cap of \$500. Plaintiff has appealed this ruling and the pre-trial rulings are currently being heard by the Mississippi Supreme Court.

##### ***General Litigation***

JEA is party to various pending or threatened legal actions in connection with its normal operations. In the opinion of management, any ultimate liabilities that may arise from these actions are not expected to materially affect JEA's financial position, results of operations, or liquidity.

#### 16. Storm Costs

Hurricane Matthew tracked parallel along the coast of Florida on October 7, 2016 and Hurricane Irma passed to the west of Jacksonville as a tropical storm on September 11, 2017, causing extensive damage within the JEA service territory. Damage to JEA property was primarily to the transmission and distribution systems. Because of the extensive damage, Jacksonville was declared a federal major disaster area, making JEA eligible to receive reimbursement from FEMA. Requests for Public Assistance for both declared disasters were filed and accepted.

JEA

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

**16. Storm Costs (continued)**

JEA is in the midst of the cost reimbursement process through FEMA, which allows cost share of 87.5% of eligible cost (75.0% from FEMA and 12.5% from the State of Florida) of those costs not covered by insurance. As a result, \$27,999 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with the 12.5%, or \$4,000, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2017. Through September 30, 2018, JEA has received \$9,033, which reduced the deferred costs to be recovered from future revenues. Of the \$9,033 received, \$6,970 was from insurance and \$2,063 from FEMA. JEA believes it is probable that reimbursement from either insurance or FEMA will be received for the eligible cost incurred that is remaining.

**17. Segment Information**

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

Intercompany billing is employed between the Electric System, the Water and Sewer System, and DES and includes purchases of electricity, water, sewer, and chilled water services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the financial statements. See intercompany charges detailed below.

	2018			2017		
	Electric	W&S	DES	Electric	W&S	DES
Electricity services	NA	\$ 13,422	\$ 3,282	NA	\$ 13,324	\$ 3,351
Water and sewer services	505	NA	136	147	NA	144
Chilled water services	—	408	NA	—	507	NA

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was \$45,869 for fiscal year 2018 and \$43,327 for 2017.

JEA

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

**17. Segment Information (continued)**

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System for \$32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were \$784 for fiscal year 2018 and \$280 for 2017.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of \$22,940 and \$6,284, respectively, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was \$2,030 for fiscal year 2018 and \$1,999 for 2017.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement per account. Deposits are allocated to the Electric System or Water and Sewer System based on revenues. When the deposits are credited to customer accounts, they are allocated between the service agreements.

JEA

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

17. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2018 and 2017 was as follows:

	Electric System and Bulk Power Supply System		SJRRP System		Water and Sewer		DES	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Condensed statements of net position</b>								
Total current assets	\$ 603,965	\$ 604,305	\$ 70,352	\$ 117,017	\$ 196,938	\$ 204,171	\$ 4,396	\$ 4,355
Total noncurrent assets	740,394	754,337	358,767	276,865	574,441	589,523	3,445	3,257
Net capital assets	2,652,224	2,687,232	10,144	474,437	2,682,864	2,615,950	35,027	36,180
Deferred outflows of resources	241,405	278,864	67,596	27,339	125,501	131,037	194	203
Total assets and deferred outflows of resources	\$ 4,237,988	\$ 4,324,738	\$ 506,859	\$ 895,658	\$ 3,579,744	\$ 3,540,681	\$ 43,062	\$ 43,995
Total current liabilities	\$ 163,168	\$ 145,154	\$ 7,668	\$ 11,722	\$ 37,101	\$ 35,426	\$ 103	\$ 89
Total current liabilities payable from restricted assets	184,899	191,785	63,435	157,877	117,447	120,756	2,601	2,445
Total noncurrent liabilities	373,718	393,733	39,049	14,865	221,990	235,258	34	11
Total long-term debt	2,166,201	2,328,211	281,359	420,060	1,570,576	1,625,187	34,791	36,446
Total liabilities	2,887,986	3,058,883	391,511	604,524	1,947,114	2,016,627	37,529	38,991
Deferred inflows of resources	283,185	282,821	17,715	151,613	47,304	22,791	-	-
Net investment in (divestment of) capital assets	530,479	425,023	2,138	(3,751)	1,325,600	1,202,706	(1,492)	(1,818)
Restricted net position	316,700	336,210	26,164	39,530	195,319	211,166	2,738	2,539
Unrestricted net position	219,638	221,801	69,331	103,742	64,407	87,391	4,287	4,283
Total net position	1,066,817	983,034	97,633	139,521	1,585,326	1,501,263	5,533	5,004
Total liabilities, deferred inflows of resources, and net position	\$ 4,237,988	\$ 4,324,738	\$ 506,859	\$ 895,658	\$ 3,579,744	\$ 3,540,681	\$ 43,062	\$ 43,995
<b>Condensed statements of revenues, expenses, and changes in net position information</b>								
Total operating revenues	\$ 1,275,255	\$ 1,299,592	\$ 147,838	\$ 268,899	\$ 435,682	\$ 457,908	\$ 8,756	\$ 8,692
Depreciation	203,075	199,743	10,987	42,754	144,144	141,838	2,403	2,364
Other operating expenses	829,441	782,778	115,612	203,273	166,291	163,293	4,603	4,570
Operating income	242,739	317,071	21,239	22,872	125,247	152,777	1,750	1,758
Total nonoperating expenses, net	(67,484)	(72,558)	(18,028)	(22,153)	(44,079)	(52,807)	(1,221)	(1,322)
Total contributions, net	(91,472)	(92,271)	-	-	2,895	1,254	-	-
Total special items	-	-	(45,099)	-	-	-	-	-
Changes in net position	83,783	152,242	(41,888)	719	84,063	101,224	529	436
Net position, beginning of year	983,034	832,508	139,521	138,802	1,501,263	1,401,047	5,004	4,568
Effect of adoption of GASB Statement No. 75	-	(1,716)	-	-	-	(1,008)	-	-
Net position, beginning of year, restated	983,034	830,792	139,521	138,802	1,501,263	1,400,039	5,004	4,568
Net position, end of year	\$ 1,066,817	\$ 983,034	\$ 97,633	\$ 139,521	\$ 1,585,326	\$ 1,501,263	\$ 5,533	\$ 5,004
<b>Condensed statements of cash flow information</b>								
Net cash provided by operating activities	\$ 457,242	\$ 447,104	\$ 38,185	\$ 37,578	\$ 276,662	\$ 287,362	\$ 3,880	\$ 3,588
Net cash used in noncapital and related financing activities	(91,538)	(92,225)	-	-	(25,031)	(23,469)	-	-
Net cash used in capital and related financing activities	(389,543)	(396,544)	(193,269)	(63,622)	(291,095)	(259,443)	(4,064)	(5,139)
Net cash provided by (used in) investing activities	(30,410)	86,505	174,010	17,053	16,616	(21,679)	103	45
Net change in cash and cash equivalents	(54,249)	44,840	18,926	(8,991)	(22,848)	(17,229)	(81)	(1,506)
Cash and cash equivalents at beginning of year	340,063	295,223	121,027	130,018	145,909	163,138	7,035	8,541
Cash and cash equivalents at end of year	\$ 285,814	\$ 340,063	\$ 139,953	\$ 121,027	\$ 123,061	\$ 145,909	\$ 6,954	\$ 7,035

## JEA

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

#### 18. Subsequent Events

On October 11, 2018, Moody's Investors Service lowered its ratings with respect to the Bonds of JEA as follows:

- (a) with respect to Electric System Revenue Bonds, Bulk Power Supply System Revenue Bonds, and SJRPP System Revenue Bonds, the long-term debt ratings were lowered from "Aa2" to "A2";
- (b) with respect to Electric System Subordinated Revenue Bonds, the long-term ratings were lowered from "Aa3" to "A3";
- (c) with respect to Water and Sewer Revenue Bonds and Water and Sewer Subordinated Revenue Bonds, the long-term ratings were lowered from "Aa2" to "A2"; and
- (d) with respect to DES Revenue Bonds, the long-term ratings were lowered from "Aa3" to "A3".

As a result of the ratings change above, commitment fees related to Electric System VRDOs changed from a range of 0.38% to 0.40% to a range of 0.48% to 0.55% and commitment fees related to Water and Sewer System VRDOs remained unchanged within a range of 0.38% to 0.42%.

On November 1, 2018, as a result of the ratings change, the interest rate related to the Direct Purchased Bonds changed from SIFMA plus 40 basis points to SIFMA plus 55 basis points.

On November 1, 2018, JEA amended the revolving credit agreement to increase the maximum principal amount of the credit facility available for the Electric System by \$200,000, for a total unsecured amount of \$500,000.

On November 2, 2018, the revolving credit agreement was drawn upon by the Water and Sewer System for \$2,000, with \$495,000 available to be drawn.

On November 7, 2018, JEA extended the existing irrevocable direct-pay letter of credit and reimbursement agreement related to the Water and Sewer System 2008 Series A-2 VRDO to a stated expiration date of December 1, 2023. The new commitment fee is 0.42%.

**REQUIRED SUPPLEMENTARY INFORMATION**

JEA

Required Supplementary Information – Pension  
(Dollars in Thousands)

September 30, 2018

Schedules of Required Supplementary Information

Schedule of JEA's Proportionate Share of the Net Pension Liability

City of Jacksonville General Employees Retirement Plan

Last Five Fiscal Years\*

	2018	2017	2016	2015	2014
Proportional share percentage	51.68%	50.37%	49.15%	48.85%	48.85%
Net pension liability	\$ 527,680	\$ 541,025	\$ 480,353	\$ 404,466	\$ 386,789
Covered payroll	\$ 134,443	\$ 126,808	\$ 127,440	\$ 128,084	\$ 129,922
Net pension liability as a percentage of covered payroll	392.49%	426.65%	376.92%	315.78%	297.71%
Plan fiduciary net pension as a percentage of the total pension liability	63.71%	63.00%	64.03%	69.06%	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years\*

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2009	\$ 13,280	\$ 13,280	\$ –	\$ 120,727	11.00%
2010	16,257	16,257	–	125,054	13.00%
2011	17,195	17,195	–	132,269	13.00%
2012	22,301	22,301	–	127,434	17.50%
2013	27,038	27,038	–	129,990	20.80%
2014	34,149	34,149	–	129,922	26.28%
2015	40,179	40,179	–	128,084	31.37%
2016	43,156	43,156	–	127,440	33.86%
2017	48,942	48,942	–	126,808	38.60%
2018	35,459	35,459	–	134,443	26.37%

\* All information is on measurement year basis.

JEA

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

**Notes to Schedule of Contributions**

Valuation date: October 1, 2017

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 1.14% Annual Increases*
Remaining amortization period	All new bases are amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

**Actual assumptions:**

Investment rate of return	7.50% including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00%–6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provision contains a 3.00% COLA.

\* The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of *Florida Statutes*, an assumption of 1.14% was used for amortization purposes in the valuation.

JEA

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

**SJRPP Plan – Schedule of Changes in Net Pension Liability and Related Ratios\***

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Beginning balance	\$ 158,926	\$ 155,143	\$ 150,629	\$ 146,521
Service cost	1,032	1,210	1,275	1,470
Interest	10,768	10,514	10,271	10,026
Changes in benefit terms	–	(59)	–	–
Difference between actual and expected experience	10,826	714	3,316	2,121
Changes in assumptions	26	3,730	–	–
Benefit payments	(12,257)	(12,326)	(10,348)	(9,509)
Total pension liability – ending	<u>\$ 169,321</u>	<u>\$ 158,926</u>	<u>\$ 155,143</u>	<u>\$ 150,629</u>
<b>Plan Fiduciary Net Position</b>				
Beginning balance	\$ 142,286	\$ 138,902	\$ 145,425	\$ 135,019
Contributions – employer	8,039	2,142	3,509	5,559
Contributions – employee	625	629	648	655
Net investment income	14,571	13,379	(266)	13,763
Benefit payments	(12,257)	(12,326)	(10,348)	(9,509)
Administrative expense	(466)	(440)	(66)	(62)
Plan fiduciary net position – ending	<u>\$ 152,798</u>	<u>\$ 142,286</u>	<u>\$ 138,902</u>	<u>\$ 145,425</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 16,523</u>	<u>\$ 16,640</u>	<u>\$ 16,241</u>	<u>\$ 5,204</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.24%	89.53%	89.53%	96.55%
Covered Payroll	\$ 15,621	\$ 15,730	\$ 16,665	\$ 21,304
Net Pension Liability as a Percentage of Covered Payroll	105.78%	105.79%	97.46%	24.43%

\* These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

**SJRPP Plan – Investment Returns**

Year Ended	Return
2008	-12.67%
2009	7.60%
2010	10.14%
2011	0.41%
2012	17.17%
2013	12.64%
2014	10.32%
2015	-0.19%
2016	9.99%
2017	10.39%

JEA

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

**SJRPP Plan – Schedule of Contributions**

<b>Fiscal Year Ending September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2009	10,239	10,398	(159)	21,327	48.76%
2010	13,453	13,565	(112)	19,431	69.81%
2011	8,919	9,028	(109)	19,895	45.38%
2012	7,995	8,005	(10)	19,318	41.44%
2013	11,845	11,885	(40)	17,761	66.92%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	16,665	21.06%
2016	2,050	2,142	(92)	15,730	13.62%
2017	7,967	8,039	(72)	15,621	51.46%
2018	7,727	26,409	(18,682)	5,809	454.62%

JEA

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

**Notes to Schedule of Contributions**

Valuation date: October 1, 2017

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method Entry Age Normal

Amortization method Level Dollar, Closed

Remaining amortization period 2 years

Asset valuation method Market value of assets

**Actual assumptions:**

Investment rate of return 7.00% per year, compounded annually, net of investment expenses

Inflation rate 2.5%

Projected salary increases 2.5%– 12.5% per year, including inflation

Retirement age Experience-based table of rates based on year of eligibility.

Mortality Mortality tables used for Regular Class and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

JEA

Required Supplementary Information – OPEB  
(Dollars in Thousands)

September 30, 2018

**OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios\***

	2017	2016
<b>Total OPEB Liability</b>		
Beginning balance	\$ 60,949	\$ 62,554
Service cost	811	781
Interest on the total OPEB liability	4,253	4,203
Changes in benefit terms	(11,556)	–
Difference between actual and expected experience	(7,891)	–
Benefit payments	(2,019)	(6,589)
<b>Total OPEB liability – ending</b>	<b>\$ 44,547</b>	<b>\$ 60,949</b>
<b>Plan Fiduciary Net Position</b>		
Beginning balance	\$ 21,441	\$ 18,156
Employer contributions	5,240	5,061
Net investment income	2,942	2,135
Reimbursements to employer	(3,911)	(3,911)
<b>Plan fiduciary net position – ending</b>	<b>\$ 25,712</b>	<b>\$ 21,441</b>
<b>Net OPEB Liability – Ending</b>	<b>\$ 18,835</b>	<b>\$ 39,508</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	57.72%	35.18%
Covered Payroll	\$ 155,326	\$ 150,073
Net OPEB Liability as a Percentage of Covered Payroll	12.13%	26.33%

\* This schedule is presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

**OPEB Plan – Investment Returns**

All information is on a measurement year basis

Year Ended	Return
2008	0.03%
2009	1.44%
2010	6.74%
2011	-1.41%
2012	15.84%
2013	11.93%
2014	8.22%
2015	-0.46%
2016	7.90%
2017	13.35%

JEA

Required Supplementary Information – OPEB (continued)  
*(Dollars in Thousands)*

**OPEB Plan – Schedule of Contributions\***

<b>Fiscal Year Ending September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2009	\$ 5,779	\$ 4,023	\$ 1,756	N/A	N/A
2010	5,126	5,236	(110)	138,093	3.79%
2011	5,344	6,601	(1,257)	N/A	N/A
2012	5,211	5,423	(212)	150,714	3.60%
2013	5,433	6,185	(752)	N/A	N/A
2014	4,819	4,382	437	148,617	2.95%
2015	5,011	7,255	(2,244)	N/A	N/A
2016	5,061	7,739	(2,678)	150,073	5.16%
2017	4,138	5,240	(1,102)	155,326	3.37%
2018	3,885	4,078	(193)	161,602	2.52%

\* This schedule is presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

JEA

Required Supplementary Information – OPEB  
(Dollars in Thousands)

**Notes to Schedule of Contributions**

Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry Age Normal
Inflation	2.50%
Discount rate	7.00%
Salary increases	2.5%– 12.5% per year, including inflation; varies by years of service
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality tables used for Regular Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.57% as of October 1, 2017 and 4.59% as of October 1, 2016 (including the impact of the excise tax). The decrease is a result of the decrease in the load for excise tax.
Aging factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Investment returns are net of the investment expenses; and, administrative expenses related to operation of the health plan are included in the premium costs.

**Other information:**

Notes	Health-related assumptions are based on experience over the plan year ending December 31, 2017.
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**JEA**  
**Combining Statement of Net Position**  
*(In Thousands)*

September 30, 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 285,611	\$ 65,840	\$ -	\$ 351,451	\$ 86,219	\$ 3,536	\$ 441,206
Investments	83,268	2,042	-	85,310	-	-	85,310
Accounts and interest receivable, net of allowance of \$1,830	197,041	790	(1,912)	195,919	54,369	860	251,148
Inventories:							
Fuel	35,856	1,015	-	36,871	-	-	36,871
Materials and supplies	2,189	665	-	2,854	56,350	-	59,204
<b>Total current assets</b>	<b>603,965</b>	<b>70,352</b>	<b>(1,912)</b>	<b>672,405</b>	<b>196,938</b>	<b>4,396</b>	<b>873,739</b>
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	203	74,113	-	74,316	36,842	3,418	114,576
Investments	419,536	23,330	-	442,866	288,761	-	731,627
Accounts and interest receivable	7	47	-	54	8	-	62
<b>Total restricted assets</b>	<b>419,746</b>	<b>97,490</b>	<b>-</b>	<b>517,236</b>	<b>325,611</b>	<b>3,418</b>	<b>846,265</b>
Costs to be recovered from future revenues	301,805	261,277	-	563,082	244,987	27	808,096
Investment in The Energy Authority	6,811	-	-	6,811	-	-	6,811
Other assets	12,032	-	-	12,032	3,843	-	15,875
<b>Total noncurrent assets</b>	<b>740,394</b>	<b>358,767</b>	<b>-</b>	<b>1,099,161</b>	<b>574,441</b>	<b>3,445</b>	<b>1,677,047</b>
<b>Net capital assets</b>	<b>2,652,224</b>	<b>10,144</b>	<b>-</b>	<b>2,662,368</b>	<b>2,682,864</b>	<b>35,027</b>	<b>5,380,259</b>
<b>Total assets</b>	<b>3,996,583</b>	<b>439,263</b>	<b>(1,912)</b>	<b>4,433,934</b>	<b>3,454,243</b>	<b>42,868</b>	<b>7,931,045</b>
<b>Deferred outflows of resources</b>							
Unrealized pension contributions and losses	83,649	34,238	-	117,887	53,480	-	171,367
Unamortized deferred losses on refundings	85,165	4,185	-	89,350	54,178	194	143,722
Accumulated decrease in fair value of hedging derivatives	70,103	-	-	70,103	16,253	-	86,356
Unrealized asset retirement obligation	-	29,173	-	29,173	-	-	29,173
Unrealized OPEB contributions and losses	2,488	-	-	2,488	1,590	-	4,078
<b>Total deferred outflows of resources</b>	<b>241,405</b>	<b>67,596</b>	<b>-</b>	<b>309,001</b>	<b>125,501</b>	<b>194</b>	<b>434,696</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,237,988</b>	<b>\$ 506,859</b>	<b>\$ (1,912)</b>	<b>\$ 4,742,935</b>	<b>\$ 3,579,744</b>	<b>\$ 43,062</b>	<b>\$ 8,365,741</b>
<b>Liabilities</b>							
Current liabilities:							
Accounts and accrued expenses payable	\$ 118,901	\$ 7,668	\$ (796)	\$ 125,773	\$ 21,485	\$ 103	\$ 147,361
Customer deposits	44,267	-	-	44,267	15,616	-	59,883
<b>Total current liabilities</b>	<b>163,168</b>	<b>7,668</b>	<b>(796)</b>	<b>170,040</b>	<b>37,101</b>	<b>103</b>	<b>207,244</b>
Current liabilities payable from restricted assets:							
Debt due within one year	130,690	1,720	-	132,410	51,720	1,660	185,790
Renewal and replacement reserve	-	54,370	-	54,370	-	-	54,370
Interest payable	37,613	5,603	-	43,216	29,841	680	73,737
Construction contracts and accounts payable	16,596	1,742	(1,116)	17,222	35,886	261	53,369
<b>Total current liabilities payable from restricted assets</b>	<b>184,899</b>	<b>63,435</b>	<b>(1,116)</b>	<b>247,218</b>	<b>117,447</b>	<b>2,601</b>	<b>367,286</b>
Noncurrent liabilities:							
Net pension liability	321,885	16,523	-	338,408	205,795	-	544,203
Asset retirement obligation	-	22,526	-	22,526	-	-	22,526
Net OPEB liability	11,489	-	-	11,489	7,346	-	18,835
Other liabilities	40,344	-	-	40,344	8,849	34	49,227
<b>Total noncurrent liabilities</b>	<b>373,718</b>	<b>39,049</b>	<b>-</b>	<b>412,767</b>	<b>221,990</b>	<b>34</b>	<b>634,791</b>
Long-term debt							
Debt payable, less current portion	2,019,350	278,885	-	2,298,235	1,480,620	34,825	3,813,680
Unamortized premium (discount), net	76,748	2,474	-	79,222	73,703	(34)	152,891
Fair value of debt management strategy instruments	70,103	-	-	70,103	16,253	-	86,356
<b>Total long-term debt</b>	<b>2,166,201</b>	<b>281,359</b>	<b>-</b>	<b>2,447,560</b>	<b>1,570,576</b>	<b>34,791</b>	<b>4,052,927</b>
<b>Total liabilities</b>	<b>2,887,986</b>	<b>391,511</b>	<b>(1,912)</b>	<b>3,277,585</b>	<b>1,947,114</b>	<b>37,529</b>	<b>5,262,228</b>
<b>Deferred inflows of resources</b>							
Revenues to be used for future costs	249,085	10,624	-	259,709	27,123	-	286,832
Unrealized pension gains	26,250	7,091	-	33,341	16,783	-	50,124
Unrealized OPEB gains	5,314	-	-	5,314	3,398	-	8,712
Accumulated increase in fair value of hedging derivatives	2,536	-	-	2,536	-	-	2,536
<b>Total deferred inflows of resources</b>	<b>283,185</b>	<b>17,715</b>	<b>-</b>	<b>300,900</b>	<b>47,304</b>	<b>-</b>	<b>348,204</b>
<b>Net position</b>							
Net investment in (divestment of) capital assets	530,479	2,138	-	532,617	1,325,600	(1,492)	1,856,725
Restricted							
Debt service	130,072	1,843	-	131,915	53,799	1,660	187,374
Other purposes	186,628	24,321	1,116	212,065	141,520	1,078	354,663
Unrestricted	219,638	69,331	(1,116)	287,853	64,407	4,287	356,547
<b>Total net position</b>	<b>1,066,817</b>	<b>97,633</b>	<b>-</b>	<b>1,164,450</b>	<b>1,585,326</b>	<b>5,533</b>	<b>2,755,309</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 4,237,988</b>	<b>\$ 506,859</b>	<b>\$ (1,912)</b>	<b>\$ 4,742,935</b>	<b>\$ 3,579,744</b>	<b>\$ 43,062</b>	<b>\$ 8,365,741</b>

**JEA**  
**Combining Statement of Net Position**  
*(In Thousands)*

September 30, 2017

	Electric System and Bulk Power		Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
	Supply System	SJRPP System					
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 340,063	\$ 41,950	\$ -	\$ 382,013	\$ 103,741	\$ 3,805	\$ 489,559
Investments	20,629	4,493	-	25,122	-	-	25,122
Accounts and interest receivable, net of allowance of \$2,101	203,433	16,597	(27,230)	192,800	52,094	550	245,444
Inventories:							
Fuel	38,044	34,728	-	72,772	-	-	72,772
Materials and supplies	2,136	19,249	-	21,385	48,336	-	69,721
<b>Total current assets</b>	<b>604,305</b>	<b>117,017</b>	<b>(27,230)</b>	<b>694,092</b>	<b>204,171</b>	<b>4,355</b>	<b>902,618</b>
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	-	79,077	-	79,077	42,168	3,230	124,475
Investments	442,080	192,794	-	634,874	301,834	-	936,708
Accounts and interest receivable	20	952	-	972	12	-	984
<b>Total restricted assets</b>	<b>442,100</b>	<b>272,823</b>	<b>-</b>	<b>714,923</b>	<b>344,014</b>	<b>3,230</b>	<b>1,062,167</b>
Costs to be recovered from future revenues	297,241	4,042	-	301,283	239,711	27	541,021
Investment in The Energy Authority	6,283	-	-	6,283	-	-	6,283
Other assets	8,713	-	-	8,713	5,798	-	14,511
<b>Total noncurrent assets</b>	<b>754,337</b>	<b>276,865</b>	<b>-</b>	<b>1,031,202</b>	<b>589,523</b>	<b>3,257</b>	<b>1,623,982</b>
<b>Net capital assets</b>	<b>2,687,232</b>	<b>474,437</b>	<b>-</b>	<b>3,161,669</b>	<b>2,615,950</b>	<b>36,180</b>	<b>5,813,799</b>
<b>Total assets</b>	<b>4,045,874</b>	<b>868,319</b>	<b>(27,230)</b>	<b>4,886,963</b>	<b>3,409,644</b>	<b>43,792</b>	<b>8,340,399</b>
<b>Deferred outflows of resources</b>							
Unrealized pension contributions and losses	95,814	16,505	-	112,319	61,259	-	173,578
Unamortized deferred losses on refundings	78,503	10,834	-	89,337	43,816	203	133,356
Accumulated decrease in fair value of hedging derivatives	101,350	-	-	101,350	23,919	-	125,269
Unrealized OPEB contributions and losses	3,197	-	-	3,197	2,043	-	5,240
<b>Total deferred outflows of resources</b>	<b>278,864</b>	<b>27,339</b>	<b>-</b>	<b>306,203</b>	<b>131,037</b>	<b>203</b>	<b>437,443</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,324,738</b>	<b>\$ 895,658</b>	<b>\$ (27,230)</b>	<b>\$ 5,193,166</b>	<b>\$ 3,540,681</b>	<b>\$ 43,995</b>	<b>\$ 8,777,842</b>
<b>Liabilities</b>							
Current liabilities:							
Accounts and accrued expenses payable	\$ 102,962	\$ 11,722	\$ (3,221)	\$ 111,463	\$ 20,340	\$ 89	\$ 131,892
Customer deposits	42,192	-	-	42,192	15,086	-	57,278
<b>Total current liabilities</b>	<b>145,154</b>	<b>11,722</b>	<b>(3,221)</b>	<b>153,655</b>	<b>35,426</b>	<b>89</b>	<b>189,170</b>
Current liabilities payable from restricted assets:							
Debt due within one year	135,105	41,330	-	176,435	51,020	1,640	229,095
Renewal and replacement reserve	-	82,577	-	82,577	-	-	82,577
Interest payable	40,458	9,571	-	50,029	31,501	691	82,221
Construction contracts and accounts payable	16,222	24,399	(24,009)	16,612	38,235	114	54,961
<b>Total current liabilities payable from restricted assets</b>	<b>191,785</b>	<b>157,877</b>	<b>(24,009)</b>	<b>325,653</b>	<b>120,756</b>	<b>2,445</b>	<b>448,854</b>
Noncurrent liabilities:							
Net pension liability	330,025	13,312	-	343,337	211,000	-	554,337
Net OPEB liability	24,100	-	-	24,100	15,408	-	39,508
Other liabilities	39,608	1,553	-	41,161	8,850	11	50,022
<b>Total noncurrent liabilities</b>	<b>393,733</b>	<b>14,865</b>	<b>-</b>	<b>408,598</b>	<b>235,258</b>	<b>11</b>	<b>643,867</b>
Long-term debt							
Debt payable, less current portion	2,171,305	408,885	-	2,580,190	1,555,485	36,485	4,172,160
Unamortized premium (discount), net	55,556	11,175	-	66,731	45,783	(39)	112,475
Fair value of debt management strategy instruments	101,350	-	-	101,350	23,919	-	125,269
<b>Total long-term debt</b>	<b>2,328,211</b>	<b>420,060</b>	<b>-</b>	<b>2,748,271</b>	<b>1,625,187</b>	<b>36,446</b>	<b>4,409,904</b>
<b>Total liabilities</b>	<b>3,058,883</b>	<b>604,524</b>	<b>(27,230)</b>	<b>3,636,177</b>	<b>2,016,627</b>	<b>38,991</b>	<b>5,691,795</b>
<b>Deferred inflows of resources</b>							
Revenues to be used for future costs	277,552	147,632	-	425,184	19,422	-	444,606
Unrealized pension gains	4,867	3,981	-	8,848	3,112	-	11,960
Unrealized OPEB gains	402	-	-	402	257	-	659
<b>Total deferred inflows of resources</b>	<b>282,821</b>	<b>151,613</b>	<b>-</b>	<b>434,434</b>	<b>22,791</b>	<b>-</b>	<b>457,225</b>
<b>Net position</b>							
Net investment in (divestment of) capital assets	425,023	(3,751)	-	421,272	1,202,706	(1,818)	1,622,160
Restricted							
Debt service	134,071	41,709	-	175,780	56,848	1,640	234,268
Other purposes	202,139	(2,179)	24,009	223,969	154,318	899	379,186
Unrestricted	221,801	103,742	(24,009)	301,534	87,391	4,283	393,208
<b>Total net position</b>	<b>983,034</b>	<b>139,521</b>	<b>-</b>	<b>1,122,555</b>	<b>1,501,263</b>	<b>5,004</b>	<b>2,628,822</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 4,324,738</b>	<b>\$ 895,658</b>	<b>\$ (27,230)</b>	<b>\$ 5,193,166</b>	<b>\$ 3,540,681</b>	<b>\$ 43,995</b>	<b>\$ 8,777,842</b>

JEA

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

Year Ended September 30, 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
<b>Operating revenues</b>								
Electric	\$ 1,253,139	\$ 87,749	\$ (56,982)	\$ 1,283,906	\$ -	\$ -	\$ (16,704)	\$ 1,267,202
Water and sewer	-	-	-	-	424,121	-	(641)	423,480
District energy system	-	-	-	-	-	8,756	(408)	8,348
Other	22,116	60,089	-	82,205	11,561	-	(2,814)	90,952
<b>Total operating revenues</b>	<b>1,275,255</b>	<b>147,838</b>	<b>(56,982)</b>	<b>1,366,111</b>	<b>435,682</b>	<b>8,756</b>	<b>(20,567)</b>	<b>1,789,982</b>
<b>Operating expenses</b>								
Operations and maintenance:								
Fuel	356,877	64,175	-	421,052	-	-	-	421,052
Purchased power	166,176	-	(56,982)	109,194	-	-	-	109,194
Maintenance and other operating expenses	244,011	52,296	-	296,307	149,646	4,603	(20,567)	429,989
Depreciation	203,075	10,987	-	214,062	144,144	2,403	-	360,609
State utility and franchise taxes	60,831	-	-	60,831	10,476	-	-	71,307
Recognition of deferred costs and revenues, net	1,546	(859)	-	687	6,169	-	-	6,856
<b>Total operating expenses</b>	<b>1,032,516</b>	<b>126,599</b>	<b>(56,982)</b>	<b>1,102,133</b>	<b>310,435</b>	<b>7,006</b>	<b>(20,567)</b>	<b>1,399,007</b>
Operating income	242,739	21,239	-	263,978	125,247	1,750	-	390,975
<b>Nonoperating revenues (expenses)</b>								
Interest on debt	(86,808)	(20,292)	-	(107,100)	(58,034)	(1,374)	-	(166,508)
Investment income	6,910	1,196	-	8,106	3,617	103	-	11,826
Allowance for funds used during construction	3,912	-	-	3,912	7,802	50	-	11,764
Other nonoperating income, net	6,025	1,068	-	7,093	2,764	-	-	9,857
Earnings from The Energy Authority	4,074	-	-	4,074	-	-	-	4,074
Other interest, net	(1,597)	-	-	(1,597)	(228)	-	-	(1,825)
<b>Total nonoperating expenses, net</b>	<b>(67,484)</b>	<b>(18,028)</b>	<b>-</b>	<b>(85,512)</b>	<b>(44,079)</b>	<b>(1,221)</b>	<b>-</b>	<b>(130,812)</b>
Income before contributions	175,255	3,211	-	178,466	81,168	529	-	260,163
<b>Contributions (to) from</b>								
General Fund, City of Jacksonville, Florida	(91,472)	-	-	(91,472)	(25,148)	-	-	(116,620)
Developers and other	1,597	-	-	1,597	80,560	-	-	82,157
Reduction of plant cost through contributions	(1,597)	-	-	(1,597)	(52,517)	-	-	(54,114)
<b>Total contributions, net</b>	<b>(91,472)</b>	<b>-</b>	<b>-</b>	<b>(91,472)</b>	<b>2,895</b>	<b>-</b>	<b>-</b>	<b>(88,577)</b>
<b>Special items</b>								
SJRPP deferred revenues, net	-	451,037	-	451,037	-	-	-	451,037
SJRPP impairment loss	-	(496,136)	-	(496,136)	-	-	-	(496,136)
<b>Total special items</b>	<b>-</b>	<b>(45,099)</b>	<b>-</b>	<b>(45,099)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,099)</b>
Change in net position	83,783	(41,888)	-	41,895	84,063	529	-	126,487
Net position, beginning of year	983,034	139,521	-	1,122,555	1,501,263	5,004	-	2,628,822
<b>Net position, end of year</b>	<b>1,066,817</b>	<b>97,633</b>	<b>-</b>	<b>1,164,450</b>	<b>1,585,326</b>	<b>5,533</b>	<b>-</b>	<b>2,755,309</b>

JEA

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

Year Ended September 30, 2017

	Electric System and Bulk Power		Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
	Supply System	SJRPP System						
<b>Operating revenues</b>								
Electric	\$ 1,270,144	\$ 268,899	\$ (140,162)	\$ 1,398,881	\$ -	\$ -	\$ (16,675)	\$ 1,382,206
Water and sewer	-	-	-	-	448,348	-	(291)	448,057
District energy system	-	-	-	-	-	8,692	(507)	8,185
Other	29,448	-	-	29,448	9,560	-	(2,279)	36,729
<b>Total operating revenues</b>	<b>1,299,592</b>	<b>268,899</b>	<b>(140,162)</b>	<b>1,428,329</b>	<b>457,908</b>	<b>8,692</b>	<b>(19,752)</b>	<b>1,875,177</b>
<b>Operating expenses</b>								
Operations and maintenance:								
Fuel	289,949	168,845	-	458,794	-	-	-	458,794
Purchased power	217,618	-	(140,162)	77,456	-	-	-	77,456
Maintenance and other operating expenses	219,434	46,445	-	265,879	141,445	4,570	(19,752)	392,142
Depreciation	199,743	42,754	-	242,497	141,838	2,364	-	386,699
State utility and franchise taxes	59,121	-	-	59,121	10,562	-	-	69,683
Recognition of deferred costs and revenues, net	(3,344)	(12,017)	-	(15,361)	11,286	-	-	(4,075)
<b>Total operating expenses</b>	<b>982,521</b>	<b>246,027</b>	<b>(140,162)</b>	<b>1,088,386</b>	<b>305,131</b>	<b>6,934</b>	<b>(19,752)</b>	<b>1,380,699</b>
Operating income	317,071	22,872	-	339,943	152,777	1,758	-	494,478
<b>Nonoperating revenues (expenses)</b>								
Interest on debt	(94,350)	(24,064)	-	(118,414)	(63,183)	(1,395)	-	(182,992)
Investment income	5,177	1,522	-	6,699	3,832	45	-	10,576
Allowance for funds used during construction	6,102	-	-	6,102	5,644	28	-	11,774
Other nonoperating income, net	4,595	389	-	4,984	934	-	-	5,918
Earnings from The Energy Authority	6,335	-	-	6,335	-	-	-	6,335
Other interest, net	(417)	-	-	(417)	(34)	-	-	(451)
<b>Total nonoperating expenses, net</b>	<b>(72,558)</b>	<b>(22,153)</b>	<b>-</b>	<b>(94,711)</b>	<b>(52,807)</b>	<b>(1,322)</b>	<b>-</b>	<b>(148,840)</b>
Income before contributions	244,513	719	-	245,232	99,970	436	-	345,638
<b>Contributions (to) from</b>								
General Fund, City of Jacksonville, Florida	(92,271)	-	-	(92,271)	(23,552)	-	-	(115,823)
Developers and other	906	-	-	906	65,969	-	-	66,875
Reduction of plant cost through contributions	(906)	-	-	(906)	(41,163)	-	-	(42,069)
<b>Total contributions, net</b>	<b>(92,271)</b>	<b>-</b>	<b>-</b>	<b>(92,271)</b>	<b>1,254</b>	<b>-</b>	<b>-</b>	<b>(91,017)</b>
Change in net position	152,242	719	-	152,961	101,224	436	-	254,621
Net position, beginning of year	832,508	138,802	-	971,310	1,401,047	4,568	-	2,376,925
Effect of adoption of GASB Statement No. 75	(1,716)	-	-	(1,716)	(1,008)	-	-	(2,724)
Net position, beginning of year, as restated	830,792	138,802	-	969,594	1,400,039	4,568	-	2,374,201
<b>Net position, end of year</b>	<b>983,034</b>	<b>139,521</b>	<b>-</b>	<b>1,122,555</b>	<b>1,501,263</b>	<b>5,004</b>	<b>-</b>	<b>2,628,822</b>

**JEA**  
**Combining Statement of Cash Flows**  
*(In Thousands)*

Year Ended September 30, 2018

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
<b>Operating activities</b>								
Receipts from customers	\$ 1,249,048	\$ 104,261	\$ (34,089)	\$ 1,319,220	\$ 430,685	\$ 8,446	\$ (17,753)	\$ 1,740,598
Payments to suppliers	(655,986)	(81,496)	34,089	(703,393)	(104,124)	(4,012)	20,567	(790,962)
Payments to employees	(160,943)	(44,669)	—	(205,612)	(61,403)	(554)	—	(267,569)
Other operating activities	25,123	60,069	—	85,212	11,504	—	(2,814)	93,902
Net cash provided by operating activities	457,242	38,185	—	495,427	276,662	3,880	—	775,969
<b>Noncapital and related financing activities</b>								
Contribution to General Fund, City of Jacksonville, Florida	(91,538)	—	—	(91,538)	(25,031)	—	—	(116,569)
Net cash used in noncapital and related financing activities	(91,538)	—	—	(91,538)	(25,031)	—	—	(116,569)
<b>Capital and related financing activities</b>								
Defeasance of debt	(405,105)	(128,280)	—	(533,385)	(460,305)	—	—	(993,690)
Proceeds from issuance of debt, net	383,840	—	—	383,840	437,160	—	—	821,000
Acquisition and construction of capital assets	(180,050)	—	—	(180,050)	(203,474)	(1,053)	—	(384,577)
Repayment of debt principal	(135,105)	(41,330)	—	(176,435)	(51,020)	(1,640)	—	(229,085)
Interest paid on debt	(97,134)	(16,685)	—	(113,819)	(67,659)	(1,371)	—	(182,849)
Capital contributions	—	—	—	—	28,043	—	—	28,043
Other capital financing activities	44,011	(6,974)	—	37,037	26,160	—	—	63,197
Net cash used in capital and related financing activities	(389,543)	(193,269)	—	(582,812)	(291,095)	(4,064)	—	(877,971)
<b>Investing activities</b>								
Purchase of investments	(506,359)	(252,593)	—	(758,952)	(279,014)	—	—	(1,037,966)
Proceeds from sale and maturity of investments	462,211	428,653	—	890,864	288,607	—	—	1,179,471
Investment income	10,225	(2,050)	—	8,175	7,023	103	—	15,301
Distributions from The Energy Authority	3,513	—	—	3,513	—	—	—	3,513
Net cash provided by (used in) investing activities	(30,410)	174,010	—	143,600	16,616	103	—	160,319
Net change in cash and cash equivalents	(54,249)	18,926	—	(35,323)	(22,848)	(81)	—	(58,252)
Cash and cash equivalents at beginning of year	340,063	121,027	—	461,090	145,909	7,035	—	614,024
Cash and cash equivalents at end of year	\$ 285,814	\$ 139,953	\$ —	\$ 425,767	\$ 123,061	\$ 6,954	\$ —	\$ 555,782
<b>Reconciliation of operating income to net cash provided by operating activities</b>								
Operating income	\$ 242,739	\$ 21,239	\$ —	\$ 263,978	\$ 125,247	\$ 1,750	\$ —	\$ 390,975
<b>Adjustments:</b>								
Depreciation and amortization	203,075	10,987	—	214,062	145,424	2,403	—	361,889
Recognition of deferred costs and revenues, net	1,546	(859)	—	687	6,169	—	—	6,856
Other nonoperating income, net	103	700	—	803	270	—	—	1,073
<b>Changes in noncash assets and noncash liabilities:</b>								
Accounts receivable	13,184	15,812	—	28,996	(2,200)	(310)	—	26,486
Accounts receivable, restricted	13	—	—	13	3	—	—	16
Inventories	2,136	52,297	—	54,433	(8,014)	—	—	46,419
Other assets	5,688	—	—	5,688	733	—	—	6,421
Accounts and accrued expenses payable	10,076	(10,441)	—	(365)	1,330	14	—	979
Current liabilities payable from restricted liabilities	—	(49,998)	—	(49,998)	—	—	—	(49,998)
Other noncurrent liabilities and deferred inflows	(21,318)	(1,552)	—	(22,870)	7,700	23	—	(15,147)
Net cash provided by operating activities	\$ 457,242	\$ 38,185	\$ —	\$ 495,427	\$ 276,662	\$ 3,880	\$ —	\$ 775,969
<b>Non-cash activity</b>								
Contribution of capital assets from developers	\$ 1,597	\$ —	\$ —	\$ 1,597	\$ 52,517	\$ —	\$ —	\$ 54,114
Unrealized gains (losses) on fair value of investments	\$ (4,052)	\$ 4,146	\$ —	\$ 94	\$ (3,480)	\$ —	\$ —	\$ (3,386)

**JEA**  
**Combining Statement of Cash Flows**  
*(In Thousands)*

Year Ended September 30, 2017

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
<b>Operating activities</b>								
Receipts from customers	\$ 1,207,855	\$ 269,957	\$ (143,764)	\$ 1,334,048	\$ 433,658	\$ 8,282	\$ (17,473)	\$ 1,758,515
Payments to suppliers	(605,225)	(201,043)	143,764	(662,504)	(91,306)	(4,171)	19,752	(738,231)
Payments to employees	(159,127)	(31,336)	—	(190,463)	(58,234)	(496)	—	(249,193)
Other operating activities	3,601	—	—	3,601	3,246	(27)	(2,279)	4,541
Net cash provided by operating activities	447,104	37,578	—	484,682	267,362	3,588	—	775,632
<b>Noncapital and related financing activities</b>								
Contribution to General Fund, City of Jacksonville, Florida	(92,225)	—	—	(92,225)	(23,469)	—	—	(115,694)
Net cash used in noncapital and related financing activities	(92,225)	—	—	(92,225)	(23,469)	—	—	(115,694)
<b>Capital and related financing activities</b>								
Defeasance of debt	(153,210)	—	—	(153,210)	(6,135)	—	—	(159,345)
Proceeds from issuance of debt, net	90,405	—	—	90,405	—	—	—	90,405
Acquisition and construction of capital assets	(128,665)	—	—	(128,665)	(177,345)	(2,123)	—	(308,133)
Repayment of debt principal	(102,240)	(43,785)	—	(146,025)	(33,875)	(1,625)	—	(181,525)
Interest paid on debt	(102,667)	(20,226)	—	(122,893)	(69,199)	(1,391)	—	(193,483)
Capital contributions	—	—	—	—	24,805	—	—	24,805
Other capital financing activities	(167)	389	—	222	2,306	—	—	2,528
Net cash used in capital and related financing activities	(396,544)	(63,622)	—	(460,166)	(259,443)	(5,139)	—	(724,748)
<b>Investing activities</b>								
Purchase of investments	(641,438)	(572,124)	—	(1,213,562)	(589,885)	—	—	(1,803,447)
Proceeds from sale and maturity of investments	714,603	585,322	—	1,299,925	561,671	—	—	1,861,596
Investment income	7,158	3,855	—	11,013	6,535	45	—	17,593
Distributions from The Energy Authority	6,182	—	—	6,182	—	—	—	6,182
Net cash provided by (used in) investing activities	86,505	17,053	—	103,558	(21,679)	45	—	81,924
Net change in cash and cash equivalents	44,840	(8,991)	—	35,849	(17,229)	(1,506)	—	17,114
Cash and cash equivalents at beginning of year	295,223	130,018	—	425,241	163,138	8,541	—	596,920
Cash and cash equivalents at end of year	\$ 340,063	\$ 121,027	\$ —	\$ 461,090	\$ 145,909	\$ 7,035	\$ —	\$ 614,034
<b>Reconciliation of operating income to net cash provided by operating activities</b>								
Operating income	\$ 317,071	\$ 22,872	\$ —	\$ 339,943	\$ 152,777	\$ 1,758	\$ —	\$ 494,478
Adjustments:								
Depreciation and amortization	199,743	42,754	—	242,497	143,179	2,364	—	388,040
Recognition of deferred costs and revenues, net	(3,344)	(12,017)	—	(15,361)	11,286	—	—	(4,075)
Other nonoperating income, net	45	—	—	45	(1,117)	—	—	(1,072)
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(2,083)	1,058	—	(1,025)	(12,751)	(409)	—	(14,185)
Accounts receivable, restricted	28	—	—	28	4	—	—	32
Inventories	(1,582)	(19,603)	—	(21,185)	(3,507)	—	—	(24,692)
Other assets	(23,056)	—	—	(23,056)	(4,542)	(27)	—	(27,625)
Accounts and accrued expenses payable	21,878	(2,327)	—	19,551	3,780	(69)	—	23,262
Current liabilities payable from restricted liabilities	—	4,409	—	4,409	—	—	—	4,409
Other noncurrent liabilities and deferred inflows	(61,596)	432	—	(61,164)	(1,747)	(29)	—	(62,940)
Net cash provided by operating activities	\$ 447,104	\$ 37,578	\$ —	\$ 484,682	\$ 267,362	\$ 3,588	\$ —	\$ 775,632
<b>Non-cash activity</b>								
Contribution of capital assets from developers	\$ 906	\$ —	\$ —	\$ 906	\$ 41,163	\$ —	\$ —	\$ 42,069
Unrealized losses on fair value of investments	\$ (2,193)	\$ (2,556)	\$ —	\$ (4,749)	\$ (2,961)	\$ —	\$ —	\$ (7,710)

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

The Board of Directors  
JEA  
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of JEA, which comprise the statement of net position as of September 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2018.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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



### **Purpose of this Report**

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

*Ernst + Young LLP*

December 3, 2018

## BOND COMPLIANCE INFORMATION

## Report of Independent Auditors on Schedules of Debt Service Coverage

The Board of Directors  
JEA  
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States, the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA Bulk Power Supply System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System and the JEA District Energy System for the years ended September 30, 2018 and 2017, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2018 and 2017 paragraph below.

### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of the schedules of debt service coverage in conformity with the respective JEA Bond Resolutions. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules of debt service coverage that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the schedules of debt service coverage based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement.

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

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

### **Opinion**

In our opinion, the schedules referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA Bulk Power Supply System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System, and the JEA District Energy System for the years ended September 30, 2018 and 2017, in conformity with the basis specified in the respective JEA Bond Resolutions.

### **Contractual Basis of Accounting**

The method of calculating the schedules of debt service coverage is prescribed by the applicable JEA Bond Resolutions, which require the maintenance of certain minimum debt service coverage ratios. Our opinion is not modified with respect to this matter.

### **Report on Financial Statements as of September 30, 2018 and 2017**

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of JEA as of and for the years ended September 30, 2018 and 2017, and have issued our report, with an unmodified opinion thereon, dated December 3, 2018.

### **Restrictions on Use**

This report is intended solely for the information and use of management and the board of directors of JEA, and the bond trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

December 3, 2018

# JEA Electric System

## Schedule of Debt Service Coverage (In Thousands)

	Year Ended September 30	
	2018	2017
<b>Revenues</b>		
Electric	\$ 1,229,625	\$ 1,206,919
Investment income (1)	9,525	5,939
Earnings from The Energy Authority	4,074	6,335
Other, net (2)	22,216	29,490
Plus: amounts paid from the rate stabilization fund into the revenue fund	88,415	79,216
Less: amounts paid from the revenue fund into the rate stabilization fund	(64,901)	(15,991)
<b>Total revenues</b>	<b>1,288,954</b>	<b>1,311,908</b>
<b>Operating expenses (3)</b>		
Fuel	328,160	253,204
Purchased power (4)	244,478	284,436
Other operations and maintenance	204,982	199,511
State utility taxes and franchise fees	59,551	57,951
<b>Total operating expenses</b>	<b>837,171</b>	<b>795,102</b>
<b>Net revenues</b>	<b>\$ 451,783</b>	<b>\$ 516,806</b>
<b>Debt service</b>	<b>\$ 71,890</b>	<b>\$ 71,557</b>
Less: investment income on sinking fund	(1,436)	(1,431)
Less: Build America Bonds subsidy	(1,521)	(1,516)
<b>Debt service requirement</b>	<b>\$ 68,933</b>	<b>\$ 68,610</b>
<b>Senior debt service coverage (5), (min 1.20x)</b>	<b>6.55 x</b>	<b>7.53 x</b>
<b>Net revenues (from above)</b>	<b>\$ 451,783</b>	<b>\$ 516,806</b>
<b>Debt service requirement (from above)</b>	<b>\$ 68,933</b>	<b>\$ 68,610</b>
Plus: aggregate subordinated debt service on outstanding subordinated bonds	129,469	137,892
Less: Build America Bonds subsidy	(2,045)	(2,070)
<b>Total debt service requirement and aggregate subordinated debt service</b>	<b>\$ 196,357</b>	<b>\$ 204,432</b>
<b>Senior and subordinated debt service coverage (6), (min 1.15x)</b>	<b>2.30 x</b>	<b>2.53 x</b>

(1) Excludes investment income on sinking funds.

(2) Excludes the Build America Bonds subsidy.

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

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

(5) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

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

## JEA Bulk Power Supply System

### Schedule of Debt Service Coverage (In Thousands)

	Year ended September 30	
	2018	2017
<b>Revenues</b>		
Operating	\$ 78,302	\$ 66,818
Investment income	162	150
<b>Total revenues</b>	78,464	66,968
<b>Operating expenses (1)</b>		
Fuel	28,717	36,745
Other operations and maintenance	17,545	14,522
<b>Total operating expenses</b>	46,262	51,267
<b>Net revenues</b>	\$ 32,202	\$ 15,701
<b>Aggregate debt service</b>	\$ 9,943	\$ 9,679
Less: Build America Bonds subsidy	(667)	(699)
<b>Aggregate debt service</b>	\$ 9,276	\$ 8,980
<b>Debt service coverage (2)</b>	3.47 x	1.75 x

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

(2) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

## JEA St. Johns River Power Park System, Second Resolution

### Schedule of Debt Service Coverage (In Thousands)

	Year Ended September 30	
	2018	2017
<b>Revenues</b>		
Operating	\$ 34,196	\$ 14,572
Investment income	1,339	250
<b>Total revenues</b>	35,535	14,822
<b>Operating expenses (1)</b>	15,389	—
<b>Net revenues</b>	\$ 20,146	\$ 14,822
<b>Aggregate debt service</b>	\$ 12,925	\$ 12,950
Less: Build America Bonds subsidy	(367)	(389)
<b>Aggregate debt service</b>	\$ 12,558	\$ 12,561
<b>Debt service coverage (2)</b>	1.60 x	1.18 x

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

(2) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

## JEA Water and Sewer System

### Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2018	2017
<b>Revenues</b>		
Water	\$ 171,216	\$ 181,313
Water capacity fees	9,730	8,859
Sewer	260,606	264,469
Sewer capacity fees	18,268	15,916
Investment income	7,097	6,793
Other (1)	11,831	9,560
Plus: amounts paid from the rate stabilization fund into the revenue fund	16,128	26,842
Less: amounts paid from the revenue fund into the rate stabilization fund	(23,829)	(24,276)
<b>Total revenues</b>	<b>471,047</b>	<b>489,476</b>
<b>Operating expenses</b>		
Operations and maintenance (2)	160,122	152,007
<b>Total operating expenses</b>	<b>160,122</b>	<b>152,007</b>
<b>Net revenues</b>	<b>\$ 310,925</b>	<b>\$ 337,469</b>
<b>Aggregate debt service</b>	<b>\$ 95,818</b>	<b>\$ 97,699</b>
Less: Build America Bonds subsidy	(2,495)	(2,500)
<b>Aggregate debt service</b>	<b>\$ 93,323</b>	<b>\$ 95,199</b>
<b>Senior debt service coverage (3), (min 1.25x)</b>	<b>3.33 x</b>	<b>3.54 x</b>
<b>Net revenues (from above)</b>	<b>\$ 310,925</b>	<b>\$ 337,469</b>
<b>Aggregate debt service (from above)</b>	<b>\$ 93,323</b>	<b>\$ 95,199</b>
Plus: aggregate subordinated debt service on outstanding subordinated debt	18,084	17,592
<b>Total aggregate debt service and aggregate subordinated debt service</b>	<b>\$ 111,407</b>	<b>\$ 112,791</b>
<b>Senior and subordinated debt service coverage excluding capacity fees (4)</b>	<b>2.54 x</b>	<b>2.77 x</b>
<b>Senior and subordinated debt service coverage including capacity fees (4)</b>	<b>2.79 x</b>	<b>2.99 x</b>

(1) Excludes the Build America Bonds subsidy.

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

(3) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.

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

## JEA District Energy System

### Schedule of Debt Service Coverage (In Thousands)

	Year Ended September 30	
	2018	2017
<b>Revenues</b>		
Service revenues	\$ 8,756	\$ 8,692
Investment income	103	45
<b>Total revenues</b>	8,859	8,737
<b>Operating expenses (1)</b>		
Operations and maintenance	4,603	4,570
<b>Total operating expenses</b>	4,603	4,570
<b>Net revenues</b>	\$ 4,256	\$ 4,167
<b>Aggregate debt service (2)</b>	\$ 3,019	\$ 3,022
<b>Debt service coverage (3), (min 1.15x)</b>	1.41 x	1.38 x

(1) Excludes depreciation.

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

(3) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

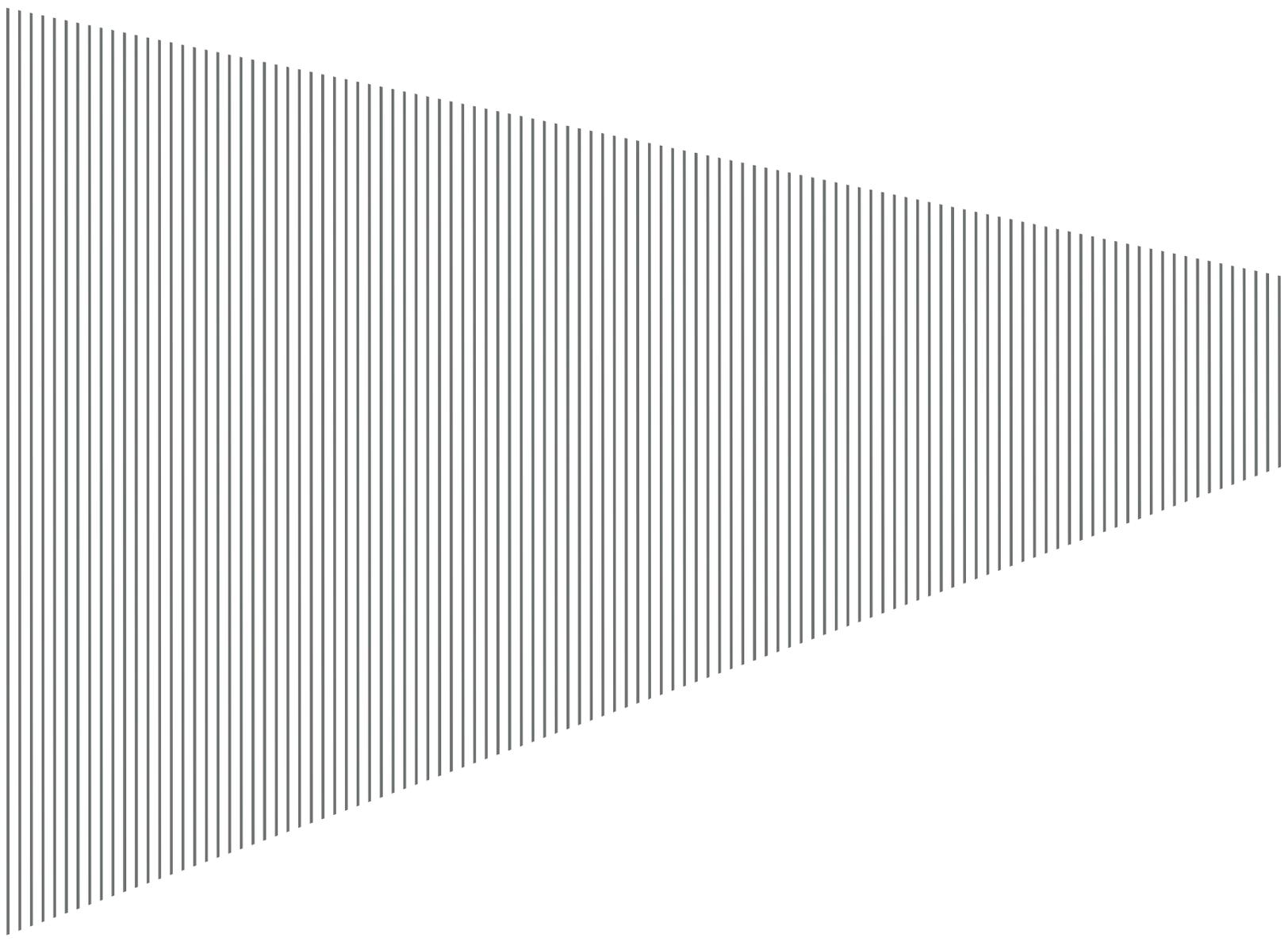
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## SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION

The following is a summary of certain provisions of the Electric System Resolution. Summaries of certain definitions contained in the Electric System Resolution are set forth below. Other terms defined in the Electric System Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Electric System Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

As more fully described under the caption “FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS – Debt Relating to Electric Utility Functions – *Proposed Amendments to the Electric System Resolution - May 1998 Amending Resolution*” in the Annual Disclosure Report to which this summary is attached, on May 19, 1998, JEA adopted a resolution (as amended, the “May 1998 Amending Resolution”) for the purpose of making certain material amendments to the Electric System Resolution. Certain of those amendments have become effective and are reflected in the following summary of the Electric System Resolution. The remainder of the amendments contained in the May 1998 Amending Resolution will become effective upon the occurrence of certain events, as more particularly described under “Proposed Amendments to the Electric System Resolution - *May 1998 Amending Resolution*” below, which events include the consent thereto in writing of certain percentages of the holders of the outstanding Electric System Bonds, the Power Park Issue Two Bonds, and the Power Park Issue Three Bonds. At such times as such amendments described in this paragraph become effective, they will apply to all of the Electric System Bonds then outstanding. As of the date of the Annual Disclosure Report to which this Appendix is attached, JEA has not solicited any consents to such amendments and currently has no intention of soliciting any such consents in the future.

The Electric System Resolution, as heretofore amended, is available for viewing and downloading on JEA’s website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the Electric System Resolution (as so amended) and the May 1998 Amending Resolution also may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction. The term “Electric System Bonds” as used in this summary has the same meaning as the term “Electric System Bonds” as used in the Annual Disclosure Report to which this summary is attached.

### Definitions

The following are summaries of certain definitions in the Electric System Resolution:

*Accreted Value* shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic compounding date therefor specified in the resolution of JEA supplemental to the Electric System Resolution authorizing such Capital Appreciation Bond (hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in such resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in such resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Additional Parity Obligations* shall mean additional obligations issued in compliance with the terms, conditions and limitations contained in the Electric System Resolution and which shall have an equal lien on the Net Revenues as therein defined and other amounts pledged under the Electric System Resolution, and rank equally in all respects with the Electric System Bonds initially issued thereunder.

*Additionally Secured Bonds* shall mean (a) all Electric System Bonds Outstanding on the date on which the amendments to the Electric System Resolution affected by Article I of the Amending Resolution became effective (February 29, 2000) and (b) the Electric System Bonds of any series issued after such effective date for which the payment of the principal or sinking fund redemption price, if any, of, and interest on, the Electric System Bonds of such series shall be secured, in addition to the pledge created pursuant to the Electric System Resolution in favor of all of the Electric System Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account in the Sinking Fund.

*Adjusted Debt Service Requirement* for any period, as applied to the Electric System Bonds of any series, shall mean, as of any date of calculation, the Debt Service Requirement for such Electric System Bonds for such period, except that if such series includes any Outstanding Refundable Bonds, Adjusted Debt Service Requirement shall mean the Debt Service Requirement for such Bonds determined (i) in the case of Refundable Bonds other than Commercial Paper Notes and Medium-Term Notes, as if each such Refundable Bond would be payable, over a period extending from the maturity date of such Bond through the later of (x) the 30th anniversary of the issuance of such Bond or (y) the 10th anniversary of the maturity date of such Refundable Bond, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Commercial Paper Notes or Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto. Interest deemed payable in any period after the actual maturity date of any Refundable Bond shall be calculated at such rate of interest as JEA, or a banking or financial institution selected by JEA, determines would be a reasonable estimate of the rate of interest that would be borne on Electric System Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

*Alternate Variable Rate Taxable Index* shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an authorized officer of JEA.

*Alternate Variable Rate Tax-Exempt Index* shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an authorized officer of JEA.

*Amortization Installment* shall mean the amount established for the payment on any date of the principal of any Term Bonds and, for any Term Bonds issued as Capital Appreciation Bonds or Deferred Interest Bonds, the Accreted Value or Appreciated Value, as applicable, as of the date of such payment, as designated by resolution of JEA supplemental to the Electric System Resolution adopted on or prior to the Issuance Date of such Term Bonds.

*Appreciated Value* shall mean, (i) as of any date of computation with respect to any Deferred Interest Bond prior to the Current Interest Commencement Date, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the resolution of JEA supplemental to the Electric System Resolution authorizing such Deferred Interest Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic

Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Interest Bonds set forth in such resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in such resolution authorizing such Deferred Interest Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

*Authorized Investments* shall mean and include any securities, obligations or investments that, at the time, shall be permitted by Florida law for investment of JEA's funds.

*Bank Bonds* shall mean any Electric System Bonds issued in accordance with the provisions of subsection M of Section 13 of the Electric System Resolution.

*BMA Municipal Swap Index* shall mean the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Bond Market Association.

*Build America Bonds* shall mean any Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code or any similar federal program creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Bonds.

*Capital Appreciation Bonds* shall mean shall mean any Electric System Bonds as to which interest is (i) compounded periodically on dates that are specified in the resolution authorizing such Capital Appreciation Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof.

*Certified Interest Rate* shall mean, as of any date of determination:

(i) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date, in each of the foregoing cases, that were, at the date of the original issuance thereof, the subject of an opinion of nationally recognized bond counsel to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (2) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the twelve months preceding such date of determination; *provided, however,* if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, are then being issued or shall not have been Outstanding for twelve months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (1),

(ii) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date, in each of the foregoing cases, that were not, at the date of the original issuance thereof, the subject of an opinion of nationally recognized bond counsel to the effect that the interest thereon is excluded from

gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (b) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the twelve months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, are then being issued or shall not have been Outstanding for twelve months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (a) and

(iii) for purposes of calculating the Debt Service Reserve Requirement for any particular subaccount in the Debt Service Reserve Account in the Sinking Fund and with respect to any Commercial Paper Notes or Medium-Term Notes or any Variable Rate Bonds maturing on a particular date, the interest rate set forth in a certificate of an authorized officer of JEA executed on or prior to the date of the initial issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, as determined as follows: a Certified Interest Rate shall be that rate of interest determined by JEA, or a banking or financial institution or financial advisory firm selected by JEA, (A) in the case of Commercial Paper Notes or Medium-Term Notes, as the rate of interest such Commercial Paper Notes or Medium-Term Notes would bear if such Notes were issued as Electric System Bonds bearing a fixed interest rate and maturing 30 years after the date of issuance thereof and (B) in the case of Variable Rate Bonds, as the rate of interest such Variable Rate Bonds would bear if, assuming the same maturity date, terms and provisions (other than interest rate) as such proposed Variable Rate Bonds, and on the basis of JEA's credit ratings with respect to the Electric System Bonds (other than Electric System Bonds for which credit enhancement is provided by a third party), such proposed Variable Rate Bonds were issued at a fixed interest rate.

*Code* shall mean the Internal Revenue Code of 1986, or any successor, and the applicable regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury thereunder, including Treasury Regulations issued pursuant to Sections 103 and 141 through 150, inclusive, of said Internal Revenue Code of 1986.

*Commercial Paper Note* shall mean any Electric System Bond which (a) has a maturity date which is not more than 365 days after the date of issuance thereof and (b) is designated as a Commercial Paper Note in the resolution of JEA supplemental to the Electric System Resolution authorizing such Bond.

*Commercial Paper Payment Plan* shall mean, with respect to any installment of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an authorized officer of JEA delivered on or prior to the date of the first issuance of such Commercial Paper Notes and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Commercial Paper Notes or any subsequent certificate of an authorized officer of JEA thereafter executed to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes; *provided, however*, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Electric System Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Electric System Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Commercial Paper Note shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Commercial Paper Notes of such installment or (y) the 10th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial

Paper Note in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Note in each other Fiscal Year in such period.

*Consulting Engineer* shall mean such qualified and recognized independent consulting engineer, having favorable repute for skill and experience, with respect to the acts and duties to be provided to JEA, as shall be from time to time retained by JEA to act as such with respect to the Electric System.

*Contract Debts* shall mean any obligations of JEA under a contract, lease, installment sale agreement, bulk electric power purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received, but shall not include (a) payments required to be made in respect of (i) debt service on any obligations incurred by JEA in connection with the financing of any separate bulk power supply utility or system undertaken by JEA and any additional amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than the St. Johns River Power Park System) and (b) payments required to be made in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale as may be determined by JEA to be payable pursuant to clause (4) under the caption “Establishment of Funds and Disposition of Revenues of the Electric System” herein. See “Proposed Amendments to the Electric System Resolution” below for a discussion of a proposed amendment to the foregoing provision.

*Cost of Operation and Maintenance* of the Electric System shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the Electric System, including administration costs, as calculated in accordance with generally accepted accounting principles, and shall include all Contract Debts, but shall not include any reserve for renewals and replacements or any allowance for depreciation or amortization and there shall be included in the Cost of Operation and Maintenance only that portion of the total administrative, general and other expenses of JEA which are properly allocable to the Electric System.

*Credit Enhancement* shall mean, with respect to the Electric System Bonds of an installment or a maturity within an installment, the issuance of an insurance 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 Electric System Bonds.

*Credit Enhancer* shall mean any person or entity which, pursuant to a resolution of JEA supplemental to the Electric System Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for an installment of the Electric System Bonds or a maturity within an installment.

*Current Interest Commencement Date* shall mean, with respect to any particular Deferred Interest Bonds, the date specified in the resolution of JEA supplemental to the Electric System Resolution authorizing such Deferred Interest Bonds (which date must be prior to the maturity date for such Deferred Interest Bonds) after which interest accruing on such Deferred Interest Bonds shall be payable periodically on dates specified in such resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Debt Service Requirement* for any period, as applied to the Electric System Bonds of any series, shall mean the sum of:

- (1) the interest to accrue on all Outstanding Electric System Bonds of such series during such period, except to the extent that such interest shall have been provided by payments into the Debt Service Account in the Sinking Fund out of Electric System Bond or Subordinated Bond proceeds for a specified period of time, or by payments of investment income into the Debt Service Account in the Sinking Fund during such period;

provided, however, that in the event that the Bonds of any series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on such Bonds, for purposes of this definition, the interest on the Bonds of such series shall be calculated net of the amount of the cash subsidy payments due from the U.S. Treasury. If for whatever reason, JEA no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Bonds of such series shall be calculated without regard to such subsidy,

(2) the principal to accrue on all Outstanding Serial Bonds of such series during such period, and

(3) the Amortization Installments to accrue on all Outstanding Term Bonds of such series during such period.

For purposes of the foregoing, (a) the principal of any Electric System Bond that is a Refundable Bond shall not be taken into account in calculating the Debt Service Requirement, (b) the interest described in clause (1) above shall be deemed to accrue daily in equal amounts since the preceding interest payment date (or if there shall be no such preceding interest payment date, from the dated date of such Electric System Bonds), (c) the principal of Outstanding Serial Bonds described in clause (2) above shall be deemed to accrue daily in equal amounts from a date one year (or, if any such Electric System Bonds are scheduled to mature at intervals of 6 months, 6 months) preceding the due date of such principal or from the date of issuance of such Electric System Bonds, whichever is later, (d) the Amortization Installments described in clause (3) above shall be deemed to accrue daily in equal amounts from a date which is one year preceding the due date of such Amortization Installments or from the date of issuance of such Term Bonds, whichever is later and (e) Bank Bonds shall be deemed to be Serial Bonds, and the principal thereof shall be deemed to be payable in the manner and at the times determined in accordance with the provisions thereof and of the resolution of JEA supplemental to the Electric System Resolution authorizing such Bank Bonds.

For the purpose of the calculation of the Debt Service Requirement for any future period as of any date for any Electric System Bonds bearing interest at a variable or floating rate, any Commercial Paper Notes or any Medium-Term Notes, such Electric System Bonds or Notes, as the case may be, shall be deemed to bear interest at the greater of (i) the actual rate of interest then borne by such Electric System Bonds or Notes, as the case may be, or (ii) the Certified Interest Rate applicable thereto; *provided, however*, that whenever an Electric System Bond that bears interest at a variable or floating rate and is convertible to a fixed rate shall be converted to a fixed rate the Debt Service Requirement for all affected Electric System Bonds shall be recalculated as of the conversion date using such fixed rate. Notwithstanding anything to the contrary contained in the Electric System Resolution, (a) if JEA has in connection with any Electric System Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Electric System Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating the Debt Service Requirement with respect to such Electric System Bonds for purposes of (i) the covenant described under the caption "Rate Covenant" below and (ii) the provisions of the Electric System Resolution relating to the issuance of additional Electric System Bonds described under the caption "Issuance of Additional Electric System Bonds" below, it will be assumed that such Electric System Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the twelve months preceding such date of determination; *provided*,

however, if such Designated Swap Obligation shall not have been in effect for twelve months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Electric System Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating the Debt Service Requirement with respect to such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of (i) the covenant described under the caption "Rate Covenant" below and (ii) the provisions of the Electric System Resolution relating to the issuance of additional Electric System Bonds described under the caption "Issuance of Additional Electric System Bonds" below, it will be assumed that such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as applicable, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*Debt Service Reserve Requirement* shall mean (a) with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund, as of any date of calculation, an amount equal to the maximum amount of interest to accrue on the Additionally Secured Bonds secured thereby during the then current, or any future, Fiscal Year (assuming, for this purpose, that in the case of any Additionally Secured Bonds secured thereby that bear interest at a variable or floating rate, (i) if the interest rate(s) on all or any portion of such Bonds shall have been converted synthetically to a fixed rate interest rate pursuant to an interest rate swap transaction that has a term equal to, and the notional amount of which amortizes at the same times and in the same amounts as, such Bonds, such Bonds (or such portion thereof) shall be deemed to bear interest during such period at the greater of (A) the fixed rate payable by JEA under such interest rate swap transaction and (B) the Certified Interest Rate applicable to such Bonds and (ii) if the interest rate(s) on such Bonds (or such portion thereof) shall not have been converted synthetically to a fixed interest rate pursuant to such an interest rate swap transaction, such Bonds shall be deemed to bear interest during such period at the greater of (X) the actual rate of interest then borne by such Bonds or (Y) the Certified Interest Rate applicable thereto) and (b) with respect to each additional subaccount, if any, in the Debt Service Reserve Account in the Sinking Fund established after the date on which the amendments to the Resolution effected by Article I of the Amending Resolution shall become effective, the amount specified in the resolution of JEA supplemental hereto pursuant to which such subaccount shall be established.

Notwithstanding anything to the contrary contained in the Resolution, in the event that any Additionally Secured Bonds secured by the Initial Subaccount shall bear interest at a variable or floating rate, if the amount of the Debt Service Reserve Requirement for the Initial Subaccount shall increase as a result of either (x) any termination of any interest rate swap transaction applicable to such Bonds (or such portion thereof) that had been converted synthetically to a fixed interest rate pursuant to an interest rate swap transaction as described in subclause (a)(i) of the preceding paragraph prior to the final maturity date of such Bonds or (y) the actual rate of interest borne by such Bonds (or such portion thereof) that shall not have been converted synthetically to a fixed interest rate pursuant to such an interest rate swap transaction at any time being in excess of the Certified Interest Rate applicable thereto, the amount of such increase shall be required to be funded in equal semi-annual installments over a three (3)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which the event resulting in such increase shall have occurred.

For the purpose of the calculation of the Debt Service Reserve Requirement with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund in the event that any Additionally Secured Bonds secured thereby shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), the interest on such Bonds shall be calculated net of the amount of such subsidy; provided, however, that if at any time the specified percentage of the interest payable on such Bonds represented by such subsidy shall be permanently reduced, then the amount of such Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period and provided, further, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury in respect of the interest payable on any such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Bonds, and such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period. Notwithstanding any other provision of this resolution, any one or more installments of any increase in the Debt Service Reserve Requirement with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund provided for in the preceding sentence may be prepaid at any time in whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

*Deferred Interest Bonds* shall mean shall mean any Electric System Bonds as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the resolution of JEA supplemental to the Electric System Resolution authorizing such Deferred Interest Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof.

*Designated Swap Obligation* shall mean, to the extent from time to time permitted by law, any interest rate swap transaction (i) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Electric System Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Electric System Bonds) and (ii) which has been designated in a certificate of an authorized officer of JEA filed with the records of JEA as such (which certificate shall specify the Electric System Bonds with respect to which such Designated Swap Obligation is entered into).

*Designated Swap Obligation Provider* shall mean any person with whom JEA enters into a Designated Swap Obligation.

*Electric System* shall mean the existing electric generating, transmission and distribution system consisting of the existing generating plants and transmission and distribution lines and facilities together with any and all improvements, extensions and additions thereto constructed or acquired, and all lands or interests therein, including buildings, machinery, equipment and all property, real or personal, tangible or intangible, owned and constructed or acquired by JEA as part of said existing electric system; such Electric System shall not be deemed to include (a) any facilities or property constructed, owned or operated by JEA as a part of the St. Johns River Power Park System or the Bulk Power Supply System Projects or any other separate non-competing electric utility or system which JEA elects to acquire, construct and operate as a separate bulk power supply utility or system, (b) the existing water and sewer system owned by JEA or any additional utility functions added to such water and sewer system or (c) any properties or interests in properties of JEA (i) which JEA determines shall not constitute a part of the Electric System for the purpose of the Electric System Resolution at the time of the acquisition thereof by JEA or (ii) as to which JEA shall determine by resolution that the exclusion of such properties or interests in properties from the Electric System will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of the rate covenant contained in the Electric System Resolution.

*Electric System Bonds* shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered and Outstanding pursuant to the Electric System Resolution, but shall not mean Subordinated Bonds.

*Fiscal Year* shall mean the 12-month period established by JEA or provided by law from time to time as the fiscal year for the Electric System, and which initially shall be the 12-month period commencing on October 1 of each year and ending on the succeeding September 30.

*Gross Revenues* or *Revenues* shall mean all income or earnings, including any income from the investment of funds which is deposited in the Revenue Fund as provided in the Electric System Resolution, derived by JEA from the ownership or operation of the Electric System. Gross Revenues shall not include customers' deposits and any other deposits subject to refund unless such deposits have become property of JEA. For any purpose of the Electric System Resolution that requires the computation of Gross Revenues or Revenues with respect to any period of time, "Gross Revenues" or "Revenues" shall include such amounts derived by JEA from the ownership or operation of the Electric System during such period plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period (excluding from (x) amounts, if any, included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Electric System Resolution) and minus (y) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period. Notwithstanding the foregoing, all cash subsidy payments received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall not constitute "Gross Revenues" or "Revenues" for any purpose of the Electric System Resolution.

*Investment Agreements* shall mean agreements or contracts with insurance companies or other financial institutions, or subsidiaries or affiliates thereof (hereinafter in this paragraph referred to as "Providers"), (a) whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations or (b) whose obligations under such agreements or contracts shall be unconditionally guaranteed by another insurance company or other financial institution, or subsidiary or affiliate thereof, whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations, pursuant to which agreements or contracts

the Provider shall be absolutely, unconditionally and irrevocably obligated to repay the moneys invested by JEA and interest thereon at a guaranteed rate, without any right of recoupment, counterclaim or set off. The Provider may have the right to assign its obligations under any Investment Agreement to any other insurance company or other financial institution, or subsidiary or affiliate thereof; *provided, however*, that such assignee also shall be an insurance company or other financial institution, or subsidiary or affiliate thereof, satisfying the requirements set forth in either clause (a) or clause (b) of the preceding sentence.

*Maximum Aggregate Adjusted Debt Service Requirement* shall mean, as of any particular date of calculation, the greatest amount of the aggregate of the Adjusted Debt Service Requirements for the Electric System Bonds of all series then Outstanding for the then current or any future Fiscal Year.

*Medium-Term Note* shall mean any Electric System Bond which (a) has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance thereof and (b) is designated as a Medium-Term Note in the resolution of JEA supplemental to the Electric System Resolution authorizing such Bond.

*Medium-Term Note Payment Plan* shall mean, with respect to any installment of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such notes contained in a certificate of an authorized officer of JEA delivered on or prior to the date of the first issuance of such Medium-Term Notes and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Medium-Term Notes or any subsequent certificate of an authorized officer of JEA thereafter executed to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; *provided, however*, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Electric System Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Medium-Term Note shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Medium-Term Notes of such installment or (y) the 10th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Note in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Note in each other Fiscal Year in such period.

*Net Revenues* of the Electric System shall mean the Revenues or Gross Revenues after deduction of the Cost of Operation and Maintenance.

*One-Month LIBOR Rate* shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Refundable Bonds* shall mean any Electric System Bonds (including, without limitation, Commercial Paper Notes and Medium-Term Notes) the principal of which JEA intends to pay with moneys which are not Revenues; *provided, however*, that (i) in the case of Electric System Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the resolution of JEA supplemental to the Electric System Resolution authorizing such Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and *provided, further*, that (i) any such Electric System Bonds other than Commercial Paper Notes and Medium-Term Notes shall be Refundable Bonds only through the penultimate day of the month preceding the month in which the

principal thereof is stated to mature or such earlier time as JEA no longer intends to pay such principal with moneys which are not Revenues and (ii) any Commercial Paper Note or Medium-Term Note shall cease to be a Refundable Bond at such time, if any, as shall be provided in the Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as the case may be, applicable thereto.

*Serial Bonds* shall mean the Electric System Bonds of a series which shall be stated to mature in annual or semiannual installments.

*St. Johns River Power Park System* shall mean JEA's undivided 80 percent interest in the facilities acquired and constructed jointly with Florida Power & Light Company, a Florida corporation, pursuant to the Agreement for Joint Ownership, Construction and Operation of St. Johns River Power Park, Coal Units #1 and #2, dated as of April 2, 1982, executed by and between JEA and said corporation, as amended, and all renewals, replacements, additions, betterments, modifications and improvements to keep such System in good operating condition or to prevent a loss of revenues therefrom, or to comply with any requirement of a governmental agency exercising jurisdiction over such System, but excluding any additional generating units.

*Subordinated Bonds* shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, issued in accordance with the provisions of the Electric System Resolution that are, and are expressed to be, junior and subordinate in all respects to the Electric System Bonds, as to lien on and source and security for payment from the Net Revenues.

*Term Bonds* shall mean the Electric System Bonds of a series which shall be stated to mature on one date and which shall be subject to retirement by operation of the Debt Service Account in the Sinking Fund to satisfy Amortization Installments therefor.

*U.S. Treasury* shall mean the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America Bonds.

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

*Variable Rate Taxable Index* shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* shall mean the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

## **Pledge**

The payment of the principal of and interest on the Electric System Bonds is secured equally and ratably by an irrevocable first lien on (a) the Net Revenues derived from the operation of the Electric System and (b) the amounts on deposit in the Revenue Fund and the Debt Service Account in the Sinking Fund as may from time to time be available therefor, in each such case, prior and superior to all other liens or encumbrances on such Net Revenues and amounts, subject only to the provisions of the Electric System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein, and JEA has irrevocably pledged such Net Revenues from the Electric System and such amounts to the payment of the principal of and interest on the Electric System Bonds. In addition, the payment of the principal of and interest on the Additionally Secured Bonds of each series is additionally secured by the amounts on deposit in the separate subaccount in the Debt Service Reserve Account in the Sinking Fund designated therefor as may from time to time be available therefor, in each such case, prior and superior to all other liens or encumbrances on such amounts, subject only to the provisions of the Electric System

Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein, and JEA has irrevocably pledged such amounts to the payment of the principal of and interest on the Additionally Secured Bonds of such series.

### **Establishment of Funds and Disposition of Revenues of the Electric System**

JEA covenants in the Electric System Resolution that for so long as any of the principal of and interest on any of the Electric System Bonds shall be outstanding and unpaid or, subject to the defeasance provisions of the Electric System Resolution, until there has been set apart in the Debt Service Account and the Debt Service Reserve Account in the Sinking Fund, a sum sufficient to pay or make provision for payment when due the entire principal of the Electric System Bonds remaining unpaid, together with interest accrued or to accrue thereon, JEA will deposit the entire Gross Revenues derived from the ownership or operation of the Electric System upon receipt thereof into the Revenue Fund created and established by the Electric System Resolution. The Electric System Resolution provides that all Revenues at any time remaining on deposit in the Revenue Fund shall be applied monthly only in the following manner and order of priority:

(1) Revenues shall first be used to pay the Cost of Operation and Maintenance, including Contract Debts.

(2) From the moneys remaining in the Revenue Fund, the Electric System Resolution provides that JEA shall next deposit into the Sinking Fund created and established by the Electric System Resolution, for credit to the Debt Service Account therein, an amount equal to the aggregate of the Debt Service Requirements for such month for the Electric System Bonds of all series then Outstanding. Such monthly payments shall be reduced proportionately (i) by the amounts of money, if any, which have been deposited in the Debt Service Account out of proceeds from the sale of the Electric System Bonds for the payment of interest thereon and (ii) by the amount of investment income transferred to the Debt Service Account during such month.

The Electric System Resolution further provides that JEA shall pay out of the Debt Service Account to the respective paying agents (i) on or before each interest payment date for any of the Electric System Bonds, the amount required for the interest payable on such date; (ii) on or before the maturity date for any of the Electric System Bonds (other than any Refundable Bonds with respect to which moneys which are not Revenues are available for the payment thereof), the amount required for the principal payable on such date; (iii) on or before the due date for any Amortization Installment, the amount required to pay the redemption price of the Term Bonds required to be redeemed from such Amortization Installment; and (iv) on or before any redemption date for the Electric System Bonds, the amount required for the payment of interest on the Electric System Bonds then to be redeemed. JEA also shall pay out of the Debt Service Account the accrued interest included in the purchase price of Electric System Bonds purchased for retirement.

In the event of the refunding or defeasance of any Electric System Bonds, JEA may withdraw from the Debt Service Account all or any portion of the amount accumulated therein with respect to the Electric System Bonds being refunded or defeased and deposit such amount in the escrow being established for the Electric System Bonds being refunded or defeased; *provided* that such withdrawal shall not be made unless the amount on deposit in the Debt Service Account after such withdrawal and after the deposit of any amount being deposited therein out of the proceeds of any obligations being issued in connection with such refunding or defeasance shall be at least equal to the amount required to be on deposit therein as of the beginning of the month in which such withdrawal is made as provided in this clause (2).

From the moneys remaining in the Revenue Fund, the Electric System Resolution provides that JEA shall next deposit for credit to each separate subaccount established in the Debt Service Reserve Account in the Sinking Fund, such sums as shall be required so that the balance in each such subaccount, after giving effect to the maximum amount available to be drawn under any irrevocable surety bond, insurance policy or letter of credit deposited to any such subaccount, shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month.

If on any day on which the principal or sinking fund redemption price of or interest on the Electric System Bonds shall be due, the amount on deposit in the Debt Service Account in the Sinking Fund shall be less than the amount required to pay such principal, redemption price or interest, then JEA shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency that exists with respect to the Additionally Secured Bonds secured thereby.

The provisions of the Electric System Resolution provide for the creation of an "Initial Subaccount" within the Debt Service Reserve Account, for the benefit of (a) all Electric System Bonds Outstanding on the date on which the amendments to the Electric System Resolution affected by Article I of the Amending Resolution became effective (February 29, 2000) and (b) all Additional Parity Obligations of any series issued after such date, but only to the extent that the resolution of JEA supplemental to the Electric System Resolution authorizing the Additional Parity Obligations of such series shall specify that such Additional Parity Obligations shall be additionally secured by amounts on deposit in such Initial Subaccount; *provided, however*, that notwithstanding any other provision of the Electric System Resolution, no Capital Appreciation Bonds or Deferred Interest Bonds may be additionally secured by amounts on deposit in the Initial Subaccount. As of the date of the Annual Disclosure Report to which this Appendix is attached, the Initial Subaccount secures JEA's Outstanding Electric System Revenue Bonds, Series Three 2004A, Series Three 2005B, Series Three 2009D, Series Three 2010A, Series Three 2010C, Series Three 2010D, Series Three 2010E, Series Three 2012A, Series Three 2012B, Series Three 2013A, Series Three 2013B, Series Three 2013C, Series Three 2014A, Series Three 2015A, Series Three 2015B, Series Three 2017A, Series Three 2017B and JEA's Outstanding Variable Rate Electric System Revenue Bonds, Series Three 2008A, Series Three 2008B-1, Series Three 2008B-2, Series Three 2008B-3, Series Three 2008B-4, Series Three 2008C-1, Series Three 2008C-2, Series Three 2008C-3 and Series Three 2008 D-1.

In lieu of maintaining moneys or investments in the Initial Subaccount, JEA at any time may cause to be deposited into the Initial Subaccount for the benefit of the Holders of the Additionally Secured Bonds secured thereby an irrevocable surety bond, an insurance policy or a letter of credit (referred to herein as a "reserve fund credit instrument") satisfying the requirements set forth below in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sum of moneys or value of Authorized Investments then on deposit in the Initial Subaccount, if any:

(a) A surety bond or insurance policy issued by an insurance company licensed or otherwise qualified to do business in the State of Florida may be deposited in the Initial Subaccount if the claims-paying ability of the issuer thereof is rated "AAA" by Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and "Aaa" by Moody's Investors Service ("Moody's").

(b) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount if the senior, unsecured long-term debt of the issuer thereof is rated at least "AA" by S&P and "Aa2" by Moody's, and if such letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Additionally Secured Bonds secured by the Initial Subaccount. The draws shall be payable within two days of presentation of the sight

draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(c) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in either of clauses (a) or (b) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.

(d) The use of any reserve fund credit instrument pursuant to this paragraph shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of JEA and in form and substance satisfactory to such authorized officer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to an authorized officer of JEA. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of JEA and in form and substance satisfactory to such authorized officer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against JEA.

(e) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Electric System Bonds. In addition, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be prior to the cash replenishment of the Initial Subaccount.

(f) The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If (i) such revolving reinstatement feature is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AAA" or a Moody's "Aaa" or (iii) the rating of the issuer of the letter of credit falls below a S&P "AA", JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence. In the event (1) the

rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or (2) the rating of the issuer of the letter of credit falls below “A” or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence.

(g) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Authorized Investments deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (f).

(h) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Electric System Resolution for purposes of (i) the covenant described under the caption “Rate Covenant” below and (ii) the provisions of the Electric System Resolution relating to the issuance of additional Electric System Bonds described under the caption “Issuance of Additional Electric System Bonds” below.

(i) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the reserve fund credit instrument) prior to each interest payment date for the Additionally Secured Bonds secured by the Initial Subaccount.

(j) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

On February 27, 2001, simultaneously with the issuance of JEA’s Electric System Revenue Bonds, Series Three 2001A and Series Three 2001B, JEA caused Ambac Assurance Corporation (“Ambac Assurance”) to issue a surety bond (the “Ambac Surety Bond”) for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Ambac Surety Bond is in an initial amount equal to \$32,447,452.51; is non-cancelable; expires on the earlier of (i) October 1, 2035 or (ii) the date on which JEA, to the satisfaction of Ambac Assurance, has made all payments required to be made on all Electric System Bonds that are additionally secured by amounts on deposit in the Initial Subaccount pursuant to the Electric System Resolution; and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount. Because of a rating downgrade of Ambac Assurance, JEA has made deposits to the Initial Subaccount in the amount of the Ambac Surety Bond.

On May 30, 2002, simultaneously with the issuance of JEA's Electric System Revenue Bonds, Series Three 2002A, JEA caused Assured Guaranty Municipal Corp., previously known as Financial Security Assurance Inc. ("FSA") to issue a municipal bond debt service reserve insurance policy (the "Initial FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Initial FSA Reserve Policy is in an initial amount equal to \$4,078,745.00; is non-cancelable; terminates on October 1, 2041; and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On May 19, 2004, simultaneously with the issuance of JEA's Electric System Revenue Bonds, Series Three 2004A (the "Series Three 2004A Bonds"), JEA caused FSA to issue a municipal bond debt service reserve insurance policy (the "Second FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Second FSA Reserve Policy is in an initial amount equal to \$4,397,006.50, is non-cancelable, terminates on October 1, 2039 or earlier retirement of the Series Three 2004A Bonds (including any Electric System Bonds issued to refund the Series Three 2004A Bonds) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On January 13, 2005, simultaneously with the issuance of JEA's Electric System Revenue Bonds, Series Three 2005A (the "Series Three 2005A Bonds") and Electric System Revenue Bonds, Series Three 2005B, JEA caused FSA to issue a municipal bond debt service reserve insurance policy (the "Third FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Third FSA Reserve Policy is in an initial amount equal to \$3,187,521.69, is non-cancelable, terminates on October 1, 2039 or earlier retirement of the Series Three 2005A Bonds (including any Electric System Bonds issued to refund the Series Three 2005A Bonds) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On July 28, 2005, simultaneously with the issuance of JEA's Electric System Revenue Bonds, Series Three 2005D (the "Series Three 2005D Bonds"), JEA caused FSA to issue a municipal bond debt service reserve insurance policy (the "Fourth FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Fourth FSA Reserve Policy is in an initial amount equal to \$1,404,275.00, is non-cancelable, terminates on October 1, 2035 or earlier retirement of the Series Three 2005D Bonds (including any Electric System Bonds issued to refund the Series Three 2005D Bonds) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On August 17, 2005, JEA caused FSA to issue a municipal bond debt service reserve insurance policy (the "Fifth FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Fifth FSA Reserve Policy is in an initial amount equal to \$4,713,125.05, is non-cancelable, terminates on October 1, 2039 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On January 26, 2006, simultaneously with the issuance of JEA's Electric System Revenue Bonds, Series Three 2006A (the "Series Three 2006A Bonds"), JEA caused FSA to issue a municipal bond debt service reserve insurance policy (the "Sixth FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Sixth FSA Reserve Policy is in an initial amount equal to \$3,856,542.14, is non-cancelable, terminates on October 1, 2041 or earlier retirement of the Series Three 2006A Bonds (including any Electric System Bonds issued to refund the Series Three 2006A Bonds) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On January 31, 2007, simultaneously with the issuance of JEA's Variable Rate Electric System Revenue Bonds, Series Three 2007A, JEA caused CIFG Assurance North America, Inc. ("CIFG") to issue a surety bond (the "Initial CIFG Surety Bond") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Initial CIFG Surety Bond is in an initial amount of \$3,449,634.19, is non-cancelable, terminates on October 1, 2041 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

On July 10, 2007, simultaneously with the issuance of JEA's Variable Rate Electric System Revenue Bonds, Series Three 2007B, JEA caused CIFG to issue a surety bond (the "Second CIFG Surety Bond") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Second CIFG Surety Bond is in an initial amount of \$1,426,000.00, is non-cancelable, terminates on October 1, 2037 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

Because of a rating downgrade of CIFG, JEA has made deposits to the Initial Subaccount in the aggregate amount of the Initial CIFG Surety Bond and the Second CIFG Surety Bond.

