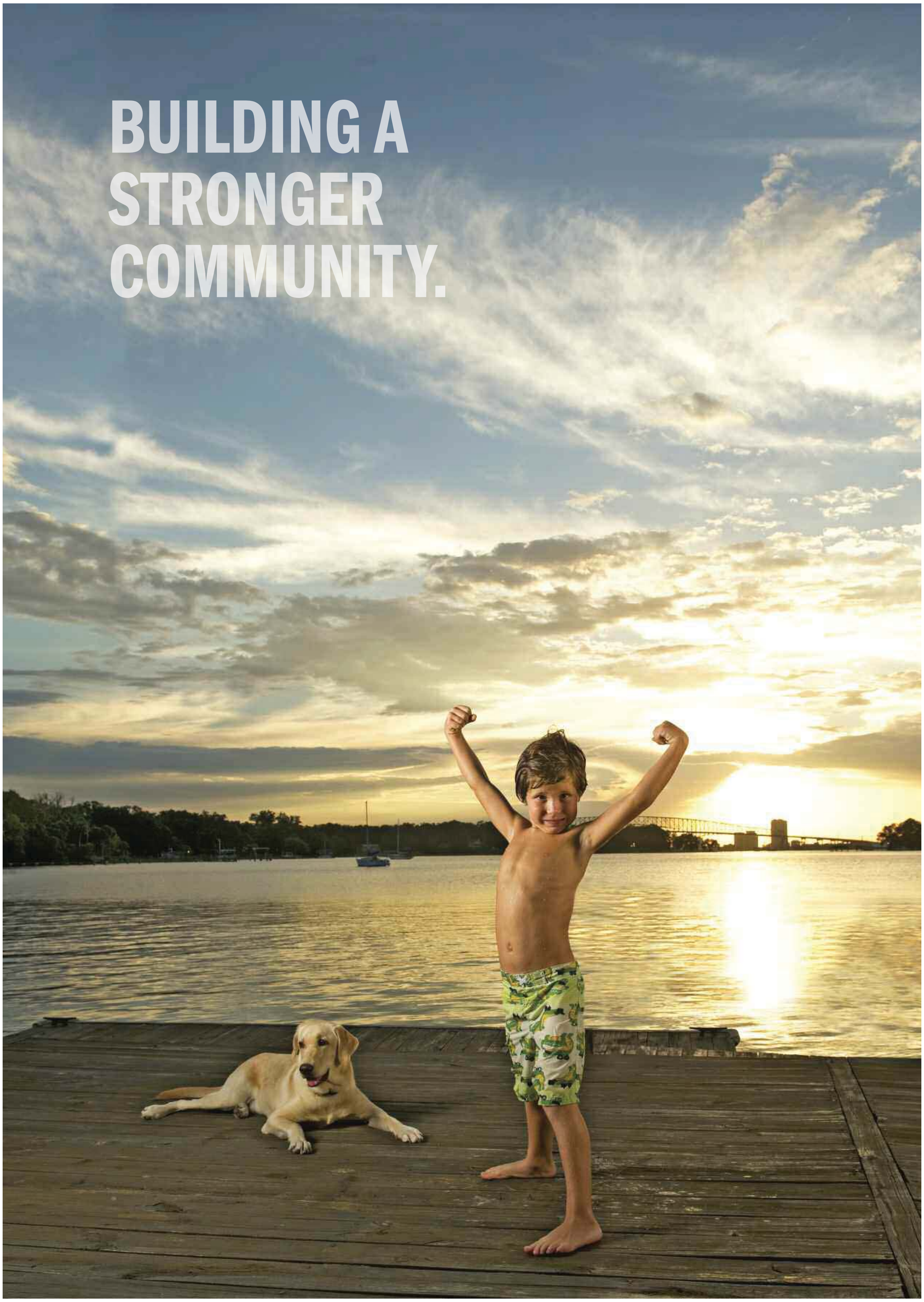
ANNUAL REPORT

2013



JEA®

Building a Stronger Community®

October 1, 2012 marked the move into a new era for JEA with new leadership, new focus and a renewed commitment to our customers, business excellence and the community.

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LETTER FROM BOARD CHAIR AND MANAGING DIRECTOR/CEO

October 1, 2012 marked the move into a new era for JEA with new leadership, new focus and a renewed commitment to our customers, business excellence and the community. Paul McElroy assumed the role of Managing Director and CEO. Three new members joined the JEA Board: Helen Heim Albee, an attorney with Henrichsen Siegel, Peter Bower, President and Chief Executive Officer with Riverplace Capital Management and Wyman Winbush, II, the Eastern U.S. Mid-Market Software Sales Leader for IBM. And the senior leadership team was restructured to include five existing staff members and three new members coming from outside the utility.

As we turned our focus to FY13 and planning for the future, we started by preserving and leveraging our previous accomplishments in asset deployment and operational excellence – including safety, environmental responsibility and financial management. However, we also began working to expand our daily orientation to include more focus on customers and community.

We started by focusing on our competitiveness, our culture and the costs that drive our business. Specifically, we set our sights on passionately winning customer loyalty, realizing the full potential of all employees, and focusing on organizational accountability and process outcomes. Our goal has been to significantly improve our standing in the J.D. Power Customer Satisfaction Index for utilities. This is a goal the entire company has rallied around.

At the beginning of the year, to accelerate our work on winning customer loyalty, we announced the launch of a customer satisfaction initiative. Our Performance Improvement group began working directly with senior leadership – collaborating, coordinating, analyzing and prioritizing our company-wide efforts to improve customer satisfaction.

Concurrently, as we began to address our relationship with customers and stakeholders, we began a new strategic planning process to bring alignment and focus to the entire organization, from the Board to every frontline employee. We considered the challenges ahead – near term and long term – and began building a strategy and a roadmap to position us for success regardless of the scenario. By the end of the fiscal year, every employee had been engaged in the planning process and knew where they fit into our success.

Through discipline and a laser focus, we were able to make the substantive improvement in customer satisfaction of an industry-leading 51 points, as well as significantly reduce expenses below our operating budget in a year when revenues were down.

At the same time, our employees continued to excel in their daily work, winning awards for lineman competitions in Florida, energy efficiency programs both locally and nationally, safety leadership, workplace wellness, Tree Line U.S.A. Utility by the Arbor Day Foundation, and Power Magazine's Top Plant Award.

The fiscal year ended with the entire company feeling the pride of accomplishment, while at the same time knowing we had done the work necessary to put the pieces in place to build a stronger JEA for the future. The bonus is that it will also ultimately help to build a stronger community for us all.

Sincerely,

Mike Hightower

Mike Hightower, Chair
Vice President, Florida Blue

Paul E. McElroy

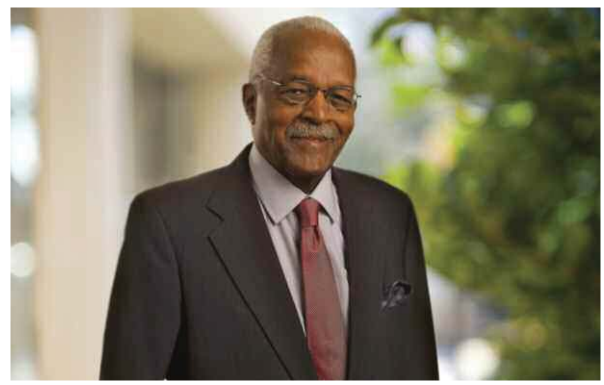
Paul McElroy, Managing Director/CEO

BOARD OF DIRECTORS

Cynthia Austin, Vice Chair
Broad and Cassel Attorneys at Law

Helen Heim Albee, Secretary
Henrichsen Siegel, P.L.L.C.

Peter Bower
Riverplace Capital Management, CEO



Ron Townsend
Communications Consultant

Ashton Hudson
Rock Creek Capital, Partner

Lisa Strange Weatherby
First Vice President, Investments, Wells Fargo Advisors

Wyman Winbush
IBM

BUILDING A NEW JEA COMMUNITY

LEADERSHIP.

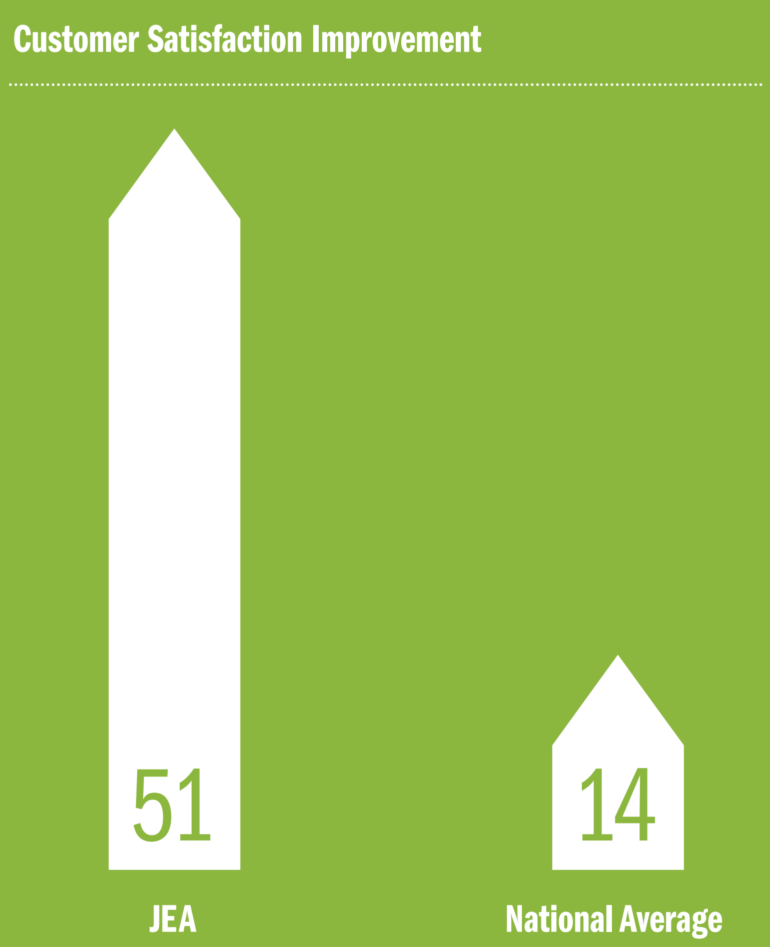
Senior Leadership Team: Clockwise left to right, Paul McElroy, Managing Director/CEO; Brian Roche, Vice President/General Manager Water/Wastewater Systems; Angelia Hiers, Chief Human Resources Officer; Melissa Dykes, Chief Financial Officer; Mike Brost, Vice President/General Manager Electric Systems, Bud Para, Chief Public Affairs Officer; Monica Whiting, Chief Customer Officer; Ted Hobson, Chief Compliance Officer and Wanyonyi Kendrick, Chief Information Officer

JEA is always looking for smarter, leaner and more cost effective ways to run our business while striving to deliver exceptional customer service. As part of the transition to a higher performing, more customer centric organization, CEO Paul McElroy assembled a new, highly skilled Senior Leadership Team (SLT).

The team includes: Mike Brost, JEA's Vice President and General Manager of Electric Systems, who remained at the helm of JEA's electric generation, transmission and distribution. He's worked with the electric systems for 30 years. Brian Roche was named Vice President and General Manager of Water/Wastewater Systems. Brian has more than 20 years of broad water and energy utility experience, both public and private, with experience in project engineering, system planning, and utility financial services. Melissa Dykes became Chief Financial Officer. Melissa has extensive utility finance experience, including private equity power development, renewable energy development, and energy investment banking, and has been responsible for more than $26 billion in new debt issuance. Monica Whiting was hired to be JEA's Chief Customer Officer. With more than 20 years of customer service, marketing and utility experience, Monica earned KITE's 2012 Customer Service Leader of the Year Award. Angelia Hiers joined the team as JEA's Chief Human Resources Officer. Angelia has been a leader in human resources at some of Jacksonville's major public companies, bringing 25+ years of expertise. Ted Hobson is JEA's Chief Compliance Officer. He's an immediate past Chair of the NERC Compliance and Certification Committee and brings 30 plus years of utility experience. Wanyonyi Kendrick continues as JEA's Chief Information Officer. She's won five national and international awards for system integration and innovation. Finally, Bud Para continues as Chief Public Affairs Officer. He currently serves as president-elect of the Florida Municipal Electric Association's Board of Directors.

As the new leadership team came together and began their strategic planning process, Paul McElroy did not waste any time in jump-starting JEA's focus on improving our customer relationship. Working through JEA's Black Belt process improvement area, Paul had a vision of bringing employees together from across the organization to share their ideas about how to

JEA increased 51 points in the J.D. Power Customer Satisfaction Survey. The national average was 14.



improve service to customers. Six main teams were formed and the employees got to work. The net result was hundreds of ideas, large and small, which were evaluated and prioritized; dozens of these ideas were put into place with a net result of a record breaking increase in customer satisfaction for FY13.

JEA®

Building a Unified Community®

LISTEN > INNOVATE > GROW > EXCEL

MISSION

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

VISION

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

VALUES

- Safety
- Service
- Growth²
- Accountability
- Integrity

Our Commitments to Action

1 Earn Customer Loyalty

- Be easy to do business with
- Empower customers to make informed decisions
- Demonstrate community

2 Deliver Business Excellence

- Grow net revenues
- Improve cost efficiency
- Improve operational performance

3 Develop an Unbeatable Team

- Institute agile employment and HR model
- Facilitate and expect employee growth and development
- Ensure a safe, healthy and ethical workplace

BUILDING A MORE RELIABLE COMMUNITY

DEPENDABLE.

JEA maintained our record of having one of the state's best performance rates in terms of momentary outages.

JEA's electric system continued our tradition of outstanding reliability and superior performance in FY13. Outage frequency and duration continues to improve year-over-year. In FY13, the typical JEA customer saw 1.7 extended outages per year with accumulated outage duration over the year of 68 minutes. An extended outage is one that lasts 60 seconds or longer. That's down considerably from FY11 when we experienced 2.9 outages per customer over the year for a total of 110 minutes.

In addition to extended outages, JEA also maintained our record of having one of the state's best performance rates in terms of momentary outages. For FY13, the typical JEA customer saw just 2.5 momentary outages, which are power outages of less than 60 seconds.

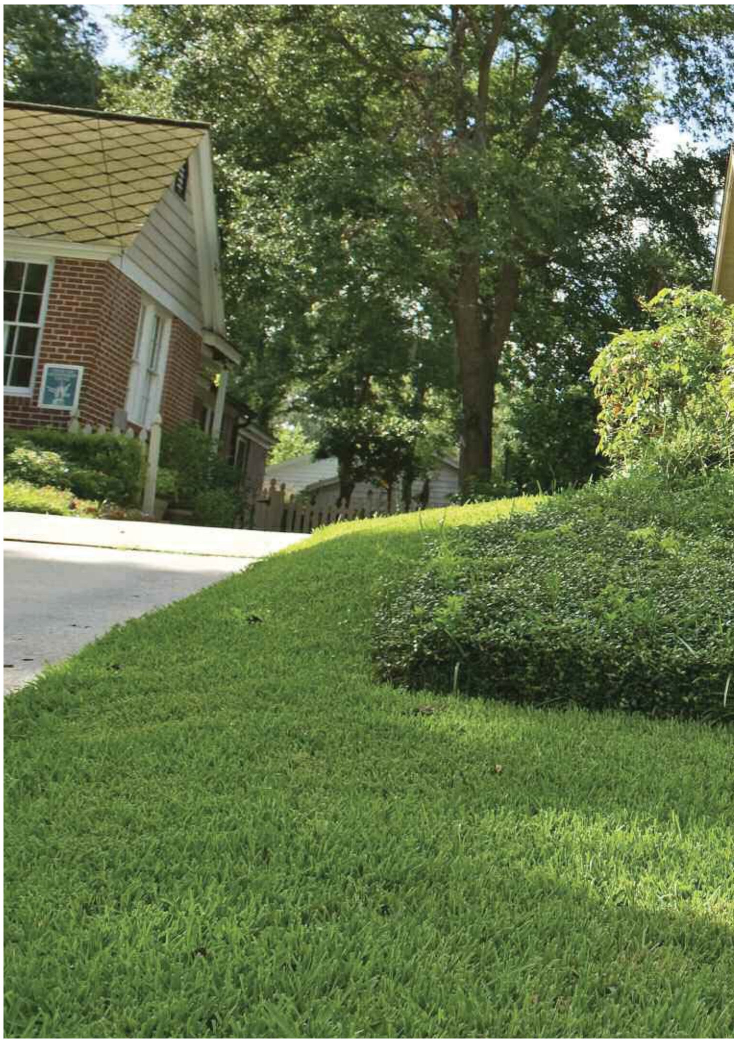
The water/wastewater system also posted strong reliability numbers in FY13. The average number of customers experiencing a monthly water main outage in 2013 was 3,525. That's well below the actual totals for FY12 and FY11 when an average of 5,545 and 7,250 customers respectively experienced a monthly water main outage.

On the safety side, JEA's companywide recordable incident rate (RIR) increased slightly in FY13 to 1.84, but is still well below the industry average of 6.2. Safety remains at the top of the list of core values that JEA employees will use to frame their work in the year ahead. JEA's low RIR means everyone goes home safely.

And last but certainly not least, leadership participation in many industry organizations provides us exposure to the best minds and the best practices in our industry. Not only are we experts in our fields, but we continuously seek to broaden our horizons and seek more reliable, more efficient, and more environmentally friendly ways to do our business.

FY13 was a watershed year for JEA's efforts to earn customer loyalty. In 2013 JEA made a company-wide commitment to improve our customer experience and earn customer loyalty. This ongoing commitment started with employees, both field and office, volunteering to join customer satisfaction teams. The teams poured through customer comments and decided on areas where JEA could move the needle on customer satisfaction.

Best of all, our customers noticed the differences. In FY13, JEA moved from our rank of 116 on the J.D. Power 2013 Electric Utility Residential Customer Satisfaction Survey to the rank of 60. This placed us at the top of the survey's 3rd Quartile. While we're pleased that customers responded to our efforts—a response that gave us a 51 point increase in the survey—we know that much work lies ahead as we strive to further earn our customers' loyalty.

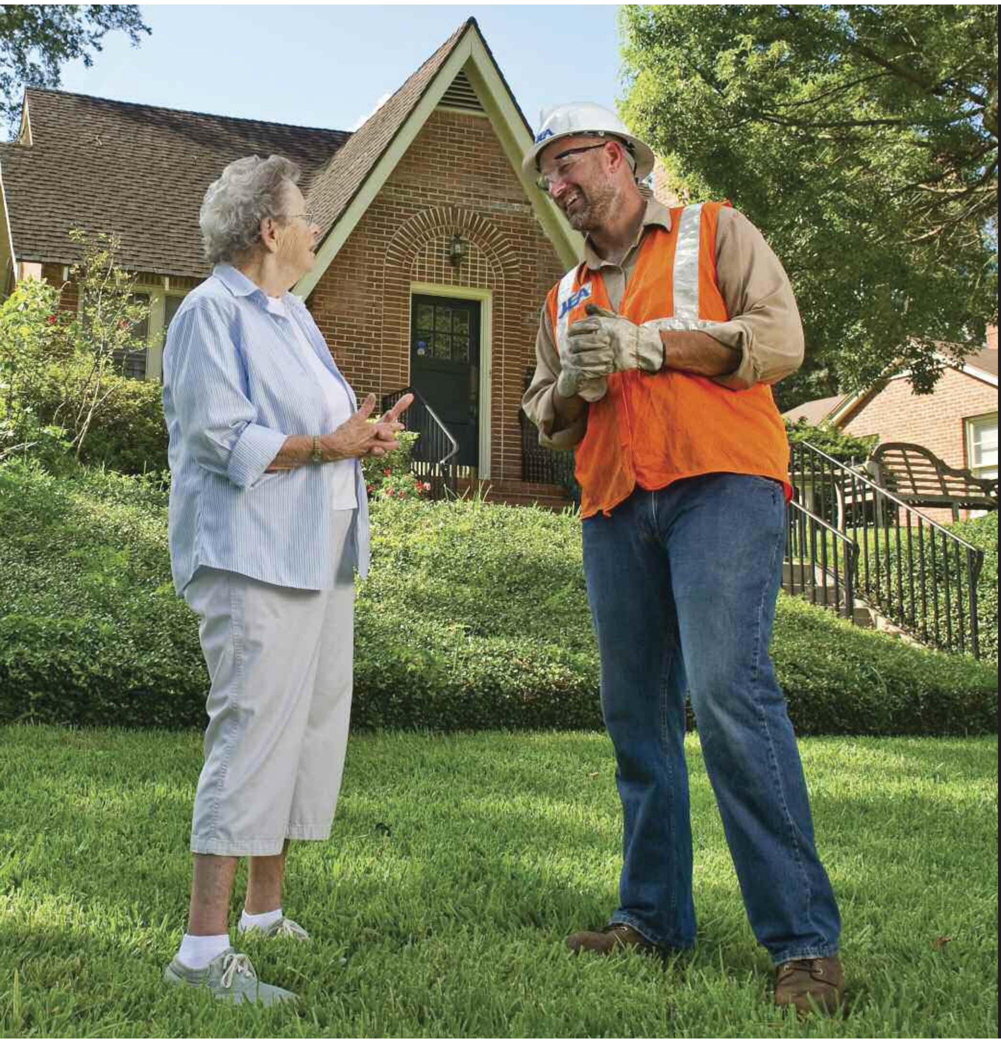


In a separate J.D. Power survey, our website, jea.com, placed ninth in the nation among utilities. Our customers like the convenience of paying online. We enhanced our online services to make paying a bill more intuitive for customers. They also appreciate the analytical tools we put on our website in FY13 like the My JEA Utility Tracker because it offers them more control over their utility bill. The My JEA Utility Tracker gives residential customers the ability to see near real-time information on their home energy and water usage. It also suggests ways for customers to save.

Among the other noteworthy achievements, one customer satisfaction team doubled the number of JEA volunteers in the company's volunteer pool from 150 to 300. Another team improved our outage restoration notification by 98 percent. We now call customers with personalized outage restoration information. We also added greater transparency on customers' bills with new graphs and better explanations of what makes up bills. JEA's IVR was ranked as the number one utility IVR in the country by a third party after it underwent an upgrade and improvements during the year. Also, customers can now opt in for texts, emails or call-backs for various services.

Other improvements implemented as a result of employee and customer feedback include live streaming and archiving our monthly Board meetings for, again, greater transparency and customer accessibility to Board meetings. JEA's Light Bulb Finder App allows customers to get advice when

BUILDING A CUSTOMER-FOCUSED COMMUNITY



LOYAL CUSTOMERS.

In 2013 JEA made a company-wide commitment to improve our customer experience and earn customer loyalty.

The average number of customers experiencing a monthly water main outage in 2013 was 3,525. That's well below the actual totals for FY12 and FY11 when an average of 5,545 and 7,250 customers respectively experienced a monthly water main outage.

Water Main Outages Per Customer Per Year In Thousands

shopping for CFLs while in the store and we also created a new Welcome Packet to introduce JEA's new customers to our community. Additionally, in April, JEA gave each and every residential and commercial customer his or her share of a $36 million fuel credit. This one-time credit came from JEA's savings on fuel costs since the price of natural gas was lower than expected. We passed the savings on to our customers.

FY13 also marked the start of beta testing for a prepaid pilot program called JEA MyWay. This program helps our most financially disadvantaged customers. With JEA MyWay, customers put money into their account ahead of their usage. Several days before their consumption absorbs all the money in their account, we send the customer texts or emails alerting them to add more money. If they don't add anything, their utility service is cut-off electronically. Customers can reinstate it by simply adding money to their account. This saves them the hassle and expense of late fees, on/off fees and big deposits. It also reduces JEA's costs by eliminating the need to roll a truck to cut or restart the power, as well as extending credit.

JEA also increased the channels it uses to reach our customers in FY13. We produced a 30-minute, monthly television program beginning in January called "JEA Savings Coach" that shows customers how to make their homes more energy and water efficient. The program was broadcast on a local television channel and archived on jea.com, where it's viewed online by customers. It's also viewed, in part, by customers on our Facebook and Twitter sites.

The sum total of our efforts was to provide customers with more choices for how they want to do business with JEA, as well as more information to empower them to better manage their utility services.

BUILDING A SOUND FINANCIAL COMMUNITY

FISCALLY SOUND.

All JEA capital needs for both its electricity and water/wastewater systems were funded through revenues in FY13.

JEA's Financial and Logistical Services unit and extended leadership team are committed to leadership, quality service and the aggressive management of expenses in order to better position JEA to maintain stable rates for our customers.

JEA's financial management strategy includes tracking key metrics and making adjustments as appropriate. In FY13 that attention to financial metrics was even more important due to a lower revenue year. With a keen eye on revenue and agile leadership, we were able to reduce expenses and come in under budget. The electric system spent $34 million less than budgeted in capital improvements in FY13, offsetting the reduced revenue through greater discipline around project scope and strategic identification of projects. Our capital spend continues to be appropriate for the maintenance and operation of a healthy utility system, and did not include any major deferrals. Another positive for the year was that all the capital needs were funded through revenues with no new debt issued in FY13. We also spent nearly $30 million less than budgeted for company-wide operations and maintenance.

The financial picture for JEA's water/wastewater system is equally strong. Spending for capital improvements and for operations and maintenance were, respectively, $31 million less and $3 million less than budgeted in FY13. Funding for all capital improvements to JEA's water/wastewater system also comes from revenues with no new debt issued in FY13, and capital expenditures included reductions resulting from scope discipline while continuing to ensure sufficient capital spending to maintain a healthy water and sewer system.

Another accomplishment by the Financial and Logistical Services unit was the strategic risk and cost reduction in JEA's outstanding debt portfolio in FY13. By issuing more than $803 million in refunding bonds, JEA will save approximately $53 million over the life of the debt as measured in current dollars. The refunding strategy also reduced overall variable rate exposure by $545 million.

The bulk of the issuance, nearly $556 million, came from the electric systems where JEA reduced our swap counterparty exposure by $218 million, or 35 percent, and our bank exposure by $394 million, or 35 percent. JEA terminated portions of interest rate swaps with three different counterparties, and reduced bank facilities with five different banks. The result was a significant de-risking of the electric systems capital structure, which went from 69 percent fixed at the start of the year to 79 percent fixed. There was also substantial de-risking in the water and sewer systems (reducing variable exposure to 15 percent) and the district energy system, where the debt was converted from 100 percent variable rate to now 100 percent fixed rate.

Another proactive financial action in FY13 was the Board's approval of a new Economic Development Program in August giving companies an "energy incentive" to expand or open their doors in Northeast Florida.

Jacksonville's vision of a healthy, vibrant St. Johns River for all to enjoy is JEA's vision, too. Overall, JEA has invested more than $400 million over the last 10 years to reduce the amount of nutrients contained in the wastewater we receive from our customers. We treat the wastewater – removing about 88 percent of the nitrogen – before returning it to the river. The small amount of nitrogen remaining is well below any regulatory requirement.

In addition to removing nitrogen from our customers' wastewater and the river, we are expanding our reclaimed water system. Reclaimed water is the highly treated wastewater used to irrigate commercial and residential landscapes, thus reducing the amount of freshwater JEA draws from the Floridan aquifer. JEA has invested $85 million in reclaimed expansion. This system currently serves approximately 15 million gallons per day and has the capacity for more than 30 million gallons per day. In August FY13 the number of reclaimed customers hit a new record: 3,096 – a number that will grow as the economy rebounds. Our power plants, by the way, are a big user of reclaimed water for cooling and other processes. This reduces both the potable water we draw from the aquifer and the amount of wastewater effluent (and associated nitrogen) we discharge into the river.

For the second straight year, The National Arbor Day Foundation designated JEA "A TreeLine USA Community" in FY13. This designation is only awarded to 145 utilities a year, and it was given to JEA – in part – for our sophisticated tree trimming practices and for our partnership with Greenscape of Jacksonville, a local nonprofit that plants trees. JEA was also awarded the Canopy Award from Greenscape at Jacksonville Mayor Alvin Brown's Environmental Luncheon in December FY13.

Furthermore, the local chapter of the United States Green Building Council North Florida (USGBCNF) awarded JEA's Home Energy and Water Evaluation Kit their Environmental Award in FY13. The program gives residents the opportunity to check a backpack out of the local library – a backpack loaded with diagnostic equipment. The equipment – and accompanying books and videos – allows homeowners and renters alike to conduct home energy and water evaluations designed to help them save on their utility bills.

JEA's Environmental Department forged an important partnership in FY13 with the Jacksonville Fire and Rescue Department when it placed 21 large, blue plastic bins in front of 21 fire stations. Jacksonville

BUILDING A GREENER COMMUNITY

PROTECTIVE.

JEA partnered with Duval County Public Schools to place rain barrels in 175 school gardens to help students learn about water conservation.

JEA is proud of its spirit of volunteerism. In FY13 we increased the number of JEA volunteers from 150 to 300. At our annual HabiJax build in June, 178 employees turned out for two days of hard work. Fifty-eight of them were team leaders.

residents can pour their used cooking oil into the bins to have it recycled into biodiesel. JEA hopes that by offering this recycling option, fewer people will dump their used cooking oil down the drain where it often blocks pipes and causes sanitary sewer overflows (SSOs). This and other "Can the Grease" initiatives appear to be working. The number of reportable SSOs decreased in FY13 to 31 from 33 in FY12.

Finally, thanks to JEA buydowns, Jacksonville residents bought 4 million CFLs in FY13. That means the community has collectively saved enough energy to power 9,200 homes, or 28,000 electric cars or 1,300 Jaguar football games a year.

Service is one of JEA's core values. And like all our core values, it has several meanings. Not only do we strive to provide our customers with quality service, we also volunteer in the community in order to help make Jacksonville a better place. JEA helped some of our younger customers learn about energy in FY13 with the opening of a new exhibit, "JEA Power Play: Understanding Our Energy Choices" at Jacksonville's Museum of Science and History. The exhibit focuses on alternative energy sources and conservation, and serves as a gateway to the popular and newly renovated JEA Science Theater.

Also in FY13 we increased the core number of JEA employee volunteers from 150 to 300. This as 178 JEA employees volunteered to help HabiJax build 25 new homes in 25 days as part of the non-profit's 25th anniversary. Fifty-eight of the JEA volunteers were team leaders, meaning they signed up for two days of work at the build while also supervising employee volunteers from other companies.

JEA partnered with Keep Jacksonville Beautiful and Duval County Public Schools to supply more than 175 rain barrels to elementary, middle and high schools. The barrels are used to collect rainwater for school gardens and to help students learn about water conservation.

In addition, JEA participated in Mayor Brown's Summer Jobs Program. For six weeks, 18 college students earned minimum wage while learning about careers at JEA. At the same time 25 paid college co-ops also worked at JEA, learning valuable skills and gaining valuable experience that will help them find jobs when they graduate from college.

Beyond giving of their time, in FY13, JEA's 1,950 employees donated more than $425,000 to the community. This money was pledged by our employees during drives for both United Way and Community Health Charities. Many JEA employees hope to give even more of their time, talent and treasure in the year ahead.

Community stewardship is at the heart of our employees' commitment to this community. JEA employees live their heart of service by holding leadership positions in many community organizations from the American Red Cross to Rotary International to Jacksonville Chamber of Commerce. It is a big part of what we do to build a stronger community and at the heart of what we do to build a stronger JEA.

BUILDING A BETTER COMMUNITY

ENHANCING.

JEA PowerPlay: Understanding Our Energy Choices *is a new interactive exhibit at the Jacksonville Museum of Science & History. Participants make choices aimed at learning how to generate, transmit and distribute power for a city called Moshtopia.*

Thanks to JEA buydowns, Jacksonville residents bought 4 million CFLs in FY13. That means the community has collectively saved enough energy to power 9,200 homes, or 28,000 electric cars or 1,300 Jaguar football games a year.