On October 25, 2007, simultaneously with the issuance of JEA's Electric System Revenue Bonds, Series Three 2007C, JEA caused MBIA Insurance Corporation ("MBIA") to issue a Debt Service Reserve Fund Surety Bond (the "MBIA Surety Bond") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The MBIA Surety Bond is in an initial amount equal to \$1,136,269.17, is non-cancelable, terminates on October 1, 2042 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount. Effective as of January 1, 2009, MBIA Inc., parent company of MBIA, restructured MBIA; such restructuring involved the reinsurance and assignment of MBIA's obligations under the MBIA Surety Bond to National Public Finance Guarantee Corporation ("NPFGC") which is a subsidiary of MBIA Inc. Because of a rating downgrade of MBIA, JEA has made deposits to the Initial Subaccount in the amount of the MBIA Surety Bond.

On January 31, 2008, simultaneously with the issuance of JEA's Variable Rate Electric System Revenue Bonds, Series Three 2008A (the "Series Three 2008A Bonds"), JEA caused FSA to issue a municipal bond debt service reserve insurance policy (the "Seventh FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Seventh FSA Reserve Policy is in an initial amount equal to \$7,500,000, is non-cancelable, terminates on October 1, 2036 or earlier retirement of the Series Three 2008A Bonds (including any Electric System Bonds issued to refund the Series Three 2008A Bonds) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Electric System Resolution at the time of its deposit to the Initial Subaccount.

Because of a rating downgrade of FSA, JEA has made deposits to the Initial Subaccount in the aggregate amount of the Initial FSA Reserve Policy, the Second FSA Reserve Policy, the Third FSA Reserve Policy, the Fourth FSA Reserve Policy, the Fifth FSA Reserve Policy, the Sixth FSA Reserve Policy and the Seventh FSA Reserve Policy.

JEA may, by supplemental resolution, create within the Debt Service Reserve Account one or more additional subaccounts, for the benefit of such series of Electric System Bonds as may be specified in, or determined pursuant to, such supplemental resolution. In lieu of maintaining moneys or investments in any such subaccount, JEA at any time may cause to be deposited into such subaccount for the benefit of the Holders of the Additionally Secured Bonds secured thereby an irrevocable surety bond, an insurance policy or a letter of credit satisfying the requirements set forth in such supplemental resolution in an amount equal to the difference between the Debt Service Reserve Requirement for such subaccount and the sum of moneys or value of Authorized Investments then on deposit therein, if any.

If by reason of the retirement upon maturity or the refunding or the defeasance of any Additionally Secured Bonds, or for any other reason, there shall be on deposit to the credit of the particular subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds any surplus of funds over and above the Debt Service Reserve Requirement related thereto, such surplus may be withdrawn therefrom by JEA and deposited in the General Reserve Fund. In the event of the refunding or defeasance of any Additionally Secured Bonds, JEA may withdraw from the particular subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds all or any portion of the amount accumulated therein with respect to the Additionally Secured Bonds being refunded or defeased and deposit such amount in the escrow being established for such Additionally Secured Bonds being refunded or defeased; *provided* that such withdrawal shall not be made unless the amount on deposit in such subaccount in the Debt Service Reserve Account after such withdrawal and after the deposit of any amount being deposited therein out of the proceeds of any obligations being issued in connection with such refunding or defeasance shall be at least equal to the Debt Service Reserve Requirement related thereto.

JEA shall not be required to make any further payments into the Sinking Fund when the aggregate amount of money in both the Debt Service Account and the Debt Service Reserve Account in the Sinking Fund is at least equal to the entire principal of the Electric System Bonds then Outstanding, together with interest accrued and to accrue thereon, plus the amount of redemption premium, if any, then due and thereafter to become due on such Electric System Bonds then Outstanding by operation of the Debt Service Account to satisfy Amortization Installments.

(4) The Electric System Resolution provides that moneys remaining in the Revenue Fund shall next be used by JEA (a) for payment of the principal and interest and redemption premium, if any, on any Subordinated Bonds, (b) to make payments required to be made in respect of (i) debt service on any obligations incurred by JEA in connection with the financing of any separate bulk power supply utility or system undertaken by JEA and any additional amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than the St. Johns River Power Park System) and (c) to make payments in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale as may be determined by JEA to be payable pursuant to this clause (4). See “Proposed Amendments to the Electric System Resolution” below for a discussion of a proposed amendment to the foregoing provision.

(5) Moneys remaining in the Revenue Fund shall next be used by JEA for transfer to the Rate Stabilization Fund created and established pursuant to the Electric System Resolution, in the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current annual budget for the Electric System or the amount otherwise determined by an authorized officer of JEA to be credited to such Fund for the month.

Each month JEA shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current annual budget for the Electric System or the amount otherwise determined by an authorized officer of JEA to be deposited into such Fund for the month.

JEA may, from time to time, withdraw amounts on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Electric System Resolution, (ii) use such amounts to purchase or redeem Electric System Bonds and/or Subordinated Bonds and/or indebtedness of JEA incurred in connection with any separate bulk power supply utility or system, (iii) use such amounts to

otherwise provide for the payment of Electric System Bonds and/or Subordinated Bonds and/or indebtedness of JEA incurred in connection with any separate bulk power supply utility or system or interest thereon, or (iv) use such amounts for any other lawful purpose in connection with the Electric System. In addition, if on any date on which the principal or sinking fund redemption price of, or interest on, any Electric System Bonds shall be payable and the sum of the amounts attributable to such Electric System Bonds on deposit in the Debt Service Account and, if such Electric System Bonds shall be Additionally Secured Bonds, the separate subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds, together with (X) the amount, if any, withdrawn from the Renewal and Replacement Fund for such purpose as described in the final sentence of the second paragraph of clause (6) below and (Y) the amount, if any, withdrawn from the General Reserve Fund for such purpose as described in the final sentence of clause (7) below, shall not be sufficient to pay such principal or redemption price and/or interest, then JEA shall withdraw from the Rate Stabilization Fund and apply to such payment the amount of such insufficiency.

(6) Moneys remaining in the Revenue Fund shall next be used by JEA to maintain the Renewal and Replacement Fund, and JEA shall pay into said Fund from the Revenue Fund a sum not less than one-twelfth (1/12) of 10 percent of the net revenues of the Electric System for the preceding Fiscal Year pursuant to, and as said net revenues are defined by, Chapter 22341, Laws of Florida, Acts of 1943 and similarly defined by Chapter 80-515, Laws of Florida. In addition to the foregoing, JEA shall pay such additional monthly amount into the Renewal and Replacement Fund as shall make the total annual payment equal to at least five percent of the Gross Revenues of the Electric System for the preceding Fiscal Year. Said Renewal and Replacement Fund shall be kept separate and apart from all other funds of JEA.

The moneys in the Renewal and Replacement Fund shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of, the Electric System, the payment of extraordinary operation and maintenance costs and contingencies and payments with respect to the prevention or correction of any unusual loss or damage in connection with all or part of the Electric System, all to the extent not paid as a part of the Cost of Operation and Maintenance or from the proceeds of Electric System Bonds, Subordinated Bonds or other evidences of indebtedness of JEA. Amounts in the Renewal and Replacement Fund also may be applied (a) to the purchase, redemption, payment or provision for payment of Electric System Bonds and/or Subordinated Bonds and/or indebtedness of JEA incurred in connection with any separate bulk power supply utility or system or interest thereon or (b) upon determination of JEA, to the payment of the costs of enlargements, extensions, improvements and replacements of capital assets of any other utility system owned and operated by JEA and not constituting a part of the Electric System. In addition, if on any date on which the principal or sinking fund redemption price of, or interest on, any Electric System Bonds shall be payable and the sum of the amounts attributable to such Electric System Bonds on deposit in the Debt Service Account and, if such Electric System Bonds shall be Additionally Secured Bonds, the separate subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds, together with the amount, if any, withdrawn from the General Reserve Fund for such purpose as described in the final sentence of clause (7) below, shall not be sufficient to pay such principal or redemption price and/or interest, then JEA shall withdraw from the Renewal and Replacement Fund and apply to such payment the amount of such insufficiency.

Notwithstanding the foregoing provisions of this clause (6), the failure of JEA to make the above described payments into the Renewal and Replacement Fund in any month in any Fiscal Year shall not constitute a default on the part of JEA; *provided* that any deficiencies therefor shall have been restored prior to the end of such Fiscal Year; and *provided, further*, that the full amount required to be deposited in said Renewal and Replacement Fund in such Fiscal Year shall have been deposited therein by the end of such Fiscal Year.

(7) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may, at the option of JEA, be deposited into the General Reserve Fund created and established pursuant to the Electric System Resolution. Moneys in the General Reserve Fund may be used by JEA for any lawful purpose of JEA (including, but not limited to, (a) the purchase, redemption or provision for payment of any of the Electric System Bonds and/or Subordinated Bonds and/or indebtedness of JEA incurred in connection with any separate bulk power supply utility or system and (b) transfers to any utility system owned and/or operated by JEA currently or in the future) not otherwise prohibited by the Electric System Resolution; *provided, however*, the Electric System Resolution provides that none of the remaining moneys shall be used for any purpose other than those described in the preceding clauses (1) through (6) unless all current payments, including all deficiencies in prior payments, if any, have been made in full and unless JEA shall have complied fully with all the covenants and provisions of the Electric System Resolution. In addition, if on any date on which the principal or sinking fund redemption price of, or interest on, any Electric System Bonds shall be payable and the sum of the amounts attributable to such Electric System Bonds on deposit in the Debt Service Account and, if such Electric System Bonds shall be Additionally Secured Bonds, the separate subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds shall not be sufficient to pay such principal or redemption price and/or interest, then JEA shall withdraw from the General Reserve Fund and apply to such payment the amount of such insufficiency.

During any period in which the Debt Service Requirement for any series of Bonds containing Build America Bonds shall be calculated in the manner provided in the *proviso* of clause (1) of the first paragraph of the definition thereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Debt Service Account in the Sinking Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date. Any cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but no such payment shall constitute Revenues for any purpose of the Electric System Resolution.

The Revenue Fund, the Sinking Fund, the Rate Stabilization Fund, the Renewal and Replacement Fund, the General Reserve Fund and any other special funds and accounts established and created in the Electric System Resolution shall be continuously secured in the same manner as municipal deposits are required to be secured by the laws of the State of Florida.

The Electric System Resolution provides that the designation and establishment of the various funds, accounts and subaccounts in and by the Electric System Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an allocation of certain revenues and assets of the Electric System for certain purposes and to establish certain priorities for application of such revenues and assets as provided in the Electric System Resolution. Without limiting the generality of the foregoing, the pledges in favor of the Electric System Bonds established by the Electric

System Resolution shall be limited to those items specified in the Electric System Resolution, and nothing contained in the Electric System Resolution shall be deemed to pledge in favor of the Holders of the Electric System Bonds amounts on deposit in the Rate Stabilization Fund, the Renewal and Replacement Fund or the General Reserve Fund.

### **Investments**

Moneys on deposit in any fund or account established pursuant to the Electric System Resolution may be invested and reinvested in Authorized Investments; *provided* such investments either mature or are redeemable at not less than par at the option of JEA not later than the dates on which such moneys will be needed for the purposes of such fund or account, but in no event shall any such investment mature later than 30 years from the date of its purchase. Unless otherwise determined by an authorized officer of JEA, all income on investments in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account in the Sinking Fund shall be deposited, as received, in the Debt Service Account, all income on investments in the Rate Stabilization Fund, the Renewal and Replacement Fund and the General Reserve Fund shall be deposited, as received, in the Revenue Fund and all income on investments in the Revenue Fund shall be retained therein.

### **Rate Covenant**

JEA covenants to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use or the sale of the products, services and facilities of the Electric System which will always provide Revenues in each Fiscal Year sufficient to pay (1) 100 percent of all Costs of Operation and Maintenance, including Contract Debts, of the Electric System in such Fiscal Year, (2) 120 percent of the Debt Service Requirement on all Bonds Outstanding during such Fiscal Year and (3) any additional amount required to make all reserve or other payments required to be made in such Fiscal Year by the Electric System Resolution. For purposes of this covenant, the Electric System Resolution provides that Revenues shall not include any proceeds from the sale of assets of the Electric System or any proceeds of insurance (other than business interruption insurance). Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

### **Issuance of Additional Electric System Bonds**

*Additional Parity Obligations.* JEA may issue Additional Parity Obligations for any lawful purpose of JEA relating to the Electric System (other than for the purpose of financing or refinancing the generating facilities of the Electric System) or to refund any of the Electric System Bonds and/or the interest payable thereon issued for any such purpose, upon satisfaction of the following conditions on or prior to the date of the issuance of the first Bonds of a particular series and/or installment:

(1) The Net Revenues for any 12 consecutive month period within the 24 consecutive months immediately preceding the date of sale of such Additional Parity Obligations shall have been at least equal to 1.20 times the Maximum Aggregate Adjusted Debt Service Requirement for all Electric System Bonds then Outstanding and such Additional Parity Obligations. This requirement need not be met if the Additional Parity Obligations are to be issued for the purpose of refunding any Electric System Bonds and/or interest thereon.

(2) The Net Revenues for such 12 month period may be adjusted for the purposes of the calculation required by paragraph (1) above to (a) reflect for such period revisions in the rates, fees, rentals and other charges of JEA for the product and services of the Electric System made after the commencement of such period and preceding the date of

sale of such Additional Parity Obligations; (b) reflect any increase in Net Revenues due to any new facilities of the Electric System having been placed into use and operation subsequent to the commencement of such period and prior to the date of sale of such Additional Parity Obligations; and (c) include an amount equal to the average annual contribution to Net Revenues for the first three full Fiscal Years commencing after the date of completion thereof estimated to be made by the facilities to be acquired and constructed with the proceeds of such Additional Parity Obligations.

(3) Except in the case of any series of refunding Additional Parity Obligations, JEA shall not be in default in performing any of the covenants and obligations assumed under the Electric System Resolution, and all payments required by the Electric System Resolution to have been made into the funds and accounts shall have been made to the full extent required.

For purposes of the foregoing provisions, Net Revenues shall not include any proceeds from the sale of assets of the Electric System or any proceeds of insurance (other than business interruption insurance).

Notwithstanding anything to the contrary contained in the Electric System Resolution, in the event that any Electric System Bonds that bear interest at a variable or floating rate contain provisions that allow the principal amount thereof to be repaid on an accelerated basis in the event that such Electric System Bonds are purchased by the Credit Enhancer therefor or the provider of liquidity support therefor and, in either such case, are not remarketed, for purposes of the foregoing provisions, such accelerated repayment shall not be taken into account, and compliance with such condition shall be determined based upon the scheduled due date(s) of principal of such Electric System Bonds, irrespective of any such accelerated repayment.

**Bank Bonds.** One or more series of Bank Bonds may be issued prior to or concurrently with the issuance of the Electric System Bonds of an installment for which Credit Enhancement or liquidity support is being provided with respect to such Electric System Bonds (or a maturity or maturities thereof) by a third-party. Such Bank Bonds shall be issued for the purpose of evidencing JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with such Credit Enhancement or liquidity support; *provided, however*, that the stated maximum principal amount of any such series of Bank Bonds shall not exceed the aggregate principal amount of the Electric System Bonds with respect to which such Credit Enhancement or liquidity support is being provided, and such number of days' interest thereon as JEA shall determine prior to the issuance thereof, but not in excess of 366 days' interest thereon, computed at the maximum interest rate applicable thereto. Notwithstanding anything to the contrary contained in the Electric System Resolution, Bank Bonds need not be taken into account for purposes of the provisions of the Electric System Resolution relating to the issuance of additional Electric System Bonds described under the caption "*Additional Parity Obligations*" above.

## **Redemption**

The Electric System Bonds or any portions thereof shall be subject to redemption prior to their respective stated dates of maturity, at the option of JEA, at such times and in such manner as shall be determined by resolution of JEA supplemental to the Electric System Resolution adopted prior to the sale thereof.

Unless otherwise provided in such supplemental resolution, notice of such redemption shall, at least 30 days prior to the redemption date (i) be filed with the paying agent, and (ii) be mailed, postage prepaid, to all Registered Owners of Electric System Bonds to be redeemed at their addresses as they appear of record on the books of the Registrar as of 45 days prior to the date fixed for redemption. Unless

such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, interest shall cease to accrue on any Electric System Bond duly called for prior redemption on the redemption date, if payment thereof has been duly provided. The privilege of transfer or exchange of any of the Electric System Bonds so called for redemption is suspended for a period commencing 15 calendar days preceding the mailing of the notice of redemption and ending on the date fixed for redemption.

### **Certain Other Covenants**

***No Mortgage or Sale of the Electric System.*** JEA covenants that it will not sell physical properties of the Electric System having an aggregate depreciated cost of 90% or more of the total depreciated cost of all of the physical properties of the Electric System at the time, nor will it create or cause to be created any mortgage or other lien on such properties to secure the repayment of borrowed money or the payment of the deferred purchase price of property.

***Corporate Reorganization.*** JEA reserves the right in the Electric System Resolution to effect a reorganization of its corporate structure in any manner whatsoever permitted pursuant to the laws of the State of Florida; *provided, however*, that no such reorganization may be undertaken if the result thereof would adversely affect the security for the Electric System Bonds.

***No Free Service.*** JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Electric System, free of charge to any person, firm or corporation, public or private, nor will any preferential rates be established for users of the same class. Whenever the City, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the Electric System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the City and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the City shall transfer to JEA for deposit into the Revenue Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Revenues derived from the operation of the Electric System, and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the Electric System.

### **Defaults and Remedies**

If one or more of the following events of default shall happen:

(A) if default shall be made in the due and punctual payment of the principal (including Amortization Installments) or redemption price of any Electric System Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(B) if default shall be made in the due and punctual payment of any installment of interest on any Electric System Bond when and as such interest installment shall become due and payable and such default shall continue for a period of 30 days;

(C) if default shall be made by JEA in the performance or observance of any other of the covenants or agreements in the Electric System Resolution or in the Electric System Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to JEA by the Holders of not less than 10 percent in principal amount of the Electric System Bonds outstanding;

(D) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of JEA or the filing by JEA of a voluntary petition in bankruptcy, or adjudication of JEA as a bankrupt, or assignment by JEA for the benefit of its creditors, or the entry by JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to JEA in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

(E) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the Electric System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof;

then, and in each and every such case, so long as such event of default shall not have been remedied, unless the principal of all the Electric System Bonds shall have already become due and payable, the Holders of not less than 25 percent in principal amount of the Electric System Bonds outstanding (by notice in writing to JEA), may declare the principal of all the Electric System Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the Electric System Resolution or in any of the Electric System Bonds notwithstanding. The right of the Holders of not less than 25 percent in principal amount of the Electric System Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Electric System Bonds shall have matured by their terms, all overdue installments of interest upon the Electric System Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by JEA under the Electric System Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall either be paid by or for the account of JEA or provision shall be made for such payment, and all defaults under the Electric System Bonds or under the Electric System Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or adequate provision shall be made therefor, then and in every such case the Holders of 25 percent in principal amount of the Electric System Bonds outstanding, by written notice to JEA, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

The Electric System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Electric System Bonds, the Credit Enhancer for, and not the actual Holders of, Electric System Bonds for which such Credit Enhancement is being provided will be deemed to be the Holder of such Electric System Bonds at all times for the purposes of giving any approval or consent, exercising any remedies or taking any other actions in respect of the occurrence of an event of default under the Electric System Resolution. See “Action by Credit Enhancer When Action by Holders of Electric System Bonds Required” herein.

### **Issuance of Other Obligations**

Except for Contract Debts and obligations, if any, permitted to be issued by JEA to finance the costs of any separate electric generating utility or system as described under “Creation of Separate Bulk Power Utilities or Systems” below, payable as a Cost of Operation and Maintenance, JEA will not issue any other obligations payable from the Revenues of the Electric System, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Electric System Bonds and the interest thereon, upon said Revenues except under

the conditions and in the manner provided in the Electric System Resolution. Any obligations issued by JEA other than Contract Debts and any obligations permitted to be issued by JEA to finance the costs of any separate electric generating utility or system as described under “Creation of Separate Bulk Power Utilities or Systems” below, payable as a Cost of Operation and Maintenance, the Electric System Bonds, and Additional Parity Obligations provided for in the Electric System Resolution, payable from such Revenues, shall contain an express statement that such obligations are junior and subordinate in all respects to the Electric System Bonds authorized pursuant to the Electric System Resolution, as to lien on and source and security for payment from such Revenues. Without limiting the generality of the foregoing, Subordinated Bonds may be issued for any purpose of JEA relating to the Electric System including, without limitation, to refund Electric System Bonds and to finance any lawful purpose of JEA relating to the Electric System (including, without limitation, financing the costs of additions, extensions and improvements to the generating facilities of the Electric System and purposes incidental thereto).

### **Creation of Separate Bulk Power Utilities or Systems**

Notwithstanding any other provisions of the Electric System Resolution to the contrary, JEA shall be authorized to construct or acquire and own and/or operate, either individually or acting jointly with any other Person located either within or without the State of Florida, other electric generating utilities or systems for the purpose of furnishing and supplying electric energy.

JEA shall be further authorized to issue its bonds, notes or other obligations to finance the cost of any such separate electric generating utility or system, which obligations shall be payable as provided in clause (4) under the caption “Establishment of Funds and Disposition of Revenues of the Electric System” herein (except that the obligation of JEA to make payments required to be made in respect of the St. Johns River Power Park System and the Bulk Power Supply System Projects shall be deemed Contract Debts, and shall be paid as a Cost of Operation and Maintenance of the Electric System).

None of the revenues derived by JEA from the operation of any such separate system shall be deemed to be Revenues of the Electric System under the Electric System Resolution.

### **Defeasance**

If, at any time, JEA shall have paid or shall have made provision for payment of the principal, interest and redemption premiums, if any, with respect to any of the Electric System Bonds, then the pledge of and lien on the Net Revenues and other amounts pledged under the Electric System Resolution in favor of the Holders of such Electric System Bonds shall be no longer in effect, and such Electric System Bonds shall no longer be deemed to be Outstanding under the Electric System Resolution. For purposes of the preceding sentence, and unless otherwise provided with respect to the Electric System Bonds of a particular series in the supplemental resolution specifying the details of such Electric System Bonds, deposit by JEA of any of the following securities:

(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;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates

shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in any of clauses (i), (ii) or (v) under this caption; *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;

(iv) certificates of deposit, whether negotiable or non-negotiable, fully secured as to principal and interest by bonds or other obligations of the character described in clause (i) above;

(v) 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 which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, and which shall be rated in the highest whole rating category by at least two nationally recognized statistical rating organizations; and

(vi) Investment Agreements;

in irrevocable trust with a banking institution or trust company, for the sole benefit of the Holders of such Electric System Bonds, in respect of which such securities the principal and interest received will be sufficient to make timely payment of the principal of and interest and redemption premiums, if any, on such Electric System Bonds (or like deposit of any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance) shall be considered "provision for payment."

Nothing in the Electric System Resolution shall be deemed to require JEA to call any Electric System Bond for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of JEA in determining whether to exercise any such option for early redemption.

## **Amendments**

The Electric System Resolution provides that no material modification or amendment of the Electric System Resolution or of any resolution amendatory or supplemental to the Electric System Resolution may be made without the consent in writing of the Holders of not less than a majority in principal amount of the Electric System Bonds then Outstanding affected by such modification or

amendment; *provided, however*, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affecting the unconditional promise of JEA to pay the principal of and interest on the Electric System Bonds as the same shall come due from the Net Revenues of the Electric System or reduce the percentage or otherwise affect the classes of Electric System Bonds the consent of the Holders of which is required to effect any material modification or amendment of the Electric System Resolution without the consent in writing of the Holder or Holders of all such Electric System Bonds. For the purpose of amending the Electric System Resolution, any Electric System Bond shall be deemed to be affected by a modification or amendment of the Electric System Resolution if the same adversely affects or diminishes the rights of the Holder of such Electric System Bond. JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment any Electric System Bonds would be affected by any modification or amendment of the Electric System Resolution and any such determination shall, absent manifest error, be binding and conclusive on JEA and all Holders of Electric System Bonds. For the purpose of amending the Electric System Resolution, a change in the terms of redemption of any Outstanding Electric System Bond shall be deemed only to affect such Electric System Bond, and shall be deemed not to affect any other Electric System Bond. See “Action by Credit Enhancer When Action by Holders of Electric System Bonds Required” herein.

The resolutions supplemental to the Electric System Resolution authorizing JEA’s Variable Rate Electric System Revenue Bonds, Series Three 2008A, Series Three 2008B-1, Series Three 2008B-2, Series Three 2008B-3, Series Three 2008B-4, Series Three 2008C-1, Series Three 2008C-2, Series Three 2008C-3 and Series Three 2008D-1 (collectively, the “Prior Series Variable Rate Electric System Bonds”) provide that in the event that JEA shall adopt any resolution supplemental to the Electric System Resolution making any amendment to the Electric System Resolution for which the consent of the Holders of the Prior Series Variable Rate Electric System Bonds of a particular Series shall be required (hereinafter in this paragraph referred to as an “Amending Resolution”), an authorized officer of JEA may deliver to the Tender Agent for the Prior Series Variable Rate Electric System Bonds of such Series a certificate requiring that the Prior Series Variable Rate Electric System Bonds of such Series be subject to mandatory tender for purchase at the time and in the manner provided in said Supplemental Resolutions. Following the date on which such mandatory tender shall occur, all subsequent Holders of the Prior Series Variable Rate Electric System Bonds of such Series shall be deemed to have consented to such Amending Resolution, notwithstanding anything to the contrary contained in the Electric System Resolution. JEA intends to include this provision in each resolution supplemental to the Electric System Resolution it may adopt in the future authorizing the issuance of any Series of additional Electric System Bonds that bear interest at a variable or floating rate.

**Action by Credit Enhancer When Action by Holders of Electric System Bonds Required**

Except as otherwise provided in a supplemental resolution authorizing Electric System Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to such Credit Enhancement for the Electric System Bonds for which such Credit Enhancement is provided, the Credit Enhancer for, and not the actual Holders of, such Electric System Bonds for which such Credit Enhancement is being provided, shall be deemed to be the Holder of such Electric System Bonds as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to any amendment, change or modification of the Electric System Resolution which requires the written consent of Holders; *provided, however*, that the foregoing shall not apply to any change in the maturity of such Electric System Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affecting the unconditional promise of JEA to pay the principal of and interest on the Electric System Bonds as the same shall come due from the Net Revenues of the Electric System or reduce the percentage or otherwise affect the classes of Electric System Bonds the consent of the Holders of which is required to effect any material modification or amendment of the Electric System Resolution and (ii) giving

any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of the Electric System Resolution relating to events of default and remedies.

### **Special Provisions Relating to Capital Appreciation Bonds and Deferred Interest Bonds**

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Interest Bonds becoming due at maturity or by virtue of an Amortization Installment shall be included in the calculations of accrued and unpaid and accruing interest or principal or Amortization Installments made for purposes of (a) the definitions of Adjusted Debt Service Requirement, Debt Service Requirement Debt Service Reserve Requirement and Maximum Aggregate Adjusted Debt Service Requirement and (b) the monthly deposits to the Debt Service Account in the Sinking Fund described in clause (2) under the caption “Establishment of Funds and Disposition of Revenues of the Electric System” herein only from and after the date (the “Calculation Date”) which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Electric System Bonds is declared immediately due and payable following an event of default or (iii) computing the principal amount of Electric System Bonds held by the Holder of a Capital Appreciation Bond in giving to JEA any notice, consent, request or demand pursuant to the Electric System Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

For purposes of (i) receiving payment of the redemption price if a Deferred Interest Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Interest Bond if the principal of all Electric System Bonds is declared immediately due and payable following an event of default or (iii) computing the principal amount of Electric System Bonds held by the Holder of a Deferred Interest Bond in giving to JEA any notice, consent, request, or demand pursuant to the Electric System Resolution for any purpose whatsoever, the principal amount of a Deferred Interest Bond shall be deemed to be its then current Appreciated Value.

### **Special Provisions Relating to Bank Bonds**

Except as otherwise provided in the resolution of JEA supplemental to the Electric System Resolution authorizing a series of Bank Bonds, for the purposes of (i) receiving payment of a Bank Bond, whether at maturity, upon redemption or if the principal of all Electric System Bonds is declared immediately due and payable following an event of default under the Electric System Resolution or (ii) computing the principal amount of Electric System Bonds held by the Holder of a Bank Bond in giving to JEA any notice, consent, request, or demand pursuant to the Electric System Resolution for any purpose whatsoever, the principal amount of a Bank Bond shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Electric System Bonds of the installment or maturity for which such Bank Bond has been issued to evidence JEA’s obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Electric System Bonds, less any prior repayments thereof.

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## **Proposed Amendments to the Electric System Resolution**

***May 1998 Amending Resolution.*** In addition to certain amendments to the Electric System Resolution that heretofore have become effective, the May 1998 Amending Resolution provides for the amendment of certain provisions of the Electric System Resolution relating to the priority of payments from the Electric System with respect to the Power Park (the “Power Park Amendment”), in a manner requiring (i) the consent of FPL, (ii) the consent of the holders of 60 percent or more in principal amount of the Power Park Issue Two Bonds outstanding and (iii) the consent of the holders of a majority in principal amount of the Power Park Issue Three Bonds outstanding. To date, JEA has not solicited any consents to the Power Park Amendment and has no intention of soliciting any such consents in the future.

These amendments to the Electric System Resolution contained in the May 1998 Amending Resolution amend the provisions of the Electric System Resolution relating to the priority of payments with respect to the Power Park to provide that payments with respect to (i) debt service on obligations issued by JEA with respect to the Power Park (including the Power Park Issue Two Bonds and the Power Park Issue Three Bonds) and any additional amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or similar fund with respect to the Power Park will no longer constitute a portion of the Cost of Operation and Maintenance, but will be payable on a parity with Subordinated Bonds (as defined in the Electric System Resolution) that may be issued in accordance with the provisions of the Electric System Resolution, including the Subordinated Electric System Bonds.

The amendments to the Electric System Resolution contained in the May 1998 Amending Resolution also would have amended the provisions of the Electric System Resolution relating to the priority of payments with respect to the Scherer 4 Project (and any other project that may be financed under the Restated and Amended Bulk Power Supply System Resolution in a manner similar to that described above with respect to the Power Park, but the amendments relating to the Scherer 4 Project (and any other project that may be financed under the Restated and Amended Bulk Power Supply System Resolution) were rescinded by JEA in conjunction with the adoption of the Restated and Amended Bulk Power Supply System Resolution.

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**SUMMARY OF CERTAIN PROVISIONS OF THE  
SUBORDINATED ELECTRIC SYSTEM RESOLUTION**

The following is a summary of certain provisions of the Subordinated Electric System Resolution. Summaries of certain definitions contained in the Subordinated Electric System Resolution are set forth below. Other terms defined in the Subordinated Electric System Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Subordinated Electric System Resolution and, accordingly, is qualified by reference thereto and subject to the full text thereof.

The Subordinated Electric System Resolution, as heretofore amended, is available for viewing and downloading on JEA's website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the Subordinated Electric System Resolution (as so amended) also may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction. The term "Subordinated Bonds" as used in the Subordinated Electric System Resolution and in this summary has the same meaning as the term "Subordinated Electric System Bonds" as used in the Annual Disclosure Report to which this summary is attached.

**Definitions**

The following are summaries of certain definitions in the Subordinated Electric System Resolution:

*Accreted Value* means, as of any date of computation with respect to any Capital Appreciation Subordinated Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Subordinated Resolution authorizing such Capital Appreciation Subordinated Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Subordinated Bonds set forth in the Supplemental Subordinated Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Subordinated Resolution authorizing such Capital Appreciation Subordinated Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Subordinated Debt Service* means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Subordinated Debt Service with respect to all Series, calculating the accrued Subordinated Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Subordinated Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Subordinated Debt Service) to the end of such calendar month; *provided, however*, that (i) there shall be excluded from the calculation of Accrued Aggregate Subordinated Debt Service any Principal Installments which are Refundable Principal Installments and (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds shall be included in the calculation of Accrued Aggregate Subordinated Debt Service at the times and in the manner provided in the Subordinated Electric System Resolution.

*Adjusted Aggregate Subordinated Debt Service* for any period means, as of any date of calculation, the Aggregate Subordinated Debt Service for such period except that (a) if any Refundable Principal Installment for any Series of Subordinated Bonds is included in Aggregate Subordinated Debt for such period, Adjusted Aggregate Subordinated Debt Service shall mean Aggregate Subordinated Debt Service determined (i) in the case of Refundable Principal Installments with respect to Subordinated Bonds other than Commercial Paper Notes and Medium-Term Notes, as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 30th anniversary of the issuance of such Series of Subordinated Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Refundable Principal Installments with respect to Commercial Paper Notes or Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds shall be included in the calculation of Adjusted Aggregate Subordinated Debt Service at the times and in the manner provided in the Subordinated Electric System Resolution. Interest deemed payable in accordance with the foregoing in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Subordinated Bonds shall be calculated at such rate of interest as JEA, or a banking or financial institution selected by JEA, determines would be a reasonable estimate of the rate of interest that would be borne on Subordinated Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

*Adjusted Debt Service Requirement* has the meaning given to such term in the Electric System Resolution.

*Adjusted Net Revenues* means the Net Revenues for any period, plus (X) the amounts, if any, paid from the Subordinated Bond Rate Stabilization Fund into the Subordinated Bond Fund during such period, and minus (Y) the amounts, if any, paid from the Revenue Fund into the Subordinated Bond Rate Stabilization Fund during such period.

*Aggregate Adjusted Electric System Debt Service* means, for any Fiscal Year, the sum of (i) the Adjusted Debt Service Requirement for such Fiscal Year and (ii) the Adjusted Aggregate Subordinated Debt Service for such Fiscal Year.

*Aggregate Subordinated Debt Service* for any period means, as of any date of calculation, the sum of the amounts of Subordinated Debt Service for such period with respect to all Series; *provided, however*, that (a) for purposes of estimating Aggregate Subordinated Debt Service for any future period (i) any Variable Rate Subordinated Bonds, Commercial Paper Notes and Medium-Term Notes Outstanding during such period shall be assumed to bear interest during such period at the greater of (X) the actual rate of interest then borne by such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes or (Y) the Certified Interest Rate applicable thereto and (ii) any Option Subordinated Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds shall be included in the calculation of Aggregate Subordinated Debt Service at the times and in the manner provided in the Subordinated Electric System Resolution.

*Alternate Variable Rate Taxable Index* means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

*Alternate Variable Rate Tax-Exempt Index* means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

*Appreciated Value* means, with respect to any Deferred Income Subordinated Bond, (i) as of any date of computation prior to the Current Interest Commencement Date, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bond on which interest on such Bond is to be compounded (hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Subordinated Bonds set forth in the Supplemental Subordinated Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

*BMA Municipal Swap Index* means the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Bond Market Association.

*Build America Bonds* means any Subordinated Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code, or any similar federal program creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Subordinated Bonds.

*Capital Appreciation Subordinated Bonds* means any Subordinated Bonds issued under the Subordinated Electric System Resolution as to which interest is (i) compounded periodically on dates that are specified in the Supplemental Subordinated Resolution authorizing such Capital Appreciation Subordinated Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Subordinated Electric System Resolution or the Supplemental Subordinated Resolution authorizing such Capital Appreciation Subordinated Bonds.

*Certified Interest Rate* means, as of any date of determination:

(i) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Subordinated Bonds maturing on a particular date, in each of the foregoing cases, that were, at the date of the original issuance thereof, the subject of an Opinion of Counsel to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (2) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Subordinated Bonds, as the case may be, for the 12 months preceding such date of determination; *provided*,

*however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Subordinated Bonds, as the case may be, are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (1), and

(ii) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Subordinated Bonds maturing on a particular date, in each of the foregoing cases, that were not, at the date of the original issuance thereof, the subject of an Opinion of Counsel to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (b) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Subordinated Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Subordinated Bonds, as the case may be, are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (a).

*Code* means the Internal Revenue Code of 1986, or any successor, and the applicable regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury thereunder, including Treasury Regulations issued pursuant to Sections 103 and 141 through 150, inclusive, of said Internal Revenue Code of 1986.

*Commercial Paper Note* means any Subordinated Bond which (a) has a maturity date which is not more than 365 days after the date of issuance thereof and (b) is designated as a Commercial Paper Note in the Supplemental Subordinated Resolution authorizing such Subordinated Bond.

*Commercial Paper Payment Plan* means, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the terms of the Subordinated Electric System Resolution and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Commercial Paper Notes; *provided, however*, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Subordinated Bonds other than Commercial Paper Notes or (b) Electric System Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Commercial Paper Notes shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 10th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial Paper Note in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Note in each other Fiscal Year in such period.

*Credit Enhancement* means, with respect to the Subordinated Bonds of a Series, a maturity within a Series, or an interest rate within a maturity or the Electric System Bonds of an installment, a maturity within an installment or an interest rate within a maturity, the issuance of an insurance 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 Subordinated Bonds or Electric System Bonds, as the case may be.

*Credit Enhancer* means any person or entity which, pursuant to a Supplemental Subordinated Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for a Series of the Subordinated Bonds, a maturity within a Series or an interest rate within a maturity or an installment of the Electric System Bonds, a maturity within an installment or an interest rate within a maturity.

*Current Interest Commencement Date* means, with respect to any particular Deferred Income Subordinated Bonds, the date specified in the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds (which date must be prior to the maturity date for such Deferred Income Subordinated Bonds) after which interest accruing on such Deferred Income Subordinated Bonds shall be payable periodically on dates specified in such Supplemental Subordinated Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Debt Service Requirement* shall have the meaning given to such term in the Electric System Resolution, as such meaning may hereafter be amended or modified in accordance with the provisions of the Electric System Resolution.

*Defeasance Securities* means, unless otherwise provided with respect to the Subordinated Bonds of a Series in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds:

(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;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption dates or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in any of clauses (i), (ii) or (v) of this definition; *provided, however*, 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;

(iv) certificates of deposit, whether negotiable or nonnegotiable, fully secured as to principal and interest by bonds or other obligations of the character described in clause (i) above;

(v) 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 which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, and which shall be rated in the highest whole rating category by at least two nationally recognized statistical rating organizations;

(vi) agreements or contracts with insurance companies or other financial institutions, or subsidiaries or affiliates thereof (hereinafter in this clause (vi) referred to as "Providers"), (a) whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations or (b) whose obligations under such agreements or contracts shall be unconditionally guaranteed by another insurance company or other financial institution, or subsidiary or affiliate thereof, whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations, pursuant to which agreements or contracts the Provider shall be absolutely, unconditionally and irrevocably obligated to repay the moneys invested by JEA and interest thereon at a guaranteed rate, without any right of recoupment, counterclaim or set off. The Provider may have the right to assign its obligations under any such agreement or contract to any other insurance company or other financial institution, or subsidiary or affiliate thereof; *provided, however,* that such assignee also shall be an insurance company or other financial institution, or subsidiary or affiliate thereof, satisfying the requirements set forth in either clause (a) or clause (b) of the preceding sentence; and

(vii) upon compliance with the provisions of the Subordinated Electric System Resolution, such securities (a) as are described in clause (i) of this definition and (b) as are described in clause (iii) of this definition so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clause (i) of this definition, in each case, which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

*Deferred Income Subordinated Bonds* means any Subordinated Bonds issued under the terms of the Subordinated Electric System Resolution as to which interest accruing prior to the Current Interest Commencement Date therefor is (i) compounded periodically on dates specified in the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Subordinated Electric System Resolution or the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds.

*Designated Swap Obligation* means, to the extent from time to time permitted by law, any interest rate swap transaction (i) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Subordinated Bonds or Electric System Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall

have a term equal to the remaining term of such Subordinated Bonds or such Electric System Bonds, as applicable), and (ii) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which certificate shall specify the Subordinated Bonds or the Electric System Bonds, as applicable, with respect to which such Designated Swap Obligation is entered into).

*Designated Swap Obligation Provider* means any person with whom JEA enters into a Designated Swap Obligation.

*Electric System Debt Securities* means Electric System Bonds, Subordinated Bonds and any other note, bond or other security evidencing indebtedness incurred to provide financing for the Electric System.

*Gross Revenues* or *Revenues* have the meaning given to such terms in the Electric System Resolution, as such meaning may be amended or modified in accordance with the provisions of the Electric System Resolution. For any purpose of the Subordinated Electric System Resolution that requires the computation of Gross Revenues or Revenues with respect to any period of time, "Gross Revenues" or "Revenues" will be adjusted in the manner provided in the definition thereof contained in the Electric System Resolution, as such definition may be amended or modified in accordance with the provisions thereof.

*Investment Securities* means and includes any securities, obligations or investments that, at the time, shall be permitted by Florida law for investment of JEA's funds.

*Medium-Term Note* means any Subordinated Bond which (a) has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance thereof and (b) is designated as a Medium-Term Note in the Supplemental Subordinated Resolution authorizing such Subordinated Bond.

*Medium-Term Note Payment Plan* means, with respect to any Series of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the provisions of the Subordinated Electric System Resolution and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Medium-Term Notes; *provided, however*, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Electric System Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Medium-Term Note shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Medium-Term Notes of such Series or (y) the 10th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Note in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Note in each other Fiscal Year in such period.

*One-Month LIBOR Rate* means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Option Subordinated Bonds* means Subordinated Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Principal Installment* means, as of any date of calculation and with respect to any Series, so long as any Subordinated Bonds thereof are Outstanding, (i) the principal amount of Subordinated Bonds (including, in the case of any Option Subordinated Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Subordinated Electric System Resolution) of any Sinking Fund Installments due on a certain future date for Subordinated Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Subordinated Bonds of such Series, the sum of such principal amount of Subordinated Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Refundable Principal Installment* means any Principal Installment which JEA intends to pay with moneys which are not Revenues; *provided, however*, that (i) in the case of Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in a Supplemental Subordinated Resolution authorizing such Series of Subordinated Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and *provided, further*, that such Principal Installment shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA determines to pay such Principal Installment with moneys which are not Revenues.

*Special Subordinated Bonds* means all Subordinated Bonds issued pursuant to the terms of the Subordinated Electric System Resolution to evidence JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with the provision of Credit Enhancement or liquidity support with respect to the Subordinated Bonds of a Series or the Electric System Bonds of a Series (or a maturity or maturities or interest rate within a maturity thereof) by a third party, whether issued in one or more Series, and any Subordinated Bonds thereafter authenticated and delivered in lieu of or in substitution for such Subordinated Bonds pursuant to the terms of the Subordinated Electric System Resolution and the Supplemental Subordinated Resolution authorizing such Special Subordinated Bonds.

*Subordinated Bonds* means any bonds, notes, certificates or other evidences of indebtedness authenticated and delivered under the Subordinated Electric System Resolution.

*Subordinated Debt Service* for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on the Subordinated Bonds of such Series, except to the extent that such interest is to be paid from the proceeds of Subordinated Bonds or other Electric System Debt Securities and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Subordinated Bonds other than Special Subordinated Bonds, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Subordinated Bonds of such Series, whichever date is later, and (y) in the case of Special Subordinated Bonds, in accordance with the terms thereof and the Supplemental Subordinated Resolution authorizing such Special Subordinated Bonds), in either such case, except to the extent that such Principal Installment is paid or to be paid from the proceeds of Subordinated Bonds or other Electric System Debt Securities; *provided, however*, that in the event that the Subordinated Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on such Subordinated Bonds, for purposes of this definition, the interest

on the Subordinated Bonds of such Series shall be calculated net of the cash subsidy payments from the U.S. Treasury. If for whatever reason, JEA no longer receives cash subsidy payments due from the U.S. Treasury in respect of the interest payable on such Subordinated Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Subordinated Bonds of such Series shall be calculated without regard to such subsidy. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Subordinated Bonds (except for Option Subordinated Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (y) the principal amount of Option Subordinated Bonds tendered for payment before the stated maturity thereof shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds will be included in the calculation of Subordinated Debt Service at the times and in the manner provided in the Subordinated Electric System Resolution.

Notwithstanding anything to the contrary contained in the Subordinated Electric System Resolution, (a) if JEA has in connection with any Subordinated Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Subordinated Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating Subordinated Debt Service with respect to such Subordinated Bonds, for purposes of (i) the covenant described under the caption "Rate Covenant" below and (ii) the provisions of the Subordinated Electric System Resolution relating to the issuance of additional Subordinated Bonds described under the caption "Additional Subordinated Bonds; Conditions to Issuance" below, it will be assumed that such Subordinated Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the 12 months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for 12 months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Subordinated Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating Subordinated Debt Service with respect to such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of (i) the covenant described under the caption "Rate Covenant" below and (ii) the provisions of the Subordinated Electric System Resolution relating to the issuance of additional Subordinated Bonds described under the caption "Additional Subordinated Bonds; Conditions to Issuance" below, it will be assumed that such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as applicable, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*U.S. Treasury* means the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America Bonds.