Saving Enough Energy To Power Annually

9,200 Homes

28,000 Electric Cars

1,300 Jaguar Football Games

JEA AT A GLANCE

Electric System
- Average of 426,771 customers
- 900 square miles of service area
- 6,500 miles of distribution
- 745 circuit miles of transmission

Electric Generation
- St. Johns River Power Park (SJRPP)
- Northside Generating Station (NGS)
- Plant Scherer
- Brandy Branch (BB)
- Kennedy (KS)
- Greenland Energy Center (GEC)

Generation Technologies
- Three Pulverized Coal (PC) units (SJRPP 1 and 2, Scherer 4)
- Two Circulating Fluidized Bed (CFB) Units (NGS 1 and 2)
- One Oil/Gas-fired Unit (NGS 3)
- Nine Combustion Turbines (4 at NGS, 2 at GEC, 1 at BB)
- One Combined Cycle unit (CC) – BB

Electric Mix (kW capacity)
- Gas/Oil – 62%
- Solid Fuel – 38%

Power Supply Mix (kWh)
- Natural Gas 29%
- Solid Fuels 62%
- Other 9%

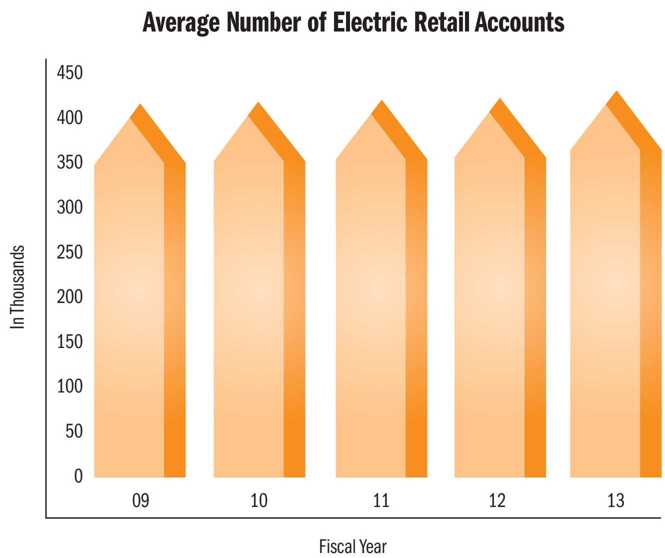
Water/Wastewater System
- Average of 312,914 water customers
- Average of 239,283 wastewater customers
- 913 square miles of service area (covering Duval, St. Johns, Clay and Nassau Counties)
- 4,306 miles of water distribution
- 3,789 miles of wastewater collection
- 179 miles of reclaimed water

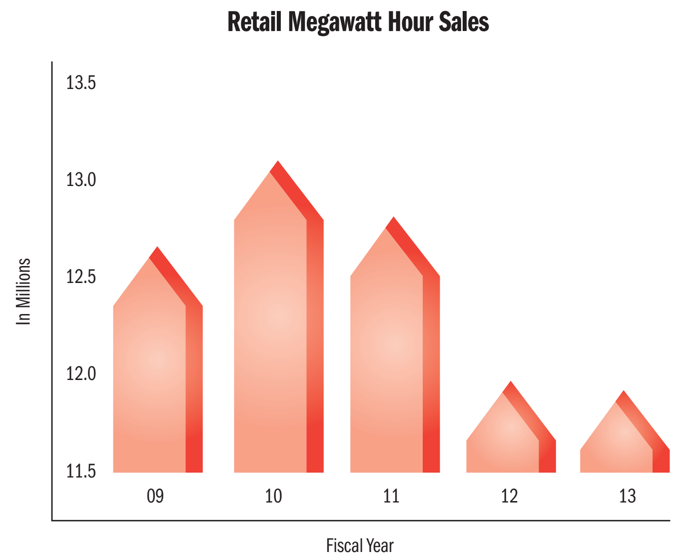
Water/Wastewater Treatment Plants
- 36 water plants (298 MGD total system capacity)
- 7 regional/4 non-regional wastewater plants (241 MGD maximum daily capacity)
- 1,296 pump stations
- 134 wells (active)
- 10 reclaimed water production facilities (6 public access reuse, 4 non-public access reuse)
- Average of 3,143 reclaimed water customers

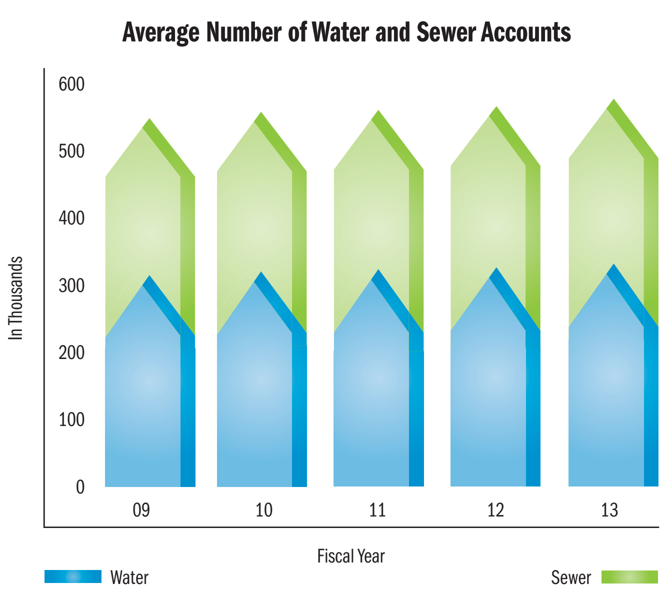
District Energy Systems
- Four chilled water plants (21,500 tons capacity)

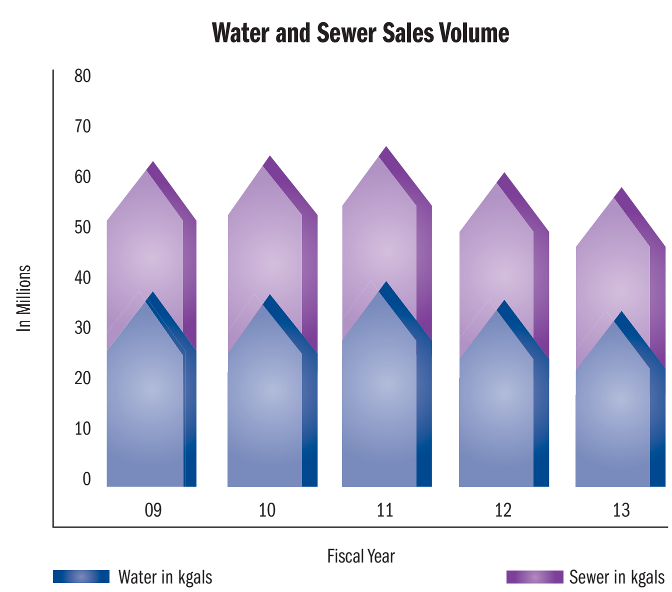
Financial and Operating Highlights

	Years Ended September 30					
	2013	2012	2011	2010	2009	% Change 2013 - 2012
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,432,617	$1,524,963	$1,684,131	$1,606,474	$1,584,572	-6.06%
Fuel and purchased power expenses (thousands)	$539,646	$548,030	$733,296	$741,374	$719,296	-1.53%
Total operating expenses (thousands)	$1,169,329	$1,164,512	$1,295,017	$1,273,327	$1,234,540	0.41%
Debt service coverage:						
Senior and subordinated - Electric	2.57x	2.69x	2.75x	3.35x	2.99x	-4.46%
Senior - Electric	5.53x	5.61x	5.69x	6.21x	4.82x	-1.43%
Bulk Power Supply System	1.52x	2.89x	1.47x	3.00x	-	-47.40%
St. Johns River Power Park 1st Resolution	1.25x	1.27x	1.25x	1.25x	1.25x	-1.57%
St. Johns River Power Park 2nd Resolution	1.16x	1.15x	1.15x	1.15x	-	0.87%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$390,692	$395,437	$368,087	$313,136	$259,275	-1.20%
Operating expenses (thousands)	$266,312	$275,879	$244,599	$251,100	$243,030	-3.47%
Debt service coverage:						
Senior and subordinated	2.39x	2.24x	2.08x	1.82x	1.65x	6.70%
Senior	2.65x	2.46x	2.33x	2.06x	1.85x	7.72%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	13,782,549	13,854,707	15,462,628	16,521,876	15,915,031	-0.52%
Peak demand - megawatts 60 minute net	2,596	2,665	3,062	3,224	3,064	-2.59%
Total accounts - average number	426,772	422,315	419,703	418,505	417,227	1.06%
Sales per residential account (kilowatt hours)	12,985	12,932	14,733	15,481	14,408	0.41%
Average residential revenue per kilowatt hour	$11.91	$12.52	$12.61	$11.56	$12.18	-4.87%
Power supply (%):						
Coal	49	43	50	53	52	13.95%
Natural gas	29	39	26	16	12	-25.64%
Petroleum coke	13	6	13	18	23	116.67%
Coal fired purchases	-	-	-	6	10	-
Other purchases	8	11	11	6	3	-27.27%
Oil	1	1	-	1	-	0.00%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	33,087,804	35,345,044	38,982,907	36,750,266	36,845,945	-6.39%
Total accounts - average number	312,914	309,221	307,385	306,046	305,076	1.19%
Average sales per residential account (kgals)	62.06	66.30	74.36	71.12	71.35	-6.40%
Average residential revenue per kgal	$5.20	$5.03	$4.43	$4.00	$3.38	3.38%
REUSE						
Total sales (kgals)	1,109,653	1,330,359	1,551,175	989,010	805,925	-16.59%
Total accounts - average number	3,143	2,241	1,666	1,201	837	40.25%
SEWER						
Total sales (kgals)	23,623,974	24,490,071	25,919,479	25,126,672	24,767,666	-3.54%
Total accounts - average number	239,283	235,615	233,592	231,735	230,358	1.56%
Average sales per residential account (kgals)	60.59	64.56	72.10	69.22	67.47	-6.15%
Average residential revenue per kgal	$9.27	$8.99	$7.44	$6.69	$5.92	3.11%


Average Number of Electric Retail Accounts
450
400
350
300
250
200
150
100
50
0
In Thousands
09
10
11
12
13
Fiscal Year


Retail Megawatt Hour Sales
13.5
13.0
12.5
12.0
11.5
In Millions
09
10
11
12
13
Fiscal Year

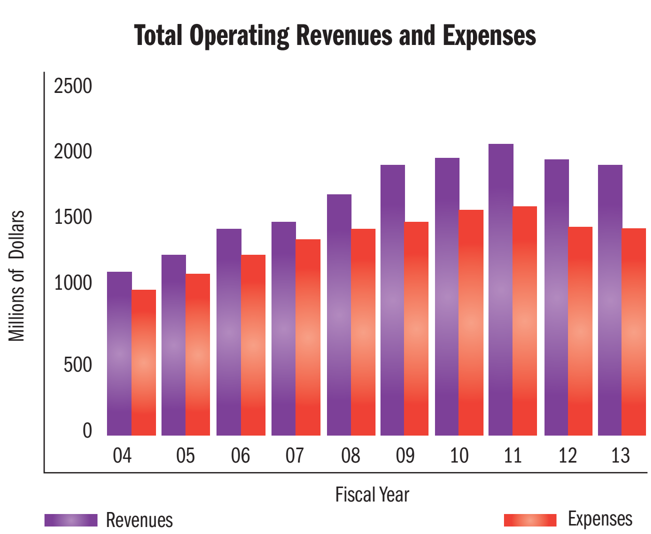

Average Number of Water and Sewer Accounts
600
500
400
300
200
100
0
In Thousands
09
10
11
12
13
Fiscal Year
Water
Sewer

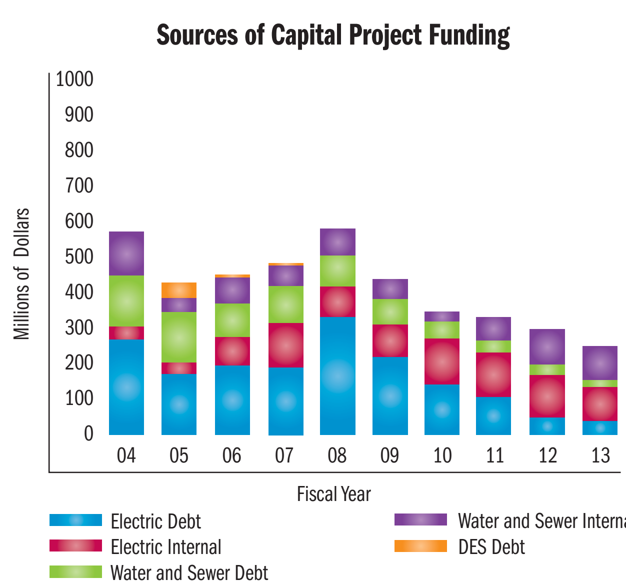

Water and Sewer Sales Volume
80
70
60
50
40
30
20
10
0
In Millions
09
10
11
12
13
Fiscal Year
Water in kgals
Sewer in kgals

Financial Summary

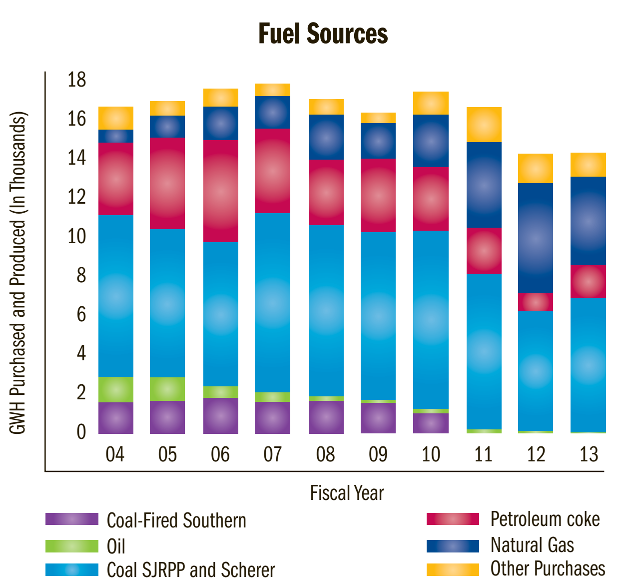
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

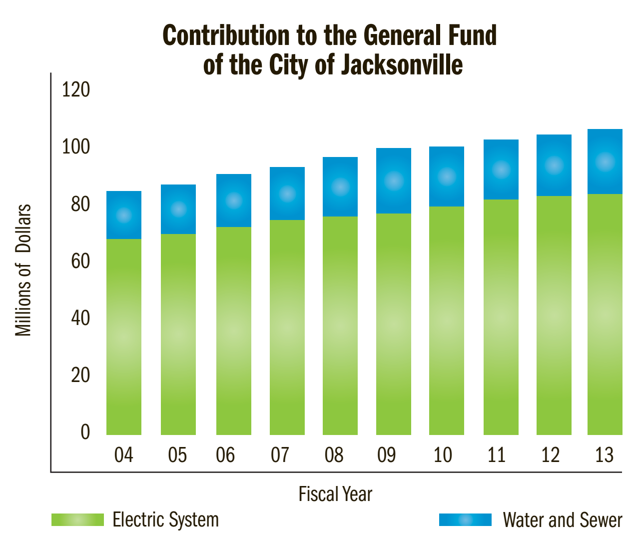
		2013-12	2012-11	2011-10
Operating revenues:	Electric	$1,383,696	$1,473,134	$1,624,473
	Water and sewer	381,677	385,631	358,176
	District Energy System	8,471	8,571	8,067
	Other, net	38,975	41,046	48,842
	Total operating revenues	1,812,819	1,908,382	2,039,558
Operating expenses:	Fuel and purchased power	539,646	548,030	733,296
	Operations and maintenance	371,041	366,751	334,066
	Depreciation	378,067	379,570	351,931
	State utility and franchise taxes	70,237	72,925	78,787
	Recognition of deferred costs/revenues	64,305	59,153	27,014
	Total operating expenses	1,423,296	1,426,429	1,525,094
	Operating Income	389,523	481,953	514,464
Nonoperating revenues (expenses):	Earnings from The Energy Authority	4,325	6,328	12,265
	Investment income (loss)	(13,240)	8,804	11,908
	Other nonoperating revenue	7,530	16,420	7,698
	Interest on debt	(234,620)	(248,681)	(289,320)
	Other interest	(134)	(23)	(109)
	Allowance for funds used during construction	3,986	3,365	5,387
	Water & Sewer Expansion Authority	-	-	(485)
	Gain (loss) sale of asset	-	-	-
	Total nonoperating revenues (expenses), net	(232,153)	(213,787)	(252,656)
	Income (loss) before contributions	157,370	268,166	261,808
Contributions (to) from:	General fund, City of Jacksonville	(106,687)	(104,188)	(101,688)
	Capital Contributions:			
	Developers and other	29,292	18,774	23,539
	City of Jacksonville Better Jacksonville Plan	-	-	-
	Water & Sewer Expansion Authority	-	-	11,465
	Total other revenues (expenses)	(77,395)	(85,414)	(66,684)
Change in net position		79,975	182,752	195,124
Net assets – beginning of year		1,991,311	1,808,559	1,613,435
Net assets – end of year		$2,071,286	$1,991,311	$1,808,559





2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	2004-03
$1,548,248	$1,525,966	$1,330,280	$1,164,747	$1,160,463	$973,326	$840,210
303,241	249,813	248,115	238,256	214,906	182,961	173,579
7,595	6,914	6,162	5,748	3,054	1,297	-
50,692	48,687	48,863	47,176	50,649	42,388	54,803
1,909,776	1,831,380	1,633,420	1,455,927	1,429,072	1,199,972	1,068,592
741,374	719,296	694,007	600,170	599,426	494,721	409,690
322,672	295,480	311,071	305,888	273,578	251,099	248,269
353,606	344,158	326,301	302,374	297,614	278,531	251,493
73,120	72,127	48,551	26,399	26,807	21,791	18,941
22,149	33,108	43,345	45,952	40,428	44,141	44,184
1,512,921	1,464,169	1,423,275	1,280,783	1,237,853	1,090,283	972,577
396,855	367,211	210,145	175,144	191,219	109,689	96,015
6,103	4,088	22,374	20,192	21,910	17,382	15,924
(3,604)	23,463	17,307	38,112	23,088	14,460	13,832
3,832	-	-	-	-	-	-
(285,669)	(264,701)	(249,622)	(246,787)	(232,370)	(238,454)	(203,100)
(54)	(72)	(451)	(1,877)	(1,600)	(1,246)	(1,167)
9,713	12,708	19,448	28,425	32,044	34,637	32,010
(719)	(864)	(1,216)	(1,601)	(762)	(302)	-
-	(986)	740	(3,762)	-	-	-
(270,398)	(226,364)	(191,420)	(167,298)	(157,690)	(173,523)	(142,501)
126,457	140,847	18,725	7,846	33,529	(63,834)	(46,486)
(99,187)	(96,687)	(94,188)	(91,437)	(88,688)	(85,938)	(83,187)
19,883	38,071	47,471	119,525	97,775	58,406	56,578
-	1,516	2,857	29,091	14,546	385	9,118
-	-	-	-	-	(254)	-
(79,304)	(57,100)	(43,860)	57,179	23,633	(27,401)	(17,491)
47,153	83,747	(25,135)	65,025	57,162	(91,235)	(63,977)
1,566,282	1,482,535	1,507,670	1,440,241	1,383,079	1,474,314	1,538,291
$1,613,435	$1,566,282	$1,482,535	$1,507,670	$1,440,241	$1,383,079	$1,474,314





Operating Summary

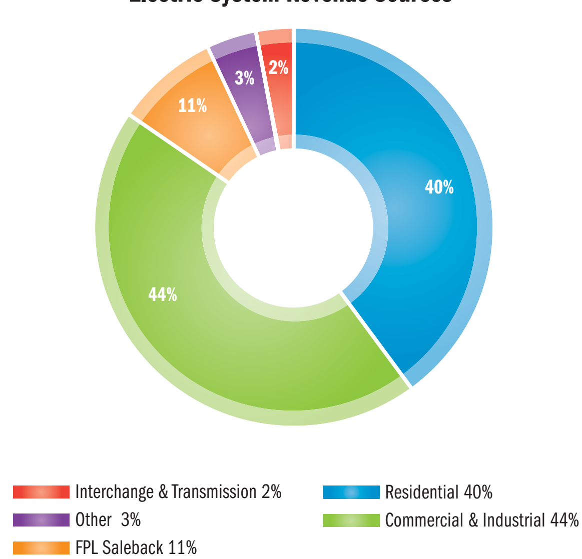
Electric System, Bulk Power System and St Johns River Power Park

		2013-12	2012-11	2011-10
Electric revenues (000's omitted):	Residential	$580,893	$601,581	$686,706
	Commercial and industrial	617,962	670,983	704,976
	Public street lighting	14,661	15,311	15,347
	Sales for resale	29,989	37,153	41,155
	Florida Power & Light saleback	158,031	166,873	196,353
	Total	$1,401,536	$1,491,901	$1,644,537
Sales (megawatt hours):	Residential	4,877,264	4,806,144	5,444,926
	Commercial and industrial	6,599,249	6,670,200	6,908,240
	Public street lighting	123,177	122,614	122,402
	Sales for resale			
	Territorial	329,922	374,116	394,548
	Off-system	42,286	74,852	99,953
	Florida Power & Light saleback	1,810,651	1,806,781	2,492,559
	Total	13,782,549	13,854,707	15,462,628
Average number of accounts:	Residential	375,600	371,658	369,566
	Commercial and industrial	47,709	47,230	46,710
	Public street lighting	3,460	3,424	3,424
	Sales for resale (1)	3	3	3
	Total	426,772	422,315	419,703
System installed capacity – MW (2)		3,759	3,759	3,759
Peak demand – MW (60 minute net)		2,596	2,665	3,062
System load factor – %		54%	53%	50%
Residential averages– annual:	Revenue per account – $	1,546.57	1,618.64	1,858.14
	kWh per account	12,985	12,932	14,733
	Revenue per kWh – ¢	11.91	12.52	12.61
All other retail – annual:	Revenue per account – $	12,363.40	13,548.66	14,367.95
	kWh per account	131,377	134,102	140,237
	Revenue per kWh – ¢	9.41	10.10	10.25
Heating-cooling degree days		3,830	3,618	4,345

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

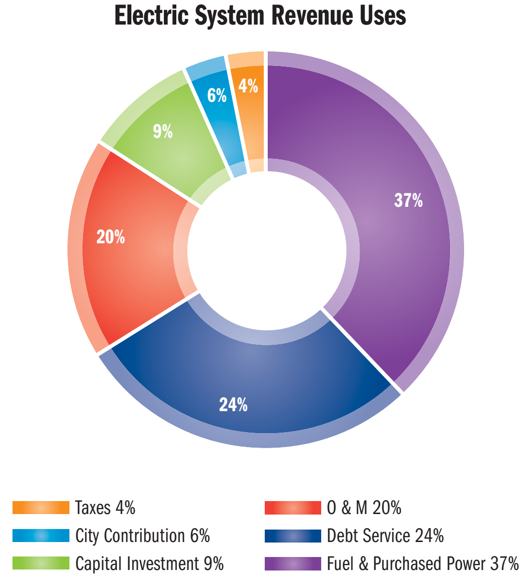
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	2004-03
$659,829	$645,725	$559,042	$490,935	$511,389	$426,316	$370,323
647,316	678,218	588,910	490,089	488,304	384,808	319,659
14,203	14,440	12,066	10,242	10,086	8,622	7,919
53,990	52,941	49,660	48,522	45,961	41,330	38,358
190,293	157,898	137,910	137,463	117,816	122,256	112,938
$1,565,631	$1,549,222	$1,347,588	$1,177,251	$1,173,556	$983,332	$849,197
5,707,670	5,300,203	5,363,697	5,478,280	5,650,986	5,542,498	5,389,616
6,932,123	6,849,291	7,314,128	7,160,361	7,157,602	6,948,730	6,696,646
121,413	120,191	116,966	112,760	110,178	107,757	111,483
418,867	406,051	437,870	479,425	522,134	492,716	468,324
391,559	579,730	457,421	649,193	593,750	568,442	630,007
2,950,244	2,659,565	2,635,812	3,059,195	2,649,427	2,577,860	2,656,556
16,521,876	15,915,031	16,325,894	16,939,214	16,684,077	16,238,003	15,952,632
368,682	367,864	365,632	364,284	357,232	349,139	341,162
46,325	45,810	45,207	44,440	41,342	39,151	38,610
3,495	3,550	3,576	3,565	3,561	3,539	3,581
3	3	3	6	7	3	3
418,505	417,227	414,418	412,295	402,142	391,832	383,356
3,376	3,376	3,241	3,241	3,213	3,049	3,095
3,224	3,064	2,914	2,897	2,919	2,860	2,644
49%	49%	54%	55%	55%	55%	57%
1,789.70	1,755.34	1,528.97	1,347.67	1,431.53	1,221.05	1,085.48
15,481	14,408	14,670	15,038	15,819	15,875	15,798
11.56	12.18	10.42	8.96	9.05	7.69	6.87
13,278.18	14,032.78	12,319.37	10,422.48	11,099.26	9,215.98	7,764.17
141,580	141,197	152,330	151,508	161,855	165,296	161,364
9.38	9.94	8.09	6.88	6.86	5.58	4.81
4,705	4,094	3,785	3,803	4,053	4,035	4,217

Electric System Revenue Uses

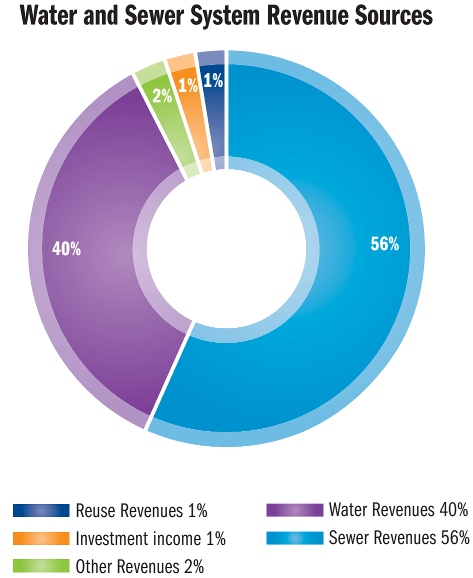


Operating Summary

Water and Sewer System

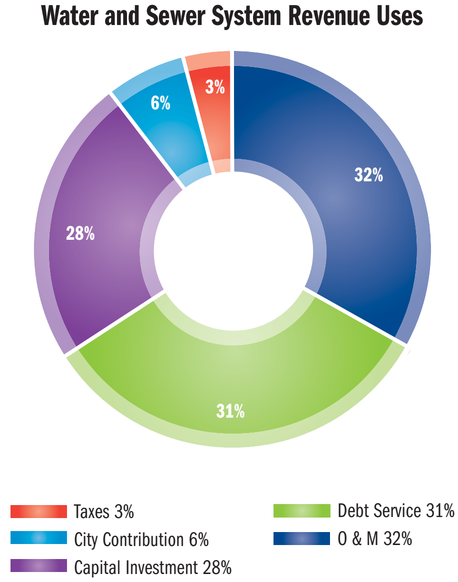
		2013-12	2012-11	2011-10
Water revenues (000's omitted):	Residential	$81,832	$83,390	$81,859
	Commercial and Industrial	42,809	43,629	40,299
	Irrigation	32,796	34,802	35,932
	Total	$157,437	$161,821	$158,090
Water sales (kgals):	Residential	15,741,904	16,589,517	18,485,853
	Commercial and Industrial	11,777,128	12,134,488	12,271,645
	Irrigation	5,568,772	6,621,039	8,225,409
	Total	33,087,804	35,345,044	38,982,907
Average number of accounts:	Residential	253,662	250,204	248,605
	Commercial and Industrial	23,487	23,365	23,221
	Irrigation	35,765	35,652	35,559
	Total	312,914	309,221	307,385
Residential averages – annual:	Revenue per account - $	322.60	333.29	329.27
	kgals per account	62.06	66.30	74.36
	Revenue per kgal - $	5.20	5.03	4.43
Rainfall (inches)		45.54	55.24	42.18
Reuse revenues (000's omitted):		$4,551	$3,936	$3,622
Reuse sales (kgals):		1,109,653	1,330,359	1,551,175
Average number of accounts:		3,143	2,241	1,666
Sewer revenues (000's omitted):	Residential	$124,642	$126,722	$116,024
	Commercial and Industrial	96,009	94,232	81,633
	Total	$220,651	$220,954	$197,657
Volume (kgals):	Residential	13,439,781	14,091,702	15,597,512
	Commercial and Industrial	10,184,193	10,398,369	10,321,967
	Total	23,623,974	24,490,071	25,919,479
Average number of accounts:	Residential	221,821	218,264	216,323
	Commercial and Industrial	17,462	17,351	17,269
	Total	239,283	235,615	233,592
Residential averages – annual:	Revenue per account - $	561.90	580.59	536.35
	kgals per account	60.59	64.56	72.10
	Revenue per kgal - $	9.27	8.99	7.44

Water and Sewer System Revenue Sources



2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	2004-03
$70,396	$59,441	$59,297	$57,620	$52,299	$44,337	$40,661
34,872	27,591	26,692	24,483	22,404	17,546	17,182
26,876	19,080	19,679	21,143	18,105	13,782	12,088
$132,144	$106,112	$105,668	$103,246	$92,808	$75,665	$69,931
17,609,301	17,572,032	18,848,414	20,499,442	19,890,048	17,666,292	17,971,271
12,091,091	12,184,482	12,837,866	12,917,475	12,785,160	12,610,550	12,322,567
7,049,874	7,089,431	7,924,021	9,683,871	8,560,591	6,816,341	7,065,790
36,750,266	36,845,945	39,610,301	43,100,788	41,235,799	37,093,183	37,359,628
247,609	246,276	245,659	245,420	237,990	227,253	217,927
22,996	23,460	23,473	23,302	22,577	21,775	21,322
35,441	35,340	35,107	34,515	33,122	30,581	27,346
306,046	305,076	304,239	303,237	293,689	279,609	266,595
284.30	241.36	241.38	234.78	219.75	195.10	186.58
71.12	71.35	76.73	85.53	83.58	77.74	82.46
4.00	3.38	3.15	2.81	2.63	2.51	2.26
40.53	53.67	65.72	39.35	47.89	56.22	67.56
$2,093	$1,156	$1,079	$739	$196	$33	$49
989,010	805,925	547,878	678,185	451,367	90,671	231,930
1,201	837	502	85	16	13	12
$99,327	$84,961	$84,102	$80,717	$72,433	$60,502	$59,058
70,831	59,017	58,640	54,281	50,183	47,629	46,153
$170,158	$143,978	$142,742	$134,998	$122,616	$108,131	$105,211
14,847,431	14,353,777	15,293,138	16,464,215	15,772,717	13,784,344	14,027,600
10,279,241	10,413,889	11,097,674	11,120,273	10,977,474	11,158,375	10,685,149
25,126,672	24,767,666	26,390,812	27,584,488	26,750,191	24,942,719	24,712,749
214,506	212,741	211,607	210,609	202,892	191,812	182,418
17,229	17,617	17,598	17,421	16,918	16,331	15,904
231,735	230,358	229,205	228,030	219,810	208,143	198,322
463.05	399.36	397.44	383.25	357.00	315.42	323.75
69.22	67.47	72.27	78.17	77.74	71.86	76.90
6.69	5.92	5.50	4.90	4.59	4.39	4.21

Water and Sewer System Revenue Uses



Financial Report

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND BOND COMPLIANCE INFORMATION

JEA

Years Ended September 30, 2013 and 2012
With Report of Independent Certified Public Accountants

Ernst & Young LLP

ERNST & YOUNG

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2013 and 2012

Contents

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Report of Independent Certified Public Accountants

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, Florida, as of and for the years ended September 30, 2013 and 2012, 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 financial position of JEA as of September 30, 2013 and 2012, the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and the Schedules of Funding Progress, 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 JEA's basic financial statements. The supplementary combining statements of net position, statements of 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.