*Variable Rate Subordinated Bond* means any Subordinated Bond not bearing interest throughout its term at a specified rate or rates determined at the time of issuance of the Series of Subordinated Bonds of which such Subordinated Bond is one.

*Variable Rate Taxable Index* means the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* shall mean the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

## **Pledge**

The Subordinated Bonds are payable from and secured as to the payment of the principal or Redemption Price, if any, thereof, and interest thereon, in accordance with their terms and the provisions of the Subordinated Electric System Resolution by (i) the amounts on deposit in the Revenue Fund established pursuant to the Electric System Resolution as may from time to time be available therefor, including the investments, if any, thereof and (ii) amounts on deposit in the Funds established under the Subordinated Electric System Resolution, including the investments, if any, thereof, subject only to the provisions of the Subordinated Electric System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Electric System Resolution and the Subordinated Electric System Resolution; *provided, however*, that such pledge (other than with respect to amounts on deposit in the Subordinated Bond Construction Fund) will be junior and subordinate in all respects to the Electric System Bonds as to lien on and the source and security for payment from the Revenues.

The Subordinated Bonds shall be “Subordinated Bonds” within the meaning of such term contained in the Electric System Resolution.

## **Subordinated Bond Construction Fund**

The Subordinated Electric System Resolution establishes a Subordinated Bond Construction Fund into which shall be deposited (a) amounts required to be paid into such Fund pursuant to any Supplemental Subordinated Resolution and (b) at the option of JEA, any moneys received for or in connection with the Electric System from any other source, unless required to be otherwise applied as provided by the Subordinated Electric System Resolution or the Electric System Resolution. Amounts on deposit in the Subordinated Bond Construction Fund will be withdrawn, used and applied by JEA solely for the payment of the cost of additions, extensions and improvements to the Electric System and purposes incidental thereto or any other lawful purpose of JEA relating to the Electric System.

## **Deposit of Revenues**

Pursuant to the Subordinated Electric System Resolution, as soon as practicable in each month following the payment of the Cost of Operation and Maintenance of the Electric System and the making of all required deposits pursuant to the Electric System Resolution in respect of debt service on, and required reserves for, the Electric System Bonds, JEA is to pay out of the Revenue Fund established under the Electric System Resolution to the extent permitted by the Electric System Resolution and to the extent that the amount in the Revenue Fund is available therefor and deposit in the following funds established pursuant to the Subordinated Electric System Resolution the following amounts and in the following order of priority:

1. *To the Subordinated Bond Fund established pursuant to the Subordinated Electric System Resolution*, an amount at least equal to the amount, if any, required so that the balance in said Fund shall equal the Accrued Aggregate Subordinated

Debt Service as of the last day of the then current month; *provided, however*, that, (a) for the purposes of computing the amount to be deposited in said Fund, there shall be excluded from the balance in said Fund the amount, if any, set aside in said Fund from the proceeds of Electric System Debt Securities for the payment of interest on Subordinated Bonds less that amount of such proceeds to be applied in accordance with the Subordinated Electric System Resolution to the payment of interest accrued and unpaid and to accrue on Subordinated Bonds to the last day of the then current calendar month; and (b) any amount deposited into said Fund during any month that is in excess of the minimum amount required to be deposited therein during such month may, upon written determination of an Authorized Officer of JEA, be deemed to be accumulated therein with respect to (i) any Sinking Fund Installment or (ii) any principal amount of Subordinated Bonds (including, in the case of any Option Subordinated Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established or (iii) some combination of (i) and (ii), and interest thereon.

The Subordinated Electric System Resolution provides that, except as may otherwise be provided in a Commercial Paper Payment Plan, a Medium-Term Note Payment Plan or the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of a particular Series, JEA shall pay out of the Subordinated Bond Fund to the respective Paying Agent(s) therefor (i) on or before each interest payment date for any of the Subordinated Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Subordinated Bonds, the amount required for the payment of interest on the Subordinated Bonds then to be redeemed. Such amounts shall be applied by such Paying Agent(s) on and after the due dates thereof. JEA shall also pay out of the Subordinated Bond Fund the accrued interest included in the purchase price of Subordinated Bonds purchased for retirement. In addition, JEA may apply amounts in the Subordinated Bond Fund to the purchase or redemption of Subordinated Bonds to satisfy sinking fund requirements.

Whenever the moneys on deposit in the Subordinated Bond Fund shall exceed the amount required to be on deposit therein, as determined in accordance with the provisions of the Subordinated Electric System Resolution, such excess may be applied by JEA to any lawful purpose of JEA relating to the Electric System.

The Subordinated Electric System Resolution also provides that, in the event of the refunding or defeasance of any Subordinated Bonds, JEA may withdraw from the Subordinated Bond Fund all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Subordinated Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the Subordinated Bonds being refunded or defeased shall be deemed to have been paid pursuant to the provisions of the Subordinated Electric System Resolution, and (b) the amount remaining in the Subordinated Bond Fund, after giving effect to the issuance of the Electric System Debt Securities being issued to effect such refunding and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund. In the event of such refunding or defeasance, JEA may also withdraw from the Subordinated Bond Fund all or any portion of the amounts accumulated therein and (i) deposit such amounts in any fund or account under the Electric System Resolution or the Subordinated Electric System

Resolution or (ii) apply such amounts to any lawful purpose of JEA relating to the Electric System; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied.

Notwithstanding anything to the contrary contained in the Subordinated Electric System Resolution, whenever the amounts available therefor under the Electric System Resolution shall not be sufficient to pay the principal or redemption price of, or interest on, the Electric System Bonds then due, and such deficiency shall not have been cured by the transfer from the Subordinated Bond Rate Stabilization Fund described below, JEA shall withdraw from the Subordinated Bond Fund an amount equal to the remaining amount of such deficiency (or the entire amount on deposit therein, if less than the remaining amount of such deficiency), and shall deposit such amount in the Sinking Fund established under the Electric System Resolution.

2. ***To the Subordinated Bond Rate Stabilization Fund established pursuant to the Subordinated Electric System Resolution***, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current annual budget, or the amount otherwise determined by JEA to be deposited to such Fund for the month.

Each month JEA shall transfer from the Subordinated Bond Rate Stabilization Fund to the Subordinated Bond Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current annual budget, or the amount otherwise determined by JEA to be deposited into such Fund for the month. JEA may also from time to time withdraw amounts on deposit in the Subordinated Bond Rate Stabilization Fund and (i) transfer such amounts to any other fund or account established under the Subordinated Electric System Resolution or any fund or account established under the Electric System Resolution, (ii) use such amounts to purchase or redeem Subordinated Bonds or Electric System Bonds, (iii) use such amounts to otherwise provide for the payment of Subordinated Bonds or Electric System Bonds or (iv) use such amounts for any lawful purpose of JEA relating to the Electric System.

At any time and from time to time JEA may transfer for deposit in the Subordinated Bond Rate Stabilization Fund from any source such amounts as JEA deems necessary or desirable; such amounts shall be applied for purposes of the Subordinated Bond Rate Stabilization Fund in accordance with the preceding paragraph.

Notwithstanding anything to the contrary contained in the Subordinated Electric System Resolution, whenever the amounts available therefor under the Electric System Resolution shall not be sufficient to pay the principal or redemption price of, or interest on, the Electric System Bonds then due, JEA shall withdraw from the Subordinated Bond Rate Stabilization Fund an amount equal to the amount of such deficiency (or the entire amount on deposit therein, if less than the amount of such deficiency), and shall deposit such amount in the Sinking Fund established under the Electric System Resolution.

If and to the extent provided in a Supplemental Subordinated Resolution, the Subordinated Electric System Resolution also permits JEA to establish one or more additional funds or accounts with respect to such Subordinated Bonds of one or more Series as shall be specified in such Supplemental Subordinated Resolution and, if and to the extent provided in any such Supplemental Subordinated Resolution, amounts on deposit in any such fund or account, including the investments, if any, thereof may be pledged for the payment of the principal or Redemption Price, if any, of, and interest on, any or all of such Subordinated Bonds. In such event, deposits to and withdrawals from

any such fund or account shall be governed by the provisions of such Supplemental Subordinated Resolution; *provided, however*, that in the event that any such Supplemental Subordinated Resolution shall provide for the deposit of Revenues into any such fund or account, such deposit shall not be made in any month until after the deposits required to be made to the Subordinated Bond Fund and the Subordinated Bond Rate Stabilization Fund shall have been made for such month; and *provided, further*, that if the amount on deposit in the Revenue Fund shall not be sufficient to make all such deposits so required to be made with respect to all such funds and accounts in any month, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such fund and account.

During any period in which the Subordinated Debt Service with respect to any Series of Subordinated Bonds containing Build America Bonds shall be calculated in the manner provided in the proviso of the first paragraph of the definition thereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Subordinated Bond Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date, without regard to any reduction thereto made by the U.S. Treasury for the purpose of offsetting any amount due from JEA to it. Any cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but not such payment shall constitute Revenues for any purpose of the Electric System Resolution or this Subordinated Resolution.

#### **Additional Subordinated Bonds; Conditions to Issuance**

JEA may issue additional Subordinated Bonds for the purposes of (i) providing a portion of the funds necessary for the construction or acquisition of additions, extensions and improvements to the Electric System, and purposes incidental thereto, (ii) providing funds for the refunding of Outstanding Electric System Bonds or Outstanding Subordinated Bonds and (iii) providing funds for any other lawful purpose of JEA relating to the Electric System. All such additional Subordinated Bonds will rank equally and be on a parity, as to security and source of payment, with all other Subordinated Bonds. Set forth below are certain conditions applicable to the issuance of additional Subordinated Bonds. The Subordinated Electric System Resolution provides that a Series of Subordinated Bonds may be issued at one time or from time to time. If the Subordinated Bonds of a Series are to be issued from time to time, the Subordinated Electric System Resolution requires that the conditions set forth below be satisfied only prior to the issuance of the first Subordinated Bonds of such Series to be issued.

***Debt Service Coverage Test:*** The issuance of any Series of additional Subordinated Bonds (except for Refunding Subordinated Bonds and Special Subordinated Bonds) is conditioned upon the delivery by an Authorized Officer of JEA of a certificate to the effect that the Adjusted Net Revenues for any 12 consecutive month period within the 24 consecutive months immediately preceding the first date of issuance of the Subordinated Bonds of such Series shall have been at least equal to the greater of (X) 115 percent of the Maximum Annual Aggregate Adjusted Electric System Debt Service on the Outstanding Electric System Bonds, the Outstanding Subordinated Bonds and the Subordinated Bonds of such Series or (Y) the sum of (i) the Maximum Annual Aggregate Adjusted Electric System Debt Service on the Outstanding Electric System Bonds, the Outstanding Subordinated Bonds and the Subordinated Bonds of such Series and (ii) the amount most recently determined to be required to be deposited in the Renewal and Replacement Fund established under the Electric System Resolution for the then current, or a previous, Fiscal Year.

The Adjusted Net Revenues for such 12 month period may be adjusted for the purposes of the calculation required by the preceding paragraph (a) to reflect for such period revisions in the rates, fees, rentals and other charges of JEA for the product and services of the Electric System made after the commencement of such period and preceding the first date of issuance of the Subordinated Bonds of such Series; (b) to reflect any increase in Adjusted Net Revenues due to any new facilities of the Electric System having been placed into use and operation subsequent to the commencement of such period and prior to the first date of issuance of the Subordinated Bonds of such Series; and (c) to include an amount equal to the average annual contribution to Adjusted Net Revenues for the first three full Fiscal Years commencing after the date of completion thereof estimated to be made by the facilities to be acquired and constructed with the proceeds of the Subordinated Bonds of such Series.

For purposes of the second preceding paragraph, Adjusted Net Revenues shall not include any amounts in respect of proceeds from the sale of assets of the Electric System or any proceeds of insurance (other than business interruption insurance).

**No Default:** In addition, additional Subordinated Bonds (except for Refunding Subordinated Bonds) may be issued only if an Authorized Officer of JEA certifies that no Event of Default exists under the Subordinated Electric System Resolution or that any such Event of Default will be cured through application of the proceeds of such Subordinated Bonds.

## **Redemption**

In the case of any redemption of Subordinated Bonds, JEA shall give written notice to the Subordinated Bond Registrar(s) and the Paying Agent(s) therefor of the redemption date, of the Series, and of the principal amounts of the Subordinated Bonds of each maturity of such Series and of the Subordinated Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Subordinated Electric System Resolution or any Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part). Such notice shall be filed with such Subordinated Bond Registrar(s) and Paying Agent(s) for the Subordinated Bonds to be redeemed at least 33 days prior to the redemption date (or such shorter period (a) as may be specified in the Supplemental Subordinated Resolution authorizing the Series of Subordinated Bonds to be redeemed or (b) as shall be acceptable to such Subordinated Bond Registrar(s) and Paying Agent(s)). In the event notice of redemption shall have been given, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agent(s) an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent(s), will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Subordinated Bonds to be redeemed.

## **Rate Covenant**

Under the Subordinated Electric System Resolution, JEA has covenanted to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use or the sale of the products, services and facilities of the Electric System which will always provide Adjusted Net Revenues in each Fiscal Year sufficient to pay the greater of (X) the sum of (i) 115 percent of the Debt Service Requirement on the Outstanding Electric System Bonds in such Fiscal Year and (ii) 115 percent of the Aggregate Subordinated Debt Service on the Outstanding Subordinated Bonds in such Fiscal Year or (Y) without duplication, (i) 100 percent of the Debt Service Requirement on the Outstanding Electric System Bonds in such Fiscal Year, and any additional amount required to make all reserve or other payments required to be made in such Fiscal Year by the Electric System Resolution and (ii) 100 percent of Aggregate Subordinated Debt Service on the Outstanding Subordinated Bonds in such

Fiscal Year, and any additional amount required to make all other payments required to be made in such Fiscal Year by the Subordinated Electric System Resolution; *provided, however*, that for purposes of this paragraph there shall be excluded from the calculation of Aggregate Subordinated Debt Service all Refundable Principal Installments. For purposes of this covenant, Adjusted Net Revenues shall not include any amounts attributable to proceeds from the sale of assets of the Electric System or any proceeds of insurance (other than business interruption insurance). Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide adequate Adjusted Net Revenues for such purposes.

### **Creations of Liens**

JEA will not issue or incur indebtedness, other than the Electric System Bonds and Contract Debts (as defined in the Electric System Resolution), payable from Revenues on a prior basis than payment of Subordinated Bonds. JEA may issue bonds, notes or other evidences of indebtedness that are expressly made subordinate and junior in right of payment to the Subordinated Bonds and for which any pledge of such amounts in the Revenue Fund as may from time to time be available therefor shall be, and shall be expressed to be, subordinate in all respects to the pledge and lien created under the Subordinated Electric System Resolution as security for the Subordinated Bonds.

### **Sale or Mortgage of the Electric System**

JEA will not sell all or substantially all of the physical properties of the Electric System, nor will it create or cause to be created any mortgage or other lien on such properties to secure the repayment of borrowed money or the payment of the deferred purchase price of property. For purposes of this covenant, “substantially all of the physical properties of the Electric System” shall be deemed to mean physical properties of the Electric System having an aggregate depreciated cost of not less than 90 percent of the total depreciated cost of all of the physical properties of the Electric System at the time.

### **Corporate Reorganization**

In the Subordinated Electric System Resolution, JEA reserves the right to effect a reorganization of its corporate structure in any manner whatsoever permitted pursuant to the laws of the State of Florida; *provided* that no such reorganization may be undertaken if the result thereof would adversely affect the security for the Subordinated Bonds provided by the Subordinated Electric System Resolution.

### **Amendment of Subordinated Electric System Resolution**

The Subordinated Electric System Resolution and the rights and obligations of JEA and of the Holders of the Subordinated Bonds may be amended by a Supplemental Subordinated Resolution with the written consent of the Holders of a majority in principal amount of (i) the Subordinated Bonds affected by such amendment or modification Outstanding at the time such consent is given, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Installment, the Subordinated Bonds of the particular Series and maturity entitled to the benefit of the Sinking Fund Installment and Outstanding at the time such consent is given. No such modification or amendment may (A) permit a change in the terms of redemption or maturity or any installment of interest or a reduction in the principal, Redemption Price or rate of interest thereon without consent of each affected Holder, or (B) reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment. For purposes of the foregoing, a Series of Subordinated Bonds shall be deemed to be affected by a modification or amendment of the Subordinated Electric System Resolution if the same adversely affects or diminishes the rights of the Holders of Subordinated Bonds of such Series. JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment Subordinated Bonds of any particular Series or maturity or any particular Commercial Paper Notes or

Medium-Term Notes would be affected by any modification or amendment of the Subordinated Electric System Resolution and any such determination shall, absent manifest error, be binding and conclusive on JEA and all Holders of Subordinated Bonds. For purposes of the foregoing, a change in the terms of redemption of any Outstanding Subordinated Bond shall be deemed only to affect such Subordinated Bond, and shall be deemed not to affect any other Subordinated Bond. For purposes of the foregoing, the Holders of Subordinated Bonds may include the initial Holders thereof regardless of whether such Subordinated Bonds are being held for subsequent resale. The Subordinated Electric System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Subordinated Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, Subordinated Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided will be deemed to be the Holder of such Subordinated Bonds of any Series, or a maturity within a Series, at all times for the purpose of giving any approval or consent to the effectiveness of any Supplemental Subordinated Resolution or any amendment, change or modification of the Subordinated Electric System Resolution which requires the written approval or consent of Holders, except that the foregoing provisions will not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Subordinated Bond Fiduciary without its written assent thereto. See “Action by Credit Enhancer When Action by Holders of Subordinated Bonds Required” herein.

The Supplemental Subordinated Resolutions authorizing JEA’s Variable Rate Electric System Subordinated Bonds, 2000 Series A, 2000 Series F-1, 2000 Series F-2 and 2008 Series D (collectively, the “Prior Series Variable Rate Subordinated Electric System Bonds”, all of which constitute Variable Rate Subordinated Bonds within the meaning of the Subordinated Electric System Resolution) provide that in the event that JEA shall adopt any Supplemental Subordinated Resolution making any amendment to the Subordinated Electric System Resolution for which the consent of the Holders of the Prior Series Variable Rate Subordinated Electric System Bonds of a particular Series shall be required (hereinafter in this paragraph referred to as an “Amending Resolution”), an Authorized Officer of JEA may deliver to the Tender Agent for the Prior Series Variable Rate Subordinated Electric System Bonds of such Series a certificate requiring that the Prior Series Variable Rate Subordinated Electric System Bonds of such Series be subject to mandatory tender for purchase at the time and in the manner provided in said Supplemental Subordinated Resolutions. Following the date on which such mandatory tender shall occur, all subsequent Holders of the Prior Series Variable Rate Subordinated Electric System Bonds of such Series shall be deemed to have consented to such Amending Resolution, notwithstanding anything to the contrary contained in the Subordinated Electric System Resolution. JEA intends to include this provision in each Supplemental Subordinated Resolution it may adopt in the future authorizing the issuance of any Series of additional Variable Rate Subordinated Bonds.

The Subordinated Electric System Resolution may be amended, without the consent of the Holders of the Subordinated Bonds, upon the delivery of an Opinion of Counsel to the effect that such amendment will not have a material adverse effect on the interests of the Holders of the Outstanding Subordinated Bonds (in rendering such opinion, such counsel may rely on such certifications of (a) any banking or financial institution serving as financial advisors to JEA, as to financial and economic matters, (b) the Consulting Engineer, as to matters within its field of expertise and (c) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate), (i) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision in the Subordinated Electric System Resolution; (ii) to insert provisions clarifying the Subordinated Electric System Resolution; or (iii) to make any other modification or amendment of the Subordinated Electric System Resolution

which in the reasonable judgment of such counsel will not have a material adverse effect on the interests of the Holders of the Outstanding Subordinated Bonds.

The Subordinated Electric System Resolution provides that in determining whether the interests of the Holders of any Subordinated Bonds are materially adversely affected, such counsel will consider the effect on the Holders of any Subordinated Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement.

Without the consent of the Holders of the Outstanding Subordinated Bonds, JEA may adopt a Supplemental Subordinated Resolution which (i) closes the Subordinated Electric System Resolution against, or provides additional limitations and restrictions to, the issuance of Subordinated Bonds or other evidences of indebtedness; (ii) adds covenants and agreements of JEA; (iii) adds limitations and restrictions to be observed by JEA; (iv) authorizes Subordinated Bonds of an additional Series; (v) provides for the issuance of Subordinated Bonds in coupon form payable to bearer or in uncertificated form, and determines other matters relative thereto; (vi) confirms any security interest or pledge created by the Subordinated Electric System Resolution; (vii) establishes one or more additional funds or accounts with respect to such Subordinated Bonds of one or more Series as shall be specified in such Supplemental Subordinated Resolution, specifies the purposes to which amounts on deposit in any such fund or account may be applied and, in connection therewith, specifies and determines any matters and things relative thereto; or (viii) makes any modification which is to be effective only after all Subordinated Bonds of each Series Outstanding as of the date of the adoption of such Supplemental Subordinated Resolution cease to be Outstanding.

## **Defeasance**

The pledge of moneys and securities created by the Subordinated Electric System Resolution and all covenants, agreements and other obligations of JEA to the Holders will cease, terminate and become void and be discharged and satisfied whenever all Subordinated Bonds and interest due or to become due thereon are paid in full. If any Subordinated Bonds are paid in full, such Subordinated Bonds shall cease to be entitled to any lien, benefit or security under the Subordinated Electric System Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Subordinated Bonds will cease, terminate and become void and be discharged and satisfied. Subordinated Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the Subordinated Electric System Resolution whenever the following conditions (or such other conditions as may be set forth in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds) are met: (i) in case any Subordinated Bonds are to be redeemed prior to their maturity, JEA has given to the Escrow Agent therefor instructions to give notice of redemption therefor, (ii) there has been deposited with such Escrow Agent either moneys or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Subordinated Bonds, and (iii) in the event such Subordinated Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA has given such Escrow Agent instructions to give a notice to the Holders of such Subordinated Bonds that the above deposit has been made and that such Subordinated Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Subordinated Bonds.

For purposes of determining whether Variable Rate Subordinated Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the provisions of the Subordinated Electric System Resolution, the interest to come due on such Variable Rate Subordinated Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate

Subordinated Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Variable Rate Subordinated Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Variable Rate Subordinated Bonds in order to satisfy the provisions of the Subordinated Electric System Resolution, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing the Subordinated Bonds or otherwise existing under the provisions of the Subordinated Electric System Resolution.

Option Subordinated Bonds shall be deemed to have been paid in accordance with the provisions of the Subordinated Electric System Resolution only if, in addition to satisfying the requirements described in clauses (i) and (ii) of the first paragraph hereof, there shall have been deposited with the Escrow Agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Subordinated Bonds which could become payable to the Holders of such Subordinated Bonds upon the exercise of any options provided to the Holders of such Subordinated Bonds; *provided, however*, that if, at the time a deposit is made with the Escrow Agent pursuant to provisions of the Subordinated Electric System Resolution, the options originally exercisable by the Holder of an Option Subordinated Bond are no longer exercisable, such Subordinated Bond shall not be considered an Option Subordinated Bond for purposes of this paragraph. If any portion of the moneys deposited with the Escrow Agent for the payment of the principal of and premium, if any, and interest on Option Subordinated Bonds is not required for such purpose the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Subordinated Bonds or otherwise existing under the Subordinated Electric System Resolution.

#### **Events of Default; Remedies**

Events of default under the Subordinated Electric System Resolution include (i) failure to pay the principal (including Sinking Fund Installments) or Redemption Price of any Subordinated Bond when due; (ii) failure to pay any installment of interest on any Subordinated Bond when due; (iii) failure by JEA to perform or observe any other covenants or agreements contained in the Subordinated Electric System Resolution or the Subordinated Bonds; or (iv) an Event of Default pursuant to the provisions of the Electric System Resolution. Upon the happening of any such Event of Default the Holders of not less than 25 percent in principal amount of the Subordinated Bonds then Outstanding may declare the principal of and accrued interest on the Subordinated Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the Subordinated Bonds have matured).

The Subordinated Electric System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Subordinated Bonds, the Credit Enhancer for, and not the actual Holders of, Subordinated Bonds for which such Credit Enhancement is being provided will be deemed to be the Holder of such Subordinated Bonds at all times for the purposes of giving any approval or consent, exercising any remedies or taking any other actions in respect of the occurrence of an Event of Default. See “Action by Credit Enhancer When Action by Holders of Subordinated Bonds Required” herein.

During the continuance of an Event of Default under the Subordinated Electric System Resolution, JEA shall apply all moneys, securities and funds held or received by JEA with respect to the Subordinated Bonds as follows and in the following order: (i) to the extent required in the Electric System Resolution, to the payment of the interest and principal or redemption price due on the Electric System Bonds and (ii) to the interest and principal or Redemption Price due on the Subordinated Bonds.

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## **Subordinated Bond Paying Agents**

The Subordinated Electric System Resolution requires the appointment by JEA of one or more Paying Agents for the Subordinated Bonds of each Series. Any Paying Agent may resign on 60 days' notice and may at any time be removed with or without cause by JEA. Successor Paying Agents will be appointed by JEA, and will be an officer of JEA, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended, or a bank, trust company or national banking association having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 if there be such an entity willing to accept appointment.

## **Action by Credit Enhancer When Action by Holders of Subordinated Bonds Required**

Except as otherwise provided in a Supplemental Subordinated Resolution authorizing Subordinated Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Subordinated Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Subordinated Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Subordinated Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Subordinated Resolution or any amendment, change or modification of the Subordinated Electric System Resolution which requires the written approval or consent of Holders; *provided, however*, that the foregoing shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action following the occurrence of an Event of Default under the Subordinated Electric System Resolution.

## **Special Provisions Relating to Capital Appreciation Subordinated Bonds, Deferred Income Subordinated Bonds and Special Subordinated Bonds**

The principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Subordinated Debt Service, Aggregate Subordinated Debt Service, Accrued Aggregate Subordinated Debt Service and Adjusted Aggregate Subordinated Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Subordinated Bonds held by the Holder of a Capital Appreciation Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Electric System Resolution for any purpose whatsoever, the principal

amount of a Capital Appreciation Subordinated Bond shall be deemed to be its then current Accreted Value.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Subordinated Bonds held by the Holder of a Deferred Income Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Electric System Resolution for any purpose whatsoever, the principal amount of a Deferred Income Subordinated Bond shall be deemed to be its then current Appreciated Value.

Except as otherwise provided in the Supplemental Subordinated Resolution authorizing a Series of Special Subordinated Bonds, for the purposes of (i) receiving payment of a Special Subordinated Bond, whether at maturity, upon redemption or if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default or (ii) computing the principal amount of Subordinated Bonds held by the Holder of a Special Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Electric System Resolution for any purpose whatsoever, the principal amount of a Special Subordinated Bond shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Subordinated Bonds of the Series or maturity or interest rate within a maturity or the Electric System Bonds of the installment or maturity or interest rate within a maturity for which such Special Subordinated Bond has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such bonds, less any prior repayments thereof.

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**SUMMARY OF CERTAIN PROVISIONS OF THE  
FIRST POWER PARK RESOLUTION**

The following is a summary of certain provisions of the First Power Park Resolution. The summary does not purport to be a complete description of the terms of the First Power Park Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the First Power Park Resolution may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction.

All outstanding Power Park Issue Two Bonds were defeased on January 5, 2018 in connection with the cessation of commercial operations of the Power Park. See “ELECTRIC UTILITY SYSTEM – *ELECTRIC UTILITY FUNCTIONS* – St. John’s River Power Park – *Early Termination of Power Park Joint Ownership Agreement*” for additional information. The First Power Park Resolution was discharged and satisfied in accordance with its terms on March 21, 2018.

**Definition of Terms**

The terms used in this summary shall have the meanings set forth in the definitional section of the First Power Park Resolution, unless such terms are specifically defined in the Annual Disclosure Report to which this summary is attached. Unless the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies. The term “Power Park Issue Two Bonds” as used in this summary has the same meaning as the term “Power Park Issue Two Bonds” as used in the Annual Disclosure Report to which this summary is attached.

**First Power Park Resolution to Constitute Contract**

The First Power Park Resolution shall constitute a contract between JEA and the Bondholders, and the pledge and the covenants and agreements made therein shall be for the equal benefit, protection and security of the holders of any and all of the Power Park Issue Two Bonds.

**Authorization and Issuance of the Power Park Issue Two Bonds,  
Additional Bonds, and Refunding Bonds**

JEA is authorized to issue from time to time, as provided in the First Power Park Resolution, the Power Park Issue Two Bonds, the aggregate principal amount of which is not limited except as hereinafter described or as may be provided in any Supplemental Resolution or as may be limited by law. The First Power Park Resolution authorizes the acquisition and construction of the Initial Facilities in accordance with the Acts and the Power Park Joint Ownership Agreement and the issuance of an Initial Issue of Power Park Bonds in an aggregate principal amount of not exceeding \$1,800,000,000 for the purpose of paying the Cost of Acquisition and Construction of such Initial Facilities. The First Power Park Resolution also authorizes the issuance of Power Park Bonds for the purpose of refunding the Initial Issue of Power Park Bonds.

One or more issues of Additional Bonds may be issued for the purpose of providing funds to complete the construction of the Initial Facilities or for the purpose of paying all or a portion of the Cost of Acquisition and Construction of any Additional Facilities. Further, one or more issues of Refunding Bonds in addition to those described in the previous paragraph may be issued at any time to refund all or any Outstanding Power Park Bonds.

## **Pledge Effected by the First Power Park Resolution**

The Power Park Issue Two Bonds are special obligations of JEA payable from and secured by the funds pledged therefor. The First Power Park Resolution pledges to the Trustee as security for the payment of the principal and Redemption Price of, and interest on, the Power Park Issue Two Bonds in accordance with their terms and the provisions of the First Power Park Resolution, subject only to the provisions of the First Power Park Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the First Power Park Resolution: (i) the proceeds of sale of the Power Park Issue Two Bonds, (ii) the Revenues and (iii) all Funds and Accounts established by the First Power Park Resolution, including the investments and investment income, if any, thereof. Such proceeds of sale of the Power Park Issue Two Bonds, the Revenues, and the other moneys and securities pledged shall immediately be subject to the lien of the pledge without physical delivery thereof or further act, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against JEA without regard to whether such parties have notice thereof. In any case in which under the provisions of the First Power Park Resolution the Trustee has the right to declare the principal of all Power Park Bonds then Outstanding to be due and payable immediately, or when the Power Park Issue Two Bonds by their terms mature (upon redemption or otherwise) and are not paid, the Trustee, as the pledgee of all the right, title and interest of JEA in and to all payments to be made to JEA under Section Eight of the Power Park Joint Ownership Agreement, may enforce each and every right granted to JEA under the Power Park Joint Ownership Agreement with regard to such payments.

FPL shall have no obligation whatsoever to the Trustee or the Bondholders except and only to the extent and by virtue of the assignment or pledge to the Trustee for the benefit of the Bondholders, as provided in the First Power Park Resolution, by JEA of JEA's right, title and interest in and to the payments required by Section Eight of the Power Park Joint Ownership Agreement.

Nothing contained in the First Power Park Resolution shall be construed to prevent JEA from acquiring, constructing or financing through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the System for the purposes of the First Power Park Resolution; *provided* that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the Revenues or any Fund or Account held under the First Power Park Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund or Account.

To the extent that other moneys are not available therefor amounts in the Construction Fund shall be applied to the payment of principal of and interest on the Power Park Issue Two Bonds when due.

## **Establishment of Funds and Application Thereof**

The First Power Park Resolution establishes Construction, Revenue, Debt Service, Renewal and Replacement and General Reserve Funds, each such fund to be held by JEA, except for the Debt Service Fund which is held by the Trustee.

(A) **Construction Fund.** There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the First Power Park Resolution or any Supplemental Resolution. Amounts in the Construction Fund shall be applied to the Cost of Acquisition and Construction of the Initial Facilities and Additional Facilities either by payment into the Construction and Plant Account established pursuant to the Power Park Joint Ownership Agreement in the amounts and at the times required by the Power Park Joint Ownership Agreement, or pursuant to requisition certificates of JEA. Upon the completion of construction, amounts remaining in the Construction Fund shall be used to fund the Debt Service Reserve Account up to the Debt Service Reserve Requirement, and any balance shall be deposited in the General Reserve Fund for the retirement of Power Park Bonds or, at the option of JEA,

applied to payment of the Cost of Acquisition and Construction of any Additional Facilities then under construction; *provided* that if such balance is less than \$100,000 such balance may be applied for the purposes of the General Reserve Fund.

(B) **Revenue Fund.** All Revenues shall be promptly deposited by JEA to the credit of the Revenue Fund. Amounts in the Revenue Fund shall first be used to pay Operation and Maintenance Expenses, including payments pursuant to the Power Park Joint Ownership Agreement to pay or provide for payment of “Costs of Operation” (other than payments of damages awarded pursuant to judgment of any court) and certain “Other Costs,” as defined in the Power Park Joint Ownership Agreement. JEA may establish general reserves (not exceeding 30 percent of the annual operation and maintenance budget) in the Revenue Fund for operation and maintenance expenses or the acquisition of fuel inventory or material and supplies inventory.

Thereafter, in each month JEA shall withdraw from the Revenue Fund and deposit in the following funds and accounts in the following order the amounts set forth below:

(a) in the Debt Service Fund (unless there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Power Park Bonds), (i) for credit to the Debt Service Account, the Monthly Debt Service Deposit for such month, and (ii) for deposit in the Debt Service Reserve Account, the amount, if any, required for such account to equal the Debt Service Reserve Requirement; and

(b) in the Renewal and Replacement Fund, the Monthly Renewal and Replacement Deposit for such month.

After making all of the payments described above for the then current Bond Year JEA shall deposit the remaining balance in the Revenue Fund (other than amounts set aside as reserves) into the General Reserve Fund.

(C) **Debt Service Fund.** The Debt Service Fund shall consist of a Debt Service Account and a Debt Service Reserve Account. The Trustee shall pay out of the Debt Service Account to the Paying Agents, on or before the date necessary, the amount necessary for interest and principal installment payments, including sinking fund installments, and for the payment of interest on any Power Park Bonds to be redeemed. If the amount in the Debt Service Account is less than the amount required to make such payments the Trustee shall apply amounts in the Debt Service Reserve Account to the extent necessary to make good such deficiency.

Pursuant to the First Power Park Resolution, JEA is required to maintain on deposit in the Debt Service Reserve Account on amount equal to the Debt Service Reserve Requirement. “Debt Service Reserve Requirement” is defined in the First Power Park Resolution to mean, as of any date of calculation, an amount equal to the sum of (i) the respective amounts of average annual Debt Service for each of the respective Series of Power Park Bonds Outstanding other than Series of Power Park Bonds having one or more Designated Maturities, (ii) the respective amounts of average annual Debt Service for each of the Series of Power Park Bonds Outstanding having one or more Designated Maturities, calculated without reference to Power Park Bonds of the Designated Maturities, and (iii) the respective amounts of average annual Debt Service which would accrue on Power Park Bonds of each of the respective Designated Maturities if the Power Park Issue Two Bonds of each of such Designated Maturities were amortized over either (A) the period commencing on the Date of Issuance of such Power Park Bonds and ending on the October 1 on, or immediately preceding, the twenty-fifth anniversary of the Date of Issuance of such Power Park Bonds, or (B) the period commencing the Date of Issuance of such Power Park Bonds and ending on the October 1 on, or immediately preceding, the thirtieth anniversary of the Date of Issuance of the initial Series of the Initial Issue, whichever is the shorter period, at the rate of interest borne by such Power Park

Bonds so as to provide Debt Service in each Bond Year during such period as near to equal as possible. The determination of the respective amounts of average annual Debt Service under each of clauses (i), (ii) and (iii) of the preceding sentence shall be made on a Bond Year basis as of the Date of Issuance of the Power Park Issue Two Bonds of the Series with respect to which the determination is made. Any amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement shall be deposited into the Revenue Fund. In the case of the refunding and defeasance of any Power Park Bonds, the Trustee shall, upon the direction of JEA, withdraw from the Debt Service Reserve Account amounts accumulated therein with respect to the Power Park Issue Two Bonds being refunded and deposit such amounts with itself as trustee to be held for the payment of the principal or redemption price, if applicable, and interest on the Power Park Issue Two Bonds being refunded; *provided* that such withdrawal shall not be made unless (a) immediately thereafter the Power Park Issue Two Bonds being refunded shall be deemed to have been paid pursuant to subsection 2 of Section 1201 of the First Power Park Resolution and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal shall not be less than the Debt Service Reserve Requirement.

**(D) *Renewal and Replacement Fund.*** Amounts in this Fund shall be applied to the cost of emergency capital repairs, emergency maintenance expenses, and renewals, replacements, additions, betterments or improvements with respect to the System and of a type not recurring annually or at shorter intervals or necessary to keep the same in good operating condition or to prevent a loss of Revenues, or required by any governmental agency, or to the costs of decommissionings and disposals or retirements with respect to the System. If at any time the amount in the Debt Service Account shall be less than the amount necessary for the purposes thereof or the amount in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement, and there is not on deposit in the General Reserve Fund available money sufficient to cure such deficiency, then upon requisition by the Trustee JEA shall transfer moneys from the Renewal and Replacement Fund to make up such deficiency. Amounts in the Renewal and Replacement Fund in excess of the Renewal and Replacement Requirement and not needed for purposes of the prior sentence shall be deposited in the General Reserve Fund.

**(E) *General Reserve Fund.*** Amounts in the General Reserve Fund shall be applied to make up any deficiencies in the Debt Service Account and the Debt Service Reserve Account and in the payments required to be made into the Renewal and Replacement Fund. Thereafter, amounts remaining in the General Reserve Fund shall, upon the determination of JEA, be applied to or set aside for any one or more of the following: (i) the purchase or redemption of Power Park Bonds, (ii) payment of Operation and Maintenance Expenses or establishment of reserves therefor, (iii) payment into the Construction Fund for application to the purposes thereof, (iv) transfers to the Renewal and Replacement Fund for application to the purposes thereof, or (v) for any other lawful purpose of JEA.

As of the end of each Bond Year, amounts remaining in the General Reserve Fund may be paid over to FPL and to the Electric System. Such amounts paid over to the Electric System may then be available for any lawful purpose including payment in the succeeding Bond Year of amounts due from the Electric System under the First Power Park Resolution. In certain years, the amounts (if any) transferred from the General Reserve Fund to the Electric System may be less than the amounts available to be transferred. In accordance with the First Power Park Resolution, any amount not so transferred may be transferred from the General Reserve Fund to the Electric System in any succeeding Fiscal Year.

## **Deposits and Investments**

All moneys deposited under the provisions of the First Power Park Resolution with the Trustee or any Depository shall be held in trust and be applied only in accordance with the provisions of the First Power Park Resolution, and each of the funds and accounts established by the First Power Park Resolution shall be a trust fund for the purposes thereof.

Moneys held in the Debt Service Fund shall be invested and reinvested by the Trustee in accordance with instructions received from any authorized officer of JEA, and moneys in the Construction Fund, the Revenue Fund, the Renewal and Replacement Fund and the General Reserve Fund may be invested and reinvested by JEA, in specified types of investment securities which mature not later than such times as shall be necessary to provide moneys when needed for the payments to be made from such Funds, and in the case of the Debt Service Reserve Account maturing not later than 15 years but prior to the final maturity date of the Power Park Issue Two Bonds, and in the case of the Renewal and Replacement Fund and the General Reserve Fund maturing within 5 years, but not later than required to provide moneys when needed for payments to be made from such Funds. Interest on such investments (other than investments in the Construction Fund) shall be paid to the Revenue Fund; *provided* that during construction of the System JEA shall direct that such interest be paid into the Revenue Fund or the appropriate separate account in Construction Fund. Interest earned on investments in a separate account in the Construction Fund shall be held in such account for the purposes thereof. Any profit or loss realized from the investment of moneys in any fund or account shall be credited or debited to such fund or account. In computing the amount in any fund for any purpose provided in the First Power Park Resolution obligations purchased as an investment of moneys shall be valued at the amortized cost of such obligations, determined as of October 1 in each year.

### **Additional Power Park Bonds**

JEA may issue one or more issues of additional Power Park Bonds for the purpose of providing funds to pay all or a portion of the Cost of Acquisition and Construction of any Additional Facilities. JEA may also issue refunding Power Park Bonds to refund outstanding Power Park Bonds. Any additional Power Park Bonds or refunding Power Park Bonds will be entitled to a lien on the Revenues and other funds pledged pursuant to the First Power Park Resolution equal to the lien of the outstanding Power Park Bonds. Set forth below are certain conditions applicable to the issuance of additional Power Park Bonds:

**Debt Service Reserve.** The issuance of additional Power Park Bonds is conditioned upon the deposit in the Debt Service Reserve Account in the Debt Service Fund established under the First Power Park Resolution of the amount, if any, necessary so that the balance in such account equals the Debt Service Reserve Requirement calculated immediately after the delivery of such Power Park Bonds.

**No Default.** In addition, the Power Park Issue Two Bonds of any series may be issued only if JEA certifies that upon the issuance of such series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the First Power Park Resolution.

### **Particular Covenants of JEA**

#### *Power to Fix and Collect Rates*

JEA has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the System and to fix, establish, maintain and collect rates, fees and charges with respect to the use of the capability of and sale of the output, capacity, use or service of the System, subject to the terms of the Power Park Joint Ownership Agreement.

#### *Acquisition and Construction of the System and its Operation and Maintenance*

JEA shall use its best efforts to acquire and construct the System in accordance with the plans and specifications therefor with due diligence and in a sound and economical manner, all subject to the provisions of the Power Park Joint Ownership Agreement. JEA shall at all times use its best efforts to

operate the System properly and in an efficient and economical manner consistent with good business and utility operating practice and shall use its best efforts to maintain, preserve, reconstruct and keep the System in good repair, working order and condition and shall from time to time make or use its best efforts to cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted, all subject to the provisions of the Power Park Joint Ownership Agreement.

*Creation of Liens; Sale and Lease of Property*

JEA shall not issue any bonds, notes, or other evidences or indebtedness of a similar nature, other than Power Park Bonds, payable out of or secured by a security interest in or pledge of the Revenues or other moneys, securities or funds held or set aside by JEA or by the Fiduciaries under the First Power Park Resolution and shall not create or cause to be created any lien or charge on the Revenues or such moneys, securities or funds, except for the issuance of bond anticipation notes as permitted by the First Power Park Resolution.

No part of the System shall be sold, mortgaged, leased or otherwise disposed of except that (a) JEA may sell or exchange any property or facilities (i) of fair market value not in excess of 1/10 of 1 percent of the then current accumulated Cost of Acquisition and Construction if JEA shall determine that such properties are no longer useful in the operation of this System, or (ii) if such property or facilities are of fair market value greater than 1/10 of 1 percent of the then current accumulated Cost of Acquisition and Construction and the Consulting Engineer shall certify that the sale or exchange of such property or facilities will not impair the ability of JEA to comply during the then current or any future year with the rate covenant hereinafter described, and (b) JEA may sell, lease or otherwise dispose of, or grant easements or other rights with respect to, any part of the System to the extent required by the Power Park Joint Ownership Agreement or may, under certain conditions, lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, any part of the System.

*Rate Covenant*

1. JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the sale of the output, capacity, use or service of the System which shall be sufficient to provide Net Revenues in each Bond Year which shall be the greater of (i) 125 percent of the Aggregate Debt Service for such Bond Year, and (ii) the amount which, together with other available funds, shall be sufficient for the payment of:

- (a) Aggregate Debt Service for such Bond Year;
- (b) the amount, if any, to be paid during such Bond Year into the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into such Account out of the proceeds of Power Park Bonds);
- (c) the amount to be paid during such Bond Year into the Renewal and Replacement Fund (other than amounts required to be paid into such Account out of the proceeds of the Power Park Issue Two Bonds);
- (d) all other direct and indirect costs of operating and maintaining the System, if any, which are not Operation and Maintenance Expenses but which are required to be paid by JEA under the Power Park Joint Ownership Agreement, including but not limited to (1) all costs, expenses, liabilities and charges which constitute "Costs of Operation" under the Power Park Joint Ownership Agreement and (2) all losses, costs,

damages and expenses payable by JEA to FPL under Section 13.6 of the Power Park Joint Ownership Agreement; and

(e) all other charges or liens (other than Operation and Maintenance Expenses and Costs of Acquisition and Construction of the Initial Facilities or any Additional Facilities) whatsoever payable out of Revenues during such Bond Year, including payments of damages awarded pursuant to judgment of any court and not covered by (d) above.

Section Eight of the Power Park Joint Ownership Agreement establishes charges to FPL, and Section 713 of the First Power Park Resolution establishes charges to JEA for the account of the Electric System, for the output, capacity, use and service of the System which are due on such dates and in such aggregate amounts as shall be sufficient to provide Net Revenues in each Bond Year sufficient to comply with the first paragraph of this subsection. However, the respective obligations of FPL and of JEA for the account of the Electric System are several obligations. Payments required to be made by FPL pursuant to Section Eight of the Power Park Joint Ownership Agreement are not subject to any increase to make up for any deficiency in the payments made by JEA from the Electric System into the Revenue Fund pursuant to Section 713 of the First Power Park Resolution. Payments required to be made by JEA from the Electric System into the Revenue Fund pursuant to Section 713 are not subject to any increase to make up for any deficiency in the payments made by FPL pursuant to Section Eight of the Power Park Joint Ownership Agreement except to the extent provided in subsection 3 of Section 713. In the event of any failure by JEA to make the payments from the Electric System into the Revenue Fund required by Section 713, JEA shall use its best efforts to sell to others for the account of the System, at such prices as shall enable JEA to comply with the rate covenant contained in the first paragraph of Section 711, the output, capacity, use or service of the System made available to the Electric System pursuant to Section 713.

2. JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the System, free of charge to any person, firm or corporation, public or private, and JEA will to the extent permitted by law enforce the payment of any and all accounts owing to JEA by reason of the ownership and operation of the System by discontinuing such use, output, capacity or service, or by filing suit therefor within 60 days after such accounts are due, or by both such discontinuance and by filing suit.

*Allocation to Electric System of Output and Capacity of System; Obligation of Electric System*

1. JEA shall allocate to and make available for the account of the Electric System in each year that portion of the output, capacity, use and service of the System which is in excess of the output, capacity, use and service of the System sold to FPL pursuant to Section Eight of the Power Park Joint Ownership Agreement. JEA shall make payments from the Electric System into the Revenue Fund for such output, capacity, use and service of the System at the times and in the amounts which, together with the amounts required to be paid by FPL to JEA (and assuming full and timely payment by FPL) pursuant to Section Eight of the Power Park Joint Ownership Agreement, will provide:

(i) in each month, Revenues equal to:

(a) the Operation and Maintenance Expenses due and payable during such month,

(b) the amount, if any, to be set aside in the Revenue Fund (other than amounts required to be paid into such Fund out of the proceeds of Power Park Bonds) as a general reserve for Operation and Maintenance Expenses or as a reserve for the acquisition of fuel in accordance with the then current annual budget,

- (c) the Monthly Debt Service Deposit for such month,
- (d) the amount, if any, to be paid during such month into the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into such Account out of the proceeds of Power Park Bonds),
- (e) the Monthly Renewal and Replacement Deposit for such month,
- (f) all other direct and indirect costs of operating and maintaining the System, if any, which are not payable under subsection 1(i) (a) above, but which are required to be paid by JEA under the Power Park Joint Ownership Agreement, including but not limited to (1) all costs, expenses, liabilities and charges which constitute “Costs of Operation” under the Power Park Joint Ownership Agreement, and (2) all losses, costs, damages and expenses payable to FPL under Section 13.6 of the Power Park Joint Ownership Agreement, and
- (g) all other charges or liens (other than Costs of Acquisition and Construction of Initial Facilities or any Additional Facilities) whatsoever payable out of Revenues during such month, including payments of damages awarded pursuant to judgments of any court and not covered by (f) above; and
- (ii) in each six-month period ending March 31 and September 30, Net Revenues equal to 125 percent of the Aggregate Debt Service for such period.

2. So long as the Electric System Resolution shall not be satisfied and discharged, all payments described in subsection 1 of this section shall constitute a “Cost of Operation and Maintenance” (as defined in the Electric System Resolution) to be paid directly from the Electric System Revenue Fund under the Electric System Resolution. After the satisfaction and discharge of the Electric System Resolution, JEA shall continue to make such payments from the revenues, income, rents and receipts derived by JEA from the ownership and operation of the Electric System as an operating expense of said Electric System. All such payments from the Electric System shall be made whether or not the System or any part thereof is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the System for any reason whatsoever, in whole or in part.

3. In the event of the failure for any reason of FPL to make when due any payment required to be made under Section Eight of the Power Park Joint Ownership Agreement, JEA (i) shall make available for the account of the Electric System that portion of the output, capacity, use or service of the System which shall become available by reason of such failure as the Electric System is able to use and said Electric System shall pay into the Revenue Fund on the same basis as set forth in the first two sentences of subsection 2 above for such portion of such output, capacity, use or service such proportionate amount equal to the proportionate amount required to be paid by FPL under Section Eight of the Power Park Joint Ownership Agreement for such portion of such output, capacity, use or service of the System sold to FPL under Section Eight of the Power Park Joint Ownership Agreement, and (ii) shall use its best efforts to sell to others for the account of the System the remaining portion, if any, of the output, capacity, use or service of the System made available by reason of such failure and not taken for the account of the Electric System.

4. So long as the Electric System Resolution shall not be satisfied and discharged, JEA shall not consent or agree to or permit any amendment or supplement to the Electric System Resolution (other than a supplement thereto to authorize a series of additional parity bonds as permitted by the Electric System Resolution) which will in any manner materially impair or materially adversely affect the

obligation of JEA to pay for the output, capacity, use and service of the System in accordance with Section 713 or the priority of such obligation under the Electric System Resolution or which will in any manner impair or materially adversely affect the rights or security of the Bondholders under the First Power Park Resolution.

5. Except as otherwise described herein, after the satisfaction and discharge of the Electric System Resolution, (i) JEA shall not become liable for any bonds, notes, debentures or other evidences of indebtedness of similar nature payable out of or secured by a pledge of or lien or charge on any of the revenues, income, rents or receipts to be derived by JEA from the ownership or operation of the Electric System which shall rank on a parity with or in priority over the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use and service of the System in accordance with Section 713, and (ii) JEA shall not become liable for any obligation under any agreement to purchase or pay for electric power and energy or other goods or services whether or not the same are made available or furnished or any other obligation under which JEA lends credit to or guarantees any debt, claim or other obligation of any other person, firm or corporation which shall rank in priority over the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use or service of the System in accordance with Section 713; *provided, however*, that nothing in the foregoing shall prohibit or restrict JEA from establishing one or more other separate bulk power supply utilities or systems pursuant to Chapter 80-513, Laws of Florida, as amended, or any other law, and issuing its bonds therefor as provided in said Chapter 80-513, as amended, or such other law, and from making payments from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System for the purchase of output, capacity, use or service of any of the facilities of any such separate bulk power supply utility or system, including payments with respect to debt service on such bonds, on a parity with (but not in priority over) the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use and service of the System in accordance with Section 713.

### **Particular Covenants with Respect to the Electric System**

#### *Sale or Lease of Property of the Electric System*

No part of the Electric System shall be sold, leased, mortgaged or otherwise disposed of except that (a) JEA may sell or exchange any property or facilities of the Electric System determined not to be useful in the operation of the Electric System and, if fair market value exceeds 1 percent of the undepreciated cost of the fixed assets of the Electric System, if in the opinion of the Consulting Engineer such sale or exchange will not impair the ability of JEA to comply with the rate covenant made with respect to the Electric System, and (b) JEA may, under certain conditions, lease or make contracts or grant licenses for the operation of or make arrangements for the use of any part of the Electric System; *provided* that such lease, etc., does not impede the operation of the Electric System or adversely impair the rights of JEA or the rights or security of the Bondholders under the First Power Park Resolution.

#### *Operation and Maintenance and Rate Covenant of the Electric System*

JEA shall at all times operate or cause to be operated the Electric System in an efficient and economical manner, consistent with good business and utility operation practices, and shall maintain, preserve, reconstruct and keep or cause the same to be so maintained, preserved, reconstructed and kept, in good repair and working order and condition and shall make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted.

JEA shall at all times fix, establish, maintain, charge and collect fees and other charges for the sale of the output, capacity, use or service of the Electric System as shall be required to provide moneys from the Electric System at least sufficient in each fiscal year with respect to the Electric System for the payment of all charges or liens whatsoever payable out of revenues of the Electric System during such fiscal year, including the obligation of JEA to pay from the Electric System for output, capacity, use or service of the System in accordance with the First Power Park Resolution. At least 6 months prior to the beginning of each fiscal year with respect to the Electric System JEA shall complete a review of its financial condition for the purpose of estimating whether the rates, fees, charges and other income and receipts from the operation of the Electric System will be sufficient to provide all of the payments and meet all other requirements referred to in the prior sentence. If JEA determines that such revenues may not be sufficient, it shall, with the recommendation of a Consulting Engineer qualified as provided in the Electric System Resolution, cause additional revenues to be collected in such following and later years as shall be sufficient to restore the amount of such deficiency at the earliest practical time.

### **Tax Exempt Status of the Power Park Issue Two Bonds**

JEA covenants with the holders of all Power Park Bonds at any time outstanding that it will make no use of the proceeds of any of the Power Park Issue Two Bonds which will cause the Power Park Issue Two Bonds to be arbitrage bonds subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954, as amended, and that it will make no sale, lease, disposition or other use of the Initial Facilities or any Additional Facilities or of the output, capacity, use or service of such facilities which will cause the Power Park Issue Two Bonds to be “industrial development bonds” subject to federal income taxation by reason of Section 103(b) of such Code.

### **Events of Default**

If one or more of the following Events of Default shall happen:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Power Park Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Power Park Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Power Park Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable and such default shall continue for a period of 30 days;

(iii) if default shall be made by JEA in the performance or observance of any other of the covenants, agreements or conditions on its part in the First Power Park Resolution or in the Power Park Issue Two Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to JEA by the Trustee or to JEA and to the Trustee by the Holders of not less than 10 percent in principal amount of the Power Park Issue Two Bonds Outstanding;

(iv) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of JEA or the filing by JEA of a voluntary petition in bankruptcy, or adjudication of JEA as a bankrupt, or assignment by JEA for the benefit of its creditors, or the entry by JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to JEA in any proceeding for its reorganization instituted under the provisions of the

Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

(v) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Power Park Issue Two Bonds shall have already become due and payable, either the Trustee (by notice in writing to JEA), or the Holders of not less than 25 percent in principal amount of the Power Park Issue Two Bonds Outstanding (by notice in writing to JEA and the Trustee), may declare the principal of all the Power Park Issue Two Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the First Power Park Resolution or in any of the Power Park Issue Two Bonds notwithstanding. The right of the Trustee or of the Holders of not less than 25 percent in principal amount of the Power Park Issue Two Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Power Park Issue Two Bonds shall have matured by their terms, all overdue installments of interest upon the Power Park Issue Two Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by JEA under the First Power Park Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Power Park Issue Two Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of JEA or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Power Park Issue Two Bonds or under the First Power Park Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of 25 percent in principal amount of the Power Park Issue Two Bonds Outstanding, by written notice to JEA and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of 25 percent in principal amount of the Power Park Issue Two Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default shall ipso facto be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

#### *Application of Revenues and Other Moneys Upon Default*

If there shall have occurred an unremedied Event of Default JEA shall, upon demand of the Trustee, direct FPL to make payments of the amounts due under the Power Park Joint Ownership Agreement directly to the Trustee, grant to the Trustee the rights and remedies afforded JEA in the Power Park Joint Ownership Agreement, and pay over or cause to be paid to the Trustee all moneys, securities and funds held by JEA under the First Power Park Resolution and all Revenues which are not paid directly to the Trustee as soon as practicable after receipt thereof.

#### *Proceedings Brought by Trustee; Restrictions on Bondholders Actions*

If an Event of Default shall happen and shall not have been remedied, the Trustee may, and upon written request of the Holders of not less than 25 percent in principal amount of the Power Park Issue Two Bonds Outstanding shall, proceed to protect and enforce its rights and the rights of the Holders of the Power Park Issue Two Bonds by suit or suits in equity or at law. No Holder of any Power Park Bond shall

have the right to institute any suit, action or proceeding at law or in equity for the enforcement of the First Power Park Resolution or for any remedy thereunder unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default and the Holders of at least 25 percent in principal amount of the Power Park Issue Two Bonds then Outstanding shall have filed a written request with the Trustee and shall have offered the Trustee reasonable opportunity either to exercise the powers conferred by the First Power Park Resolution and by law or to institute such action, suit or proceeding in the Trustee's own name, and unless such Holder shall have offered to the Trustee adequate security and indemnity against the cost, expenses and liabilities to be incurred thereby and the Trustee shall have refused to comply with such request for a period of 60 days; *provided, however*, that nothing in the First Power Park Resolution shall affect or impair the obligation of JEA to pay at the respective dates of maturity and places therein expressed the principal or Redemption Price of the Power Park Issue Two Bonds and interest thereon to the respective Holders thereof, or affect or impair the right of action of any Holder to enforce such payment of his Power Park Bond.

### **Amendments of the First Power Park Resolution**

The First Power Park Resolution may be modified or amended by unanimous consent of the Holders of the Power Park Issue Two Bonds, or, except with regard to the terms of redemption, maturity, interest, principal amount of the redemption price, or consent percentages required, by the written consent of the Holders of at least 60 percent in principal amount of the Power Park Issue Two Bonds Outstanding. Such consent shall be given as provided in Section 1103 of the First Power Park Resolution.

### **Defeasance**

If JEA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Power Park Issue Two Bonds and coupons the principal or Redemption Price, if applicable, and interest due or to become due thereon at the times and in the manner stipulated therein and in the First Power Park Resolution, then the pledge of any Revenues, and other moneys and securities pledged under the First Power Park Resolution and all covenants, agreements and other obligations of JEA to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Outstanding Power Park Bonds or coupons or interest installments shall be deemed to be paid within the meaning and for the purpose of the preceding paragraph if (a) moneys for the payment or redemption thereof shall have been set aside and shall be held in trust by the Paying Agents; (b) in the case of any Power Park Bonds to be redeemed on any date prior to their maturity JEA shall have given the Trustee irrevocable instructions in writing to publish notice of redemption of such Power Park Bonds on said date; (c) there shall have been deposited with the Trustee moneys in the amount which shall be sufficient, or certain Investment Securities the principal of and interest on which when due will provide moneys which, together with the moneys if any deposited with the Trustee shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Power Park Bonds on or prior to the redemption date or maturity date thereof as the case may be; and (d) JEA shall have given the Trustee irrevocable instructions to publish a notice to the Bondholders that the deposit required by clause (b) above has been made with the Trustee (if the Power Park Issue Two Bonds are not to be redeemed or paid at maturity within the next 60 days).

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**SUMMARY OF CERTAIN PROVISIONS OF THE  
SECOND POWER PARK RESOLUTION**

The following is a summary of certain provisions of the Second Power Park Resolution. Summaries of certain definitions contained in the Second Power Park Resolution are set forth below. Other terms defined in the Second Power Park Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Second Power Park Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

The Second Power Park Resolution, as heretofore amended, is available for viewing and downloading on JEA's website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the Second Power Park Resolution (as so amended) also may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction. The term "Bonds" as used in the Second Power Park Resolution and this summary has the same meaning as the term "Power Park Issue Three Bonds" as used in the Annual Disclosure Report to which this summary is attached.

**Definition of Terms**

The following are summaries of certain definitions in the Second Power Park Resolution.

*Accreted Value* shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service* shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (a) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (b) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however*, that (a) there shall be excluded from the calculation of Accrued Aggregate Debt service any Principal Installments which are Refundable Principal Installments, (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in the Second Power Park Resolution and (c) if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

*Additionally Secured Series* shall mean a Series of Bonds for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge created pursuant to the Second Power Park Resolution in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account in the Debt Service Fund 2d.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series; *provided, however*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Reserve Fund 2d takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

*Bond Anticipation Notes* shall mean notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Bonds, the proceeds of which have been or are required to be applied to one or more of the purposes for which Bonds may be issued, the payment of which notes is to be made from the proceeds of the Bonds in anticipation of the issuance of which said notes are issued.

*Bond Year* shall mean the 12-month period commencing on October 1 in any year and ending on September 30 of the following year.

*Build America Bonds* shall mean any Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code or any similar federal program creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Bonds.

*Certified Interest Rate* shall mean, as of any date of determination:

(a) with respect to (i) any Commercial Paper Notes or Medium-Term Notes or (ii) any Variable Rate Bonds maturing on a particular date that were, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (A) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (B) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (a) shall be the rate determined pursuant to the foregoing subclause (A),

(b) with respect to (i) any Commercial Paper Notes or Medium-Term Notes or (ii) any Variable Rate Bonds maturing on a particular date that were not, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (A) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (B) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, are then being issued or shall not have

been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (A); and

(c) for purposes of calculating the Debt Service Reserve Requirement for any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d and with respect to (i) any Commercial Paper Notes or Medium-Term Notes or (ii) any Variable Rate Bonds maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of JEA executed on or prior to the date of the initial issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may, as determined as follows: a Certified Interest Rate shall be that rate of interest determined by JEA, or a banking or financial institution or financial advisory firm selected by JEA, as the rate of interest such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, would bear if, assuming the same maturity date, terms and provisions (other than interest rate and redemption provisions) as such proposed Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, and on the basis of JEA's credit ratings with respect to the Bonds (other than Bonds for which credit enhancement is provided by a third party), such proposed Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, were issued at a fixed interest rate.

*Commercial Paper Payment Plan* shall mean, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the Second Power Park Resolution setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Commercial Paper Notes or any subsequent certificate of an Authorized Officer of JEA thereafter executed to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes; *provided, however*, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Bonds other than Commercial Paper Note or Medium-Term Notes or (b) Subordinated Indebtedness, in either case, that JEA intends to pay from Revenues, the principal of such Commercial Paper Notes shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the earlier of (x) the 40th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 30th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial Paper Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Notes in each other Fiscal Year in such period.

*Costs* shall mean, with respect to the System, all costs of planning, designing, acquiring, constructing, financing and placing in operation, or retirement or disposal of, the System, including amounts paid to FPL under the Joint Ownership Agreement for any cost or expense which would be Costs if paid or incurred by JEA, and which shall include, but not be limited to, funds for:

(a) acquisition (including acquisition by prepayment) of additional fuel stockpile for the System;

(b) all federal, state and local taxes and payments in lieu of taxes required to be paid under the Joint Ownership Agreement (other than payments in lieu of taxes provided for in Section 9.4.2.2 of the Joint Ownership Agreement) or otherwise legally required to be paid in connection with the acquisition and construction of the System;

(c) all costs relating to claims or judgments arising out of construction or operation of the System;

(d) planning and development costs, engineering fees, contractors' fees, costs of obtaining governmental or regulatory permits, licenses and approvals, costs of real property, labor, materials, equipment, supplies, training and testing costs, insurance premiums, legal and financing costs, administrative and general costs, and all other costs properly allocable to the acquisition and construction of the System and placing the same in operation;

(e) all other costs incurred in connection with, and properly chargeable or attributable to, the acquisition and construction of the System, including "Costs of Construction," "Other Costs" (other than those "Other Costs" which are payable as Operation and Maintenance Expenses), or "Costs of Plant" as defined in the Joint Ownership Agreement;

(f) the costs of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses and contractors' fees and expenses;

(g) the costs of legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees, bond insurance and indemnity premiums, discounts to the underwriters or other purchasers thereof, amounts required to be paid under any interest rate exchanges or swaps, cash flow exchanges, options, caps, floors or collars, in each case made in connection with the issuance of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA relating to the System;

(h) fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Second Power Park Resolution;

(i) amounts, if any, required by the Second Power Park Resolution to be paid into the Debt Service Fund 2d to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Revenue Fund 2d or the Renewal and Replacement Fund 2d for any of the respective purposes thereof;

(j) payments when due (whether at maturity of principal or due date of interest or of redemption) upon any indebtedness of JEA issued to finance or refinance any of the foregoing, and all federal, state and local taxes and payments in lieu of taxes in connection with the System or any part thereof; and

(k) working capital and reserves for any of the foregoing, including reimbursements to JEA for any of the above items theretofore paid by or on behalf of JEA.

It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of JEA related to the System which on the date of the Second Power Park Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Florida law.

*Credit Enhancement* shall mean, with respect to the Bonds of a Series, a maturity within a Series or an interest rate within a maturity, an insurance 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.

*Credit Enhancer* shall mean any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for the Bonds of a Series, a maturity within a Series or an interest rate within a maturity.

*Current Interest Commencement Date* shall mean, with respect to any particular Deferred Income Bonds, the date specified in the Supplemental Resolution authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Debt Service* for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund 2d made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund 2d); provided, that in the event that the Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on Such Bonds, for purposes of this definition, the interest on the Bonds of such series shall be calculated net of the amount of the cash subsidy payments due from the U.S. Treasury. If for whatever reason, JEA no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Bonds of such Series shall be calculated without regard to such subsidy and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (i) in the case of Bonds other than Reimbursement Obligations, if (A) there shall be no such preceding Principal Installment due date or (B) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later, and (ii) in the case of Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Such interest and Principal Installments for such Series shall be calculated on the assumption that (i) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (ii) the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (iii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the Second Power Park Resolution; *provided, however*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

For the purpose of computing Debt Service (a) for any future period (i) any Variable Rate Bonds, Commercial Paper Notes and Medium-Term Notes Outstanding during such period shall be assumed to bear interest during such period at the greater of (X) the actual rate of interest then borne by such Variable Rate Bonds, Commercial Paper Notes and Medium-Term Notes or (Y) the Certified Interest Rate applicable thereto and, in the case of Commercial Paper Notes and Medium-Term Notes Outstanding, such

period shall be assumed to have Principal Installments that come due in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan applicable thereto and (ii) any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the Second Power Park Resolution.

Notwithstanding anything to the contrary contained in the Second Power Park Resolution, (a) if JEA has in connection with any Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount corresponding to the principal amount or issue price of such Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating Debt Service with respect to such Bonds for purposes of the rate covenant contained in the Second Power Park Resolution, it will be assumed that such Bonds bear interest at a rate equal to the sum of (i) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination (or such lesser period the date of determination if in effect for less than five years), calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the 12 months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for 12 months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (A) and (ii) the difference (whether positive or negative) between (A) the fixed rate of interest on such Bonds and (B) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes entered into a Designated Swap Obligation which provides that, in respect of a notional amount of such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating Debt Service with respect to such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of the rate covenant contained in the Second Power Park Resolution, it will be assumed that such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*Debt Service Reserve Requirement* shall mean, with respect to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d, unless otherwise specified in the Supplemental Resolution establishing such subaccount, as of any date of calculation, an amount equal to the maximum amount of interest to accrue on the Additionally Secured Series secured thereby during the then current, or any future, Fiscal Year (assuming, for this purpose, that all Additionally Secured Series secured thereby that bear interest at a variable or floating rate shall bear interest during such period at the Certified Interest Rate applicable thereto) excluding interest on such Bonds to be paid from deposits in the Debt Service Account in the Debt Service Fund 2d made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund 2d).

For the purpose of the calculation of the Debt Service Reserve Requirement in the event that any Additionally Secured Bonds secured thereby shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest

on such Bonds shall be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Bonds represented by such subsidy shall be permanently reduced, then the amount of such Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period and provided, further, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Bonds, and such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period. Notwithstanding any other provision of this resolution, any one or more installments of any increase in the Debt Service Reserve Requirement with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund provided for in the preceding sentence may be prepaid at any time in whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

*Defeasance Securities* shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds,

(a) 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 (c) below to the extent unconditionally guaranteed by the United States of America, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (ii) which are secured as to principal and interest and redemption

premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate and (iv) which at the time of their purchase under the Second Power Park Resolution are rated “AAA” by Standard & Poor’s Credit Market Services, a business of Standard & Poor’s Financial Services LLC, a limited liability company, organized and existing under the laws of the State of Delaware (“S&P”), if rated by such agency, and, are rated “Aaa” by Moody’s Investors Service (“Moody’s”), if rated by such agency,

(c) 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 which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall also be specified in such instructions, and which shall be rated in the highest whole rating category by two nationally recognized rating agencies,

(d) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (a) and (c) 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, or territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000, or obligations described in the foregoing clause (c), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such obligations on a specified redemption date has been given and such obligations are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(e) deposits in interest-bearing time deposits or certificates of deposit which shall not be subject to redemption or repayment prior to their maturity or due date other than at the option of the depositor or holder thereof or as to which an irrevocable notice of redemption or repayment of such time deposits or certificates of deposit on a specified redemption or repayment date has been given and such time deposits or certificates of deposit are not otherwise subject to redemption or repayment prior to such specified date other than at the option of the depositor or holder thereof, and which are fully secured by obligations described in clause (a) or clause (b) of this definition to the extent not insured by the Federal Deposit Insurance Corporation,

(f) agreements or contracts with insurance companies or other financial institutions, or subsidiaries or affiliates thereof (hereinafter in this paragraph referred to as “Providers”), (i) whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a “financial programs rating”

or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations or (ii) whose obligations under such agreements or contracts shall be unconditionally guaranteed by another insurance company or other financial institution, or subsidiary or affiliate thereof, whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a “financial programs rating” or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations, pursuant to which agreements or contracts the Provider shall be absolutely, unconditionally and irrevocably obligated to repay the moneys invested by JEA and interest thereon at a guaranteed rate, without any right of recoupment, counterclaim or set off; the Provider may have the right to assign its obligations under any Investment Agreement to any other insurance company or other financial institution, or subsidiary or affiliate thereof; *provided, however*, that such assignee also shall be an insurance company or other financial institution, or subsidiary or affiliate thereof, satisfying the requirements set forth in either clause (i) or clause (ii) of the preceding sentence, and

(g) upon compliance with the applicable provisions of the Second Power Park Resolution, such securities (i) as are described in clause (a) of this definition and (ii) as are described in clause (d) of this definition so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clause (a) of such definition, in each case provided that, notwithstanding such clauses, such securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

*Deferred Income Bonds* shall mean any Bonds issued under the Second Power Park Resolution as to which interest accruing prior to the Current Interest Commencement Date is (a) compounded periodically on dates specified in the Supplemental Resolution authorizing such Deferred Income Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Second Power Park Resolution or the Supplemental Resolution authorizing such Deferred Income Bonds.

*Designated Swap Obligation* shall mean, to the extent from time to time permitted by law, any interest rate swap transaction (a) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Bonds) and (b) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which certificate shall specify the Bonds with respect to which such Designated Swap Obligation is entered into).

*Electric Resolution* shall mean the resolution adopted by JEA on March 30, 1982, authorizing the issuance of Electric System Revenue Bonds, as amended.

*Electric System* shall mean JEA’s existing electric generating, transmission and distribution system consisting of the existing generating plants and transmission and distribution lines and facilities together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, and all lands or interests therein, including buildings, machinery, equipment and all property, real or personal, tangible or intangible, now or hereafter owned and constructed or acquired by JEA as part of said existing electric system; such Electric System shall not be deemed to include (a) any facilities or property now or hereafter constructed, owned or operated by JEA as a part of the System or any other bulk power supply system projects or any other separate non-competing electric utility or system which JEA elects to acquire, construct and operate as a separate bulk power supply utility or system, (b) the existing water and sewer system owned by JEA or any additional utility functions hereafter added to such water and sewer system, (c) the district energy system owned by JEA or (d) any properties or interests in properties of JEA (i) which

JEA determines shall not constitute a part of the Electric System for the purpose of the Electric Resolution at the time of the acquisition thereof by JEA or (ii) as to which JEA shall determine by resolution that the exclusion of such properties or interests in properties from the Electric System will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of the Electric Resolution.

*First Resolution* shall mean the St. Johns River Power Park System Revenue Bond Resolution adopted by JEA on March 30, 1982, as from time to time amended or supplemented.

*FPL* shall mean Florida Power & Light Company, a corporation organized and existing under the laws of the State of Florida.

*Highest Rating Category* shall mean (a) if the Bonds are rated by a Rating Agency, that each such Rating Agency has assigned a rating in the highest rating category given by that Rating Agency for that general category of security or obligation, and (b) if the Bonds are not rated (and, consequently, there is no Rating Agency), that Standard and Poor's or Moody's Investor Service has assigned a rating in the highest rating category given by that rating agency for that general category of security or obligation.

*Investment Securities* 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:

(a) 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 (b) below to the extent unconditionally guaranteed by the United States of America;

(b) 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 under the Second Power Park Resolution are rated "AAA" by S&P and "Aaa" by Moody's, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of "AAA" or "Aaa" by S&P or Moody's, as the case may be;

(c) 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 under the Second Power Park Resolution such obligations are rated in either of the two highest whole rating categories by two nationally recognized rating agencies;

(d) 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;

(e) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (a) and (b) 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;

(f) 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 under the Second Power Park Resolution 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 or S&P or (Y) two nationally recognized rating agencies or (2) which bind, 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 subclause (a) or (b) of this clause (f), 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 (a) 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;

(g) commercial paper that, at the date of investment, is rated "P-1" by Moody's and "A-1" by S&P, or if not so rated by both such rating agencies, then rated "P-1" by Moody's or "A-1" by S&P 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;

(h) 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 (a) and (b) above and which, in the judgment of JEA, conforms as to terms and conditions with then prevailing prudent standards in the financial markets;

(i) 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 S&P and "Aa2" or above if rated by Moody's;

(j) 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

(k) 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.

*Joint Ownership Agreement* shall mean (i) the Agreement for Joint Ownership, Construction and Operation of St. Johns River Power Park Coal Units #1 and #2, dated April 2, 1982 between JEA and FPL, as amended and (ii) after the expiration of the term of the agreement described in clause (i), the agreement between JEA and FPL governing the joint ownership and operation of the System designated by JEA's governing board as intended to be treated as the Joint Ownership Agreement within the meaning of the Second Power Park Resolution. References in the Second Power Park Resolution to particular sections of the Joint Ownership Agreement after the agreement referred to in clause (ii) is in effect shall be deemed to be references to the respective sections of such agreement which cover the substance covered in the sections referenced in the Joint Ownership Agreement described in clause (i) above.

*Medium-Term Note Payment Plan* shall mean, with respect to any Series of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the Second Power Park Resolution and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Medium-Term Notes or any subsequent certificate of an Authorized Officer of JEA thereafter executed to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; *provided, however*, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Indebtedness, in either case, that JEA intends to pay from Revenues, the principal of such Medium-Term Notes shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the earlier of (a) the 40th anniversary of the first issuance of Medium-Term Notes of such Series or (b) the 30th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Notes in each other Fiscal Year in such period.

*Net Revenues* shall mean, for any period, the Revenues during such period, determined on an accrual basis, minus the Operation and Maintenance Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues.

*One-Month LIBOR Rate* shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Operation and Maintenance Expenses* shall mean JEA's current expenses, paid or accrued, of operation, maintenance and repair of the System (but only to the extent not paid by or accrued in respect of "Revenues" under the First Resolution), including administration costs, as calculated in accordance with generally accepted accounting principles, and shall include all Contract Debts. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include any reserve for renewals or replacements

or any allowance for depreciation or amortization and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of JEA which are properly allocable to the System.

*Option Bonds* shall mean Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Principal Installment* shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance (determined as provided in the Second Power Park Resolution) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Refundable Principal Installment* shall mean any Principal Installment for any Series of Bonds which JEA intends to pay with moneys which are not Revenues; *provided* that (a) in the case of Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds, (b) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (c) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; *provided, further*, that such Principal Installment shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Principal Installment with moneys which are not Revenues.

*Reimbursement Obligations* shall mean all Bonds issued to evidence JEA's obligation to repay any advances or loans made to, or behalf of, JEA in connection with any Credit Enhancement or liquidity support for the Bonds of a series (or a maturity or maturities or interest rate within a maturity thereof).

*Renewal and Replacement Requirement* shall mean, (a) if the First Resolution has not been satisfied and discharged, zero and (b) if the First Resolution has been satisfied and discharged, for each Bond Year, 12 1/2 percent of Aggregate Debt Service for such Bond Year or such greater amount as shall be determined from time to time by JEA's governing board as being prudent and appropriate.

*Revenues* shall mean (a) so long as the First Resolution has not been satisfied and discharged, (i) all payments made by JEA from its Electric System into the Revenue Fund 2d (x) pursuant to the applicable provision in the Second Power Park Resolution and (y) as may be required to comply with the requirements of the Second Power Park Resolution and (ii) amounts received or to be received as described in sub-clause (iii) of clause (b) below and (b) after the First Resolution has been satisfied and discharged, in addition to the payments received pursuant to sub-sub-clause (x) and (y) of sub-clause (i) of clause (a) above, (i) all revenues, income, rents and receipts derived or to be derived by JEA from or attributable or relating to the ownership and operation of the System, including all revenues attributable or relating to the System or to the payment of the costs thereof received or to be received by JEA from FPL under Section Eight of the Joint Ownership Agreement or otherwise payable to it for the sale of the output, capacity, use of service of the System or any part thereof or otherwise with respect to the System, including all payments made by

JEA from its Electric System into the Revenue Fund 2d pursuant to the Second Power Park Resolution, (ii) the proceeds of any insurance covering business interruption loss relating to the System derived or to be derived by JEA and (iii) interest received or to be received on any moneys or securities (other than moneys or securities in the Construction Fund 2d) held pursuant to the Second Power Park Resolution and required to be paid into the Revenue Fund 2d. Revenues shall not include (a) any income, fees, charges, receipts, profits or other moneys derived by JEA from its ownership or operation of the Electric System (except that payments made by JEA into the Revenue Fund 2d from the Electric System pursuant to the Second Power Park Resolution, as referred to in the preceding sentence, shall become Revenues when and to the extent such payments are actually made) or of any other separate bulk power supply utility or system of the nature referred to in the last sentence of the definition of St. Johns River Power Park System below, or (b) any payments by FPL to JEA for transmission service under 6.17 of the Joint Ownership Agreement. Notwithstanding the foregoing, all cash subsidy payments received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall not constitute “Revenues” for any purpose of the Resolution.

*St. Johns River Power Park System or System* shall mean the Initial Facilities and the Additional Facilities. St. Johns River Power Park System or System shall not include JEA’s Electric System or any other separate utility or system which JEA elects to acquire, construct and operate as a separate bulk power supply utility or system.

*Second Highest Rating Category* shall mean (a) if the Bonds are rated by a Rating Agency, that each such Rating Agency has assigned a rating not lower than the second highest rating category (not taking into account numerical or plus or minus or other gradations within a rating category) given by that Rating Agency for that general category of security or obligation and (b) if the Bonds are not rated (and, consequently, there is no Rating Agency), that S&P or Moody’s has assigned a rating not lower than the second highest rating category given by that rating agency for that general category of security or obligation.

*Trust Estate* shall mean (a) the proceeds of the sale of the Bonds, (b) the Revenues, and (c) all Funds and Accounts established by the Second Power Park Resolution (other than the Debt Service Reserve Account in the Debt Service Fund 2d and the Renewal and Replacement Fund 2d), including the investments and investment income, if any, thereof.

*U.S. Treasury* shall mean the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America Bonds.

*Variable Rate Bond* shall mean any Bond not bearing interest throughout its remaining term at a specified rate or specified rates.

*Variable Rate Taxable Index* shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* shall mean the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

## **Pledge**

The Bonds are special obligations of JEA payable from and secured by the funds pledged therefor. Pursuant to the Second Power Park Resolution, there is pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Second Power Park Resolution, subject only to the provisions of the Second Power Park Resolution

permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Second Power Park Resolution, the Trust Estate.

Pursuant to the Second Power Park Resolution, there are pledged, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the Second Power Park Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Second Power Park Resolution, amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund 2d, including the investments and investment income, if any, thereof.

### **Application of Revenues**

Revenues are pledged by the Second Power Park Resolution to payment of principal of and interest and redemption premium on the Bonds of all series, subject to the provisions of the Second Power Park Resolution permitting application for other purposes. For application of the Revenues, the Second Power Park Resolution establishes a Construction Fund 2d, Revenue Fund 2d, Debt Service Fund 2d, which shall consist of a Debt Service Account and a Debt Service Reserve Account, and within such Debt Service Reserve Account an Initial Subaccount; Subordinated Indebtedness Fund; Renewal and Replacement Fund 2d and General Reserve Fund 2d; all of such funds are held by JEA; *provided* that if and to the extent provided in a Supplemental Resolution authorizing Subordinated Indebtedness, the Subordinated Indebtedness Fund shall be held by the entity specified in such Supplemental Resolution.

#### ***Construction Fund 2d***

There shall be paid into the Construction Fund 2d the amounts required to be so paid by the provisions of any Supplemental Resolution and there may be paid into the Construction Fund 2d, at the option of JEA, any moneys received for or in connection with the System by JEA from any other source, unless required to be otherwise applied as provided by the Second Power Park Resolution or the First Resolution. Amounts in the Construction Fund 2d shall be applied to the payment of the Costs of the System in the manner provided in the Second Power Park Resolution or for any other lawful purpose of JEA relating to the System.

The proceeds of insurance maintained pursuant to the Second Power Park Resolution against physical loss of or damage to the System or of contractors' performance bonds or other assurances of completion with respect thereto (all to the extent not required to be paid into an account under the First Resolution or not required to be held and applied under the Joint Ownership Agreement), pertaining to the period of construction or acquisition thereof, shall, upon receipt by JEA, be paid into the Renewal and Replacement Fund 2d.

Amounts in the Construction Fund 2d shall be paid by JEA into the Construction and Plant Account established pursuant to the Joint Ownership Agreement (and referred to in JEA's accounting system as the "Cost of Plant Account") to the extent, in the amounts and at the times required by the Joint Ownership Agreement.

To the extent that other moneys are not available therefor, amounts in the Construction Fund 2d shall be applied to the payment of the principal of and interest on the Bonds when due.

JEA may withdraw amounts from the Construction Fund 2d for the payment of amounts due and owing on account of Costs of the System.

Amounts credited to the Construction Fund 2d which JEA determines at any time to be in excess of the amounts required for the purposes thereof shall be deposited in the Debt Service Reserve Account in the Debt Service Fund 2d, if and to the extent necessary to make the amount in any separate subaccount therein equal to the Debt Service Reserve Requirement related thereto (or, if such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such excess shall be applied ratably, in proportion to the deficiency in each such subaccount), and any balance of such excess, upon written determination of an Authorized Officer of JEA, shall be deposited in the Revenue Fund 2d and the excess shall be deposited into the General Reserve Fund 2d; *provided, however*, that the amount of any such deposit to the Revenue Fund 2d shall not constitute or be deemed to constitute Revenues for any purpose of the Second Power Park Resolution.

JEA may permanently discontinue the acquisition or construction of any portion of the System, the Costs of which are at the time being paid out of the Construction Fund 2d, if the Governing Body determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of JEA and not disadvantageous to the Holders of the Bonds.

### ***Revenues and Revenue Fund 2d***

Pursuant to the Second Power Park Resolution, all Revenues are to be deposited promptly by JEA to the credit of the Revenue Fund 2d.

After payment of Operation and Maintenance Expenses, the Second Power Park Resolution provides that the Revenue Fund 2d should be applied monthly to the extent available in the following order:

(a) in the Debt Service Fund 2d, (i) for credit to the Debt Service Account, an amount at least equal to the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; *provided* that (A) for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance in said Account the amount, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund 2d) for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Second Power Park Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; and (B) any amount deposited into said Account during any month that is in excess of the minimum amount required to be deposited therein during such month may be deemed by JEA to be accumulated therein with respect to (1) any Sinking Fund Installment or (2) any principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established or (3) some combination of (1) and (2), and interest thereon; and (ii) thereafter, for deposit in each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund 2d shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund 2d shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount);

(b) in the Subordinated Indebtedness Fund, an amount at least equal to the amount, if any, as shall be required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness coming due in such month, whether as a result of maturity or prior call for redemption, and to provide reserves therefor and make other payments, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness; and

(c) in the Renewal and Replacement Fund 2d, an amount determined in the discretion of JEA; *provided, however*, that the amount deposited therein in each Fiscal Year shall be at least equal to the Renewal and Replacement Requirement for that Fiscal Year.

The balance of any moneys remaining in the Revenue Fund 2d after the above required payments have been made shall be withdrawn from the Revenue Fund 2d and deposited in the General Reserve Fund 2d (other than amounts set aside therein as a general reserve for Operation and Maintenance Expenses or as a reserve for the acquisition of fuel or materials and supplies inventory); *provided, however*, that none of the remaining moneys shall be used for any purpose other than those specified in this section above unless all current payments, including all deficiencies in prior payments, if any, have been made in full and unless JEA shall have complied fully with all the covenants and provisions of the Second Power Park Resolution.

Notwithstanding the provisions above, so long as there shall be held in the Debt Service Fund 2d an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), no deposits shall be required to be made into the Debt Service Fund 2d.

#### **Debt Service Fund 2d -- Debt Service Reserve Account**

There shall be established in the Debt Service Reserve Account in the Debt Service Fund 2d one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of Bonds, in the manner and to the extent provided in the Second Power Park Resolution or the Supplemental Resolution establishing such subaccount, as the case may be.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due the amount on deposit in the Debt Service Account in the Debt Service Fund 2d (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund 2d) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency that exists with respect to the Additionally Secured Series of the Bonds secured thereby.

Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement related thereto, and after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount or the Second Power Park Resolution, as the case may be, such excess shall be deposited in the Revenue Fund 2d and the balance after all required payments have been made shall be deposited into the General Reserve Fund 2d; *provided, however*, that the amount of any such deposit to the Revenue Fund 2d shall not constitute or be deemed to constitute Revenues for any purpose of the Second Power Park Resolution.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price, if applicable, and interest on the Bonds.

In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, JEA may withdraw from the separate subaccount in the Debt Service Reserve Account established for the benefit of the Bonds of such Additionally Secured Series all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided* that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid pursuant to the Second Power Park Resolution, and (b) the amount remaining in such separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, JEA may also withdraw from such separate subaccount in the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Second Power Park Resolution; *provided* that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; *provided, further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Second Power Park Resolution.

In addition to or in lieu of maintaining moneys or investments in a subaccount in the Debt Service Reserve Account JEA, in the Supplemental Resolution or Supplemental Resolutions authorizing the Series of Bonds additionally secured by such subaccount, may provide for the deposit into such subaccount of other available monies of JEA, from the sources and otherwise subject to such limitations as shall be provided in such Supplemental Resolution or Supplemental Resolutions.

### **Establishment of Initial Subaccount in the Debt Service Reserve Account and Application Thereof**

The Second Power Park Resolution establishes an Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d. Amounts held by JEA in the Initial Subaccount shall constitute a trust fund for the benefit of the Holders of the Bonds of any Series, if and to the extent that the Supplemental Resolution authorizing such Bonds provides that such Bonds shall be additionally secured by amounts on deposit in the Initial Subaccount; *provided, however*, that if the Bonds of any Series hereafter issued are to be additionally secured by amounts on deposit in the Initial Subaccount, then it shall be a condition precedent to the authentication and delivery of such Bonds that the amount on deposit in the Initial Subaccount, after giving effect to any surety bond, insurance policy or letter of credit that may be credited to the Initial Subaccount in accordance with the provisions of the Second Power Park Resolution, and after giving effect to the issuance of such Bonds, shall not be less than the Debt Service Reserve Requirement for the Initial Subaccount. The Bonds of any Series that are additionally secured by amounts on deposit in the Initial Subaccount as aforesaid are herein referred to collectively as the “Initial Subaccount Additionally Secured Bonds.” As of the date of the Annual Disclosure Report to which this Appendix is attached, the Initial Subaccount secures JEA’s Outstanding St. Johns River Power Park Revenue Bonds, Issue Three, Series One, Series Two, Series Four, Series Five, Series Six, Series Seven and Series Eight.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due the amount on deposit in the Debt Service Account in the Debt Service Fund 2d (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund 2d) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from the Initial Subaccount to the extent necessary to cure the deficiency that exists with respect to the Initial Subaccount Additionally Secured Bonds.

In lieu of maintaining moneys or investments in the Initial Subaccount, JEA at any time may cause to be deposited into the Initial Subaccount for the benefit of the Holders of the Initial Subaccount Additionally Secured Bonds an irrevocable surety bond, an insurance policy or a letter of credit (referred to in the Second Power Park Resolution as a “reserve fund credit instrument”) satisfying the requirements set forth below in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sums of moneys or value of Investment Securities on deposit in the Initial Subaccount, if any, upon provision of such reserve fund credit instrument.

(a) A surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Initial Subaccount Additionally Secured Bonds (a “municipal bond insurer”) may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the claims paying ability of the issuer thereof shall be rated in the Highest Rating Category by each Rating Agency.

(b) A surety bond or insurance policy issued by an entity other than a municipal bond insurer may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount; *provided* that such entity or its claims paying ability is rated in the Highest Rating Category by each Rating Agency.

(c) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the issuer thereof is rated at least the Second Highest Rating Category by each Rating Agency. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Initial Subaccount Additionally Secured Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(d) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in any of clauses (a) through (c) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter

of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.

(e) The use of any reserve fund credit instrument pursuant to the Second Power Park Resolution shall be subject to receipt of an opinion of counsel acceptable to JEA as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to JEA and the Credit Enhancer, if any, for the Bonds Additionally Secured by the Initial Subaccount and in form and substance satisfactory to JEA and the Credit Enhancer, if any, for the Bonds Additionally Secured by the Initial Subaccount to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against JEA.

(f) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Bonds. Subject to the second and third succeeding sentences, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be on a parity with the cash replenishment of the Initial Subaccount. The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the reserve fund credit instrument to reimbursement will be subordinated to cash replenishment of the Initial Subaccount to an amount equal to the difference between the full original amount available under the reserve fund credit instrument and the amount then available for further draws or claims. If (i) the issuer of a reserve fund credit instrument becomes insolvent or (ii) the issuer of a reserve fund credit instrument defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below the Highest Rating Category (as rated by any Rating Agency) or (iv) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), the obligation to reimburse the issuer of the reserve fund credit instrument shall be subordinate to the cash replenishment of the Initial Subaccount.

(g) If (i) the revolving reinstatement feature described in the preceding clause (f) is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below the Highest Rating Category (as rated by any Rating Agency) or (iii) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instrument then on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (c) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (2) the rating of the issuer

of the letter of credit falls below “A” or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (c) above within six months of such occurrence.

(h) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (g).

(i) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Second Power Park Resolution for purposes of the rate covenant contained in the Second Power Park Resolution.

(j) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice timely to the issuer of the reserve fund credit instrument in accordance with its terms in order to receive proceeds thereunder prior to each interest payment date for the Bonds of any Initial Subaccount Additionally Secured Bonds.

(k) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

On April 3, 2007, simultaneously with the issuance of JEA’s St. Johns River Power Park System Revenue Bonds, Issue Three, Series One (the “Series One Bonds”), JEA caused XL Capital Assurance Inc. (“XLCA”) to issue a debt service reserve insurance policy (the “XLCA Reserve Policy”) for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d. The XLCA Reserve Policy is in an initial amount equal to \$6,396,976.26, is non-cancelable, terminates on October 1, 2037 or earlier retirement of the Series One Bonds, and satisfied the requirements with respect to a reserve fund credit instrument contained in the Second Power Park Resolution at the time of its deposit to the Initial Subaccount. Because of a rating downgrade of XLCA, JEA has made a deposit to the Initial Subaccount in the amount of the XLCA Reserve Policy.