The supplementary combining statements of net position, statements of revenues, expenses and changes in net position and cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary combining statements of net position, statements of revenues, expenses, and changes in net position and cash flows are fairly stated, in all material respects, in relation to the basic 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 2, 2013 on our consideration of the 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 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 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 2, 2013

A member firm of Ernst & Young Global Limited

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, 2013 and 2012. 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 2013, 2012, and 2011 fiscal years:

Condensed Statements of Net Position

	2013	2012	2011
		(In millions)	
Assets and deferred outflows of resources			
Current assets	**$ 792**	$ 818	$ 749
Other noncurrent assets	**1,140**	1,127	1,193
Capital assets, net	**6,430**	6,565	6,676
Deferred outflows of resources	**84**	195	177
Total assets and deferred outflows of resources	**$ 8,446**	$ 8,705	$ 8,795
Liabilities and deferred inflows of resources			
Current liabilities	**$ 201**	$ 203	$ 193
Liabilities payable from restricted assets	**458**	470	580
Noncurrent liabilities	**227**	149	115
Long-term debt	**5,489**	5,891	6,099
Deferred inflows of resources	**-**	1	-
Net position			
Net investment in capital assets	**936**	891	844
Restricted	**571**	506	442
Unrestricted	**564**	594	522
Total liabilities, deferred inflows of resources, and net position	**$ 8,446**	$ 8,705	$ 8,795

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

	2013	2012	2011
		(In millions)	
Operating revenues	**$ 1,812**	$ 1,908	$ 2,040
Operating expenses	**(1,423)**	(1,426)	(1,525)
Operating income	**389**	482	515
Nonoperating expenses	**(232)**	(214)	(253)
Contributions	**(77)**	(85)	(67)
Increase in net position	**80**	183	195
Net position – beginning of the year	**1,991**	1,808	1,613
Net position – end of the year	**$ 2,071**	$ 1,991	$ 1,808

Financial Analysis of JEA for fiscal years 2013 and 2012

Operating Revenues

2013 Compared to 2012

Total Electric Enterprise Fund operating revenues for the fiscal year 2013 decreased $92.3 million (6.1%) compared to fiscal year 2012. Operating revenues decreased $90.3 million (6.1%), and other operating revenues decreased $2.1 million (6.0%). The decrease in operating revenues was primarily caused by a Fuel Charge Credit approved by the Board of Directors of JEA (the Board) in March of 2013 totaling approximately $36.6 million and a reduction in the variable fuel rate effective July 1, 2012, which approximated $35 million. The other contributing factor was a slight decrease in sales. Territorial GWh sales decreased 0.3% and total sales decreased 0.8% when off-system sales are included. Total sales for the year decreased from 13,854.7 GWh to 13,782.5 GWh. The number of customers increased 1.1% when compared with fiscal year 2012. The $2.1 million decrease in other operating revenues was primarily due to reduced transmission revenues.

Total Water and Sewer Fund operating revenues decreased $4.7 million, a 1.2% decrease. The decrease in operating revenues was primarily due to a decrease in volumes for water and sewer sales, mainly in irrigation sales due to a greater number of days of precipitation compared to the prior year. The decrease was offset in part by a volumetric rate increase for residential and commercial customers in excess of 6,000 gallons per month, effective October 1, 2012, and increased reclaimed revenues. There was a 6.4% decrease in consumption related to water services. Consumption, measured in thousands of gallons (kgals), decreased 2,257.2 kgals from 35,345.0 kgals to 33,087.8 kgals. Sewer sales volume decreased 4.2% when compared to the prior year. The decrease was 1,086.8 kgals from 25,820.3 kgals to 24,733.6 kgals. The number of customers increased 1.5% when compared with fiscal year 2012.

Total DES revenues decreased $0.1 million (1.2%) for fiscal year 2013 compared to fiscal year 2012. The decrease in revenues was primarily due to the Fuel Charge Credit, discussed above.

2012 Compared to 2011

Total Electric Enterprise Fund operating revenues for the fiscal year 2012 decreased $159.2 million (9.5%) compared to fiscal year 2011. Operating revenues decreased $151.6 million (9.2%), and other operating revenues decreased $7.6 million (17.8%). The decrease in operating revenues was due to a decrease in unit sales as a result of mild weather conditions, with a 16.7% decrease in degree days, and a decrease in the variable fuel rate. Effective July 1, 2012, the Board voted to reduce the variable fuel rate from $47.74 to $43.60 per 1000 kWh, which represents an 8.7% decrease over the previous fuel charge. Territorial sales decreased 10.3%, and total sales decreased 15.0% when off-system sales are included. Total sales for the year decreased from 15,462.7 GWh to 13,854.7 GWh. The number of customers increased slightly when compared with fiscal year 2011. The $7.6 million decrease in other operating revenues was due to certain one-time revenues recorded in 2011.

Total Water and Sewer Fund operating revenues increased $27.4 million, a 7.4% increase. The increase in operating revenues was mainly due to an increase in water and sewer rates, effective October 1, 2011, of approximately 9.0%, offset by an 8.0% decrease in consumption. The volume of water and sewer sales decreased from 66,453,561 kgals to 61,165,474 kgals. The number of customers increased slightly when compared with fiscal year 2011.

Total DES revenues increased $0.5 million (6.2%) for fiscal year 2012 compared to fiscal year 2011. The increase in revenues was due to increased sales volume.

Operating Expenses

2013 Compared to 2012

Total Electric Enterprise Fund operating expenses for fiscal year 2013 increased $4.8 million or 0.4% compared to fiscal year 2012. Fuel and purchased power expense decreased $8.4 million, as discussed below. Other operating and maintenance expenses increased $6.1 million as a result of planned outages at Northside and Brandy Branch generating stations and increased salaries and benefits expense offset by a decrease in Plant Scherer operating and maintenance expenses. There was an increase in depreciation expense of $4.7 million due to assets being placed in service. State utility taxes and franchise fees decreased $2.7 million as a result of decreased revenues. Recognition of deferred costs increased $5.1 million, primarily related to regulatory assets at SJRPP.

Total fuel and purchased power expense decreased $8.4 million compared to the prior year. Fuel expense increased $4.5 million, and purchased power expense decreased $12.9 million. The decrease is due to decreases in commodity prices, fuel mix and decreased GWh produced. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations decreased 6.9% and energy purchased increased 7.8% from the prior fiscal year. JEA's power supply mix for fiscal year 2013 was 49% coal, 29% natural gas, 13% petroleum coke, 8% other power purchases, and 1% oil. During fiscal year 2012, JEA's power supply was 43% coal, 39% natural gas, 6% petroleum coke, 11% other power purchases and 1% oil.

Total operating expenses for the Water and Sewer Fund decreased $9.6 million, a decrease of 3.5%. Other operating and maintenance expenses decreased $3.4 million, mainly due to decreased electric charges resulting from the Fuel Charge Credit offset by increased salaries and benefits. Depreciation expense decreased $6.2 million primarily due to certain assets becoming fully depreciated.

The operating expenses for DES decreased $11.0 thousand (0.2%) due to decreased utility charges resulting from the Fuel Charge Credit offset by increased salaries and benefits. Depreciation expense increased from assets being placed in service.

2012 Compared to 2011

Total Electric Enterprise Fund operating expenses for fiscal year 2012 decreased $130.5 million or 10.1% compared to fiscal year 2011. The factors contributing to the decrease were a decrease in fuel and purchased power expense, as discussed below, and a decrease in taxes of $6.5 million as a result of decreased revenues. Other operating and maintenance expenses increased $18.9 million primarily due to increased spending related to Plant Scherer and an increase in payroll-related benefit expenses. Depreciation expense increased $10.2 million due to increased depreciation rates and assets placed in service. Recognition of costs to be recovered increased $32.1 million related to SJRPP.

Total fuel and purchased power expense decreased $185.3 million compared to the prior year. Fuel expense decreased $153.5 million, and purchased power expense decreased $31.8 million. The decrease was due to a 35.8% decrease in the price of natural gas and an 8.1% decrease in megawatts generated and purchased. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations increased 3.1% and energy purchased decreased 18.4% from the prior fiscal year. JEA's power supply mix for fiscal year 2012 was 43% coal (from JEA units), 39% natural gas, 6% petroleum coke, 11% other power purchases, and 1% oil. During fiscal year 2011, JEA's power supply was 50% coal (from JEA units), 27% natural gas, 12% petroleum coke, and 11% other power purchases.

Total operating expenses for the Water and Sewer Fund increased $31.3 million, an increase of 12.8%. Other operating and maintenance expenses increased $13.3 million, mainly due to increases in: salaries and payroll-related benefit expenses, intercompany shared service expenses, electric charges, pumping and treatment expenses, and the recognition of expenses related to tropical storms. Offsetting the increases was a decrease in maintenance expenses primarily due to the termination of the United Water contract. Depreciation expense increased $17.4 million primarily due to increased depreciation rates and assets placed in service. Franchise fees increased $0.6 million due to increased revenues.

The operating expenses for DES increased $0.4 million (6.8%) due to increased utility charges as a result of the multiyear progressive rate increases.

Nonoperating Revenues and Expenses

2013 Compared to 2012

There was a net increase of $18.4 million (8.6%) in total net nonoperating expenses in fiscal year 2013. The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, earnings decreased $2.0 million due to decreased purchases by JEA and lower margins on purchases and sales of energy. Investment income decreased $22.0 million due mainly to an $8.7 million loss on a swap termination and an unfavorable fair market value adjustment in investments of $14.4 million. Other nonoperating revenue decreased $8.9 million due to a one-time payment from the City of Jacksonville for the termination of a radio maintenance agreement in fiscal 2012. Interest expense decreased $14.1 million due primarily to lower debt balances as a result of increased debt repayments and debt refunding savings. Allowance for funds used for construction (AFUDC) increased $621 thousand due to increased capital spending primarily in the Water System.

2012 Compared to 2011

There was a net decrease of $38.9 million (15.4%) in total net nonoperating expenses in fiscal year 2012. TEA earnings decreased $5.9 million due to decreased purchases by JEA and lower margins on purchases and sales of energy. Investment income decreased $3.1 million in fiscal year 2012. The year-to-year change reflects certain gains realized on the sale of investments in 2011 and an increase in the fair market value of investments in 2012. Other nonoperating revenue increased $8.7 million due to a payment from the City of Jacksonville for the termination of a radio maintenance agreement. Interest expense decreased $40.6 million due primarily to lower debt balances as a result of increased debt repayments and debt refunding savings. Allowance for funds used for construction (AFUDC) decreased $2.0 million due to the transfer of capital assets from construction work in progress to plant in service.

Capital Assets and Debt Administration for Fiscal Years 2013 and 2012

Capital Assets

As of September 30, 2013, JEA had approximately $6.4 billion in capital assets, net of accumulated depreciation. This included $3.7 billion in electric plant, $2.7 billion in water and sewer plant, and $40.0 million in chilled water plant. During fiscal year 2013, capital additions were $251.9 million, which included $105.4 million in electric plant, $108.5 million in water and sewer plant, and $0.8 million in chilled water plant. As of September 30, 2012, JEA had approximately $6.6 billion in capital assets, net of accumulated depreciation. This included $3.8 billion in electric plant, $2.7 billion in water and sewer plant, and $41.3 million in chilled water plant. During fiscal year 2012, capital additions were $492.2 million, which included $282.5 million in electric plant, $208.8 million in water and sewer plant, and $856.5 thousand in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 4 to the financial statements.

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.

The projected total capital expenditures for fiscal year 2014 are as follows:

	In millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 139.0
Water and Sewer Fund	109.7
DES	1.0

SJRPP and Plant Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is $31 million and is included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2013, was $5.64 billion, a decrease of approximately $332 million from the prior fiscal year.

Debt outstanding at September 30, 2012, was $5.97 billion, a decrease of approximately $366 million from the prior fiscal year.

JEA's debt ratings on its long-term debt as of September 2013 and 2012 were as follows:

	2013				2012			
	Electric System	SJRPP	Scherer	Water and Sewer System	Electric System	SJRPP	Scherer	Water and Sewer System
Senior debt:								
Fitch	AA	AA	AA	AA	AA-	AA-	AA-	AA
Standard & Poor's	AA-	AA-	AA-	AA	AA-	AA-	AA-	AA
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
Subordinated debt:								
Fitch	AA	–	–	AA	AA-	–	–	AA
Standard & Poor's	A+	–	–	AA	A+	–	–	AA
Moody's Investors Service	Aa3	–	–	Aa2	Aa3	–	–	Aa2

At September 30, 2013, the ratings on JEA's DES bonds were AA from Fitch Ratings, AA- from Standard & Poor's, and Aa3 from Moody's Investors Service. At September 30, 2012, the ratings on JEA's DES bonds were A+ from Fitch Ratings and Aa2 from Moody's Investors Service which reflected the direct pay letter of credit provided by State Street Bank & Trust Company.

Setting of Rates

The setting of rates is the responsibility of the Board. Rate changes are implemented after public rate hearing and Board approval. In May 2009, the Board approved water and sewer rate structure changes and rate adjustments for fiscal years 2011 through 2013, whereas the rates will become effective October 1 of each year. In June 2012, the Board eliminated the previously approved commercial and residential service availability charges and environmental charges increases scheduled to become effective October 1, 2012, while maintaining the volumetric rate increases for commercial and residential use in excess of 6,000 gallons per month.

In March 2013, the Board approved a Fuel Charge Credit of approximately $35.00 per residential customer.

In light of JEA's initiative to update its current rate options and align them with more current initiatives, the Board approved in August 2013, an Economic Development Plan designed to provide financial incentives for new commercial and industrial customers and expanding JEA customers.

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.

Financial Statements

JEA

Statements of Net Position

(In Thousands)

	September 30	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	**$ 258,727**	$ 389,905
Investments	**155,899**	24,989
Accounts and interest receivable, less allowance for doubtful accounts of $4,613 for 2013 and $4,626 for 2012	**235,394**	246,478
Inventories:		
Fuel	**72,028**	85,281
Materials and supplies	**69,994**	71,660
Total current assets	**792,042**	818,313
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**327,162**	323,429
Investments	**736,062**	722,434
Accounts and interest receivable	**6,604**	4,754
Total restricted assets	**1,069,828**	1,050,617
Deferred costs	**51,681**	54,615
Investment in The Energy Authority	**6,289**	9,510
Costs to be recovered from future revenues	**11,841**	11,706
Total noncurrent assets	**1,139,639**	1,126,448
Capital assets:		
Land and easements	**133,718**	124,835
Plant in service	**10,400,484**	10,176,929
Less: accumulated depreciation	**(4,345,641)**	(3,993,190)
Plant in service, net	**6,188,561**	6,308,574
Construction work in progress	**241,290**	256,792
Net capital assets	**6,429,851**	6,565,366
Total assets	**8,361,532**	8,510,127
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	**84,223**	194,658
Total assets and deferred outflows of resources	**$ 8,445,755**	$ 8,704,785

JEA

Statements of Net Position (continued)

(In Thousands)

	September 30	
	2013	**2012**
Liabilities, deferred inflows of resources, and net position		
Current liabilities:		
Accounts and accrued expenses payable	**$ 142,063**	$ 146,466
Customer deposits	**59,020**	56,350
Total current liabilities	**201,083**	202,816
Current liabilities payable from restricted assets:		
Debt due within one year	**239,032**	251,803
Interest payable	**100,078**	93,116
Construction contracts and accounts payable	**29,391**	34,988
Renewal and replacement reserve	**89,043**	90,000
Total current liabilities payable from restricted assets	**457,544**	469,907
Noncurrent liabilities:		
Deferred credits and other liabilities	**46,593**	46,525
Revenues to be used for future costs	**180,713**	102,689
Total noncurrent liabilities	**227,306**	149,214
Long-term debt:		
Bonds and commercial paper payable, less current portion	**5,396,957**	5,716,655
Unamortized premium, net	**180,040**	134,823
Unamortized deferred losses on refundings	**(172,684)**	(155,334)
Fair value of debt management strategy instruments	**84,223**	194,658
Total long-term debt	**5,488,536**	5,890,802
Total liabilities	**6,374,469**	6,712,739
Deferred inflows of resources		
Accumulated increase in fair value of hedging derivatives	**-**	735
Net position		
Net investment in capital assets	**936,486**	891,396
Restricted	**570,697**	505,459
Unrestricted	**564,103**	594,456
Total net position	**2,071,286**	1,991,311
Total liabilities, deferred inflows of resources, and net position	**$ 8,445,755**	$ 8,704,785

See accompanying notes.