### **Renewal and Replacement Fund 2d**

Amounts in the Renewal and Replacement Fund 2d shall be applied to the Costs of the System, the payment of extraordinary operation and maintenance costs and contingencies and payments with respect to the prevention or correction of any unusual loss or damage in connection with all or part of the System, all to the extent not paid as Operation and Maintenance Expenses or from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Amounts in the Renewal and Replacement Fund

2d also may be applied (a) to the purchase, redemption, payment or provision for payment of Bonds or Subordinated Indebtedness, or interest thereon or (b) upon determination of the Governing Body, to the payment of the costs of enlargements, extensions, improvements and replacements of capital assets of any other utility system owned and operated by JEA and not constituting a part of the System.

If and to the extent provided in the Supplemental Resolution authorizing Bonds of a Series or Subordinated Indebtedness, amounts from the proceeds of such Bonds or Subordinated Indebtedness may be deposited in the Renewal and Replacement Fund 2d for any purpose of such Fund or may be deposited in the "Renewal and Replacement Fund" established under the First Resolution for any purpose of such Fund.

If at any time the amounts in the Debt Service Account or any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d shall be less than the current requirements of such Account or subaccount, respectively, then JEA shall transfer from the Renewal and Replacement Fund 2d for deposit in the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

If at any time the amounts in the Subordinated Indebtedness Fund shall be less than the current requirement of such Fund and the amounts on deposit in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d shall equal the current requirements of such Account and subaccounts, respectively, and such amounts are not required for the payment of Operation and Maintenance Expenses, then JEA shall transfer from the Renewal and Replacement Fund 2d for deposit in the Subordinated Indebtedness Fund the amount necessary (or all the moneys in the Renewal and Replacement Fund 2d if less than the amount necessary) to make up such deficiency.

### **General Reserve Fund 2d**

JEA shall withdraw from the General Reserve Fund 2d and apply moneys in the following amounts and in the following order of priority: (a) JEA shall pay Operation and Maintenance Expenses due and unpaid, (b) JEA shall deposit in the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund 2d the amount necessary (or all the moneys in the General Reserve Fund 2d if less than the amount necessary) to make up any deficiencies in said Accounts, and (c) JEA shall deposit in the Renewal and Replacement Fund 2d the amount necessary (or all the moneys in the General Reserve Fund 2d if less than the amount necessary) to make up any deficiencies in payments to such Fund required the Second Power Park Resolution.

Amounts in the General Reserve Fund 2d not required to meet a deficiency or for transfer as required above shall upon determination of JEA be applied to or set aside for any one or more of the following:

- (a) the purchase (and delivery to the Bond Registrar for cancellation) or redemption of Bonds and expenses in connection with the purchase or redemption of such Bonds;
- (b) payment of any reserves which JEA determines shall be required for such purposes;

- (c) transfer to the Renewal and Replacement Fund 2d for application to the purposes of such Fund; and
- (d) any other lawful purpose of JEA.

### **Additional Bonds**

JEA may issue one or more series of additional Bonds for any lawful purpose of JEA relating to the System. All such Bonds will be payable from the Trust Estate pledged pursuant to the Second Power Park Resolution and secured thereby on a parity with all other Bonds. In addition, each series of Bonds may be additionally secured by amounts on deposit in a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d established under the Second Power Park Resolution (which may be the Initial Subaccount therein). Set forth below are certain conditions applicable to the issuance of additional Bonds:

***Debt Service Reserve.*** If, at JEA's option, any series of additional Bonds is to be additionally secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d established under the Second Power Park Resolution, the issuance of the additional Bonds of such series is further conditioned upon the deposit to the Initial Subaccount of moneys or reserve fund credit instruments, or a combination thereof, in an amount such that the balance in such Subaccount equals the Debt Service Reserve Requirement for such Subaccount calculated immediately after the delivery of such Bonds.

***No Default.*** In addition, Bonds of any series other than Refunding Bonds may be issued only if JEA certified that upon the issuance of such series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Second Power Park Resolution.

### **Subordinated Indebtedness**

JEA may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose of JEA related to the System, which Subordinated Indebtedness shall be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof; *provided, however*, that any pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Trust Estate created by the Second Power Park Resolution as security for the Bonds.

### **Investment of Certain Funds**

Unless further limited as to maturity by the provisions of a Supplemental Resolution, moneys held in the Funds and Accounts established under the Second Power Park Resolution may be invested and reinvested by JEA in Investment Securities which will provide moneys not later than such times as shall be needed for payments to be made from such Funds and Accounts. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Second Power Park Resolution and held by JEA, JEA may combine such moneys with moneys in any other Fund or Account held by JEA, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund 2d, shall be paid into the Revenue Fund 2d. Interest earned on any moneys or investments in the Construction Fund 2d shall be held in such Fund for the purposes thereof or paid into the Revenue Fund 2d.

Nothing contained in the Second Power Park Resolution shall prevent JEA, to the extent permitted by law, from entering into securities lending agreements or bonds borrowed agreements (“lending agreements”) with banks which are members of the Federal Deposit Insurance Corporation, having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 and government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, secured by securities, which are obligations described in the definition of Investment Securities; *provided* that each such lending agreement (a) is in commercially reasonable form and is for a commercially reasonable period, and (b) results in a transfer to JEA of legal title to, or a grant to JEA of a prior perfected security interest in, identified securities which are obligations described in the definition of Investment Securities and which are free and clear of any claims by third parties and are segregated in a custodial or trust account held by a third party (other than the borrower) as the agent solely of, or in trust solely for the benefit of, JEA; *provided* that such securities acquired or pledged pursuant to such lending agreements shall have a current market value not less than 102 percent of the market value of the securities loaned by JEA under such agreement. Any Investment Securities loaned by JEA under any such agreement shall be released from the lien of the pledge of the Trust Estate created under the Second Power Park Resolution, but only if all rights of JEA under the lending agreement (including, but not limited to, the monetary obligations to JEA of the bank and/or government bond dealer party to such agreement) and any related collateral agreement and all rights of JEA to the identified securities transferred or pledged to JEA in connection therewith are substituted for the securities loaned, and such rights of JEA are by the Second Power Park Resolution declared to be subject to the lien of the pledge of the Trust Estate created under the Second Power Park Resolution to the same extent that the loaned Investment Securities formerly were subject.

### **Redemption**

In the case of any redemption of Bonds, JEA shall give written notice to the Bond Registrar(s) therefor and the Paying Agents of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series and of the Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Second Power Park Resolution or any Supplemental Resolution authorizing the Series of which such Bonds are a part). Such notice shall be filed with such Bond Registrars and the Paying Agents for the Bonds to be redeemed at least 40 days prior to the redemption date (or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Series of the Bonds to be redeemed or (b) as shall be acceptable to such Bond Registrars and Paying Agents). In the event notice of redemption shall have been given, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

### **Covenants as to Rates, Fees and Charges**

JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to provide Net Revenues in each Bond Year which shall be at least equal to the greater of (a) 115 percent of the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, and (b) the amount which, together with other available funds, shall be sufficient for the payment of:

(a) the amount to be paid during such Bond Year into the Debt Service Account in the Debt Service Fund 2d (other than amounts required to be paid into such Account out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(b) the amount, if any, to be paid during such Bond Year into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d (other than amounts required to be paid into any such subaccount out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(c) the amount, if any, to be paid during such Bond Year into the Subordinated Indebtedness Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(d) the amount, if any, to be paid during such Bond Year into the Renewal and Replacement Fund 2d (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); and

(e) all other charges and liens whatsoever payable out of Revenues during such Bond Year.

The Second Power Park Resolution establishes charges to JEA for the account of the Electric System, for the output, capacity, use and service of the System which are due on such dates and in such aggregate amounts as shall be sufficient to provide Net Revenues in each Bond Year sufficient to comply with the provision above.

JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the System free of charge to any person, firm or corporation, public or private.

### **Certain Other Covenants**

***Creation of Liens; Sale and Lease of Property.*** JEA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a security interest in or pledge of the Trust Estate or any portion thereof, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d or other moneys, securities or funds held or set aside by JEA or by the Fiduciaries under the Second Power Park Resolution and shall not create or cause to be created any lien or charge on the Trust Estate or any portion thereof, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d or such moneys, securities or funds; *provided, however,* that nothing contained in the Second Power Park Resolution shall prevent JEA from issuing, if and to the extent permitted by law, (a) Bond Anticipation Notes or other evidences of indebtedness payable out of, and which may be secured by a pledge of (i) the proceeds of sale of Bonds or investment income therefrom, or (ii) amounts in the Construction Fund 2d derived from the proceeds of sale of said Bond Anticipation Notes or investment income therefrom as may from time to time be available for payment of such Bond Anticipation Notes or other evidences of indebtedness (including redemption premiums, if any, and interest thereon) as part of the Costs of the System, or (iii) Revenues to be derived on and after such date as the pledge of the Revenues provided in the Second Power Park Resolution shall be discharged and satisfied as provided in the Second Power Park Resolution, or (b) Subordinated Indebtedness.

No part of the System shall be sold, mortgaged, leased or otherwise disposed of, except as follows:

(a) JEA may dispose of, sell or exchange at any time and from time to time any property or facilities constituting part of the System only if (i) JEA shall determine that such property or facilities are not needed or useful in the operation of the System, or (ii) the net book value of the property or facilities disposed of, sold or exchanged is not more than 15 percent of the net book value of the property and facilities of the System, or (iii) there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the disposal, sale or exchange of such property or facilities will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the rate covenant described under "Covenant as to Rates, Fees and Other Charges." The proceeds of any sale or exchange of any property or facilities constituting a part of the System not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund 2d; *provided, however*, that the amount of any such deposit to the Revenue Fund 2d shall not constitute or be deemed to constitute Revenues for any purpose of the Second Power Park Resolution;

(b) JEA may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, to the extent required by the Joint Ownership Agreement;

(c) In addition to the Joint Ownership Agreement, JEA may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System; *provided* that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by JEA of the System and (ii) does not in any manner impair or adversely affect the rights or security of the Holders of the Bonds under the Second Power Park Resolution; *provided, further*, that if the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of 15 percent of the then current accumulated Cost of Acquisition and Construction (as defined in the First Resolution) of the System, JEA shall first file with the records of JEA a certificate of an Authorized Officer of JEA to the effect that the action of JEA with respect thereto does not result in a breach of the conditions under this clause (c). Any payments received by JEA under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues;

(d) JEA may permanently discontinue the acquisition or construction of any portion of the System as provided in the Second Power Park Resolution; and

(e) JEA may acquire by lease or lease purchase additions and improvements to the System. The agreement pursuant to which such lease or lease purchase is made may provide that upon termination of such lease or lease purchase JEA shall be obligated to return the property subject to such lease or lease purchase, or such portion thereof as has not been fully paid for, to the lessor or its designee.

***Maintenance of Insurance.*** JEA shall at all times keep or cause to be kept the properties of the System which are of an insurable nature and of the character usually insured by those operating properties similar to such properties of the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. JEA shall at all times maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the System.

JEA shall also use its best efforts to maintain or cause to be maintained any additional or other insurance which it shall deem necessary or advisable to protect its interests and those of the Holders of the Bonds.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to JEA unless otherwise required by the Joint Ownership Agreement.

**Reconstruction; Application of Insurance Proceeds; Condemnation Awards.** If any useful portion of the System shall be damaged or destroyed or taken by any governmental authority under the power of eminent domain or otherwise (“Condemnation”), JEA shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless there shall be filed with the records of JEA a certificate of an Authorized Officer of JEA setting forth a determination by JEA that, taking into account all relevant facts and circumstances, including, if and to the extent JEA deems appropriate, the advice of the Consulting Engineer as to engineering matters, its attorneys as to legal matters and other consultants and advisors, such reconstruction or replacement is not in the interest of JEA and the Holders of the Bonds or unless it is determined under the provisions under the Joint Ownership Agreement that such reconstruction or replacement is not to be undertaken. Except as provided in the Second Power Park Resolution, the proceeds of any insurance paid or award received on account of such damage, destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Construction Fund 2d pursuant to the Second Power Park Resolution) or Condemnation unless held and applied under the Joint Ownership Agreement shall be held by JEA in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by JEA in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such account or investments shall be deposited in the Revenue Fund 2d. Any such proceeds not applied within 36 months after receipt thereof by JEA to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been filed with the records of JEA within such 36 months, or which JEA shall at any time determine are not to be so applied, unless otherwise applied, shall, unless otherwise applied or to be applied under the Joint Ownership Agreement, upon determination of JEA, be deposited in the Revenue Fund 2d; *provided, however,* that the amount of any such deposit to the Revenue Fund 2d shall not constitute or be deemed to constitute Revenues for any purpose of the Second Power Park Resolution. Notwithstanding the foregoing, in the event that payments for any such repairing or replacing of property damaged, destroyed or taken prior to the availability of proceeds of insurance or Condemnation therefor are made from the Renewal and Replacement Fund 2d, or from other funds of JEA not held in any Fund or Account established pursuant to the Second Power Park Resolution, such proceeds when received shall be deposited in the Renewal and Replacement Fund 2d to the extent of such payments therefrom, or shall be paid over to JEA, free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Second Power Park Resolution, as appropriate.

If the proceeds of insurance or Condemnation authorized by this Section to be applied to the reconstruction or replacement of any portion of the System are insufficient for such purpose, the deficiency may be supplied out of moneys in the Renewal and Replacement Fund 2d.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund 2d unless otherwise required by the First Resolution or the Joint Ownership Agreement.

**Joint Ownership Agreement: Enforcement and Amendment.** Upon the satisfaction and discharge of the First Resolution, JEA shall collect and forthwith deposit in the Revenue Fund 2d all amounts payable to it pursuant to Section Eight of the Joint Ownership Agreement or otherwise payable to it for the sale of the output, capacity, use or service of the System or any part thereof or otherwise with respect to the

System. JEA shall enforce the provisions of the Joint Ownership Agreement and duly perform its covenants and agreements thereunder.

***Allocation to Electric System of Output and Capacity of System; Obligations of Electric System.***

JEA shall allocate to and make available for the account of the Electric System in each year that portion of the output, capacity, use and service of the System which is in excess of the output, capacity, use and service of the System sold to FPL pursuant to Section Eight of the Joint Ownership Agreement. JEA shall make payments from the Electric System which will provide:

- (i) in each month, Revenues equal to:
  - (a) the Operation and Maintenance Expenses due and payable during such month (but with no duplication for amounts paid therefor pursuant to the First Resolution);
  - (b) the amount, if any, to be set aside in the Revenue Fund 2d (other than amounts required to be paid into such Fund out of the proceeds of Bonds) as a general reserve for Operation and Maintenance Expenses or as a reserve for the acquisition of fuel in accordance with the then current Annual Budget,
  - (c) the Monthly Debt Service Deposit for such month,
  - (d) the amount, if any, to be paid during such month into the Debt Service Reserve Account in the Debt Service Fund 2d (other than amounts required to be paid into such Account out of the proceeds of Bonds),
  - (e) to the extent not paid into the revenue fund established pursuant to the First Resolution, all other direct and indirect costs of operating and maintaining the System, if any, which are not payable under the Second Power Park Resolution, but which are required to be paid by JEA under the Joint Ownership Agreement, including but not limited to (X) all costs, expenses, liabilities and charges which constitute “Costs of Operation” under the Joint Ownership Agreement and (Y) all losses, costs, damages and expenses payable to FPL under Section 13.6 of the Joint Ownership Agreement, and
  - (f) all other charges or liens (other than Costs of Acquisition and Construction of Initial Facilities or any Additional Facilities) whatsoever payable out of Revenues during such month, including payments of damages awarded pursuant to judgments of any court; and

During any period in which the Debt Service for any Series of Bonds containing Build America Bonds shall be calculated in the manner provided in the *proviso* contained in clause (i) of the first paragraph of the definition thereof contained in Section 101 hereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund 2d and transfer to the Debt Service Account in the Debt Service Fund 2d an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date, without regard to any reduction thereto made by the U.S. Treasury for the purpose of offsetting any amount due from JEA to it. Any such cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund 2d, but no such payment shall constitute Revenues for any purpose of the Resolution.

- (ii) in each 12-month period ending September 30, the Renewal and Replacement Requirement for such period.

So long as the Electric Resolution shall not be satisfied and discharged, all payments to be made pursuant to the applicable provision of the Second Power Park Resolution shall constitute a “Cost of Operation and Maintenance” (as defined in the Electric Resolution) to be paid directly from the “Revenue Fund” established under the Electric Resolution. After the satisfaction and discharge of the Electric Resolution, JEA shall continue to make such payments from the revenues, income, rents and receipts derived by JEA from the ownership and operation of the Electric System as an operating expense of said Electric System. All such payments from the Electric System shall be made whether or not the System or any part thereof is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the System for any reason whatsoever, in whole or in part.

So long as the Electric Resolution shall not be satisfied and discharged, JEA shall not consent or agree to or permit any amendment or supplement to the Electric Resolution (other than a supplement thereto to authorize a series of additional parity bonds as permitted by the Electric Resolution) which will in any manner materially impair or materially adversely affect the obligation of JEA to pay for the output, capacity, use and service of the System in accordance with the Second Power Park Resolution or the priority of such obligation under the Electric Resolution, or which will in any manner impair or materially adversely affect the rights or security of the Holders of the Bonds under the Second Power Park Resolution.

Except as otherwise provided in this paragraph, after the satisfaction and discharge of the Electric Resolution and the satisfaction and discharge of the First Resolution, (i) JEA shall not become liable for any bonds, notes, debentures or other evidences of indebtedness of similar nature payable out of or secured by a pledge of or lien or charge on any of the revenues, income, rents or receipts to be derived by JEA from the ownership or operation of the Electric System which shall rank on a parity with or in priority over the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use and service of the System in accordance with the applicable provision in the Second Power Park Resolution, and (ii) JEA shall not become liable for any obligation under any agreement to purchase or pay for electric power and energy or other goods or services whether or not the same are made available or furnished or any other obligation under which JEA lends credit to or guarantees any debt, claim or other obligation of any other person, firm or corporation which shall rank in priority over the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use or service of the System in accordance with the applicable provision in the Second Power Park Resolution; *provided, however*, that nothing contained in this paragraph shall prohibit or restrict JEA from establishing one or more other separate bulk power supply utilities or systems pursuant to Chapter 80-513, Laws of Florida, as amended, or any other law, and issuing its bonds therefore as provided in said Chapter 80-513, as amended, or such other law, and from making payments from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System for the purchase of output, capacity, use or service of any of the facilities of any such separate bulk power supply utility or system, including payments with respect to debt service on such bonds, on a parity with (but no in priority over) the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use and service of the System in accordance with the applicable provision of the Second Power Park Resolution.

***Operation and Maintenance of the Electric System.*** JEA shall at all times operate or cause to be operated the Electric System properly and in an efficient and economical manner, consistent with good business and utility operating practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or

cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted.

***Rates and Fees of the Electric System.*** JEA shall at all times fix, establish, maintain, charge and collect fees and other charges for the sale of the output, capacity, use or service of the Electric System as shall be required to provide moneys from the Electric System at least sufficient in each fiscal year with respect to the Electric System for the payment of all charges or liens whatsoever payable out of revenues of the Electric System during such fiscal year, including the obligation of JEA to pay from the Electric System for output, capacity, use and service of the System in accordance with the applicable provision of the Second Power Park Resolution.

Except as otherwise provided in the Electric Resolution, JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Electric System, free of charge to any person, firm or corporation, public or private, and JEA will enforce promptly the payment of any and all accounts owing to JEA by reason of the ownership and operation of the Electric System.

***Maintenance of Insurance for the Electric System.*** JEA shall at all times keep or cause to be kept the properties of the Electric System which are of an insurable nature and of the character usually insured by those operating properties similar to the Electric System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. JEA shall at all times maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the Electric System.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to JEA.

***Reconstruction of the Electric System.*** If any useful portion of the Electric System shall be damaged or destroyed or taken by any governmental authority under the power of eminent domain or otherwise, JEA shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless there is executed a certificate by an Authorized Officer of JEA to the effect that such reconstruction and replacement is not in the interest of JEA and the Holders of the Bonds.

### **Events of Default; Remedies**

If one or more of the following Events of Default shall happen:

(a) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement);

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement) and such default shall continue for a period of 30 days;

(c) if default shall be made by JEA in the performance or observance of any other of the covenants, agreements or conditions on its part in the Second Power Park Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to JEA by the Holders of not less than 10 percent in principal amount of the Bonds Outstanding;

(d) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of JEA or the filing by JEA of a voluntary petition in bankruptcy, or adjudication of JEA as a bankrupt, or assignment by JEA for the benefit of its creditors, or the entry by JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to JEA in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

(e) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Holders of not less than 25 percent in principal amount of the Bonds Outstanding (by notice in writing to JEA), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the Second Power Park Resolution or in any of the Bonds notwithstanding; *provided, however*, that in the event that a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided provides that the principal of such Bonds, and the accrued interest thereon, may not be declared due and payable immediately (nor such declaration be rescinded and annulled, as provided in the following sentence) without the consent in writing of the Credit Enhancer therefor, then such Bonds, and the interest accrued thereon, shall not become due and payable immediately as aforesaid (nor may such declaration be rescinded and annulled, as provided in the following sentence) without such written consent, and, in that event, the remedies available to the Holders of such Bonds (or such Credit Enhancer, on behalf of such Holders) shall be limited to those set forth in the Second Power Park Resolution. The right of the Holders of not less than 25 percent in principal amount of the Bonds to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by JEA under the Second Power Park Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of JEA or provision shall be made for such payment, and all defaults under the Bonds or under the Second Power Park Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or adequate provision shall be made therefor, then and in every such case the Holders of 25 percent in principal amount of the Bonds Outstanding, by written notice to JEA, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. See "Action by Credit Enhancer When Action by Holders of Bonds Required" herein.

During the continuance of an Event of Default, JEA shall apply all moneys, securities, funds and Revenues held or received by JEA under the Second Power Park Resolution (other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d) as follows and in the following order:

(a) Operation and Maintenance Expenses -- to the payment of the amounts required for Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the System necessary in the judgment of JEA to prevent a loss of Revenues;

(b) Principal or Redemption Price and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(c) unless the principal of all the Bonds shall have become or have been declared due and payable,

First: Interest -- to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price -- to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(a) if the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

(b) Subordinated Indebtedness -- to the payment of principal, redemption price and interest then due on Subordinated Indebtedness in accordance with the Supplemental Resolution(s) authorizing such Subordinated Indebtedness.

During the continuance of an Event of Default, JEA shall apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d as follows and in the following order:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest -- to the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate subaccount in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price -- to the payment to the persons entitled thereto of the unpaid principal or sinking fund Redemption Price of any Bonds of such Additionally Secured Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or sinking fund Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate subaccount without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries, and all other sums payable by JEA under the Second Power Park Resolution including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of JEA, and all defaults under the Second Power Park Resolution or the Bonds shall be made good, JEA and the Holders shall be restored, respectively, to their former positions and rights under the Second Power Park Resolution. No such restoration of JEA and the Holders to their former positions and rights shall extend to or affect any subsequent default under the Second Power Park Resolution or impair any right consequent thereon.

### **Powers of Amendment**

Any modification or amendment of the Second Power Park Resolution and of the rights and obligations of JEA and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Second Power Park Resolution (a) of the Holders of not less than a majority in principal amount of the Bonds affected by such modification or amendment Outstanding at the time such consent is given, and (b) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or

maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of the Second Power Park Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity or any particular Commercial Paper Notes or Medium-Term Notes would be affected by any modification or amendment of the Second Power Park Resolution and any such determination shall, absent manifest error, be binding and conclusive on JEA and all Holders of Bonds. For the purpose of this Section, a change in the terms of redemption of any Outstanding Bond shall be deemed only to affect such Bond, and shall be deemed not to affect any other Bond. For the purpose of this Section, the Holders of any Bonds may include the initial Holders thereof, regardless of whether such Bonds are being held for resale. See “Action by Credit Enhancer When Action by Holders of Bonds Required” herein.

### **Amendment to the Second Power Park Resolution**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of JEA may be adopted, which, upon its adoption and compliance with the applicable provisions of the Second Power Park Resolution, shall be fully effective in accordance with its terms:

(a) to close the Second Power Park Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Second Power Park Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of JEA in the Second Power Park Resolution other covenants and agreements to be observed by JEA which are not contrary to or inconsistent with the Second Power Park Resolution as theretofore in effect;

(c) to add to the limitations and restrictions in the Second Power Park Resolution other limitations and restrictions to be observed by JEA which are not contrary to or inconsistent with the Second Power Park Resolution as theretofore in effect;

(d) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Second Power Park Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(e) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in coupon form payable to bearer or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto;

(f) to confirm, as further assurance, any security interest or pledge under, and the subjection to any security interest or pledge created or to be created by, the Second Power Park Resolution of the Revenues or of any other moneys, securities or funds;

(g) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series;

(h) to modify any of the provisions of the Second Power Park Resolution in any other respect whatever; *provided* that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; and

(i) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Second Power Park Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness.

#### **Supplemental Resolutions Effective Upon Delivery of Counsel's Opinion as to No Material Adverse Effect**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (a) delivery of a Counsel's Opinion to the effect that the provisions of such Supplemental Resolution will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (i) any banking or financial institution serving as financial advisor to JEA, as to financial and economic matters, (ii) the Consulting Engineer, as to matters within its field of expertise and (iii) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate) and (b) compliance with the applicable provision of the Second Power Park Resolution, shall be fully effective in accordance with its terms:

(i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Second Power Park Resolution;

(ii) to insert such provisions clarifying matters or questions arising under the Second Power Park Resolution as are necessary or desirable and are not contrary to or inconsistent with the Second Power Park Resolution as theretofore in effect; or

(iii) to make any other modification to or amendment of the Second Power Park Resolution which such counsel in its reasonable judgment shall determine will not have a material adverse effect on the interests of Holders of the Bonds.

Notwithstanding any other provision of the Second Power Park Resolution, in determining whether the interests of the Holders of Outstanding Bonds are materially adversely affected, such counsel shall consider the effect on the Holders of any Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement.

## Defeasance

If all Bonds and interest due or to become due therein are paid in full, then the pledge of moneys and securities and all covenants, agreements and other obligations of JEA to the Holders of the Bonds, will thereupon cease, terminate and become void and be discharged and satisfied.

If any Bonds are paid in full, then such Bonds shall cease to be entitled to any lien, benefit or security under the Second Power Park Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds are deemed to have been paid and are not entitled to the lien benefit and security of the Second Power Park Resolution whenever the following conditions (or such other conditions as may be set forth in the Supplemental Subordinated Resolution authorizing such Bonds) are met (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, JEA shall have given to the Escrow Agent therefor instructions accepted in writing by such Escrow Agent to give notice of redemption thereof, (b) there shall have been deposited with the Escrow Agent therefor either moneys, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Escrow Agent at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds, and (c) in the event said Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA shall have given such Escrow Agent instructions to give to the Holders of such Bonds a notice that the above deposit has been made and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the provisions of the Second Power Park Resolution, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Variable Rate Bonds in order to satisfy the provisions of the Second Power Park Resolution, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Second Power Park Resolution.

Option Bonds shall be deemed to have been paid in accordance with the provisions of the Second Power Park Resolution only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Escrow Agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; *provided, however*, that if, at the time a deposit is made with the Escrow Agent pursuant to the provisions of the Second Power Park Resolution, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Escrow Agent for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Second Power Park Resolution.

### **Action by Credit Enhancer When Action by Holders of Bonds Required**

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series or an interest rate within a maturity, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series or an interest rate within a maturity, as to which it is the Credit Enhancer at all times for the purpose of (a) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Second Power Park Resolution, which requires the written approval or consent of Holders; *provided, however*, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (b) giving any approval or consent, exercising any remedies or taking any other action following the occurrence of an Event of Default under the Second Power Park Resolution.

### **Special Provisions Relating to Capital Appreciation Bonds, Deferred Income Bonds and Reimbursement Obligations**

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service and Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (a) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, or (c) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to JEA any notice, consent, request, or demand pursuant to the Second Power Park Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

For the purposes of (a) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (b) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, or (c) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to JEA any notice, consent, request or demand pursuant to the Second Power Park Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

Except as otherwise provided in a Supplemental Resolution authorizing a Series of Reimbursement Obligations, for the purposes of (a) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Bonds is declared immediately due and payable following an Event of Default or (b) computing the principal amount of Bonds held by the Holder of a Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the Second Power Park Resolution for any purpose whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the

amounts advanced to, or on behalf of, JEA in connection with the Bonds of the Series or maturity or interest rate within a maturity for which such Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Bonds, less any prior repayments thereof.

**SUMMARY OF CERTAIN PROVISIONS OF THE  
RESTATED AND AMENDED BULK POWER SUPPLY SYSTEM RESOLUTION**

The following is a summary of certain provisions of the Restated and Amended Bulk Power Supply System Resolution. Summaries of certain definitions contained in the Restated and Amended Bulk Power Supply System Resolution are set forth below. Other terms defined in the Restated and Amended Bulk Power Supply System Resolution for which summary definitions are not set forth are indicated by capitalization. This summary does not purport to be a complete description of the terms of the Restated and Amended Bulk Power Supply System Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

The Restated and Amended Bulk Power Supply System Resolution is available for viewing and downloading on JEA's website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the Restated and Amended Bulk Power Supply System Resolution also may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction. The term "Bonds" as used in the Restated and Amended Bulk Power Supply System Resolution and this summary has the same meaning as the term "Additional Bulk Power Supply System Bonds" as used in the Annual Disclosure Report to which this summary is attached.

**Definition of Terms**

The following are summaries of certain definitions in the Restated and Amended Bulk Power Supply System Resolution.

*Accreted Value* shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service* shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (a) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (b) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however*, that (a) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in the Restated and Amended Bulk Power Supply System Resolution and (c) if the calculation of the Debt Service Reserve Requirement for any separate

subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

*Additionally Secured Series* shall mean a Series of Bonds for which the Supplemental Resolution authorizing such Series provides that the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge created pursuant to the Restated and Amended Bulk Power Supply System Resolution in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account in the Debt Service Fund.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series; *provided, however*, that the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Aggregate Debt Service at the times and in the manner provided in the Restated and Amended Bulk Power Supply System Resolution; and *provided, further*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

*Annual Budget* shall mean, with respect to any Project, the annual budget or budgets, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in the Restated and Amended Bulk Power Supply System Resolution.

*Appreciated Value* shall mean, with respect to any Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

*Authorized Officer of JEA* shall mean (a) the Chair, the Vice Chair or the Secretary of the Governing Body, (b) the Managing Director and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer or the Director, Treasury Services of JEA (or any officer of JEA serving in a capacity equivalent to that of any of the foregoing officers) or (c) any other officer or employee of JEA authorized to perform specific acts or duties by resolution duly adopted by the Governing Body.

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*Bond Anticipation Notes* shall mean notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Bonds, the proceeds of which have been or are required to be applied to one or more of the purposes for which Bonds may be issued, the payment of which notes is to be made from the proceeds of the Bonds in anticipation of the issuance of which said notes are issued.

*Bond Year* shall mean the 12-month period commencing on October 1 in any year and ending on September 30 of the following year.

*Build America Bonds* shall mean any Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code, or any similar federal program creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Bonds.

*Certified Interest Rate* shall mean, as of any date of determination:

(a) with respect to (i) any Commercial Paper Notes or Medium-Term Notes or (ii) any Variable Rate Bonds maturing on a particular date that were, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (A) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (B) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (a) shall be the rate determined pursuant to the foregoing subclause (i),

(b) with respect to (i) any Commercial Paper Notes or Medium-Term Notes or (ii) any Variable Rate Bonds maturing on a particular date that were not, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (A) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (B) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (b) shall be the rate determined pursuant to the foregoing subclause (i); and

(c) for purposes of calculating the Debt Service Reserve Requirement for any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund and with respect to (i) any Commercial Paper Notes or Medium-Term Notes or (ii) any Variable Rate Bonds maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of JEA executed on or prior to the date of the initial issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may, as determined as follows: a Certified Interest Rate shall be that rate of interest determined by JEA, or a banking or financial institution or financial advisory firm selected by JEA, as the rate of interest such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, would bear if, assuming the same maturity date, terms and provisions (other than interest rate and redemption provisions) as such proposed

Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, and on the basis of JEA's credit ratings with respect to the Bonds (other than Bonds for which credit enhancement is provided by a third party), such proposed Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, were issued at a fixed interest rate.

*Commercial Paper Payment Plan* shall mean, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the Restated and Amended Bulk Power Supply System Resolution setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Commercial Paper Notes or any subsequent certificate of an Authorized Officer of JEA thereafter executed to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes; *provided, however*, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Indebtedness, in either such case, that JEA intends to pay from Revenues, the principal of such Commercial Paper Note shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the earlier of (x) the 40th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 30th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial Paper Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Notes in each other Fiscal Year in such period.

*Costs* shall mean, with respect to any Project, the costs, expenses and liabilities paid or incurred or to be paid or incurred by JEA in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, repairing, extending, improving, reconstructing, retiring, decommissioning and disposing thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto (including, for this purpose, any acquisition by JEA of an interest in an existing facility), including, but not limited to, any good faith or other similar payment or deposits required in connection with the acquisition or construction of such Project, or any part thereof, the cost of acquisition by or for JEA of real and personal property or any interests therein, costs of physical construction or acquisition of such Project, or any part thereof, and costs of JEA incidental to such construction or acquisition, the cost of acquisition of fuel or fuel inventory or facilities for the production or transportation of fuel, all costs relating to injury and damage claims relating to such Project, or any part thereof, all costs relating to the settlement or renegotiation of any contract entered into in connection with any Project, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees and bond insurance and indemnity premiums, discounts to the underwriters or purchasers thereof, amounts required to be paid under any interest rate exchanges or swaps, cash flow exchanges, options, caps, floors or collars and termination fees related to the foregoing, in each case made in connection with the issuance of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA relating to the Project, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Restated and Amended Bulk Power Supply System Resolution, amounts, if any, required by the Restated and Amended Bulk Power Supply System Resolution to be paid into the Debt Service Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Revenue Fund or the Renewal and Replacement Fund for any of the respective purposes thereof, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of JEA, including Bonds,

Bond Anticipation Notes and Subordinated Indebtedness, issued to finance or refinance any of the foregoing, and all federal, state and local taxes and payments in lieu of taxes in connection with any Project, or any part thereof, and working capital and reserves for any of the foregoing and shall include reimbursements to JEA for any of the above items theretofore paid by or on behalf of JEA.

It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of JEA related to the Project which on the date of the Restated and Amended Bulk Power Supply System Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Florida law.

*Credit Enhancement* shall mean, with respect to the Bonds of a Series, a maturity within a Series or an interest rate within a maturity, an insurance 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.

*Credit Enhancer* shall mean any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for the Bonds of a Series, a maturity within a Series or an interest rate within a maturity.

*Current Interest Commencement Date* shall mean, with respect to any particular Deferred Income Bonds, the date specified in the Supplemental Resolution authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Debt Service* for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund); *provided*, that in the event that the Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on such Bonds, for purposes of this definition, the interest on the Bonds of such Series shall be calculated net of the amount of the cash subsidy payments due from the U.S. Treasury. If for whatever reason, JEA no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Bonds of such Series shall be calculated without regard to such subsidy, and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (i) in the case of Bonds other than Reimbursement Obligations, if (A) there shall be no such preceding Principal Installment due date or (B) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later, and (ii) in the case of Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Such interest and Principal Installments for such Series shall be calculated on the assumption that (i) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (ii) the principal amount of Option Bonds tendered for payment before the stated maturity thereof shall be deemed

to accrue on the date required to be paid pursuant to such tender and (iii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the Restated and Amended Bulk Power Supply System Resolution; *provided, however*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

For the purpose of computing Debt Service for any future period (i) any Variable Rate Bonds, Commercial Paper Notes and Medium-Term Notes Outstanding during such period shall be assumed to bear interest during such period at the Certified Interest Rate applicable thereto and, in the case of Commercial Paper Notes and Medium-Term Notes Outstanding, such period shall be assumed to have Principal Installments that come due in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan applicable thereto and (ii) any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof.

Notwithstanding anything to the contrary contained in the Restated and Amended Bulk Power Supply System Resolution, (a) if JEA has in connection with any Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount corresponding to the principal amount or issue price of such Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating Debt Service with respect to such Bonds for purposes of the rate covenant contained in the Restated and Amended Bulk Power Supply System Resolution, it will be assumed that such Bonds bear interest at a rate equal to the sum of (i) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination (or such lesser period preceding the date of determination if in effect for less than five years), calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the 12 months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for 12 months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (i) and (ii) the difference (whether positive or negative) between (A) the fixed rate of interest on such Bonds and (B) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes entered into a Designated Swap Obligation which provides that, in respect of a notional amount of such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating Debt Service with respect to such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of the rate covenant contained in the Restated and Amended Bulk Power Supply System Resolution, it will be assumed that such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*Debt Service Reserve Requirement* shall mean, with respect to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund unless otherwise specified in the Supplemental Resolution establishing such subaccount, as of any date of calculation, an amount equal to the maximum amount of interest to accrue on all Additionally Secured Bonds of all Series secured thereby then Outstanding in the then current or any future Bond Year (assuming, for this purpose, that all Additionally Secured Series secured thereby that bear interest at a variable or floating rate except as provided below

shall bear interest during such period at the Certified Interest Rate applicable thereto; *provided*, if such variable or floating rate debt shall have been converted synthetically to a fixed interest rate pursuant to an interest rate swap transaction that has a term equal to, and the notional amount of which amortizes at the same times and in the same amounts as, such Additionally Secured Series in terms of series and maturity, in which case, such Additionally Secured Series shall be deemed to bear interest at the fixed rate payable by JEA under such interest rate swap transaction for so long as such interest rate swap transaction shall remain in effect; *provided, further, however*, that if, at the time of the original issuance thereof, the interest rate on such Additionally Secured Series of a particular series and maturity shall have been converted synthetically to a fixed interest rate pursuant to such an interest rate swap transaction, but such interest rate swap transaction shall be terminated prior to the final maturity date of such Additionally Secured Series and another interest rate swap transaction has not been entered into in replacement thereof, then the Debt Service Requirement for such Additionally Secured Series shall be recalculated as of the date of termination of such interest rate swap transaction, based upon the Certified Interest Rate established for such Additionally Secured Series at the time of original issuance thereof, and any resulting deficiency in the amount on deposit in the separate subaccount shall be required to be funded within one year of such termination with money and one or more additional reserve fund credit instruments) excluding interest on such Bonds to be paid from deposits in the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund).

For the purpose of the calculation of the Debt Service Reserve Requirement in the event that the Bonds of any Series shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), the interest on such Bonds shall be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Bonds represented by such subsidy shall be permanently reduced, then the amount of such Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period and provided, further, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury in respect of the interest payable on any such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Bonds, and such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly

apportioned over the remainder of such five (5)-year period. Notwithstanding any other provision of this resolution, any one or more installments of any increase in the Debt Service Reserve Requirement with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund provided for in the preceding sentence may be prepaid at any time in whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

*Defeasance Securities* shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds,

(a) 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 (c) below to the extent unconditionally guaranteed by the United States of America, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate and (iv) which at the time of their purchase hereunder are rated "AAA" or "Aaa," as applicable, by any two of Standard & Poor's Credit Market Services, a business of Standard & Poor's Financial Services LLC, a limited liability company, organized and existing under the laws of the State of Delaware ("S&P"), Fitch Ratings and Moody's Investors Service ("Moody's"),

(c) 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 which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall also be specified in such instructions, and which shall be rated in the highest whole rating category by two nationally recognized rating agencies,

(d) certificates that evidence ownership of the right to payments of principal and/or interest on (i) obligations described in clauses (a) and (b) 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, or territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000, or (ii) obligations described in the foregoing clause (c), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such obligations on a specified redemption date has been given and such obligations are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(e) deposits in interest-bearing time deposits or certificates of deposit which shall not be subject to redemption or repayment prior to their maturity or due date other than at the option of the depositor or holder thereof or as to which an irrevocable notice of redemption or repayment of such time deposits or certificates of deposit on a specified redemption or repayment date has been given and such time deposits or certificates of deposit are not otherwise subject to redemption or repayment prior to such specified date other than at the option of the depositor or holder thereof, and which are fully secured by obligations described in clause (a) or clause (b) of this definition to the extent not fully insured by the Federal Deposit Insurance Corporation,

(f) agreements or contracts with insurance companies or other financial institutions, or subsidiaries or affiliates thereof (hereinafter in this paragraph referred to as "Providers"), (i) whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated at the time the investment is made, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations or (ii) whose obligations under such agreements or contracts shall be unconditionally guaranteed by another insurance company or other financial institution, or subsidiary or affiliate thereof, whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations, pursuant to which agreements or contracts the Provider shall be absolutely, unconditionally and irrevocably obligated to repay the moneys invested by JEA and interest thereon at a guaranteed rate, without any right of recoupment, counterclaim or set off; the Provider may have the right to assign its obligations under any Investment Agreement to any other insurance company or other financial institution, or subsidiary or affiliate thereof; *provided, however*, that such assignee also shall be an insurance company or other financial institution, or subsidiary or affiliate thereof, satisfying the requirements set forth in either clause (a) or clause (b) above, and

(g) upon compliance with the applicable provisions of the Restated and Amended Bulk Power Supply System Resolution, such securities (i) as are described in clause (a) of this definition and (ii) as are described in clause (d) of this definition so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clause (a) of such definition; in each case *provided* that, notwithstanding such clauses, such securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

*Deferred Income Bonds* shall mean any Bonds issued under the Restated and Amended Bulk Power Supply System Resolution as to which interest accruing prior to the Current Interest Commencement Date is (a) compounded periodically on dates specified in the Supplemental Resolution authorizing such Deferred Income Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Restated and Amended Bulk Power Supply System Resolution or the Supplemental Resolution authorizing such Deferred Income Bonds.

*Designated Swap Obligation* shall mean, to the extent from time to time permitted by law, any interest rate swap transaction (a) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Bonds) and (b) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which certificate shall specify the Bonds with respect to which such Designated Swap Obligation is entered into).

*Electric Resolution* shall mean the resolution adopted by JEA on March 30, 1982, authorizing the issuance of Electric System Revenue Bonds, as amended.

*Electric System* shall mean the Electric System of JEA as defined in the Electric Resolution.

*Highest Rating Category* shall mean a rating in the highest rating category given by the applicable Rating Agency for that general category of security or obligation.

*Investment Securities* shall mean and include (x) each of the following securities, obligations and investments and (y) any other securities, obligations and investments, in either case, if and to the extent that at the time the same shall be legal for investment of JEA's funds:

(a) 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 (b) below to the extent unconditionally guaranteed by the United States of America;

(b) 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 S&P and "Aaa" by Moody's, if rated by both rating agencies, and, if rated by one such rating agency, shall have a rating of "AAA" or "Aaa" by S&P or Moody's, as the case may be;

(c) 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;

(d) 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;

(e) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (a) and (b) 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;

(f) 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 (i) rated not lower than the second highest whole rating category by two nationally recognized rating agencies, (ii) issued by a bank, trust company or nationally recognized association (A) 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 (I) Moody's or S&P or (II) two nationally recognized rating agencies or (B) 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 subclause (i) or (ii) of this clause (f), JEA shall sell such certificates of deposit, or (iii) 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 (a) 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;

(g) commercial paper that, at the date of investment, is rated "P-1" by Moody's Investors Service and "A-1" by S&P, or if not so rated by both such rating agencies, then rated "P-1" by Moody's or "A-1" by S&P 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;

(h) 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 (a) and (b) above and which, in the judgment of JEA, conforms as to terms and conditions with then prevailing prudent standards in the financial markets;

(i) 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 S&P and "Aa2" or above if rated by Moody's;

(j) 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

(k) any agreements or contracts with insurance companies or other financial institutions, which agreements or contracts (i) 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 (ii) are issued or entered into by (A) 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 (B) 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.

*Medium-Term Note Payment Plan* shall mean, with respect to any Series of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the Restated and Amended Bulk Power Supply System Resolution and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Medium-Term Notes or any subsequent certificate of an Authorized Officer of JEA thereafter executed to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; *provided, however,* that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Indebtedness, in either such case, that JEA intends to pay from Revenues, the principal of such Medium-Term Notes shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the earlier of (a) the 40th anniversary of the first issuance of Medium-Term Notes of such Series or (b) the 30th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Notes in each other Fiscal Year in such period.

*Net Revenues* shall mean, for any period, the Revenues during such period, determined on an accrual basis, minus Operation and Maintenance Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues.

*One-Month LIBOR Rate* shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Operation and Maintenance Expenses* shall mean (i) JEA's expenses for operation and maintenance of all Projects, and ordinary repairs, renewals, replacements and reconstruction of all Projects, including all JEA's costs of producing and delivering electric power and energy from all Projects and payments (other than payments out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA) into reserves in the Revenue Fund for items of Operation and Maintenance Expenses the payment of which is not immediately required, and shall include, without limiting the generality of the foregoing, fuel costs (including fuel hedges), costs of transmission service, rents, administrative and general expenses, costs of financial products, engineering expenses, legal, accounting

and financial advisory expenses, salaries, management fees, payments to pension, retirement, health and hospitalization funds, insurance and surety bond premiums, any taxes or payments in lieu of taxes and payments required to be paid by JEA under any Project Agreement which are to be applied pursuant to the terms thereof to the payment of such costs and expenses, all to the extent properly allocable to the Projects in accordance with generally accepted accounting principles, or required to be incurred under or in connection with the performance of JEA's obligations under any Project Agreement, (ii) any other current expenses or obligations required to be paid by JEA under the provisions of the Restated and Amended Bulk Power Supply System Resolution or by law or regulation, all to the extent properly allocable to the Projects in accordance with generally accepted accounting principles, or required to be paid by JEA under any Project Agreement, (iii) the fees and expenses of the Fiduciaries and (iv) the costs and expenses in connection with the purchase or redemption of Bonds. Notwithstanding the foregoing, operation and Maintenance Expenses shall not include any allowance for depreciation or amortization and there shall be included in operation and Maintenance Expenses only that, portion of the total administrative and general expenses of JEA which are properly allocable to the Projects.

*Option Bonds* shall mean Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Principal Installment* shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance (determined as provided in the Restated and Amended Bulk Power Supply System Resolution) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Project* shall mean (i) the Scherer 4 Project or (ii) any Additional Project. Each Project shall be a separate bulk power supply utility or system within the meaning of Chapter 80-513, Laws of Florida, Special Acts of 1980, as amended. "Project" shall not include JEA's Electric System, the SJRPP System, or any other separate utility or system which JEA elects to acquire, construct and operate as a separate bulk power supply utility or system, or any part of any of the foregoing, and which is not financed with the proceeds of Bonds issued under the Restated and Amended Bulk Power Supply System Resolution or Subordinated Indebtedness.

*Project Agreements* shall mean, with respect to the Scherer 4 Project, the Scherer 4 Project Agreements and, with respect to any Additional Project, all of the contracts entered into by JEA relating to the ownership, lease, construction and operation of such Project, as from time to time amended or supplemented, and designated in a Supplemental Resolution or Supplemental Resolutions.

*Refundable Principal Installment* shall mean any Principal Installment for any Series of Bonds which JEA intends to pay with moneys which are not Revenues; *provided* that (a) in the case of Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds, (b) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (c) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; *provided, further*, that such Principal Installment shall be a Refundable Principal Installment only through the penultimate day of the month

preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Principal Installment with moneys which are not Revenues.

*Reimbursement Obligations* shall mean all Bonds issued to evidence JEA's obligation to repay any advances or loans made to, or behalf of, JEA in connection with any Credit Enhancement or liquidity support for the Bonds of a series (or a maturity or maturities or interest rate within a maturity thereof).

*Renewal and Replacement Requirement* shall mean for each Bond Year, 12.5 percent of Aggregate Debt Service for such Bond Year or such greater amount as shall be determined from time to time by the Governing Body as being prudent and appropriate.

*Revenues* shall mean (i) all revenues, income, rents and receipts derived or to be derived by JEA from or attributable or relating to the ownership and operation of all Projects, including all payments made by JEA from its Electric System into the Revenue Fund pursuant to the Restated and Amended Bulk Power Supply System Resolution for output, capacity, use or service of the Projects, (ii) the proceeds of any insurance covering business interruption loss relating to any Project derived or to be derived by JEA and (iii) interest and gains on the sale of securities received or to be received on any moneys or securities held pursuant to the Restated and Amended Bulk Power Supply System Resolution and paid or required to be paid into the Revenue Fund. Revenues shall not include any income, fees, charges, receipts, profits or other moneys derived by JEA from its ownership or operation of the Electric System (except that payments made or to be made by JEA into the Revenue Fund from the Electric System pursuant to the Restated and Amended Bulk Power Supply System Resolution, as referred to in clause (i) of the preceding sentence, shall become Revenues when and to the extent such payments have been accrued) or of any other separate bulk power supply utility or system of the nature referred to in the last sentence of the definition of Project. For any purpose of the Restated and Amended Bulk Power Supply System Resolution that requires the computation of Revenues with respect to any period of time, "Revenues" shall include such amounts described in the second preceding sentence derived or to be derived or received or to be received, as the case may be, during such period, determined on an accrual basis, plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period (excluding from (x) amounts included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Restated and Amended Bulk Power Supply System Resolution) and minus (y) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period. Notwithstanding the foregoing, all cash subsidy payments received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall not constitute "Revenues" for any purpose of the Resolution.

*Scherer 4* shall mean Plant Robert W. Scherer Unit No. 4, an 846 MW coal-fired, steam electric generating unit located near Forsyth, Georgia.

*Scherer 4 Project* shall mean (a) the following, all of which may be acquired by JEA in one or more transactions: (i) an undivided ownership interest in Scherer 4 of not more than 23.64 percent, (ii) an undivided ownership interest in the Additional Unit Common Facilities (as defined in the Scherer 4 Purchase Agreement) of not more than 11.82 percent, (iii) an undivided ownership interest in the Plant Scherer Common Facilities (as defined in the Scherer 4 Purchase Agreement) of not more than 5.91 percent and (iv) an undivided ownership interest in the Plant Scherer Coal Stockpile (as defined in the Scherer 4 Purchase Agreement) of not more than 5.91 percent and (b) any Capital Improvements thereto.

*SJRPP Resolution* shall mean the resolution adopted by JEA on March 30, 1982 entitled "St. Johns River Power Park System Revenue Bond Resolution," as amended and supplemented, together with a resolution adopted by JEA on February 20, 2007 entitled "St. Johns River Power Park System Second Revenue Bond Resolution."

*SJRPP System* shall mean the bulk power supply utility or system owned and operated by JEA pursuant to the SJRPP Resolution.

*Second Highest Rating Category* shall mean a rating not lower than the second highest rating category (not taking into account numerical or plus or minus or other gradations within a rating category) given by that Rating Agency for that general category of security or obligation.

*SIFMA Municipal Swap Index* shall mean the rate determined on the basis of an index based upon the weekly interest rates of tax exempt variable rate issues included in a database maintained by the Securities Industry and Financial Markets Association (“SIFMA”) or any successor indexing agent which meets specific criteria established by SIFMA.

*Trust Estate* shall mean (a) the proceeds of the sale of the Bonds, (b) the Revenues, and (c) all Funds and Accounts established by the Restated and Amended Bulk Power Supply System Resolution (other than (x) the Debt Service Reserve Account in the Debt Service Fund, (y) the Renewal and Replacement Fund and (z) the Decommissioning Fund which may be established pursuant to the Restated and Amended Bulk Power Supply System Resolution), including the investments and investment income, if any, thereof.

*U.S. Treasury* shall mean the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America 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 issuance of the Series of Bonds, of which such Bond is one.

*Variable Rate Taxable Index* shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* shall mean the SIFMA Municipal Swap Index or, if the SIFMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

## **Pledge**

The Bonds are special obligations of JEA payable from and secured by the funds pledged therefor. Pursuant to the Restated and Amended Bulk Power Supply System Resolution, there is pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Restated and Amended Bulk Power Supply System Resolution, subject only to the provisions of the Restated and Amended Bulk Power Supply System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Restated and Amended Bulk Power Supply System Resolution, the Trust Estate.

Pursuant to the Restated and Amended Bulk Power Supply System Resolution, there are pledged, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the Restated and Amended Bulk Power Supply System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Restated and Amended Bulk Power Supply System Resolution, amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund, including the investments and investment income, if any, thereof.

## **Application of Revenues**

Revenues are pledged by the Restated and Amended Bulk Power Supply System Resolution to payment of principal of and interest and redemption premium on the Bonds of all Series, subject to the provisions of the Restated and Amended Bulk Power Supply System Resolution permitting application for other purposes. For application of the Revenues, the Restated and Amended Bulk Power Supply System Resolution establishes a Construction Fund, Revenue Fund, Debt Service Fund, which shall consist of a Debt Service Account and a Debt Service Reserve Account, and within such Debt Service Reserve Account an Initial Subaccount; Subordinated Indebtedness Fund, Rate Stabilization Fund, Renewal and Replacement Fund and General Reserve Fund. All of such funds are held by JEA; *provided* that if and to the extent provided in a Supplemental Resolution authorizing Subordinated Indebtedness, the Subordinated Indebtedness Fund shall be held by the entity specified in such Supplemental Resolution.

## **Construction Fund**

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Restated and Amended Bulk Power Supply System Resolution and there may be paid into the Construction Fund, at the option of JEA, any moneys received for or in connection with any Project by JEA from any other source, unless required to be otherwise applied as provided by the Restated and Amended Bulk Power Supply System Resolution or any Project Agreement. Amounts in the Construction Fund shall be applied to the payment of the Costs in the manner provided in the Restated and Amended Bulk Power Supply System Resolution. There shall be established within the Construction Fund a separate Project Account for each Project.

The proceeds of insurance maintained pursuant to the Restated and Amended Bulk Power Supply System Resolution against physical loss of or damage to any Project or of contractors' performance bonds or other assurances of completion with respect thereto pertaining to the period of construction or acquisition thereof, shall, upon receipt by JEA, be paid into the appropriate Project Account in the Construction Fund, unless required to be applied otherwise pursuant to the provisions of any Project Agreement relating to such Project.

Amounts in each Project Account shall be applied to the purpose or purposes specified in the Restated and Amended Bulk Power Supply System Resolution or any Supplemental Resolution authorizing Bonds relating to the Project for which such Project Account was established.

To the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of the principal of and interest on the Bonds when due.

JEA may withdraw amounts from the appropriate Project Account for the payment of amounts due and owing on account of Costs of the Project.

Amounts credited to any Project Account in the Construction Fund which JEA determines at any time to be in excess of the amounts required for the purposes thereof shall be deposited in the Debt Service Reserve Account in the Debt Service Fund if and to the extent necessary to make the amount in any separate subaccount therein equal to the Debt Service Reserve Requirement related thereto (or, if such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such excess shall be applied ratably, in proportion to the deficiency in each such subaccount), and any balance of such excess shall be deposited (a) in the General Reserve Fund for (i) application to the purchase, redemption, payment or provision for payment of Bonds or interest thereon or (ii) transfer to the Renewal and Replacement Fund for application as provided in the Restated and Amended Bulk Power Supply System Resolution; *provided, however*, that in the event such balance deposited in the General Reserve Fund is less than \$100,000, such balance may be applied to

or set aside for any lawful purpose of JEA, (b) in the Renewal and Replacement Fund or (c) in any other Project Account in the Construction Fund for application to the payment of the Costs of any Project then under construction and/or being acquired.

### **Revenues and Revenue Fund**

Pursuant to the Restated and Amended Bulk Power Supply System Resolution, all Revenues are to be deposited promptly by JEA to the credit of the Revenue Fund.

After payment of Operation and Maintenance Expenses, the Restated and Amended Bulk Power Supply System Resolution provides that the Revenue Fund should be applied monthly to the extent available in the following order:

(a) in the Debt Service Fund, (i) for credit to the Debt Service Account, an amount at least equal to the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; *provided* that (A) for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance in said Account the amount, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Restated and Amended Bulk Power Supply System Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; and (B) any amount deposited into said Account during any month that is in excess of the minimum amount required to be deposited therein during such month may be deemed by JEA to be accumulated therein with respect to (1) any Sinking Fund Installment or (2) any principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established or (3) some combination of (1) and (2), and interest thereon; and (ii) for deposit in each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount);

(b) in the Subordinated Indebtedness Fund, an amount at least equal to the amount, if any, as shall be required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness coming due in such month, whether as a result of maturity or prior call for redemption, and to provide reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness;

(c) in the Rate Stabilization Fund, the amount, if any (i) budgeted for deposit into such Fund as set forth in the then current Annual Budget or (ii) otherwise determined by an Authorized Officer of JEA to be deposited therein; *provided* that such deposit need not be made until the last day of the Fiscal Year;

(d) in the Renewal and Replacement Fund, an amount determined in the discretion of an Authorized Officer of JEA; *provided, however*, that the amount deposited therein in each Fiscal Year shall be at least equal to the Renewal and Replacement Requirement for that Fiscal Year; and

(e) if any Decommissioning Funds shall have been established pursuant to the Restated and Amended Bulk Power Supply System Resolution, in each Decommissioning Fund, the amount budgeted for credit to said Fund for the then current month as set forth in the then current Annual Budget relating to the Project for which such Fund has been established (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the payments required to be made pursuant to this paragraph (e) with respect all of the Decommissioning Funds, then such amount on deposit in the Revenue Fund shall be applied (i) ratably, in proportion to the amount budgeted for credit to each such Decommissioning Fund or (ii) in such other manner as JEA may determine).

As of the last day of each Bond Year after payment of the Operation and Maintenance Expenses for such Bond Year and after all payments required to be made into the Rate Stabilization Fund, the Debt Service Fund, the Subordinated Indebtedness Fund, the Renewal and Replacement Fund and the Decommissioning Funds out of Revenues have been made for such Bond Year, JEA shall withdraw from the Revenue Fund and deposit in the General Reserve Fund the remaining balance, if any, of amounts on deposit in the Revenue Fund (other than amounts set aside therein as working capital or reserves for Operation and Maintenance Expenses).

Notwithstanding the provisions above, so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), no deposits shall be required to be made into the Debt Service Fund.

#### **Debt Service Fund -- Debt Service Reserve Account**

There shall be established in the Debt Service Reserve Account in the Debt Service Fund one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of Bonds, in the manner and to the extent provided in the Restated and Amended Bulk Power Supply System Resolution or the Supplemental Resolution establishing each such subaccount, as the case may be.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due, the amount on deposit in the Debt Service Account in the Debt Service Fund (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency that exists with respect to the Additionally Secured Series of the Bonds secured thereby.

Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement related thereto, and after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, such excess shall be retained therein or deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Restated and Amended Bulk Power Supply System Resolution.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price, if applicable, and interest on the Bonds.

In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, JEA may withdraw from the separate subaccount in the Debt Service Reserve Account established for the benefit of the Bonds of such Additionally Secured Series all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided* that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid pursuant to the Restated and Amended Bulk Power Supply System Resolution, and (b) the amount remaining in such separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, JEA may also withdraw from such separate subaccount in the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Restated and Amended Bulk Power Supply System Resolution; *provided* that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; *provided, further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Restated and Amended Bulk Power Supply System Resolution.

#### **Establishment of Initial Subaccount in the Debt Service Reserve Account and Application Thereof**

The Restated and Amended Bulk Power Supply System Resolution establishes an Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund. Amounts held by JEA in the Initial Subaccount shall constitute a trust fund for the benefit of the Holders of the Bonds of any Series, if and to the extent that the Supplemental Resolution authorizing such Bonds provides that such Bonds shall be additionally secured by amounts on deposit in the Initial Subaccount; *provided, however*, that if the Bonds of any Series hereafter issued are to be additionally secured by amounts on deposit in the Initial Subaccount, then it shall be a condition precedent to the authentication and delivery of such Bonds that the amount on deposit in the Initial Subaccount, after giving effect to any surety bond, insurance policy or letter of credit that may be credited to the Initial Subaccount in accordance with the provisions of the Restated and Amended Bulk Power Supply System Resolution, and after giving effect to the issuance of such Bonds, shall not be less than the Debt Service Reserve Requirement for the Initial Subaccount. The Bonds of any Series that are additionally secured by amounts on deposit in the Initial Subaccount as aforesaid are herein referred to collectively as the "Initial Subaccount Additionally Secured Bonds." As of the date of the Annual Disclosure Report to which this Appendix is attached, the Initial Subaccount secures JEA's Outstanding Bulk Power Supply Revenue Bonds, Scherer 4 Project Issue, Series 2010A (Federally Taxable - Issuer Subsidy - Build America Bonds) and Series 2014A.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due the amount on deposit in the Debt Service Account in the Debt Service Fund (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction

Fund) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from the Initial Subaccount to the extent necessary to cure the deficiency that exists with respect to the Initial Subaccount Additionally Secured Bonds.

In lieu of maintaining moneys or investments in the Initial Subaccount, JEA at any time may cause to be deposited into the Initial Subaccount for the benefit of the Holders of the Initial Subaccount Additionally Secured Bonds an irrevocable surety bond, an insurance policy or a letter of credit (referred to in the Restated and Amended Bulk Power Supply System Resolution as a “reserve fund credit instrument”) satisfying the requirements set forth below in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sums of moneys or value of Investment Securities on deposit in the Initial Subaccount, if any, upon provision of such reserve fund credit instrument.

(a) A surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Initial Subaccount Additionally Secured Bonds (a “municipal bond insurer”) may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the claims paying ability of the issuer thereof shall be rated in the Highest Rating Category by each Rating Agency.

(b) A surety bond or insurance policy issued by an entity other than a municipal bond insurer may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount; *provided* that such entity or its claims paying ability is rated in the Highest Rating Category by each Rating Agency.

(c) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the issuer thereof is rated at least the Second Highest Rating Category by each Rating Agency. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Initial Subaccount Additionally Secured Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(d) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semiannual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in any of clauses (a) through (c) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.

(e) The use of any reserve fund credit instrument pursuant to the Restated and Amended Bulk Power Supply System Resolution shall be subject to receipt of an opinion of counsel acceptable to JEA as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to JEA and the Credit Enhancer, if any, for the Bonds Additionally Secured by the Initial Subaccount and in form and substance satisfactory to JEA and the Credit Enhancer, if any, for the Bonds Additionally Secured by the Initial Subaccount to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against JEA.

(f) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Bonds. Subject to the second and third succeeding sentences, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be on a parity with the cash replenishment of the Initial Subaccount. The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the reserve fund credit instrument to reimbursement will be subordinated to cash replenishment of the Initial Subaccount in an amount equal to the difference between the full original amount available under the reserve fund credit instrument and the amount then available for further draws or claims. If (i) the issuer of a reserve fund credit instrument becomes insolvent or (ii) the issuer of a reserve fund credit instrument defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below the Highest Rating Category (as rated by any Rating Agency) or (iv) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), the obligation to reimburse the issuer of the reserve fund credit instrument shall be subordinate to the cash replenishment of the Initial Subaccount.

(g) If (i) the revolving reinstatement feature described in the preceding clause (f) is suspended or terminated or (ii) (A) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below the Second Highest Rating Category (as rated by any two of the Rating Agencies) and (B) within 45 days of the occurrence of such ratings reductions by two of the Rating Agencies JEA is unable to obtain confirmation of the underlying ratings on the Initial Subaccount Additionally Secured Bonds from all of the Rating Agencies at the respective ratings assigned to such Initial Subaccount Additionally Secured Bonds immediately before the decline in the rating by the first Rating Agency to reduce such rating or (iii) (A) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any two of the Rating Agencies) and (B) within 45 days of the occurrence of such ratings reductions by two of the Ratings Agencies JEA is unable to obtain confirmation of the underlying ratings on the Initial Subaccount Additionally Secured Bonds from all of the Rating Agencies at the respective ratings assigned to such Initial Subaccount Additionally Secured Bonds immediately before the decline in the rating by the first Rating Agency to reduce such rating, JEA shall either (X)

deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments then on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (c) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A-" or "A3" by any two of the Rating Agencies or (2) the rating of the issuer of the letter of credit falls below "A-" or "A3" by any two of the Rating Agencies or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (c) above within six months of such occurrence.

(h) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (g).

(i) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Restated and Amended Bulk Power Supply System Resolution for purposes of the rate covenant contained in the Restated and Amended Bulk Power Supply System Resolution.

(j) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide timely notice to the issuer of the reserve fund credit instrument in accordance with its terms in order to receive proceeds thereunder prior to each interest payment date for the Bonds of any Initial Subaccount Additionally Secured Bonds.

(k) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

### **Rate Stabilization Fund**

Each Fiscal Year JEA shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount, if any, budgeted for transfer into such Fund for the Fiscal Year as set forth in the then current Annual Budget or the amount otherwise determined by an Authorized Officer of JEA. JEA may, from time to time, withdraw amounts on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Restated and Amended Bulk Power Supply System

Resolution, (ii) use such amounts to purchase or redeem Bonds, or (iii) use such amounts to otherwise provide for the payment of Bonds or interest thereon.

### **Renewal and Replacement Fund**

Amounts in the Renewal and Replacement Fund shall be applied to the Costs of any Project, including Capital Improvements thereto, the payment of extraordinary operation and maintenance costs and contingencies and payments with respect to the prevention or correction of any unusual loss or damage in connection with any Project, all to the extent not paid as Operation and Maintenance Expenses or from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Amounts in the Renewal and Replacement Fund also may be applied (a) to the purchase, redemption, payment or provision for payment of Bonds or bonds issued under the Electric Resolution, or interest thereon or (b) upon determination of the Governing Body, to the payment of the costs of enlargements, extensions, improvements and replacements of capital assets of any other utility system owned and operated by JEA and not constituting a part of the Project.

If and to the extent provided in the Supplemental Resolution authorizing Bonds of a Series or Subordinated Indebtedness, amounts from the proceeds of such Bonds or Subordinated Indebtedness may be deposited in the Renewal and Replacement Fund for any purpose of such Fund.

If at any time the amounts in the Debt Service Account or any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall be less than the current requirements of such Account or subaccount, respectively, and there shall not be on deposit in the General Reserve Fund available moneys sufficient to cure such deficiency, then JEA may transfer from the Renewal and Replacement Fund for deposit in the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund may be applied first to make up the deficiency in the Debt Service Account, and any balance remaining may be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

If at any time the amounts in the Subordinated Indebtedness Fund shall be less than the current requirement of such Fund and the amounts on deposit in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall equal the current requirements of such Account and subaccounts, respectively, and such amounts are not required for the payment of Operation and Maintenance Expenses, then JEA may transfer from the Renewal and Replacement Fund for deposit in the Subordinated Indebtedness Fund the amount necessary (or all the moneys in the Renewal and Replacement Fund if less than the amount necessary) to make up such deficiency.

If at any time amounts in the Renewal and Replacement Fund exceed the Renewal and Replacement Requirement, the excess, if not needed for any of the purposes specified in the Restated and Amended Bulk Power Supply System Resolution, may be deposited in the General Reserve Fund.

### **General Reserve Fund**

JEA shall withdraw from the General Reserve Fund and apply moneys in the following amounts and in the following order of priority: (a) JEA shall pay Operation and Maintenance Expenses due and unpaid, (b) JEA shall deposit in the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund the amount necessary to make up any deficiencies in said Account and subaccounts (or, if the amount in the General Reserve Fund shall be less than the amount necessary to make up the

deficiencies with respect to the Debt Service Reserve Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency of each subaccount), (c) JEA shall deposit in the Subordinated Indebtedness Fund the amount necessary (or all of the moneys in the General Reserve Fund if less than the amount necessary) to make up any deficiencies in payments to such Fund required by the Restated and Amended Bulk Power Supply System Resolution and (d) JEA shall deposit in the Renewal and Replacement Fund the amount necessary (or all the moneys in the General Reserve Fund if less than the amount necessary) to make up any deficiencies in payments to such Fund required the Restated and Amended Bulk Power Supply System Resolution.

Amounts in the General Reserve Fund not required to meet a deficiency or for transfer as required above shall upon determination of JEA be applied to or set aside for any lawful purpose of JEA (including transfers to any other Fund or Account established under the Restated and Amended Bulk Power Supply System Resolution or transfers to JEA for application in connection with the Electric System, except that the amount of any such transfer to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Restated and Amended Bulk Power Supply System Resolution); *provided, however,* that, subject to the provisions of the preceding paragraph, amounts deposited in the General Reserve Fund pursuant to the Amended and Restated Bulk Power Supply System Resolution and required thereby to be (i) applied to the purchase, redemption, payment or provision for payment of Bonds or interest thereon or (ii) transferred to the Renewal and Replacement Fund, shall be applied to such purposes.

#### **Additional Bonds**

JEA may issue one or more series or issues of additional Bonds for any lawful purpose of JEA relating to any Project. All such Bonds will be payable from the Trust Estate pledged pursuant to the Restated and Amended Bulk Power Supply System Resolution and secured thereby on a parity with all other Bonds or Bonds of particular Issues. In addition, each series of Bonds may be additionally secured by amounts on deposit in a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established under the Restated and Amended Bulk Power Supply System Resolution (which may be the Initial Subaccount therein). Set forth below are certain conditions applicable to the issuance of additional Bonds:

***Debt Service Reserve.*** If, at JEA's option, any series of additional Bonds is to be additionally secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund established under the Restated and Amended Bulk Power Supply System Resolution, the issuance of the additional Bonds of such series is further conditioned upon the deposit to the Initial Subaccount of moneys or reserve fund credit instruments, or a combination thereof, in an amount such that the balance in such Subaccount equals the Debt Service Reserve Requirement for such Subaccount calculated immediately after the delivery of such Bonds.

***No Default.*** In addition, Bonds of any series may be issued only if JEA certified that upon the issuance of such series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Restated and Amended Bulk Power Supply System Resolution.

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## **Subordinated Indebtedness**

JEA may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose of JEA related to any Project, which Subordinated Indebtedness shall be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof; *provided, however*, that any pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Trust Estate created by the Restated and Amended Bulk Power Supply System Resolution as security for the Bonds.

## **Investment of Certain Funds**

Unless further limited as to maturity by the provisions of a Supplemental Resolution, moneys held in the Funds and Accounts established under the Restated and Amended Bulk Power Supply System Resolution (other than any Decommissioning Fund) may be invested and reinvested by JEA in Investment Securities which will provide moneys not later than such times as shall be needed for payments to be made from such Funds and Accounts. Moneys held in any Decommissioning Fund shall be invested and reinvested by JEA in accordance with the Supplemental Resolution establishing such Fund. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Restated and Amended Bulk Power Supply System Resolution and held by JEA, JEA may combine such moneys with moneys in any other Fund or Account held by JEA, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts (and, in the discretion of JEA, any profit realized from the liquidation of such investment), other than the Construction Fund and any Decommissioning Fund shall be paid into the Revenue Fund. Interest earned on any moneys or investments in the Project Account in the Construction Fund held in such Project Account for the purposes thereof shall be held in such Fund for the purposes thereof or paid into the Revenue Fund. Interest earned on any moneys or investments in any Decommissioning Fund shall be applied as provided in the Supplemental Resolution establishing such Fund.

Nothing contained in the Restated and Amended Bulk Power Supply System Resolution shall prevent JEA, to the extent permitted by law, from entering into securities lending agreements or bonds borrowed agreements (“lending agreements”) with banks which are members of the Federal Deposit Insurance Corporation, having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 and government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, secured by securities, which are obligations described in the definition of Investment Securities; *provided* that each such lending agreement (a) is in commercially reasonable form and is for a commercially reasonable period, and (b) results in a transfer to JEA of legal title to, or a grant to JEA of a prior perfected security interest in, identified securities which are obligations described in the definition of Investment Securities and which are free and clear of any claims by third parties and are segregated in a custodial or trust account held by a third party (other than the borrower) as the agent solely of, or in trust solely for the benefit of, JEA; *provided* that such securities acquired or pledged pursuant to such lending agreements shall have a current market value not less than 102 percent of the market value of the securities loaned by JEA under such agreement. Any Investment Securities loaned by JEA under any such agreement shall be released from the lien of the pledge of the Trust Estate created under the Restated and Amended Bulk Power Supply System Resolution, but only if all rights of JEA under the lending agreement (including, but not limited to, the monetary obligations to JEA of the bank and/or government bond dealer party to such agreement) and any related collateral agreement and all rights of JEA to the identified securities transferred or pledged to JEA in connection therewith are substituted for the securities loaned, and such rights of JEA are by the Restated and Amended Bulk Power Supply System Resolution declared to be subject to the lien of the pledge of the Trust Estate created under the Restated and Amended Bulk

Power Supply System Resolution to the same extent that the loaned Investment Securities formerly were subject.

## **Redemption**

In the case of any redemption of Bonds, JEA shall give written notice to the Bond Registrar and the Paying Agents of the redemption date, of the Issue and Series, and of the principal amounts of the Bonds of each maturity of such Issue and Series and of the Bonds of each interest rate within a maturity to be redeemed (which Issue, Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Restated and Amended Bulk Power Supply System Resolution or any Supplemental Resolution authorizing the Series of which such Bonds are a part). Such notice shall be filed with the Bond Registrar and the Paying Agents for the Bonds to be redeemed at least 40 days prior to the redemption date (or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Issue and Series of the Bonds to be redeemed or (b) as shall be acceptable to such Bond Registrar and the Paying Agents). In the event notice of redemption shall have been given, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

## **Covenant as to Rates, Fees and Charges**

JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of all of the Projects which shall be sufficient to provide Net Revenues in each Bond Year which shall be at least equal to the greater of (i) 115 percent of the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, and (ii) the amount which, together with other available funds, shall be sufficient for the payment of:

(a) the amount to be paid during such Bond Year into the Debt Service Account in the Debt Service Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(b) the amount, if any, to be paid during such Bond Year into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into any such subaccount out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(c) the amount, if any, to be paid during such Bond Year into the Subordinated Indebtedness Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(d) the amount, if any, to be paid during such Bond Year into the Renewal and Replacement Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(e) if any Decommissioning Funds shall have been established pursuant to the Restated and Amended Bulk Power Supply System Resolution, the amount, if any to be paid during such Bond Year into each Decommissioning Fund (other than amounts required to be paid into any such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); and

(f) all other charges and liens whatsoever payable out of Revenues during such Bond Year.

The Restated and Amended Bulk Power Supply System Resolution establishes charges to JEA for the account of the Electric System, for the output, capacity, use and service of the Projects which are due on such dates and in such aggregate amounts as shall be sufficient to provide Net Revenues in each Bond Year sufficient to comply with the provision above.

JEA generally will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Electric System free of charge to any person, firm or corporation, public or private.

### **Certain Other Covenants**

***Creation of Liens; Sale and Lease of Property.*** JEA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a security interest in or pledge of the Trust Estate or any portion thereof, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or other moneys, securities or funds held or set aside by JEA or by the Fiduciaries under the Restated and Amended Bulk Power Supply System Resolution and shall not create or cause to be created any lien or charge on the Trust Estate or any portion thereof, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or such moneys, securities or funds; *provided, however*, that nothing contained in the Restated and Amended Bulk Power Supply System Resolution shall prevent JEA from issuing, if and to the extent permitted by law, (a) Bond Anticipation Notes or other evidences of indebtedness payable out of, and which may be secured by a pledge of (i) the proceeds of sale of Bonds or investment income therefrom, or (ii) amounts in the Construction Fund derived from the proceeds of sale of said Bond Anticipation Notes or investment income therefrom as may from time to time be available for payment of such Bond Anticipation Notes or other evidences of indebtedness (including redemption premiums, if any, and interest thereon) as part of the Costs of any Project, or (iii) amounts in the General Reserve Fund as may from time to time be available for payment of such Bond Anticipation Notes or other evidences of indebtedness (including redemption premiums, if any, and interest thereon) or (iv) Revenues to be derived on and after such date as the pledge of the Revenues provided in the Restated and Amended Bulk Power Supply System Resolution shall be discharged and satisfied as provided in the Restated and Amended Bulk Power Supply System Resolution, or (b) Subordinated Indebtedness.

No part of any Project shall be sold, mortgaged, leased or otherwise disposed of, except as follows:

(a) JEA may dispose of, sell or exchange at any time and from time to time any property or facilities constituting part of such Project only if (i) JEA shall determine that such property or facilities are not needed or useful in the operation of such Project, or (ii) the net book value of the property or facilities, sold or exchanged is not more than 15 percent of the net book value of the property and facilities of such Project, or (iii) there shall be filed with the records of JEA a certificate of an Authorized Officer of JEA stating, in his or her opinion, that the disposal, sale or exchange of such property or facilities will not materially diminish the value of the output, capacity, use and service of such Project being made available for the account of the Electric System pursuant to the Restated and

Amended Bulk Power Supply System Resolution. The proceeds of any sale or exchange of any property or facilities constituting a part of a Project not used to acquire other property necessary or desirable for the safe or efficient operation of a Project shall forthwith be deposited in the General Reserve Fund or the Renewal and Replacement Fund, in either case, for application pursuant to the Restated and Amended Bulk Power Supply System Resolution;

(b) JEA may sell, lease or otherwise dispose of, or grant easements or other rights with respect to, any part of a Project to the extent required by or pursuant to the Project Agreements related thereto.

(c) In addition to the Project Agreements, JEA may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of any Project; *provided* that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by JEA of such Project and (ii) does not materially adversely affect the rights or security of the Holders of the Bonds under the Restated and Amended Bulk Power Supply System Resolution. Any payments received by JEA under or in connection with any such lease, contract, license, arrangement, easement or right in respect of any Project or any part thereof shall constitute Revenues; or

(d) JEA may sell, lease or otherwise dispose of any Project or any part thereof, if, at the time of such sale, lease or other disposition, all Bonds issued to pay the Costs of such Project (including any Refunding Bonds issued to refund such Bonds) shall have been paid or deemed to have been paid within the meaning and with the effect expressed and the defeasance provisions of the Restated and Amended Bulk Power Supply System Resolution.

***Maintenance of Insurance.*** JEA shall at all times keep or cause to be kept the properties of each Project which are of an insurable nature and of the character usually insured by those operating properties similar to such Project insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained, but only to the extent the cost therefor is reasonable, in the judgment of JEA. JEA shall at all times maintain or cause to be maintained insurance or reserves (in the nature of self insurance) against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of each Project.

JEA shall also use its best efforts to maintain or cause to be maintained any additional or other insurance which it shall deem necessary or advisable to protect its interests and those of the Bondholders.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to JEA unless otherwise required by any Project Agreement.

***Reconstruction; Application of Insurance Proceeds; Condemnation Awards.*** If any useful portion of any Project shall be damaged or destroyed or taken by any governmental authority under the power of eminent domain or otherwise (“Condemnation”), JEA shall, as expeditiously as possible, continuously and diligently proceed with the reconstruction or replacement thereof or take any other action deemed to be in the best interest of JEA. Except as provided in the Restated and Amended Bulk Power Supply System Resolution, the proceeds of any insurance paid or award received on account of such damage, destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Construction Fund pursuant to the Restated and Amended Bulk Power Supply System Resolution) or Condemnation, unless held and applied under the applicable Project Agreements shall be held by JEA in a special account

and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by JEA in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement or may be invested as otherwise provided for under such Project Agreements. Interest earned on such account or investments shall be deposited in the Revenue Fund unless otherwise required under such Project Agreements. Any such proceeds not applied within 36 months after receipt thereof by JEA to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been filed with the records of JEA within such 36 months, or which JEA shall at any time determine are not to be so applied, unless otherwise applied or to be applied under the applicable Project Agreements, shall be deposited (a) in the General Reserve Fund for (i) application to the purchase, redemption, payment or provision for payment of Bonds or interest thereon or (ii) transfer to the Renewal and Replacement Fund for application pursuant to the provisions of the Restated and Amended Bulk Power Supply System Resolution; *provided, however*, that in the event such amount deposited in the General Reserve Fund is less than \$100,000, such amount may be applied to or set aside for any lawful purpose of JEA or (b) in the Renewal and Replacement Fund for application pursuant to the provisions of the Restated and Amended Bulk Power Supply System Resolution. Notwithstanding the foregoing, in the event that payments for any such repairing or replacing of property damaged, destroyed or taken prior to the availability of proceeds of insurance or Condemnation therefor are made from the Renewal and Replacement Fund, or from the General Reserve Fund, or from other funds of JEA not held in any Fund or Account established pursuant to the Restated and Amended Bulk Power Supply System Resolution, such proceeds when received shall be deposited in the Renewal and Replacement Fund or in the General Reserve Fund, in each case, to the extent of such payments therefrom, or shall be paid over to JEA, free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Restated and Amended Bulk Power Supply System Resolution, as appropriate.

If the proceeds of insurance or Condemnation authorized by in the preceding paragraph to be applied to the reconstruction or replacement of any portion of any Project are insufficient for such purpose, the deficiency may be supplied out of moneys in the Renewal and Replacement Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund unless otherwise required by the applicable Project Agreements.

***Allocation to Electric System of Output and Capacity of System; Obligations of Electric System.***

JEA shall allocate to and make available for the account of the Electric System in each year 100 percent of the output, capacity, use and service of each Project. JEA shall make payments from the Electric System into the Revenue Fund for such output, capacity, use and service of each Project at the times and in the amounts which (i) will produce Net Revenues in each Bond Year at least equal to 115 percent of the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues and (ii) will produce Revenues sufficient, together with other available funds, for the payment during each month of:

(a) the Operation and Maintenance Expenses due and payable during such month;

(b) the amount, if any, to be set aside in such month in the Revenue Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA) as working capital or as reserves for Operation and Maintenance Expenses;

(c) the amount, to be paid during such month into the Debt Service Account in the Debt Service Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(d) the amount, if any, to be paid during such month into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into any such subaccount out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(e) the amount, if any, to be paid during such month into the Subordinated Indebtedness Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(f) the amount, if any, to be paid during such month into the Renewal and Replacement Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(g) if any Decommissioning Funds shall have been established pursuant to the Restated and Amended Bulk Power Supply System Resolution, the amount, if any, to be paid during such month into each Decommissioning Fund (other than amounts required to be paid into any such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); and

(h) all other charges and liens whatsoever payable out of Revenues during such month.

During any period in which the Debt Service for any Series of Bonds containing Build America Bonds shall be calculated in the manner provided in the *proviso* contained in clause (i) of the first paragraph of the definition thereof contained in Section 101 hereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Debt Service Account in the Debt Service Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date, without regard to any reduction thereto made by the U.S. Treasury for the purpose of offsetting any amount due from JEA to it. Any such cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but no such payment shall constitute Revenues for any purpose of this Resolution.

So long as the Electric Resolution shall not be satisfied and discharged, all payments to be made in accordance with the preceding paragraph shall constitute a "Cost of Operation and Maintenance" (as defined in the Electric Resolution) to be paid directly from the "Revenue Fund" established under the Electric Resolution. After the satisfaction and discharge of the Electric Resolution, JEA shall continue to make such payments from the revenues, income, rents and receipts derived by JEA from the ownership and operation of the Electric System as an operating expense of said Electric System. All such payments from the Electric System shall be made whether or not any Project or any part thereof is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of any Project for any reason whatsoever, in whole or in part.

So long as the Electric Resolution shall not be satisfied and discharged, JEA shall not consent or agree to or permit any amendment or supplement to the Electric Resolution (other than a supplement thereto to authorize a series of additional parity bonds as permitted by the Electric Resolution) which will in any manner materially impair or materially adversely affect the obligation of JEA to pay for the output,

capacity, use and service of the Projects in accordance with the Restated and Amended Bulk Power Supply System Resolution or the priority of such obligation under the Electric Resolution.

Except as otherwise provided in this paragraph, after the satisfaction and discharge of the Electric Resolution, (i) JEA shall not become liable for any bonds, notes, debentures or other evidences of indebtedness of similar nature payable out of or secured by a pledge of or lien or charge on any of the revenues, income, rents or receipts to be derived by JEA from the ownership or operation of the Electric System which shall rank on a parity with or in priority over or, except for bonds, notes, debentures or other evidences of indebtedness issued in connection with obligations of the type described in clause (ii) below, on a parity with the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use and service of the Projects in accordance with the applicable provision in the Restated and Amended Bulk Power Supply System Resolution, and (ii) JEA shall not become liable for any obligation under any agreement to purchase or pay for electric power and energy or other goods or services whether or not the same are made available or furnished or any other obligation under which JEA lends credit to or guarantees any debt, claim or other obligation of any other person, firm or corporation which shall rank in priority over the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use or service of the Projects in accordance with the applicable provision in the Restated and Amended Bulk Power Supply System Resolution; *provided, however*, that nothing contained in this paragraph shall prohibit or restrict JEA from establishing one or more other separate bulk power supply utilities or systems pursuant to Chapter 80-513, Laws of Florida, as amended, or any other law, and issuing its bonds therefor as provided in said Chapter 80-513, as amended, or such other law, and from making payments from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System for the purchase of output, capacity, use or service of any of the facilities of any such separate bulk power supply utility or system, including payments with respect to debt service on such bonds, on a parity with (but not in priority over) the obligation of JEA to pay, from the revenues, income, rents and receipts derived by JEA from the ownership or operation of the Electric System, for the output, capacity, use and service of any Project in accordance with the applicable provision in the Restated and Amended Bulk Power Supply System Resolution.

***Operation and Maintenance of the Electric System.*** JEA shall at all times operate or cause to be operated the Electric System properly and in an efficient and economical manner, consistent with good business and utility operating practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted.

***Rates and Fees of the Electric System.*** JEA shall at all times fix, establish, maintain, charge and collect fees and other charges for the sale of the output, capacity, use or service of the Electric System as shall be required to provide moneys from the Electric System at least sufficient in each fiscal year with respect to the Electric System for the payment of all charges or liens whatsoever payable out of revenues of the Electric System during such fiscal year, including all payments required to be made by JEA out of revenues of the Electric System (i) pursuant to the SJRPP Resolution, (ii) pursuant to the Restated and Amended Bulk Power Supply System Resolution and (iii) in connection with any other bulk power supply utility or system previously created by JEA (other than (x) the SJRPP System and (y) all Projects the acquisition and/or construction of which have previously been authorized pursuant to the Restated and Amended Bulk Power Supply System Resolution).

[Remainder of page intentionally left blank]

Except as otherwise provided in the Electric Resolution, JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Electric System, free of charge to any person, firm or corporation, public or private; and JEA will enforce promptly the payment of any and all accounts owing to JEA by reason of the ownership and operation of the Electric System.

***Maintenance of Insurance for the Electric System.*** JEA shall at all times keep or cause to be kept the properties of the Electric System which are of an insurable nature and of the character usually insured by those operating properties similar to the Electric System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained, but only to the extent the cost therefor is reasonable, in the judgment of JEA. JEA shall at all times maintain or cause to be maintained insurance or reserves (in the nature of self insurance) against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the Electric System, but only to the extent the cost therefor is reasonable, in the judgment of JEA.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to JEA.

### **Events of Default; Remedies**

If one or more of the following Events of Default shall happen:

(a) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable and such default shall continue for a period of 30 days;

(c) if default shall be made by JEA in the performance or observance of any other of the covenants, agreements or conditions on its part in the Restated and Amended Bulk Power Supply System Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to JEA by the Holders of not less than 10 percent in principal amount of the Bonds Outstanding;

(d) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of JEA or the filing by JEA of a voluntary petition in bankruptcy, or adjudication of JEA as a bankrupt, or assignment by JEA for the benefit of its creditors, or the entry by JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to JEA in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

(e) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Holders of not less than 25 percent in principal amount of the Bonds Outstanding (by notice in writing to JEA), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the Restated and Amended Bulk Power Supply System Resolution or in any of the Bonds notwithstanding; *provided, however*, that in the event that a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided provides that the principal of such Bonds, and the accrued interest thereon, may not be declared due and payable immediately (nor such declaration be rescinded and annulled, as provided in the following sentence) without the consent in writing of the Credit Enhancer therefor, then such Bonds, and the interest accrued thereon, shall not become due and payable immediately as aforesaid (nor may such declaration be rescinded and annulled, as provided in the following sentence) without such written consent, and, in that event, the remedies available to the Holders of such Bonds (or such Credit Enhancer, on behalf of such Holders) shall be limited to those set forth in the Restated and Amended Bulk Power Supply System Resolution. The right of the Holders of not less than 25 percent in principal amount of the Bonds to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by JEA under the Restated and Amended Bulk Power Supply System Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of JEA or provision shall be made for such payment, and all defaults under the Bonds or under the Restated and Amended Bulk Power Supply System Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or adequate provision shall be made therefor, then and in every such case the Holders of 25 percent in principal amount of the Bonds Outstanding, by written notice to JEA, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. See “Action by Credit Enhancer When Action by Holders of Bonds Required” herein.

During the continuance of an Event of Default, JEA shall apply all moneys, securities, funds and Revenues held or received by JEA under the Restated and Amended Bulk Power Supply System Resolution (other than (x) amounts on deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund and (y) amounts on deposit in the Decommissioning Fund) as follows and in the following order:

(a) Operation and Maintenance Expenses -- to the payment of the amounts required for Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of any Project necessary in the judgment of JEA to prevent a diminution in the value of the output, capacity, use and service of such Project being made available for the account of the Electric System pursuant to the Restated and Amended Bulk Power Supply System Resolution;

(b) Principal or Redemption Price and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(i) unless the principal of all the Bonds shall have become or have been declared due and payable,

First: Interest -- to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds

theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price -- to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(ii) if the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

(c) Subordinated Indebtedness -- to the payment of principal, redemption price and interest then due on Subordinated Indebtedness in accordance with the Supplemental Resolution(s) authorizing such Subordinated Indebtedness.

During the continuance of an Event of Default, JEA shall apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund as follows and in the following order:

(d) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest -- to the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate subaccount in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price -- to the payment to the persons entitled thereto of the unpaid principal or sinking fund Redemption Price of any Bonds of such Additionally Secured Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or sinking

fund Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(e) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate subaccount without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

During the continuance of an Event of Default, JEA shall apply all amounts on deposit in any Decommissioning Fund only for the purposes for which such Fund was established.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries, and all other sums payable by JEA under the Restated and Amended Bulk Power Supply System Resolution including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of JEA, and all defaults under the Restated and Amended Bulk Power Supply System Resolution or the Bonds shall be made good, JEA and the Holders shall be restored, respectively, to their former positions and rights under the Restated and Amended Bulk Power Supply System Resolution. No such restoration of JEA and the Holders to their former positions and rights shall extend to or affect any subsequent default under the Restated and Amended Bulk Power Supply System Resolution or impair any right consequent thereon.

### **Powers of Amendment**

Any modification or amendment of the Restated and Amended Bulk Power Supply System Resolution and of the rights and obligations of JEA and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Restated and Amended Bulk Power Supply System Resolution (a) of the Holders of not less than a majority in principal amount of the Bonds affected by such modification or amendment Outstanding at the time such consent is given, and (b) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular Issue, Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Issue, Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Restated and Amended Bulk Power Supply System Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity or any particular Commercial Paper Notes or Medium-Term Notes would be affected by any modification or amendment of the Restated and Amended Bulk Power Supply System Resolution and any such determination shall, absent manifest error, be binding

and conclusive on JEA and all Holders of Bonds. For the purpose of this paragraph, a change in the terms of redemption of any Outstanding Bond shall be deemed only to affect such Bond, and shall be deemed not to affect any other Bond. For the purpose of this paragraph, the Holders of any Bonds may include the Holders thereof, regardless of whether such Bonds are being held for resale. See “Action by Credit Enhancer When Action by Holders of Bonds Required” herein.