JEA

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

	Year Ended September 30	
	2013	**2012**
Operating revenues:		
Electric	**$ 1,383,696**	$ 1,473,134
Water and sewer	**381,677**	385,631
District Energy System	**8,471**	8,571
Other	**38,975**	41,046
Total operating revenues	**1,812,819**	1,908,382
Operating expenses:		
Operations:		
Fuel	**485,409**	480,875
Purchased power	**54,237**	67,155
Other	**267,915**	269,451
Maintenance	**103,126**	97,300
Depreciation	**378,067**	379,570
State utility and franchise taxes	**70,237**	72,925
Recognition of deferred costs and revenues, net	**64,305**	59,153
Total operating expenses	**1,423,296**	1,426,429
Operating income	**389,523**	481,953
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	**4,325**	6,328
Investment (loss)/income	**(13,240)**	8,804
Other nonoperating income	**7,530**	16,420
Interest on debt	**(234,620)**	(248,681)
Other interest	**(134)**	(23)
Allowance for funds used during construction	**3,986**	3,365
Gain (loss) on asset disposition		–
Total nonoperating expenses	**(232,153)**	(213,787)
Income before contributions	**157,370**	268,166
Contributions (to) from:		
General Fund, City of Jacksonville	**(106,687)**	(104,188)
Developers and other	**29,292**	18,774
Total contributions	**(77,395)**	(85,414)
Change in net position	**79,975**	182,752
Net position, beginning of year	**1,991,311**	1,808,559
Net position, end of year	**$ 2,071,286**	$ 1,991,311

See accompanying notes.

JEA

Statements of Cash Flows

(In Thousands)

	September 30 2013	2012
Operating activities		
Receipts from customers	**$ 1,783,395**	$ 1,872,883
Other receipts	**37,265**	44,831
Payments to suppliers	**(737,420)**	(793,807)
Payments to employees	**(225,662)**	(207,417)
Net cash provided by operating activities	**857,578**	916,490
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(106,643)**	(103,812)
Payment from City of Jacksonville	**-**	8,548
Build America Bonds subsidies	**7,530**	7,871
Net cash used in noncapital and related financing activities	**(99,113)**	(87,393)
Capital and related financing activities		
Acquisition and construction of capital assets	**(234,718)**	(273,774)
Proceeds from issuance of debt, net	**802,940**	1,549,468
Defeasance of debt	**(822,177)**	(1,584,671)
Repayment of debt principal	**(269,045)**	(234,709)
Interest paid on debt	**(230,725)**	(282,653)
Developer and other contributions	**17,394**	11,069
Proceeds from sale of property	**1,115**	674
Net cash used in capital and related financing activities	**(735,216)**	(814,596)
Investing activities		
Purchases of investments	**(2,398,334)**	(2,676,373)
Proceeds from sales and maturities of investments	**2,240,360**	2,338,303
Investment (loss)/income	**(266)**	8,867
Distributions from The Energy Authority	**7,546**	5,827
Net cash used in investing activities	**(150,694)**	(323,376)
Net change in cash and cash equivalents	**(127,445)**	(308,875)
Cash and cash equivalents at beginning of year	**713,334**	1,022,209
Cash and cash equivalents at end of year	**$ 585,889**	$ 713,334

JEA

Statements of Cash Flows (continued)

(In Thousands)

	September 30 2013		September 30 2012
Reconciliation of operating income to net cash provided by operating activities:			
Operating activities	**$**	**389,523**	$ 481,953
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		**379,158**	381,092
Recognition of deferred costs and revenues, net		**64,305**	59,153
Changes in noncash assets and noncash liabilities:			
Accounts and interest receivable		**10,187**	3,923
Accounts and interest receivable, restricted		**(1,710)**	3,785
Inventories		**14,920**	(10,623)
Other		**1,047**	(9,551)
Accounts and accrued expenses payable		**(1,882)**	11,052
Liabilities payable from restricted assets		**1,571**	238
Deferred credits and other liabilities		**459**	(4,532)
Net cash provided by operating activities	**$**	**857,578**	$ 916,490
Noncash activity:			
Contribution of capital assets from developers	**$**	**11,898**	$ 7,705

See accompanying notes.

JEA

Notes to Financial Statements
(Dollars in Thousands)

September 30, 2013

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA (formerly known as the Jacksonville Electric Authority) 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 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 has two coal-fired generating units (638 net megawatts each) 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 the Bulk Power Supply System and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership of the respective plants as of September 30, 2013 and 2012:

	2013	2012
Bulk Power Supply System:		
Capital assets, net	**$ 180,124**	$ 187,037
Inventory	**6,478**	4,715
Revenues to be used for future costs	**56,949**	60,827
Other noncurrent assets	**11,841**	11,706
Long-term debt	**121,575**	124,610
Other liabilities	**3,035**	1,475
SJRPP:		
Capital assets, net	**678,657**	716,480
Current assets	**133,937**	151,272
Restricted assets	**404,781**	390,983
Other noncurrent assets	**5,641**	5,863
Long-term debt	**715,735**	851,335
Other liabilities	**411,621**	313,479

The Electric Enterprise Fund, Water and Sewer Fund, and the DES are governed by the Board Members of JEA (Board). The Board is responsible for setting rates based on operating and maintenance expenses and debt service 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(q).

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

(b) Basis of Accounting

JEA consists of the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. The Electric Enterprise Fund includes the operations of the Electric System, the Bulk Power Supply System, and SJRPP. JEA is presenting financial statements combined for the three funds. JEA uses the accrual basis of accounting for its operations and has adopted 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 investments in The Energy Authority (TEA) and Colectric Partners, Inc. (Colectric) are recorded on the equity method.

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 (the 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 invested 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.

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 and estimated allowances for bad debts. Discounts and allowances totaled $42,963 in fiscal year 2013 and $42,915 in fiscal year 2012. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 11.3% of its electric revenue from electricity sold to FPL in fiscal year 2013 and 11.2% in fiscal year 2012. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $67,811 in 2013 and $77,539 in 2012.

In March 2013, the Board approved a Fuel Charge Credit of $35.00 per residential customer totaling approximately $36.6 million. JEA customers received the credit in April of 2013.

(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, commercial paper, and renewal and replacement funds. The average AFUDC rate for the Electric Enterprise Fund fixed and variable rate debt was 3.8% for fiscal year 2013 and 3.4% for fiscal year 2012. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 4.1% for fiscal year 2013 and 3.9% for fiscal year 2012. The average AFUDC rate for the DES variable rate debt was 1.6% for fiscal year 2013 and 1.8% for fiscal year 2012. 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 $234,754 for fiscal year 2013 and $248,704 for fiscal year 2012. Interest expense of $3,986 and investment income on bond proceeds of $37 was capitalized during fiscal year 2013. Interest expense of $3,365 and investment income on bond proceeds of $33 was capitalized during fiscal year 2012.

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

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. 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 3.7% for fiscal year 2013 and 3.8% for fiscal year 2012. The average depreciable life of the depreciable capital assets for the Electric System is 24.5 years as of September 30, 2013, and 24.6 years as of September 30, 2012. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28.0 years as of September 30, 2013, and 27.5 years as of September 30, 2012. The average depreciable life of the depreciable capital assets for the DES is 25.6 years as of September 30, 2013, and 25.8 years as of September 30, 2012.

(g) Amortization

Amortization of debt issue costs and 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 a reduction of long-term debt 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 in U.S. Treasury, government agency, state and local government securities, and local government investment pools are recorded at fair value as determined by quoted market prices. Investments in money market mutual funds and commercial paper are recorded at cost, which approximates fair value. Realized and unrealized gains and losses for all investments are included in investment income on the accompanying statements of revenues, expenses and changes in net position.

(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.

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

(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 accompanying 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 accompanying 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 either as an adjustment to investment income (asset management) or interest on debt (debt management) in the accompanying 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 2013 and 2012, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy of Long-Term Debt note 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, net of an estimated allowance for obsolescence for the materials and supplies inventories.

(m) Fuel Management Program

JEA developed and implemented a fuel management program with the objective of reducing fuel rate increases, reducing energy price volatility, and minimizing system cost. Pursuant to this program, JEA directed TEA to execute fixed price and option contracts to reduce JEA's exposure to volatility in the natural gas market. JEA executed an operating agreement with TEA whereby TEA may be tasked with developing and implementing a fuel price hedging program for other fuel types on behalf of

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

JEA, in addition to natural gas. The fair value of such contracts, executed either by JEA or TEA, is recorded at fair value on the accompanying statements of net position. Because these instruments were determined to qualify for hedge accounting under GASB Statement No. 53, such amounts are included in deferred inflows of resources on the accompanying statements of net position. Any associated margin deposits are recorded in noncurrent assets. The net amounts received or paid under the expired or closed fuel contracts are recorded as an adjustment to fuel expense. See note on Fuel Management Program.

(n) Capital Contributions

Capital contributions for the Water and Sewer Fund represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statements of revenues, expenses, and changes in net position at the time of receipt. Depreciation is recorded on contributed capital assets on a straight-line basis.

(o) 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 sellback 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, 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 Statement No. 16, Accounting for Compensated Absences.

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

The compensated absence liability as of September 30, 2013, was $27,777. Of this amount, $4,269 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $23,508 was included in deferred credits and other liabilities on the accompanying statements of net position. During fiscal year 2013, annual leave earned totaled $15,370 and annual leave taken totaled $15,718. The compensated absence liability as of September 30, 2012, was $28,333. Of this amount, $5,000 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $23,333 was included in deferred credits and other liabilities on the accompanying statements of net position. During fiscal year 2012, annual leave earned totaled $14,472 and annual leave taken totaled $14,765.

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

(p) Pollution Remediation Obligations

JEA applies GASB Statement No. 49, Pollution Remediation Obligation, and has increased the liability by $302 in 2013 and decreased the liability by $2,540 in 2012. JEA has recognized liabilities in the amount of $18,662 and $18,360 at September 30, 2013 and 2012, under the heading of deferred credits and other liabilities on the accompanying statements of net position. The changes to the pollution remediation obligation are included in other operating expenses in the accompanying statements of revenues, expenses, and changes in net position. See note on Commitments and Contingent Liabilities for further discussion.

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

Cost-based Regulation – The Bulk Power Supply System and SJRPP record certain assets and liabilities that result from the effects of the rate-making process that would not be recorded under generally accepted accounting principles 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 statement 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.

The rates for SJRPP and the Bulk Power Supply System are established on a cost-of-service basis, which is based upon debt service, if any, and operating fund requirements. Straight-line depreciation is not considered in the cost-of-service calculation used to design rates.

Costs to Be Recovered from Future Revenues – The Bulk Power Supply System deferred debt-related costs of $11,841 at September 30, 2013, and $11,706 at September 30, 2012, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under other noncurrent assets on the accompanying statements of net position. The Bulk Power Supply System will recover these costs from future revenue 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. Bulk Power Supply System recognized $46 in fiscal year 2013 and $732 in fiscal year 2012 in deferred costs.

Revenues to Be Used for Future Costs – SJRPP deferred debt-related revenues of $123,764 at September 30, 2013, and $41,862 at September 30, 2012, are the result of differences between revenues in determining rates and those used in financial reporting and are shown under noncurrent liabilities on the accompanying statements of net position. SJRPP has a

(Dollars in Thousands)

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

contract with the JEA Electric System and FPL to recover 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. SJRPP recognized a net of $68,229 in fiscal year 2013 and $63,763 in fiscal year 2012.

Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of $56,949 at September 30, 2013, and $60,827 at September 30, 2012, are included in noncurrent liabilities on the accompanying statements of net position. The Bulk Power Supply System recognized $3,878 for both fiscal years 2013 and 2012.

	2013	2012
Summary:		
Recognition of deferred costs from SJRPP	**$ 68,229**	$ 63,763
Recognition of deferred costs from the Bulk Power System	**(3,924)**	(4,610)
Recognition of deferred costs and revenues, net	**$ 64,305**	$ 59,153

(r) *Pervasiveness of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities 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.

(s) *Recent Accounting Pronouncements*

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities (Statement 65).* The objective of Statement 65 is to establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of Statement 65 are effective for financial statements for periods beginning after December 15, 2012. JEA is currently assessing the impact of Statement 65 and will adopt this standard in fiscal year 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62 (Statement 66)*. The objective of Statement 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of Statement 66 are effective for financial statements for periods beginning after December 15, 2012, which is JEA's fiscal year 2014. The implementation of this statement is not expected to have a material effect on JEA's financial statements.

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

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 (Statement 67).* The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013, which is JEA's fiscal year 2014. The impact to JEA's financial reporting has not been determined.

In June 2012, GASB issued Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (Statement 68)*. The objective of Statement 68 is to improve accounting and financial reporting by state and local governmental employers about the financial support for pensions that is provided by other entities. Statement 68 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014, which is JEA's fiscal year 2015. The impact to JEA's financial reporting has not been determined.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations (Statement 69)*. The objective of Statement 69 is to provide specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations. The provisions of Statement 69 are effective for fiscal years beginning after December 15, 2013, which is JEA's fiscal year 2015. The implementation of this statement is not expected to have a material effect on JEA's financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees (Statement 70)*. The objective of Statement 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for fiscal years beginning after June 15, 2013, which is JEA's fiscal year 2014. The implementation of this statement is not expected to have a material effect on JEA's financial statements.

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

2. Restricted Assets

Restricted assets were held in the following funds at September 30, 2013 and 2012:

	2013	2012
Electric System:		
Sinking Fund	**$ 107,575**	$ 112,492
Construction Fund	**5,185**	40,035
Debt Service Reserve Fund	**71,311**	78,696
Renewal and Replacement Fund	**142,867**	106,668
Adjustment to fair value of investments	**(962)**	3,113
Total Electric System	**325,976**	341,004
SJRPP System:		
Sinking Fund	**147,258**	143,233
Construction Fund	**-**	3,430
Debt Service Reserve Fund	**150,384**	149,189
Renewal and Replacement Fund	**89,036**	90,000
Revenue Fund	**21,921**	2,338
Adjustment to fair value of investments	**(3,818)**	2,793
Total SJRPP System	**404,781**	390,983
Water and Sewer System:		
Sinking Fund	**80,317**	81,675
Debt Service Reserve Fund	**119,915**	119,131
Construction Fund	**2,305**	7,419
Renewal and Replacement Fund	**131,128**	102,690
Revenue Fund	**1,296**	1,338
Adjustment to fair value of investments	**421**	3,181
Total Water and Sewer System	**335,382**	315,434
DES:		
Sinking Fund	**766**	1,396
Construction Fund	**112**	-
Renewal and Replacement Fund	**2,811**	1,800
Total DES	**3,689**	3,196
Total restricted assets	**$ 1,069,828**	$ 1,050,617

2. Restricted Assets (continued)

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.

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 1st SJRPP Bond Resolution. An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the 2nd SJRPP Bond Resolution. However, no such deposit is required under the 2nd SJRPP Bond Resolution as long as the 1st SJRPP Bond Resolution has not been discharged.
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.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.

3. 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, which is based on available or equivalent market values. The money market mutual funds are 2a-7 funds registered with the SEC, and therefore are presented at actual pooled share price, which approximates fair value.

(Dollars in Thousands)

3. Cash and Investments (continued)

At September 30, 2013 and 2012, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2013	2012
Securities:		
U.S. Treasury and government agency securities	**$ 556,316**	$ 598,455
State and local government securities	**242,356**	186,470
Commercial paper	**198,303**	179,660
Local government investment pool	**930**	1,613
Money market mutual funds	**155,561**	150,190
Total securities, at fair value	**$ 1,153,466**	$ 1,116,388

These securities are held in the following accounts:

	2013	2012
Restricted assets:		
Cash and cash equivalents	**$ 327,162**	$ 323,429
Investments	**736,062**	722,434
Current assets:		
Cash and cash equivalents	**258,727**	389,905
Investments	**155,899**	24,989
Total cash and investments	**1,477,850**	1,460,757
Plus: interest due on securities	**1,906**	1,444
Less: cash on deposit	**(326,290)**	(345,813)
Total securities, at fair value	**$ 1,153,466**	$ 1,116,388

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2013, 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. Putable securities are presented as investments with a maturity of less than one year.

(Dollars in Thousands)

3. Cash and Investments (continued)

Investment Maturity Distribution at September 30, 2013

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	$ 206,955	$ 252,843	$ 96,518	$ –	$ 556,316
State and local government securities	78,932	45,509	67,268	50,647	242,356
Commercial paper	198,303	–	–	–	198,303
Local government investment pool	34	896	–	–	930
Money market mutual funds	155,561	–	–	–	155,561
Total securities, at fair value	$ 639,785	$ 299,248	$ 163,786	$ 50,647	$ 1,153,466

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. Pool B of the Local Government Surplus Funds Trust Fund is unrated. 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 or Fortune Global 500 company and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2013, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, 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 investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2013, JEA had 17.2% of its investments in commercial paper.