### **Supplemental Resolutions**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of JEA may be adopted, which, upon its adoption and compliance with the applicable provisions of the Restated and Amended Bulk Power Supply System Resolution, shall be fully effective in accordance with its terms:

(a) to close the Restated and Amended Bulk Power Supply System Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Restated and Amended Bulk Power Supply System Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of JEA in the Restated and Amended Bulk Power Supply System Resolution other covenants and agreements to be observed by JEA which are not contrary to or inconsistent with the Restated and Amended Bulk Power Supply System Resolution as theretofore in effect;

(c) to add to the limitations and restrictions in the Restated and Amended Bulk Power Supply System Resolution other limitations and restrictions to be observed by JEA which are not contrary to or inconsistent with the Restated and Amended Bulk Power Supply System Resolution as theretofore in effect;

(d) to authorize Bonds of an Issue or of a Series and, in connection therewith, specify and determine the matters and things referred to in the article of the Restated and Amended Bulk Power Supply System Resolution relating to the authorization and issuance of Bonds, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Restated and Amended Bulk Power Supply System Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(e) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in coupon form payable to bearer or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto;

(f) to confirm, as further assurance, any security interest or pledge under, and the subjection to any security interest or pledge created or to be created by, the Restated and Amended Bulk Power Supply System Resolution of the Revenues or of any other moneys, securities or funds;

(g) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve if and to the extent authorized in a

Supplemental Resolution authorizing an Additionally Account securing the Bonds of such Additionally Secured Series;

(h) to authorize the establishment of a Decommissioning Fund as provided in the Restated and Amended Bulk Power Supply System Resolution and, in connection therewith, to specify and determine the matters and things referred to therein or to modify any such matters and things in any other respect whatsoever;

(i) to modify any of the provisions of the Restated and Amended Bulk Power Supply System Resolution in any other respect whatever; *provided* that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(j) to identify and authorize the acquisition and/or construction of any Project;

(k) to designate any agreement entered into in connection with a Project as a “Project Agreement” therefor; and

(l) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Restated and Amended Bulk Power Supply System Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness.

**Supplemental Resolutions Effective Upon Delivery of Counsel’s Opinion as to No Material Adverse Effect**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (a) delivery of a Counsel’s Opinion to the effect that the provisions of such Supplemental Resolution will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (i) any banking or financial institution serving as financial advisor to JEA, as to financial and economic matters, (ii) a consulting engineer, as to matters within its field of expertise and (iii) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate) and (b) compliance with the applicable provision of the Restated and Amended Bulk Power Supply System Resolution, shall be fully effective in accordance with its terms:

(a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Restated and Amended Bulk Power Supply System Resolution;

(b) to insert such provisions clarifying matters or questions arising under the Restated and Amended Bulk Power Supply System Resolution as are necessary or desirable and are not contrary to or inconsistent with the Restated and Amended Bulk Power Supply System Resolution as theretofore in effect; or

(c) to make any other modification to or amendment of the Restated and Amended Bulk Power Supply System Resolution which such counsel in its reasonable judgment shall determine will not have a material adverse effect on the interests of the Bondholders.

Notwithstanding any other provision of the Restated and Amended Bulk Power Supply System Resolution, in determining whether the interests of the Holders of Outstanding Bonds are materially adversely affected, such counsel shall consider the effect on the Holders of any Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement.

### **Defeasance**

If all Bonds and interest due or to become due therein are paid in full, then the pledge of the Trust Estate and all covenants, agreements and other obligations of JEA to the Holders of the Bonds, will thereupon cease, terminate and become void and be discharged and satisfied.

If any Bonds are paid in full, then such Bonds shall cease to be entitled to any lien, benefit or security under the Restated and Amended Bulk Power Supply System Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the Restated and Amended Bulk Power Supply System Resolution whenever the following conditions (or such other conditions as may be set forth in the Supplemental Subordinated Resolution authorizing such Bonds) are met (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, JEA shall have given to the Escrow Agent therefor instructions accepted in writing by such Escrow Agent to give notice of redemption thereof, (b) there shall have been deposited with the Escrow Agent therefor either moneys, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Escrow Agent at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds, and (c) in the event said Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA shall have given such Escrow Agent instructions to give to the Holders of such Bonds a notice that the above deposit has been made and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the provisions of the Restated and Amended Bulk Power Supply System Resolution, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Variable Rate Bonds in order to satisfy the provisions of the Restated and Amended Bulk Power Supply System Resolution, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Restated and Amended Bulk Power Supply System Resolution.

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Option Bonds shall be deemed to have been paid in accordance with the provisions of the Restated and Amended Bulk Power Supply System Resolution only if, in addition to satisfying the requirements of clauses (a) and (c) of the second preceding paragraph, there shall have been deposited with the Escrow Agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; *provided, however*, that if, at the time a deposit is made with the Escrow Agent pursuant to the provisions of the Restated and Amended Bulk Power Supply System Resolution, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Escrow Agent for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Restated and Amended Bulk Power Supply System Resolution.

### **Action by Credit Enhancer When Action by Holders of Bonds Required**

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series or an interest rate within a maturity, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series or an interest rate within a maturity, as to which it is the Credit Enhancer at all times for the purpose of (a) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Restated and Amended Bulk Power Supply System Resolution, which requires the written approval or consent of Holders; *provided, however*, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (b) giving any approval or consent, exercising any remedies or taking any other action following the occurrence of an Event of Default under the Restated and Amended Bulk Power Supply System Resolution.

### **Special Provisions Relating to Capital Appreciation Bonds, Deferred Income Bonds and Reimbursement Obligations**

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service and Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (a) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, or (c) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to JEA any notice, consent, request, or demand pursuant to the Restated and Amended Bulk Power Supply System Resolution

for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

For the purposes of (a) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (b) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, or (c) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to JEA any notice, consent, request or demand pursuant to the Restated and Amended Bulk Power Supply System Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

Except as otherwise provided in a Supplemental Resolution authorizing a Series of Reimbursement Obligations, for the purposes of (a) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Bonds is declared immediately due and payable following an Event of Default or (b) computing the principal amount of Bonds held by the Holder of a Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the Restated and Amended Bulk Power Supply System Resolution for any purpose whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Bonds of the Series or maturity or interest rate within a maturity for which such Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Bonds, less any prior repayments thereof.

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## SUMMARY OF CERTAIN PROVISIONS OF THE POWER PARK JOINT OWNERSHIP AGREEMENT

The following is a brief summary of certain provisions of the Power Park Joint Ownership Agreement. This summary does not purport to be a complete or comprehensive statement of the contents of the Power Park Joint Ownership Agreement. This summary is entirely qualified by and reference is hereby made to the provisions of the Power Park Joint Ownership Agreement itself, copies of which may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction.

### Definitions

Unless the context otherwise requires, the terms defined in this section shall for the purposes of this summary have the meanings specified herein. The reader is cautioned that the definitions contained in this summary of the Power Park Joint Ownership Agreement may and do materially vary from the definitions of similar terms used elsewhere in the Annual Disclosure Report to which this summary is attached.

*Bonds:* The bonds, notes or other evidences of indebtedness issued from time to time by JEA pursuant to the First Power Park Resolution (or other applicable resolution or agreement in the case of notes or other evidences of indebtedness), except for certain bonds (“Other Bonds”) issued to pay certain costs allocable solely to JEA, to pay any part of (i) Costs of Construction, (ii) Costs of Plant, (iii) interest accruing in whole or in part on bonds, notes or other evidences of indebtedness issued pursuant to the First Power Park Resolution (or other applicable resolution or agreement in the case of notes or other evidences of indebtedness), except for interest accruing in whole or in part on Other Bonds, prior to and during construction and for such additional period as JEA may reasonably determine to be necessary for placing the Joint Facilities in operation, (iv) amounts required by the First Power Park Resolution to be paid into the Debt Service Fund (as defined in the First Power Park Resolution), except for amounts to be paid into such Debt Service Fund attributable to Other Bonds, from the proceeds of bonds, notes or other evidences of indebtedness, (v) costs and expenses incurred in the issuance and sale of bonds, notes or other evidences of indebtedness issued pursuant to the First Power Park Resolution (or other applicable resolution or agreement in the case of notes or other evidences of indebtedness), except for costs and expenses incurred in the issuance and sale of Other Bonds, including but not limited to legal fees and expenses, discounts to the underwriters or other purchasers thereof, fees and expenses of underwriters or other purchasers thereof and fees and expenses of financial advisors, or (vi) the payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption) on notes or other evidences of indebtedness issued in accordance with the provisions of clause (i) of subsection one of Section 707 of the First Power Park Resolution (relating to bond anticipation notes) to finance any of the costs referred to above in clauses (i) through (v), inclusive, which costs have not been, and are not to be, paid out of the proceeds of bonds, and any additional bonds and refunding bonds issued in accordance with the First Power Park Resolution.

*Co-owner:* JEA or FPL or any party substituted for JEA or FPL pursuant to Section 12.1 or 12.2 of the Power Park Joint Ownership Agreement. The “Co-owners” shall mean JEA and FPL and any party substituted for JEA or FPL pursuant to such Sections.

*Costs of Construction:* All costs, expenses, losses, liabilities and charges (except certain costs allocable principally to JEA) incurred or accrued by JEA or FPL in planning, design, engineering, acquisition, construction, contract preparation, installation, modifying, testing, environmental control, safety and completion of the Joint Facilities, including costs related to obtaining all licenses, approvals or permits from regulatory agencies required for construction, operation and ownership of the Joint Facilities which are incurred or accrued in connection with placing Coal Units No. 1 and No. 2 in commercial operation.

*Costs of Operation:* All direct and indirect costs of operating the Joint Facilities incurred or accrued by JEA or FPL pursuant to the terms of the Power Park Joint Ownership Agreement, including but not limited to all costs, expenses, losses, liabilities and charges incurred or accrued in operating, maintaining, repairing, supervising, fueling, staffing, insuring, testing, protecting, preserving, meeting legal, regulatory, permit and license requirements with respect to, and using the Joint Facilities, whether incurred in the name of JEA or FPL only or the name of both Co-owners, but excluding (i) any such items otherwise included as Costs of Construction, Costs of Plant or Other Costs and (ii) cost of Fuel or costs of Plant Materials and Operating Supplies as provided in Appendix B of the Power Park Joint Ownership Agreement.

*Costs of Plant:* All costs, expenses, losses, liabilities and charges (except certain costs principally allocable to JEA) incurred or accrued by JEA or FPL pursuant to the terms of the Power Park Joint Ownership Agreement for the Joint Facilities, after the Date of Commercial Operation with respect to each of Coal Units No. 1 and No. 2, which are directly or indirectly related to capital improvements, additions, betterments or replacements thereof, whether incurred in the name of JEA or FPL only or in the name of both Co-owners.

*Generation Entitlement:* The capacity in megawatts available to a Co-owner which is equal to such Co-owner's Generation Entitlement Percentage times the Net Electric Generating Capability.

*Generation Entitlement Percentage:* The percentage of the Net Electric Generating Capability of each of Coal Units No. 1 and No. 2 to which JEA or FPL, as the case may be, is entitled under the Power Park Joint Ownership Agreement.

*Net Electric Generating Capability:* With respect to each of Coal Units No. 1 and No. 2, at any time, the gross electric capability and associated electric energy of the Coal Unit at that time, less the electric energy utilized by such Coal Unit for all processes, auxiliary equipment and systems used or useful in connection with start-up, operation, maintenance, control, supply or shutdown of such Coal Unit, including appropriate station service transformer losses, available to the Co-owners at the high voltage bus at the Plant Site-located switchyard.

*Ownership Interest:* With respect to each Co-owner, the percentage of undivided ownership in the Joint Facilities. This percentage is subject to change as provided in Sections 12.1, 12.2 and 13.4.3 of the Power Park Joint Ownership Agreement.

## **Ownership and Construction**

JEA and FPL each own an undivided interest in the Joint Facilities as tenants in common. The percentages of undivided ownership, and the rights and obligations of the Co-owners with respect to the output, capacity, use and service of the Joint Facilities are 80 percent for JEA and 20 percent for FPL (their respective "Ownership Interests").

The Costs of Construction and Costs of Plant of the Joint Facilities will be paid from the Construction and Plant Account. JEA and FPL will pay into the Construction and Plant Account, in proportion to their Ownership Interests, the amounts necessary to make such payments from the Construction and Plant Account pursuant to statements prepared monthly by the Project Management Committee. JEA as agent for the Co-owners shall have the sole responsibility, right and authority to withdraw and apply funds as necessary from the Construction and Plant Account to pay the Costs of Construction, the Costs of Plant and other specified expenditures to be made from such account.

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## **Energy Entitlements**

JEA is entitled to a percentage (its “Generation Entitlement Percentage”) of the Net Electric Generating Capability of Coal Units No. 1 and No. 2 at any given time equal to its Ownership Interest less the percentage of the total Net Electric Generating Capability of each of Coal Units No. 1 and No. 2 sold by JEA to FPL pursuant to Section 8 of the Power Park Joint Ownership Agreement. In Section 8 of the Power Park Joint Ownership Agreement JEA sold to FPL 37.5 percent of JEA’s Ownership Interest in the Net Electric Generating Capability of Coal Units No. 1 and No. 2 (subject to the limitation that FPL may not receive in excess of 25 percent of the product of the nameplate capacity of JEA’s Ownership Interest and the number of years from the date FPL first took energy pursuant to such sale until the latest maturity date of the Power Park Issue Two Bonds). FPL is required to make payments to JEA for the purchase of such Net Electric Generating Capability approximately equal to the sum of 37.5 percent of the debt service on the Power Park Issue Two Bonds, the administrative fees and expenses on the Power Park Issue Two Bonds, the variable Costs of Operation and certain other costs, proportionate to the amount of net electric generating capability sold to FPL.

## **Coordination and Administration of the Joint Facilities**

To provide management, administration and control of the activities necessary for the completion and operation of the Joint Facilities, the Power Park Joint Ownership Agreement established an Executive Committee and four functional committees (a Project Management Committee, Operating Committee, Fuels Committee and Energy Dispatch Committee) subordinate to it. Each committee is composed of an equal number of representatives of JEA and FPL. The authority, responsibilities, operation and coordination of the various committees is extensively detailed in Article V of the Power Park Joint Ownership Agreement, to which the reader is referred.

## **Operations**

JEA as agent for FPL and acting on its own behalf shall be responsible for the operation and maintenance of the Joint Facilities. JEA shall discharge such responsibility in accordance with the directives and authorizations of the Executive Committee or Operating Committee or in accordance with the policies and procedures developed by the Operating Committee and approved in accordance with the Power Park Joint Ownership Agreement.

Except as otherwise provided in the Power Park Joint Ownership Agreement the fixed Costs of Operation of the Joint Facilities shall be borne by the Co-owners in proportion to their Ownership Interests and the variable Costs of Operation (as such fixed and variable Costs of Operations are defined in Appendix B to the Power Park Joint Ownership Agreement) shall be borne by the Co-owners in proportion to their respective amounts of Generated Energy associated with their respective Ownership Interests.

## **Transmission of FPL’s Generated Energy**

JEA will provide transmission capability for delivery of FPL’s Generated Energy from the coal units to FPL. FPL will pay a transmission charge to the Electric System for this service, the amount of such charge to be determined as provided in Appendix B to the Power Park Joint Ownership Agreement, such payment to be made whether or not the coal units or the transmission facilities are completed, operable or operating and notwithstanding any suspension, interruption, interference, reduction or curtailment of the output, capacity or service of either of the coal units or such transmission facilities for any reason whatsoever.

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## **Separate System and Funds of JEA**

The Power Park Joint Ownership Agreement provides that JEA's Ownership Interest in the Joint Facilities will be financed, constructed and operated by JEA as a project under the provisions of Chapter 80-513, Laws of Florida, as amended (the "Bulk Power Act"), and will be financed and accounted for by JEA under the First Power Park Resolution as a separate bulk power supply system of JEA known as the St. Johns River Power Park System in accordance with the provisions of the Bulk Power Act.

## **Other Provisions**

The Power Park Joint Ownership Agreement contains other provisions relating to insurance, damage or destruction of the Joint Facilities, assignment and transfer of interests in the Joint Facilities, liability of the parties for taxes, liabilities of third parties, force majeure, rights of the parties to audit, maintenance of records, authority of the agents of either Co-owner, supporting staff and staff committees, sale of respective Ownership Interests, unrelated use of the Joint Facilities and the project site, resolution of disputes through voluntary non-binding arbitration, and other matters related to the joint ownership, construction and operation of the Joint Facilities.

## **Events of Default and Remedies on Default**

(A) **Events of Default.** The Events of Default specified in the Power Park Joint Ownership Agreement are (a) a failure of a Co-owner to make any monetary payment required of it under the Power Park Joint Ownership Agreement when due (except for certain failures by JEA related to an inability to sell Power Park Bonds), and (b) a failure of a Co-owner to perform any other obligation or duty under the Power Park Joint Ownership Agreement which failure has not been cured within 60 days after the giving of notice of such failure or, if there is a good faith dispute, issuance of a final court or arbitrational order or decision, or, in the case of either (a) or (b) if not reasonably curable within such 60 day period, good faith efforts to cure the same have not commenced during such period and are not being pursued with due diligence by said Co-owner in default.

(B) **Rights on Default.** A Co-owner in default shall have no right to receive its Generation Entitlement Percentage of the Net Electric Generating Capability or to exercise any other rights under the Power Park Joint Ownership Agreement until such default has been cured (but each Co-owner shall continue to be represented on and to participate in the decision making of the administrative and planning committees described above).

During the period of a default the non-defaulting Co-owner, in addition to other rights available at law or equity, has the right to take any or all of the capacity and associated energy of Coal Units No. 1 and No. 2 unavailable to the defaulting Co-owner as described in the preceding paragraph. The defaulting Co-owner is not relieved of any liability for his default or for payments under the Power Park Joint Ownership Agreement, with the exception of some variable Costs of Operation which will be borne by the non-defaulting Co-owner in proportion to its receipt of capacity and energy associated with utilization of a defaulting Co-owner's entitlement.

In the event a Co-owner remains in default for a period of 365 days, the non-defaulting Co-owner shall have the right, in addition to other rights available, to purchase in full or in part, the defaulting Co-owner's Ownership Interest in the Joint Facilities at a price determined in accordance with Section 13.4.3 of the Power Park Joint Ownership Agreement.

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Further, a non-defaulting Co-owner shall have the right at any time and from time to time to sue the Co-owner in default to recover or enforce payment of any and all amounts which the Co-owner in default is obligated by the Power Park Joint Ownership Agreement to pay or to require performance or any other obligation or duty of the defaulting Co-owner under the Power Park Joint Ownership Agreement or to recover for all loss or damage suffered by reason of the default, or to seek a declaratory judgment to the respect of rights and obligations of the Co-owners under the Power Park Joint Ownership Agreement.

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**SUMMARY OF CERTAIN PROVISIONS OF AGREEMENTS  
RELATING TO SCHERER UNIT 4**

The following is a brief summary of certain provisions of certain agreements relating to Scherer Unit 4. This summary does not purport to be a complete or comprehensive statement of the contents of such agreements. This summary is entirely qualified by and reference is hereby made to the provisions of the such agreements themselves, copies of which may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction.

**SCHERER UNIT 4 PURCHASE AGREEMENT**

The Scherer Unit 4 Purchase Agreement and certain related agreements provide for the purchase by FPL and JEA of their ownership interests in Scherer Unit 4 and associated common facilities and an associated coal stockpile and generally govern the ownership and operation of Scherer Unit 4.

**Agent**

JEA and FPL have appointed GPC as their agent to act on behalf of JEA and FPL (the “Scherer 4 Participants”) in performing all activities relating to the planning, construction, operation, maintenance and disposal of Scherer Unit 4 and the associated common facilities, subject to the terms of the ownership and operation agreements governing the other Plant Scherer units. GPC has sole authority and responsibility to perform such functions and is authorized to take all reasonable actions which in the discretion and judgment of GPC are deemed necessary or advisable to perform such functions with respect to Scherer Unit 4 and the associated common facilities. JEA and FPL retain the right to conduct operating and management audits and to have on-site representatives and inspections and participate in the Scherer Unit 4 Operating Committee. The terms and conditions upon which GPC will perform such functions are further delineated in a Scherer Unit 4 Operating Agreement, as amended (see “Scherer Unit 4 Operating Agreement” herein). GPC can be removed as agent under the Scherer Unit 4 Purchase Agreement in certain circumstances and a successor appointed. GPC’s liability for failure to properly perform such agency functions is limited by the provisions of the Scherer Unit 4 Purchase Agreement.

**Ownership, Rights and Obligations**

The Scherer 4 Participants own Scherer Unit 4 and the associated common facilities, and possess the rights and obligations related thereto, in proportion to their undivided ownership interests therein from time to time. The Scherer 4 Participants are entitled to the capacity and the associated energy from Scherer Unit 4 in proportion to their undivided ownership interests from time to time.

**Non-Payment**

A Scherer 4 Participant which fails to make payments due under the Scherer Unit 4 Purchase Agreement will have no right to any output of capacity and energy, and other rights under the Scherer Unit 4 Purchase Agreement will be suspended, until all overdue amounts are paid.

**Sale or Assignment**

Each Scherer 4 Participant may sell or assign its ownership interest, subject to certain rights of first refusal granted to the other Scherer 4 Participants. Upon any sale of its ownership interest or a portion thereof, the selling Scherer 4 Participant’s obligations (including payment obligations) under the Scherer Unit 4 Purchase Agreement are reduced to the extent of the interest sold.

## **Damage or Destruction**

If Scherer Unit 4 or the associated common facilities, or any portion thereof, are damaged or destroyed, the damaged or destroyed portion (i) shall be repaired or reconstructed if insurance proceeds are sufficient to pay the cost thereof, or (ii) shall not be repaired or reconstructed if the insurance proceeds are insufficient to pay the cost thereof, in each case subject to the contrary decision of a specified proportion of the utilities having an ownership interest in the damaged or destroyed facilities and further subject to the right of any utility having an ownership interest in the damaged or destroyed facilities to repair or reconstruct such facilities at its own cost; *provided, however*, that if any such utility having an ownership interest in the damaged or destroyed facilities elects to repair or reconstruct and bear the full cost thereof, any other Scherer 4 Participant shall reimburse such utility its pro rata share of the net book value of the costs of such repair or reconstruction as a condition to again obtaining its entitlement of energy.

## **Insurance**

GPC is required to carry in the name of the Scherer 4 Participants the following types of insurance: worker's compensation, commercial general liability, and "all risk" property, in such amounts and with such provisions as is consistent with GPC's customary practices.

## **Coal Stockpiles**

JEA and FPL, for accounting, payment and settlement costs only, shall each have a separate coal stockpile and shall be entitled only to the use of coal in its separate stockpile account.

## **Clean Air Act Emissions Allowances**

Each Scherer 4 Participant shall be entitled to a pro rata share (based upon its ownership interest in Scherer Unit 4) of any and all allowances allocated to Scherer Unit 4 under the 1990 Amendments to the Clean Air Act. See "*ELECTRIC UTILITY FUNCTIONS — Factors Affecting the Electric Utility Industry — Environmental*" in the Annual Disclosure Report to which this summary is attached.

## **Common Facilities Agreements**

The provisions of the Scherer Unit 4 Purchase Agreement and the Scherer Unit 4 Operating Agreement relating to the associated common facilities are made subject, in the case of conflict, to the provisions of prior ownership and operating agreements governing the ownership and operation of the other Plant Scherer units.

## **No Adverse Distinction**

The Scherer 4 Participants and GPC, as agent, each agree that in discharging their responsibilities under the Scherer Unit 4 Purchase Agreement they will not make any adverse distinction between Scherer Unit 4 and the associated common facilities, on the one hand, and any other generating units or common facilities in which such party has an ownership interest, on the other hand.

## **SCHERER UNIT 4 OPERATING AGREEMENT**

JEA, FPL and GPC have entered into the Plant Robert W. Scherer Unit Number Four Operating Agreement, dated as of December 31, 1990, as amended (the "Scherer Unit 4 Operating Agreement"), which, together with certain related agreements, provides for the operation and maintenance, management, control, renewal, improvement, replacement, modification and disposal of Scherer Unit 4 and the associated common facilities, to the extent not covered by the Scherer Unit 4 Purchase Agreement. The

Scherer Unit 4 Operating Agreement became effective on July 10, 1991 and remains in effect until the final decommissioning of Scherer Unit 4 and the associated common facilities.

### **GPC Agency**

GPC is appointed agent for the Scherer 4 Participants to operate, maintain and perform other functions with respect to Scherer Unit 4 and the associated common facilities.

### **Operating Committee**

The Scherer Unit 4 Operating Agreement creates an Operating Committee consisting of a representative from each of the Scherer 4 Participants. The Operating Committee has general authority to serve as liaison between GPC in its capacity as agent and the Scherer 4 Participants, and to administer the Scherer Unit 4 Operating Agreement and the Scherer Unit 4 Purchase Agreement. The Operating Committee also approves the Scherer Unit 4 business plan prepared by GPC, as agent, and certain procurement activities.

### **Operation**

GPC, as agent for the Scherer 4 Participants, has the sole authority and responsibility to operate, maintain and perform other functions with respect to Scherer Unit 4 and the associated common facilities and is authorized to take all actions which, in its discretion and judgment, are deemed necessary or advisable to effect such operation, maintenance and other functions.

### **Separate Coal Procurement**

Subject to the terms of the Scherer Unit 4 Purchase Agreement and Operating Agreement, FPL and JEA may act separately to supply their own coal requirements, as a separate coal stockpile, upon complying with certain conditions.

### **Availability, Scheduling and Dispatch of Output**

The Scherer 4 Participants are entitled to the net capacity of Scherer Unit 4 in proportion to their ownership interests and other net energy output.

GPC has agreed to use its best efforts to dispatch or allow JEA and FPL direct dispatch control of the net energy output from Scherer Unit 4 to match schedules provided by the Scherer 4 Participants, subject to safety, reliability and integrity requirements of Scherer Unit 4, the other Plant Scherer units and the Georgia transmission grid.

### **Cost Sharing**

Except as otherwise provided, each Scherer 4 Participant is responsible for its respective share of all operating and improvement costs. The Scherer Unit 4 Operating Agreement provides for the establishment of accounting and billing procedures, which have been approved by the Scherer 4 Participants.

## **AGENCY AGREEMENT BETWEEN JEA AND FPL**

JEA and FPL have entered into an Agency Agreement Relating to the Joint Ownership of Plant Scherer Unit Number Four, dated as of December 31, 1990 (the "Scherer Unit 4 Agency Agreement"), which became effective on July 10, 1991. JEA and FPL agree in the Scherer Unit 4 Agency Agreement to

create joint Executive, Operating and Services Committees relating to their ownership interests in Scherer Unit 4 and the associated common facilities. Such committees are to be composed of a representative of FPL (the “Lead FPL Member”) and a representative of JEA. JEA agrees to the appointment of FPL, through the FPL Lead Members or other FPL delegates, as its agent and proxy with respect to all matters concerning the parties’ ownership interests in Scherer Unit 4 and the associated common facilities, including the operation, maintenance, contracting and project management thereof, to act in accordance with the instructions of the committees established in the Scherer Unit 4 Agency Agreement. FPL’s duties and obligations in carrying out such agency include (i) voting JEA’s ownership interest in conjunction with FPL’s ownership interest at any managing board or operating or other committees, and (ii) directing the activities of the operating agent appointed for Scherer Unit 4 (initially, GPC).

FPL’s authority to act on behalf of JEA under the Scherer Unit 4 Agency Agreement does not extend to actions regarding certain third party suits and claims, actions relating to reconstruction of damaged or destroyed facilities, retirement or life extension of Scherer Unit 4, dispatching of JEA’s energy entitlement and the scheduling and transmission of such energy, and coal procurement activities.

Actions by the Executive Committee are taken by majority vote, with the votes of JEA and FPL representatives weighted in accordance with their respective ownership interests, *i.e.*, 76.36 percent for FPL and 23.64 percent for JEA. Thus, FPL will generally have the deciding vote. However, the unanimous consent of the committee representatives is required with respect to certain significant matters, including capital modifications or improvements, removal and replacement of the operating agent, and fuel utilization decisions requiring capital expenditures to maintain performance. The Scherer Unit 4 Agency Agreement provides for arbitration of deadlocks with respect to such significant matters. Decisions of the other committees established pursuant to the Scherer Unit 4 Agency Agreement will be by consensus, with disputes resolved by the Executive Committee.

The Scherer Unit 4 Agency Agreement may be terminated by agreement of JEA and FPL or by JEA in certain circumstances, including the insolvency or dissolution of FPL.

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**JEA ELECTRIC SYSTEM BONDS SUBJECT TO  
CONTINUING DISCLOSURE UNDERTAKINGS\***

JEA has entered into continue disclosure undertakings with respect to the following bonds to provide certain information to the Municipal Securities Rulemaking Board not later than the June 1 following the end of each Fiscal Year.

**ST. JOHNS RIVER POWER PARK SYSTEM REVENUE BONDS, ISSUE TWO**

On January 5, 2018 all outstanding St. Johns River Power Park System Revenue Bonds, Issue Two were legally defeased and are no longer outstanding.

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\* Note: The CUSIP numbers listed in this APPENDIX I are provided for the convenience of bondholders. JEA is not responsible for the accuracy or completeness of such numbers.

**ST. JOHNS RIVER POWER PARK SYSTEM REVENUE BONDS, ISSUE THREE**

**St. Johns River Power Park System Revenue Bonds, Issue Three, Series One**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2037	\$100,000	4.500%	46613Q EH3

**St. Johns River Power Park System Revenue Bonds, Issue Three, Series Two**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2037	\$29,370,000	5.000%	46613Q EZ3

**St. Johns River Power Park System Revenue Bonds, Issue Three, Series Four**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$1,775,000	4.700%	46613Q GE8
2020	1,830,000	4.850	46613Q GF5
2021	1,890,000	4.750	46613Q GG3
2022	1,950,000	4.850	46613Q GH1
2023	2,020,000	4.950	46613Q GJ7
2024	2,085,000	5.050	46613Q GK4
2025	2,160,000	5.150	46613Q GL2
2026	2,240,000	5.250	46613Q GM0
2027	2,325,000	5.350	46613Q GN8
2028	2,415,000	5.450	46613Q GP3

**St. Johns River Power Park System Revenue Bonds, Issue Three, Series Six**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 5,680,000	5.000%	46613Q HP2
2020	7,710,000	5.000	46613Q JB1
2021	1,000,000	2.375	46613Q HR8
2021	7,675,000	5.000	46613Q JC9
2022	1,470,000	2.625	46613Q HS6
2022	7,505,000	5.000	46613Q JD7
2023	1,330,000	3.000	46613Q HT4
2023	6,090,000	5.000	46613Q JE5
2024	1,560,000	3.000	46613Q HU1
2024	8,295,000	5.000	46613Q JF2
2025	2,495,000	3.125	46613Q HV9
2026	3,100,000	3.250	46613Q HW7
2027	3,590,000	3.375	46613Q HX5
2028	8,325,000	4.000	46613Q HY3
2032	25,405,000	4.000	46613Q JA3
2037	100,000	4.000	46613Q HZ0

**St. Johns River Power Park System Revenue Bonds, Issue Three, Series Seven**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 4,120,000	5.000%	46613Q JT2
2020	1,565,000	2.000	46613Q JU9
2021	2,040,000	2.500	46613Q JV7
2022	2,185,000	2.500	46613Q JW5
2023	4,195,000	3.000	46613Q JX3
2024	2,210,000	3.000	46613Q JY1
2025	10,090,000	3.000	46613Q JZ8
2026	9,795,000	3.125	46613Q KA1
2027	9,640,000	3.250	46613Q KB9
2028	5,260,000	3.375	46613Q KC7
2029	5,395,000	3.375	46613Q KD5
2030	5,530,000	3.500	46613Q KE3
2031	5,680,000	3.500	46613Q KF0
2032	5,820,000	3.625	46613Q KG8
2033	5,975,000	3.625	46613Q KH6

**St. Johns River Power Park System Revenue Bonds, Issue Three, Series Eight**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 2,205,000	5.000%	46613Q KQ6
2020	2,235,000	2.000	46613Q KR4
2021	1,570,000	2.250	46613Q KS2
2022	2,175,000	2.500	46613Q KT0
2023	2,230,000	2.750	46613Q KU7
2024	2,295,000	3.000	46613Q KV5
2025	2,360,000	3.000	46613Q KW3
2026	2,430,000	3.000	46613Q KX1
2027	2,505,000	3.125	46613Q KY9
2028	2,580,000	3.250	46613Q KZ6
2029	2,670,000	3.375	46613Q LA0
2030	2,755,000	3.500	46613Q LB8
2031	2,855,000	3.500	46613Q LC6
2032	2,955,000	3.625	46613Q LD4
2033	3,060,000	3.750	46613Q LE2
2034	3,175,000	3.750	46613Q LG7
2039	17,840,000	4.000	46613Q LF9

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## **ELECTRIC SYSTEM REVENUE BONDS**

### **Electric System Revenue Bonds, Series Three 2004A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2039	\$5,000	5.000%	46613C EN1

### **Electric System Revenue Bonds, Series Three 2005B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2033	\$100,000	4.750%	46613C FQ3

### **Electric System Revenue Bonds, Series Three 2008C-3**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2038	\$25,000,000	Variable	46613C MP7

### **Electric System Revenue Bonds, Series Three 2009D**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2044	\$45,955,000	6.056%	46613C VW2

### **Electric System Revenue Bonds, Series Three 2010A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$5,070,000	4.000%	46613C XS9

### **Electric System Revenue Bonds, Series Three 2010C**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2031	\$1,290,000	4.500%	46613C GS3

### **Electric System Revenue Bonds, Series Three 2010D**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2020	\$1,145,000	5.000%	46613C G25
2038	60,000	4.250	46613S GU8

**Electric System Revenue Bonds, Series Three 2010E**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2030	\$ 6,840,000	5.350%	46613C J30
2040	27,415,000	5.482	46613C J22

**Electric System Revenue Bonds, Series Three 2012A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2027	\$ 240,000	4.000%	46613S HL7
2028	250,000	4.000	46613S HM5
2029	255,000	4.000	46613S HP8
2030	535,000	4.000	46613S HK9
2031	3,485,000	4.000	46613C P66
2032	670,000	4.500	46613S HN3
2033	775,000	4.500	46613S HQ6
2033	10,000,000	4.000	46613C Q24

**Electric System Revenue Bonds, Series Three 2012B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 725,000	2.000%	46613C U37
2027	1,915,000	3.000	46613C U94
2028	1,395,000	3.000	46613C V28
2029	1,390,000	3.125	46613C V36
2030	365,000	3.250	46613C V44
2031	1,180,000	3.250	46613C V51
2032	1,180,000	3.375	46613C V69
2035	30,000,000	3.625	46613C W35
2035	5,415,000	3.750	46613C V77
2035	575,000	5.000	46613S HT0
2039	40,000,000	3.750	46613C V93
2039	1,475,000	5.000	46613S HU7

**Electric System Revenue Bonds, Series Three 2013A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 8,990,000	3.500%	46613C Z32
2020	12,395,000	5.000	46613C Z40
2021	12,240,000	5.000	46613C 2A2
2022	15,245,000	5.000	46613C 2F1
2026	180,000	3.000	46613S JC5

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**Electric System Revenue Bonds, Series Three 2013B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2026	\$ 25,000	3.000%	46613C 3A1
2027	25,000	3.000	46613C 3B9
2028	25,000	3.250	46613C 3C7
2029	30,000	3.375	46613C 3D5
2030	25,000	3.500	46613C 3E3
2033	190,000	3.500	46613C 3F0
2038	1,355,000	4.000	46613C 3G8
2038	5,825,000	5.000	46613C 3H6

**Electric System Revenue Bonds, Series Three 2013C**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$1,700,000	5.000%	46613C 5K7
2020	1,745,000	5.000	46613C 5L5
2021	1,910,000	5.000	46613C 5M3
2022	1,950,000	5.000	46613C 5N1
2027	740,000	5.000	46613S JN1
2028	790,000	5.000	46613S JP6
2030	1,720,000	4.600	46613S JQ4

**Electric System Revenue Bonds, Series Three 2014A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$1,285,000	5.000%	46613S AF7
2026	1,475,000	3.500	46613S KC3
2027	1,525,000	3.600	46613S KD1
2028	1,585,000	3.750	46613S KE9
2029	1,225,000	4.000	46613S KF6
2030	450,000	4.000	46613S KG4
2031	470,000	4.000	46613S KH2
2032	490,000	4.100	46613S KJ8
2033	420,000	4.250	46613S KK5
2034	425,000	4.300	46613S KL3

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**Electric System Revenue Bonds, Series Three 2015A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 155,000	5.000%	46613S CE8
2020	3,270,000	5.000	46613S CF5
2021	1,555,000	5.000	46613S CG3
2026	825,000	3.000	46613S KR0
2027	1,240,000	3.125	46613S KS8
2028	1,060,000	3.250	46613S KT6
2029	930,000	3.375	46613S KU3
2030	4,430,000	3.375	46613S CR9
2031	1,895,000	3.375	46613S CS7
2032	1,955,000	3.500	46613S CT5
2033	2,025,000	3.500	46613S CU2
2034	1,660,000	3.500	46613S CV0
2041	38,005,000	3.750	46613S CW8

**Electric System Revenue Bonds, Series Three 2015B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$6,945,000	5.000%	46613S DA5
2028	10,000	3.375	46613S KY5
2029	10,000	3.500	46613S KZ2
2030	3,120,000	3.500	46613S DD9
2030	75,000	5.000	46613S LA6
2031	2,605,000	3.625	46613S DE7
2031	4,460,000	5.000	46613S DG2

**Electric System Revenue Bonds, Series Three 2017A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$18,670,000	5.000%	46613S DJ6

**Electric System Revenue Bonds, Series Three 2017B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2026	\$ 2,820,000	5.000%	46613S FT2
2027	33,105,000	5.000	46613S FU9
2028	26,400,000	5.000	46613S FV7
2029	26,705,000	5.000	46613S FW5
2030	26,800,000	5.000	46613S FX3
2035	20,945,000	4.000	46613S FY1
2036	24,575,000	4.000	46613S FZ8
2037	22,560,000	4.000	46613S GA2
2038	7,135,000	4.000	46613S GB0
2039	7,050,000	3.375	46613S GC8

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**ELECTRIC SYSTEM SUBORDINATED REVENUE BONDS**

**Electric System Subordinated Revenue Bonds, 2009 Series F**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 1,550,000	4.900%	46613C WD3
2020	1,725,000	5.000	46613C WE1
2021	460,000	5.200	46613C WF8
2024	1,820,000	5.500	46613C WH4
2034	56,600,000	6.406	46613C WG6

**Electric System Subordinated Revenue Bonds, 2009 Series G**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 2,740,000	4.000%	46613C WM3
2019	11,925,000	5.000	46613C WP6

**Electric System Subordinated Revenue Bonds, 2010 Series B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 960,000	4.000%	46613C ZR9
2020	2,155,000	5.000	46613S FS4

**Electric System Subordinated Revenue Bonds, 2010 Series D**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$2,705,000	4.150%	46613C J63	2022	\$ 4,345,000	4.749%	46613C K20
2020	1,010,000	4.250	46613C J71	2023	4,685,000	4.899	46613C K38
2021	3,850,000	4.549	46613C J97	2027	25,455,000	5.582	46613C J89

**Electric System Subordinated Revenue Bonds, 2012 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$2,655,000	4.000%	46613C L86	2029	\$ 3,695,000	3.500%	46613C N27
2020	4,285,000	5.000	46613C L94	2030	2,685,000	3.625	46613C N35
2026	380,000	3.250	46613S LL2	2031	14,995,000	4.000	46613C N43
2027	100,000	3.375	46613S LM0	2032	6,500,000	3.875	46613C N50
2028	260,000	4.000	46613S LN8	2033	19,960,000	4.000	46613C N68

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**Electric System Subordinated Revenue Bonds, 2012 Series B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$2,215,000	5.000%	46613C R56	2032	\$ 4,655,000	3.500%	46613C T21
2028	5,020,000	3.250	46613C S63	2034	715,000	5.000	46613S LY4
2029	145,000	5.000	46613S LW8	2035	1,795,000	3.750	46613C T54
2030	200,000	5.000	46613S LX6	2037	30,780,000	4.000	46613C T39
2031	4,505,000	3.500	46613C S97				

**Electric System Subordinated Revenue Bonds, 2013 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$2,780,000	5.000%	46613C W92
2020	2,890,000	5.000	46613C X26
2021	3,045,000	5.000	46613C X34
2022	3,150,000	5.000	46613C X42
2026	2,655,000	3.000	46613S MG2
2027	2,785,000	5.000	46613S MH0
2028	8,850,000	3.000	46613C Y25
2029	3,940,000	5.000	46613S MJ6
2030	7,235,000	3.100	46613C Y41

**Electric System Subordinated Revenue Bonds, 2013 Series B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$2,870,000	5.000%	46613C 2N4
2020	2,990,000	5.000	46613C 2P9
2021	5,010,000	5.000	46613C 2Q7
2022	5,225,000	5.000	46613C 2R5
2026	1,070,000	3.000	46613S MN7

**Electric System Subordinated Revenue Bonds, 2013 Series C**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 190,000	1.375%	46613C 3N3	2029	\$ 740,000	3.500%	46613C 3Y9
2019	695,000	5.000	46613C 4C6	2029	1,765,000	5.000	46613C 4J1
2021	1,740,000	5.000	46613C 4D4	2030	2,900,000	3.500	46613C 3Z6
2026	2,885,000	3.000	46613C 3V5	2032	6,790,000	5.000	46613C 4K8
2027	515,000	3.250	46613C 3W3	2033	3,695,000	3.625	46613C 4A0
2027	1,430,000	5.000	46613C 4G7	2037	30,135,000	5.000	46613C 4L6
2028	490,000	3.375	46613C 3X1	2038	18,875,000	4.000	46613C 4B8
2028	1,905,000	5.000	46613C 4H5				

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**Electric System Subordinated Revenue Bonds, 2013 Series D**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$20,830,000	5.000%	46613C 6B6	2029	\$ 90,000	4.625%	46613S NK2
2020	11,240,000	5.000	46613C 6U4	2030	225,000	4.750	46613S NL0
2021	5,485,000	5.000	46613C 6V2	2031	275,000	4.750	46613S NM8
2022	7,635,000	5.000	46613C 6W0	2032	610,000	4.750	46613S NN6
2027	395,000	4.375	46613S NH9	2033	525,000	4.750	46613S NP1
2027	90,000	5.000	46613S NV8	2034	450,000	4.800	46613S NQ9
2027	1,460,000	5.250	46613S NW6	2035	425,000	5.000	46613S NR7
2028	380,000	4.500	46613S NJ5				

**Electric System Subordinated Revenue Bonds, 2014 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$14,635,000	5.000%	46613S BC3	2030	\$1,540,000	4.000%	46613S PQ7
2020	8,325,000	5.000	46613S BW9	2031	1,605,000	4.125	46613S PR5
2021	12,280,000	5.000	46613S BV1	2032	1,670,000	4.250	46613S PS3
2022	6,280,000	5.000	46613S BD1	2033	4,880,000	5.000	46613S PT1
2026	2,825,000	5.000	46613S PL8	2034	4,170,000	5.000	46613S PU8
2027	4,675,000	5.000	46613S PM6	2036	6,645,000	4.500	46613S PV6
2028	4,565,000	5.000	46613S PN4	2039	18,690,000	5.000	46613S PW4
2029	1,480,000	4.000	46613S PP9				

**Electric System Subordinated Revenue Bonds, 2017 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$1,290,000	3.000%	46613S DM9

**Electric System Subordinated Revenue Bonds, 2017 Series B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 1,055,000	5.000%	46613S GE4
2020	1,110,000	5.000	46613S GF1
2025	27,470,000	5.000	46613S GH7
2026	33,155,000	5.000	46613S GJ3
2031	15,715,000	5.000	46613S GK0
2032	26,710,000	5.000	46613S GL8
2033	32,460,000	5.000	46613S GM6
2034	34,025,000	3.375	46613S GN4

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## BULK POWER SUPPLY SYSTEM REVENUE BONDS

### Scherer 4 Project Issue, Series 2010A

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 2,140,000	4.800%	472149 BC6
2020	2,705,000	4.900	472149 BD4
2021	2,335,000	5.050	472149 BE2
2022	2,410,000	5.200	472149 BF9
2023	2,495,000	5.300	472149 BG7
2024	2,580,000	5.400	472149 BH5
2025	3,105,000	5.450	472149 BJ1
2030	16,585,000	5.920	472149 BK8

### Scherer 4 Project Issue, Series 2014A

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 4,010,000	3.500%	472149 BR3
2020	4,270,000	2.000	472149 BS1
2021	4,745,000	2.250	472149 BT9
2022	4,860,000	3.000	472149 BU6
2023	4,990,000	2.750	472149 BV4
2024	2,180,000	3.000	472149 BW2
2025	1,175,000	3.125	472149 BX0
2026	1,130,000	3.250	472149 BY8
2027	995,000	3.375	472149 BZ5
2028	1,735,000	3.500	472149 CA9
2029	2,825,000	3.500	472149 CB7
2030	2,755,000	3.625	472149 CC5
2031	2,540,000	3.750	472149 CD3
2032	2,615,000	4.000	472149 CE1
2033	2,555,000	4.000	472149 CF8
2034	3,000,000	4.000	472149 CG6
2038	14,275,000	4.125	472149 CH4

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**ADDITIONAL VOGTLE UNITS PPA BONDS**

**Municipal Electric Authority of Georgia**  
**Plant Vogtle Units 3&4 Project J Bonds, Taxable Series 2010A**  
**(Issuer Subsidy – Build America Bonds)**

<b>Maturity Date (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2057	\$1,224,265,000	6.637%	626207 YF5

**Municipal Electric Authority of Georgia**  
**Plant Vogtle Units 3&4 Project J Bonds, Series 2010B (Tax-Exempt)**

<b>Maturity Date (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2019	\$ 5,175,000	5.000%	626207 YJ7
2020	460,000	5.000	626207 YL2
2040	1,410,000	5.000	626207 YK4

**Municipal Electric Authority of Georgia**  
**Plant Vogtle Units 3&4 Project J Bonds, Series 2015A (Tax-Exempt)**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2060	\$117,180,000	5.000%	626207 H23
2060	68,000,000	5.500	626207 H31

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