3. 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, 2013, investments in any one issuer representing 5% or more of JEA's investments included $307,330 (26.6%) invested in issues of the Federal Home Loan Bank and $248,986 (21.6%) 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 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 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, 2013, investments in all security types were within the allowable policy limits.

(Dollars in Thousands)

4. Capital Assets

Capital asset activity for the year ended September 30, 2013, is as follows:

	Balance September 30, 2012	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2013
Electric Enterprise Fund:					
Generation assets	$ 3,563,309	$ 61,573	$ (16,028)	$ –	$ 3,608,854
Transmission assets	558,825	15,619	(133)	–	574,311
Distribution assets	1,652,593	56,040	(7,670)	–	1,700,963
Other assets	487,761	6,443	(4,041)	–	490,163
Total capital assets	6,262,488	139,675	(27,872)	–	6,374,291
Less: accumulated depreciation and amortization	(2,720,486)	(244,014)	16,825	–	(2,947,675)
Land	75,674	1,704	–	–	77,378
Construction work-in-process	158,267	146,441	(149,011)	–	155,697
Net capital assets	3,775,943	2,761	(119,013)	–	3,659,691
Water and Sewer Fund:					
Pumping assets	424,258	42,753	(1,785)	–	465,226
Treatment assets	539,296	13,781	(2,964)	–	550,113
Transmission and distribution assets	1,031,605	49,253	(2,304)	–	1,078,554
Collection assets	1,379,165	8,957	(3,425)	–	1,384,697
Reclaimed water assets	115,201	6,894	(390)	–	121,705
General and other assets	374,405	4,457	(4,324)	–	374,538
Total capital assets	3,863,930	126,095	(15,192)	–	3,974,833
Less: accumulated depreciation	(1,259,562)	(138,353)	15,192	–	(1,382,723)
Land	46,110	7,179	–	–	53,289
Construction work-in-process	97,626	108,453	(121,375)	–	84,704
Net capital assets	2,748,104	103,374	(121,375)	–	2,730,103
DES:					
Chilled water plant assets	50,511	849	–	–	51,360
Total capital assets	50,511	849	–	–	51,360
Less: accumulated depreciation	(13,142)	(2,101)	–	–	(15,243)
Land	3,051	–	–	–	3,051
Construction work in process	899	839	(849)	–	889
Net capital assets	41,319	(413)	(849)	–	40,057
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,565,366	$ 105,722	$ (241,237)	$ –	$ 6,429,851

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

4. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2012, is as follows:

	Balance September 30, 2011	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2012
Electric Enterprise Fund:					
Generation assets	$ 3,525,413	$ 56,419	$ (20,472)	$ 1,949	$ 3,563,309
Transmission assets	538,204	23,374	(804)	(1,949)	558,825
Distribution assets	1,623,347	49,339	(20,093)	–	1,652,593
Other assets	496,585	38,264	(47,088)	–	487,761
Total capital assets	6,183,549	167,396	(88,457)	–	6,262,488
Less: accumulated depreciation and amortization	(2,570,826)	(239,247)	89,587	–	(2,720,486)
Land	71,255	4,419	–	–	75,674
Construction work-in-process	189,935	144,688	(176,356)	–	158,267
Net capital assets	3,873,913	77,256	(175,226)	–	3,775,943
Water and Sewer Fund:					
Pumping assets	420,141	5,577	(1,460)	–	424,258
Treatment assets	526,548	16,137	(3,389)	–	539,296
Transmission and distribution assets	1,041,081	23,076	(32,552)	–	1,031,605
Collection assets	1,348,258	31,864	(957)	–	1,379,165
Reclaimed water assets	117,690	(2,486)	(3)	–	115,201
General and other assets	368,294	9,040	(2,929)	–	374,405
Total capital assets	3,822,012	83,208	(41,290)	–	3,863,930
Less: accumulated depreciation	(1,165,359)	(135,493)	41,290	–	(1,259,562)
Land	44,854	1,256	–	–	46,110
Construction work-in-process	58,157	116,228	(76,759)	–	97,626
Net capital assets	2,759,664	65,199	(76,759)	–	2,748,104
DES:					
Chilled water plant assets	49,654	857	–	–	50,511
Total capital assets	49,654	857	–	–	50,511
Less: accumulated depreciation	(11,095)	(2,047)	–	–	(13,142)
Land	3,051	–	–	–	3,051
Construction work in process	482	1,274	(857)	–	899
Net capital assets	42,092	84	(857)	–	41,319
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,675,669	$ 142,539	$ (252,842)	$ –	$ 6,565,366

(Dollars in Thousands)

5. 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 seven members, and JEA's ownership interest in TEA is 20.0%. 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 $4,325 in fiscal year 2013 and $6,328 in fiscal year 2012 for all power marketing activities. The investment in TEA of $6,289 at September 30, 2013, and $9,510 at September 30, 2012, is included in noncurrent assets on the accompanying statements of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2013 and 2012. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2013	**2012**
Condensed statement of net position:		
Current assets	**$ 129,456**	$ 146,749
Noncurrent assets	**16,023**	17,675
Total assets	**$ 145,479**	$ 164,424
Current liabilities	**$ 111,788**	$ 118,566
Members' capital	**33,691**	45,858
Total liabilities and members' capital	**$ 145,479**	$ 164,424
Condensed statement of operations:		
Operating revenues	**$ 978,635**	$ 909,099
Operating expenses	**912,469**	839,672
Operating income	**$ 66,166**	$ 69,427
Net income	**$ 66,208**	$ 69,474

As of September 30, 2013, 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 $27,400, 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.

5. 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 as a result of JEA's withdrawal from membership in TEA, or such termination could cause JEA's membership in TEA to be terminated.

6. 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.

(Dollars in Thousands)

6. Long-term Debt (continued)

In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. Funds received from the SRF program are repaid with semiannual payments over 20 years. Such payments as of September 30, 2013, are subordinate to all Water and Sewer System Revenue Bonds, Water and Sewer System Subordinated Revenue Bonds and Water and Sewer System Revolving Credit Subordinated Credit Notes, if any, issued in connection with the Revolving Credit Agreements, in each case subject to the terms of the applicable SRF loan agreement.

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates[1]	Payment Dates	September 30 2013	2012
Electric System Senior Revenue Bonds:				
Series Three 2003A	n/a	n/a	**$ –**	$ 3,100
Series Three 2004A	5.000%	2039	**5**	5
Series Three 2005B	4.750%	2033	**100**	100
Series Three 2005D	3.625–4.000%	2015–2019	**7,330**	7,330
Series Three 2006A	5.000%	2037–2041	**40,000**	40,000
Series Three 2007C	n/a	n/a	**–**	375
Series Three 2008A[2]	Variable	2027–2036	**51,680**	94,170
Series Three 2008B-1[3]	Variable	2014–2040	**63,445**	68,970
Series Three 2008B-2[2]	Variable	2025–2040	**41,900**	68,510
Series Three 2008B-3[2]	Variable	2024–2036	**37,000**	53,700
Series Three 2008B-4[3]	Variable	2013–2036	**52,835**	53,185
Series Three 2008C-1[2]	Variable	2024–2034	**44,145**	75,545
Series Three 2008C-2[2]	Variable	2014–2034	**43,900**	75,300
Series Three 2008C-3[2]	Variable	2030–2038	**25,000**	51,515
Series Three 2008D-1[3]	Variable	2014–2036	**118,395**	122,585
Series Three 2008E	3.000–5.000%	2013–2028	**38,775**	50,320
Series Three 2009A	3.000–5.250%	2013–2029	**56,390**	75,035
Series Three 2009B	2.500–5.375%	2013–2034	**31,275**	32,190
Series Three 2009C	5.000%	2016–2017	**15,730**	15,730
Series Three 2009D[6]	6.056%	2033–2044	**45,955**	45,955
Series Three 2010A	2.000–4.500%	2013–2030	**61,625**	64,245
Series Three 2010B	2.000–4.500%	2013–2030	**8,170**	8,360
Series Three 2010C	2.000–4.500%	2013–2031	**14,025**	15,290
Series Three 2010D	2.000–5.000%	2014–2038	**178,035**	182,155
Series Three 2010E[6]	5.350–5.482%	2028–2040	**34,255**	34,255
Series Three 2012A	4.000–4.500%	2023–2033	**60,750**	60,750
Series Three 2012B	2.000–5.000%	2013–2039	**140,640**	140,640
Series Three 2013A	2.000–5.000%	2013–2026	**125,565**	–
Series Three 2013B	1.875–5.000%	2021–2038	**7,600**	–
Series Three 2013C	3.000–5.000%	2015–2030	**33,170**	–
Total Electric System Senior Revenue Bonds			**1,377,695**	1,439,315

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

6. Long-term Debt (continued)

Long-term Debt	Interest Rates[1]	Payment Dates	September 30 2013	September 30 2012
Electric System Subordinated Revenue Bonds:				
Series C Commercial Paper Notes	Variable	2013–2027	**$ 78,700**	$ 82,800
2000 Series A[2]	Variable	2013–2035	**61,350**	69,255
2000 Series B[2]	n/a	n/a	**–**	69,255
2000 Series F-1[2]	Variable	2026–2030	**37,200**	75,000
2000 Series F-2[2]	Variable	2026–2030	**24,800**	50,000
2001 Series C[2]	n/a	n/a	**–**	66,000
2005 Series C	3.500–4.000%	2015–2019	**4,840**	4,840
2007 Series A	n/a	n/a	**–**	680
2008 Series A	4.000–5.125%	2013–2037	**23,465**	54,635
2008 Series C	n/a	n/a	**–**	49,875
2008 Series D[2]	Variable	2024–2038	**39,455**	69,680
2008 Series E	3.000–4.750%	2013–2028	**4,755**	16,865
2009 Series A	3.000–5.625%	2013–2039	**121,095**	121,790
2009 Series B	5.000%	2013–2019	**72,440**	109,205
2009 Series C	4.000%	2017	**1,230**	65,515
2009 Series D	5.000%	2013–2018	**28,130**	38,245
2009 Series E	4.000–5.000%	2014–2018	**12,420**	12,420
2009 Series F[6]	3.150–6.406%	2013–2034	**68,600**	68,600
2009 Series G	3.750–5.000%	2015–2021	**27,675**	27,675
2010 Series A	2.000–5.000%	2013–2017	**13,420**	15,620
2010 Series B	3.000–5.000%	2013–2024	**39,405**	40,930
2010 Series C	3.125–4.000%	2020–2027	**15,925**	15,925
2010 Series D[6]	3.500–5.582%	2017–2027	**45,575**	45,575
2010 Series E	3.000–4.000%	2014–2016	**11,420**	13,765
2012 Series A	2.000–5.000%	2013–2033	**113,480**	114,130
2012 Series B	2.250–5.000%	2013–2037	**109,605**	109,605
2013 Series A	2.500–5.000%	2017–2030	**59,330**	–
2013 Series B	2.000–5.000%	2013–2026	**68,575**	–
2013 Series C	1.375–5.000%	2015–2038	**88,625**	–
2013 Series D	2.000–5.250%	2014–2035	**163,995**	–
Total Electric System Subordinated Revenue Bonds			**1,335,510**	1,407,885

(Dollars in Thousands)

6. Long-term Debt (continued)

Long-term Debt	Interest Rates[1]	Payment Dates	September 30 2013	2012
Bulk Power Supply System Revenue Bonds:				
Series 2008A	3.750–6.000%	2013–2038	**$ 76,470**	$ 77,945
Series 2010A[6]	2.250–5.920%	2013–2030	**48,140**	48,140
Total Bulk Power System Revenue Bonds			**124,610**	126,085
SJRPP System Revenue Bonds:				
Issue 2, Series 10	5.500%	2013	**50**	50
Issue 2, Series 17	4.700%	2019	**100**	100
Issue 2, Series 18	4.500%	2018	**50**	12,825
Issue 2, Series 19	4.250–4.600%	2013–2017	**11,755**	21,670
Issue 2, Series 20	4.500%	2021	**100**	100
Issue 2, Series 21	5.00%	2013–2021	**105,745**	124,860
Issue 2, Series 22	4.000%	2019	**5**	3,330
Issue 2, Series 23	3.000–5.000%	2013–2021	**248,075**	310,995
Issue 2, Series 24	3.000–4.000%	2013–2021	**46,480**	54,415
Issue 2, Series 25	0.550–5.000%	2013–2021	**83,735**	85,135
Issue 3, Series 1[5]	4.500%	2037	**100**	5,910
Issue 3, Series 2[5]	3.500–5.000%	2013–2037	**125,000**	125,000
Issue 3, Series 3[5]	3.000–5.500%	2013–2039	**64,305**	64,305
Issue 3, Series 4[5][6]	3.875–5.450%	2016–2028	**25,720**	25,720
Issue 3, Series 5[5]	4.000%	2013–2015	**4,650**	6,110
Issue 3, Series 6	2.000–5.000%	2013–2037	**121,475**	121,475
Total SJRPP System Revenue Bonds			**837,345**	962,000
SJRPP System Other Subordinated Debt:				
Revolving Line of Credit Draws	Variable	n/a	**–**	2,691
Total SJRPP System Other Subordinated Debt			**–**	2,691

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

6. Long-term Debt (continued)

Long-term Debt	Interest Rates[1]	Payment Dates	September 30 2013	2012
Water and Sewer System Senior Revenue Bonds:				
2002 Series B	n/a	n/a	**$ –**	$ 6,435
2004 Series A	3.000–5.250%	2013–2039	**93,410**	181,345
2004 Series B	4.250–4.500%	2025–2039	**44,070**	44,070
2005 Series A	3.750–5.000%	2015–2025	**40,295**	40,295
2005 Series B	3.750–5.000%	2015–2040	**93,720**	93,720
2005 Series C	3.500–5.000%	2014–2023	**17,080**	45,025
2006 Series B	n/a	n/a	**–**	3,535
2006 Series B[4]	Variable	2016–2022	**38,730**	38,730
2007 Series A	n/a	n/a	**–**	1,610
2007 Series C	n/a	n/a	**–**	1,920
2008 Series A-2[2]	Variable	2028–2042	**51,820**	73,720
2008 Series B[2]	Variable	2023–2041	**85,290**	85,290
2009 Series A	2.500–5.375%	2013–2039	**43,535**	44,660
2009 Series B	3.750–5.000%	2013–2019	**59,485**	67,410
2010 Series A[6]	6.210–6.310%	2026–2044	**83,115**	83,115
2010 Series B	2.850–5.700%	2013–2025	**22,490**	24,220
2010 Series C	3.500–5.000%	2013–2040	**38,365**	45,780
2010 Series D	2.500–5.000%	2013–2039	**197,725**	200,515
2010 Series E	4.000–5.000%	2021–2039	**60,990**	60,990
2010 Series F[6]	3.200–5.887%	2017–2040	**45,520**	45,520
2010 Series G	2.000–4.000%	2013–2016	**2,870**	3,480
2012 Series A	3.000–5.000%	2013–2041	**334,555**	334,555
2012 Series B	2.000–5.000%	2013–2041	**136,725**	136,725
2013 Series A	3.000–5.000%	2015–2027	**92,385**	–
2013 Series B	0.450–1.882%	2014–2017	**29,710**	–
Total Water and Sewer System Senior Revenue Bonds			**1,611,885**	1,662,665

Notes to Financial Statements (continued)

(Dollars in Thousands)

6. Long-term Debt (continued)

Long-term Debt	Interest Rates[1]	Payment Dates	September 30 2013	September 30 2012
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2005 Series A	3.500%	2013	**$ 185**	$ 360
Subordinated 2008 Series A-1[2]	Variable	2013–2038	**55,975**	57,525
Subordinated 2008 Series A-2[2]	Variable	2013–2038	**27,225**	57,225
Subordinated 2008 Series B-1[2]	Variable	2013–2036	**33,625**	93,315
Subordinated 2010 Series A	3.000–5.000%	2013–2022	**16,655**	16,655
Subordinated 2010 Series B	3.000–5.000%	2020–2025	**12,770**	12,770
Subordinated 2012 Series A	3.000–4.000%	2021–2033	**20,320**	20,320
Subordinated 2012 Series B	3.250–5.000%	2030–2043	**41,640**	41,640
Subordinated 2013 Series A	2.000–5.000%	2014–2029	**81,540**	–
Total Water and Sewer System Subordinated Revenue Bonds			**289,935**	299,810
Water and Sewer System Other Subordinated Debt:				
State Revolving Fund Loans	2.690%	2013–2031	**15,679**	22,867
Total Water and Sewer System Other Subordinated Revenue Bonds			**15,679**	22,867
District Energy System:				
2004 Series A[2]	Variable	2013–2034	**–**	45,140
2013 Series A	0.250–4.538%	2013–2034	**43,330**	–
Total District Energy System			**43,330**	45,140
Total Debt Principal Outstanding			**5,635,989**	5,968,458
Less: Debt Due Within One Year[7]			**(239,032)**	(251,803)
Total Long-term Debt			**$ 5,396,957**	$ 5,716,655

[1] At September 30, 2013, interest on the outstanding variable rate debt is based on either the daily mode, weekly mode or the commercial paper 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, 2013 and 2012.

[2] Variable rate demand obligations – interest rates ranged from 0.07% to 0.13% at September 30, 2013.

[3] Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.67% at September 30, 2013.

[4] Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 2.45% to 2.59% at September 30, 2013.

[5] SJRPP System Issue 3 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.

[6] Federally Taxable – Issuer Subsidy – Build America Bonds where JEA expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest.

[7] At September 30, 2012, debt due within one year includes $2,691 of SJRPP lines of credit payable. See the Short-Term Bank Borrowings section of this note for more information.

(Dollars in Thousands)

6. Long-term Debt (continued)

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2013, was as follows:

System	Bonds Payable September 30, 2012	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2013	Current Portion of Bonds Payable September 30, 2013
Electric	$ 2,847,200	**$ 555,975**	**$ (612,250)**	**$ (77,720)**	**$ 2,713,205**	**$ 61,750**
Bulk Power Supply	126,085	**–**	**–**	**(1,475)**	**124,610**	**3,035**
SJRPP	962,000	**–**	**–**	**(124,655)**	**837,345**	**127,390**
Water and Sewer	1,985,342	**203,635**	**(223,506)**	**(47,972)**	**1,917,499**	**46,492**
DES	45,140	**43,330**	**(43,750)**	**(1,390)**	**43,330**	**365**
Total	$ 5,965,767	**$ 802,940**	**$ (879,506)**	**$ (253,212)**	**$ 5,635,989**	**$ 239,032**

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2012, was as follows:

System	Bonds Payable September 30, 2011	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2012	Current Portion of Bonds Payable September 30, 2012
Electric	$ 2,919,185	$ 425,125	$ (407,995)	$ (89,115)	$ 2,847,200	$ 73,620
Bulk Power Supply	126,085	–	–	–	126,085	1,475
SJRPP	1,113,176	572,020	(622,075)	(101,121)	962,000	124,655
Water and Sewer	2,064,000	537,185	(572,720)	(43,123)	1,985,342	47,972
DES	46,490	–	–	(1,350)	45,140	1,390
Total	$ 6,268,936	$ 1,534,330	$ (1,602,790)	$ (234,709)	$ 5,965,767	$ 249,112

(Dollars in Thousands)

6. Long-term Debt (continued)

The debt service to maturity on the outstanding debt (excludes short-term bank borrowings) as of September 30, 2013, is summarized as follows:

Bond Year Ending	Electric System		Bulk Power Supply System		SJRPP	
October 1	Principal[(1)]	Interest	Principal	Interest	Principal	Interest
2013	$ 61,750	$ 40,690	$ 3,035	$ 3,235	$ 127,390	$ 19,699
2014	87,300	89,726	2,595	6,375	131,950	33,364
2015	107,520	86,563	4,510	6,286	50,330	27,300
2016	110,035	82,377	5,630	6,124	52,870	25,071
2017	102,695	77,989	4,780	5,897	49,895	22,607
2018–2022	521,020	328,204	31,705	25,590	198,920	77,382
2023–2027	545,270	236,201	24,765	17,718	83,250	46,360
2028–2032	496,825	161,750	24,000	10,626	79,740	26,689
2033–2037	524,200	86,007	18,195	4,983	54,305	11,049
2038–2042	147,380	15,925	5,395	310	8,695	724
2043–2047	9,210	842	–	–	–	–
Total	$ 2,713,205	$ 1,206,274	$ 124,610	$ 87,144	$ 837,345	$ 290,245

Bond Year Ending	Water and Sewer System		District Energy System		Total Debt
October 1	Principal	Interest	Principal	Interest	Service[(2)(3)]
2013	$ 45,805	$ 34,257	$ 365	$ 402	$ 336,628
2014	45,012	72,077	1,605	1,416	471,420
2015	49,111	70,474	1,610	1,409	405,113
2016	50,180	68,813	1,625	1,399	404,124
2017	52,380	67,381	1,640	1,382	386,646
2018–2022	302,973	304,281	8,660	6,445	1,805,180
2023–2027	324,214	240,167	10,005	5,102	1,533,052
2028–2032	330,335	172,053	12,165	2,943	1,317,126
2033–2037	395,690	103,537	5,655	388	1,204,009
2038–2042	306,545	31,783	–	–	516,757
2043–2047	15,254	1,274	–	–	26,580
Total	$ 1,917,499	$ 1,166,097	$ 43,330	$ 20,886	$ 8,406,635

(1) Includes amortization of commercial paper notes that is based upon JEA's current commercial paper payment plan and excludes payments made during fiscal year 2013.

(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, 2013. The table excludes payments made during fiscal year 2013.

(3) Interest in the above table reflects total interest on the Federally Taxable – Issuer Subsidy – Build America Bonds and not net of the 35% cash subsidy payments that JEA expects to receive in the future from the United States Treasury.

(Dollars in Thousands)

6. 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	2014	2014	2014	2014	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2013 is summarized as follows:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain/(Loss)
Electric	2013 Series A	Refunding[1]	Subordinated	Feb-13	$ 59,330	$ 66,000	$ (177)
Electric	Series Three 2013A	Refunding[2]	Senior	Feb-13	134,680	138,535	(24,571)
Electric	2013 Series B	Refunding[2]	Subordinated	Feb-13	68,575	79,065	(2,353)
Electric	Series Three 2013B	Refunding[3]	Senior	May-13	7,600	7,875	(353)
Electric	2013 Series C	Refunding[3]	Subordinated	May-13	88,625	90,910	(3,326)
Electric	Series Three 2013C	Refunding[4]	Senior	Sep-13	33,170	36,110	(208)
Electric	2013 Series D	Refunding[5]	Subordinated	Sep-13	163,995	177,270	(1,489)
Water and Sewer	2013 Series A&B	Refunding[6]	Senior	Aug-13	122,095	131,980	814
Water and Sewer	2013 Series A	Refunding[1]	Subordinated	Aug-13	81,540	85,290	(203)
District Energy	2013 Series A	Refunding[1]	Senior	Jun-13	43,330	43,750	(237)
					$ 802,940	$ 856,785	$ (32,103)

(1) Variable rate demand obligations refunded with fixed rate bonds.

(2) Variable rate demand obligations refunded with fixed rate bonds and funded interest rate swap terminations (see debt management strategy section for more information on interest rate swap terminations).

(3) Fixed rate refundable bonds refunded with fixed rate bonds.

(4) Fixed rate bonds issued to: (a) refund $9,595 of fixed rate bonds with new debt service of $11,260 compared to prior debt service of $12,287 and $841 of net present value economic savings and (b) refund $26,515 of variable rate demand obligations.

(5) Fixed rate bonds issued to: (a) refund $93,515 of fixed rate bonds with new debt service of $100,074 compared to prior debt service of $108,735 and $7,222 of net present value economic savings and (b) refund $83,755 of variable rate demand obligations.

(6) Fixed rate bonds issued to: (a) refund $110,180 of fixed rate bonds with new debt service of $128,937 compared to prior debt service of $143,138 and $12,084 of net present value economic savings and (b) refund $21,800 of variable rate demand obligations.

(Dollars in Thousands)

6. Long-term Debt (continued)

The JEA Board has authorized the issuance of additional refunding bonds within certain parameters for the Electric System, SJRPP, and Water Sewer System. The following table summarizes the maximum amounts that could be issued:

	Authorization		
System	Senior	Subordinated	Expiration
Electric	$ 241,830	$ 436,005	June 30, 2014
Bulk Power Supply	75,000	–	September 30, 2014
SJRPP Issue Three	95,000	–	September 30, 2014
Water and Sewer	277,905	128,460	December 31, 2013

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System VRDO 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. The current stated termination dates of the SBPA range from May 10, 2014 to July 29, 2018. Each of the SBPA termination dates may be extended. At September 30, 2013, 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.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the 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. The letter of credit agreement has a stated expiration date of December 2, 2013, unless otherwise extended. As of September 30, 2013, 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.

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 dates of the continuing covenant agreements range from September 25, 2015 to October 22, 2015, which may be extended for two years.

(Dollars in Thousands)

6. Long-term Debt (continued)

For the Series C Commercial Paper Notes appearing in the above schedule of outstanding indebtedness, JEA has entered into a revolving credit agreement with a commercial bank to provide liquidity support. If monies are not available to pay the principal of any maturing commercial paper note during the term of the credit agreement, JEA is entitled to make a borrowing under the credit agreement. The credit agreement conversion date may be extended. The conversion date of the credit agreement as of September 30, 2013, was January 27, 2015. At September 30, 2013, there were no outstanding draws under the credit agreement. In the event of the expiration or termination of the conversion date and such expiration or termination results in a draw in an amount up to the amount of the outstanding commitment, then upon six months thereafter, JEA shall begin to make equal semiannual installment payments over an approximate five-year period in the amount of such draw.

Short-Term Bank Borrowings

JEA currently has two revolving credit agreements with two commercial banks for unsecured revolving lines of credit in the amounts of $200,000 and $100,000, which were entered into during September 2013. The lines of credit 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.

Activity under the lines of credit for fiscal year 2013 is summarized in the table below:

System	Lines of Credit Payable September 30, 2012	New Money Draws	Payments From Revenue Fund	Payments From Bond Issues	Lines of Credit Payable September 30, 2013
Electric	$ –	$ –	$ –	$ –	$ –
Bulk Power Supply	–	–	–	–	–
SJRPP	2,691	–	(2,691)	–	–
Water and Sewer	–	–	–	–	–
DES	–	–	–	–	–
Total	$ 2,691	$ –	$ (2,691)	$ –	$ –

(Dollars in Thousands)

6. Long-term Debt (continued)

Activity under the lines of credit for fiscal year 2012 is summarized in the table below:

System	Lines of Credit Payable September 30, 2011	New Money Draws	Payments From Revenue Fund	Payments From Bond Issues	Lines of Credit Payable September 30, 2012
Electric	$ 61,942	$ –	$ (27,746)	$ (34,196)	$ –
Bulk Power Supply	–	–	–	–	–
SJRPP	–	15,285	(12,594)	–	2,691
Water and Sewer	–	–	–	–	–
DES	3,485	–	(3,485)	–	–
Total	$ 65,427	$ 15,285	$ (43,825)	$ (34,196)	$ 2,691

At September 30, 2013, the $200,000 and $100,000 line of credit agreement are both fully available to be drawn upon. The current expiration date of the $200,000 line of credit agreement is September 13, 2016, and September 7, 2016, for the $100,000 line of credit agreement.

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 adopted 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 a deferred outflow or a deferred inflow.

The earnings from the debt management strategy interest rate swaps are recorded to interest on debt in the accompanying statements of revenues, expenses, and changes in net position.

(Dollars in Thousands)

6. 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, 2013, 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-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	**116,425**	**89,025**	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	**38,730**	**38,730**	3.9–4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.9%	Mar-07	Oct-41	SIFMA
		$ 771,520	**$ 534,255**				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2012, 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	$ 147,600	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	27,400	26,975	4.0%	Jan-05	Oct-26	SIFMA
Electric	Series Three 2008B	117,825	109,075	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	106,075	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	29,900	28,975	3.6%	Mar-09	Oct-16	SIFMA
Electric	2008 Series D	40,875	40,425	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	90,960	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	100,000	94,170	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9-4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 828,820	$ 768,275				

(Dollars in Thousands)

6. Long-term Debt (continued)

During February 2013, JEA elected to early terminate certain floating to fixed interest rate swap agreements in entirety and certain floating to fixed interest rate swap agreements in part. Such terminations were in conjunction with the issuance of the Electric System Series Three 2013A and Subordinated 2013 Series B bonds issued to refund various hedged and unhedged variable rate debt. The terms of the terminations are as follows:

System	Hedged Bonds	Notional Amount Outstanding Prior to February 2013 Termination	Notional Amount Terminated	Fixed Rate of Interest	Effective Date	Original Termination Date	Variable Rate Index	Deferred Outflows at Early Termination
Electric	Series Three 2008C	$ 143,600	$ 58,800	3.7%	Sep-03	Sep-33	68% of one month LIBOR	$ 9,271
Electric	Series Three 2008B	26,900	26,900	4.0%	Jan-05	Oct-26	SIFMA	6,508
Electric	Series Three 2008B	101,850	19,275	4.4%	Aug-08	Oct-39	SIFMA	3,054
Electric	Series Three 2008B	105,375	16,350	3.7%	Sep-08	Oct-35	68% of one month LIBOR	2,910
Electric	2008 Series D	28,800	28,800	3.6%	Mar-09	Oct-16	SIFMA	2,101
Electric	2008 Series D	40,325	1,150	3.7%	Mar-09	Oct-37	68% of one month LIBOR	183
Electric	Series Three 2008D-1	88,905	25,925	3.9%	May-08	Oct-31	SIFMA	3,941
Electric	Series Three 2008A	92,080	40,400	3.8%	Jan-08	Oct-36	SIFMA	7,110
		$ 627,835	$ 217,600					$ 35,078

Of the $35,078 of deferred outflows at time of the February 2013 termination, $26,335 was included in unamortized deferred losses on refundings and $8,743 was recorded to investment income (loss) at the time of the Electric System Series Three 2013A and Subordinated 2013 Series B refunding (See debt issue table for more information related to the debt issues).

The following table includes fiscal year 2013 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2013		
System	**Classification**	**Amount[1]**	**Classification**	**Amount[2]**	**Notional**
Electric	Deferred outflows	**$ (61,122)**	Fair value of debt management strategy instruments	**$ (72,064)**	**$ 410,235**
Water and Sewer	Deferred outflows	**(14,235)**	Fair value of debt management strategy instruments	**(12,159)**	**124,020**
Total		**$ (75,357)**		**$ (84,223)**	**$ 534,255**

(1) Electric deferred outflow adjusted for February 2013 swap terminations in the amount of $35,078.

(2) Fair value amounts were calculated using market rates as of September 30, 2013, and standard cash flow present valuing techniques.

(Dollars in Thousands)

6. Long-term Debt (continued)

The following table includes fiscal year 2012 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2012		
System	**Classification**	**Amount**	**Classification**	**Amount[1]**	**Notional**
Electric	Deferred outflows	$ 15,587	Fair value of debt management strategy instruments	$ (168,264)	$ 644,255
Water and Sewer	Deferred outflows	2,976	Fair value of debt management strategy instruments	(26,394)	124,020
Total		$ 18,563		$ (194,658)	$ 768,275

[1] Fair value amounts were calculated using market rates as of September 30, 2012, and standard cash flow present valuing techniques.

For fiscal years ended September 30, 2013 and 2012, 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:

	2013	**2012**
68% of LIBOR Index:		
Notional amount outstanding	**$ 213,000**	$ 294,100
Variable rate received (weighted average)	**0.1%**	0.2%
Fixed rate paid (weighted average)	**3.7%**	3.7%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 282,525**	$ 435,445
Variable rate received (weighted average)	**0.1%**	0.2%
Fixed rate paid (weighted average)	**4.0%**	4.0%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**2.5%**	4.2%
Fixed rate paid (weighted average)	**4.0%**	4.0%
Net debt management swap loss[1]	**$ (57,237)**	$ (26,977)

[1] For 2013, the net debt management swap loss includes swap termination losses of $26,335 included in unamortized deferred losses on refundings and $8,743 recorded to investment income (loss).

(Dollars in Thousands)

6. 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, 2013:

Electric System[(1)]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2013	$ 1,950	$ 95	$ 1,293	$ 3,338
2014	350	1,103	15,551	17,004
2015	350	1,102	15,538	16,990
2016	375	1,101	15,526	17,002
2017	400	1,100	15,512	17,012
2018–2022	10,675	5,461	77,040	93,176
2023–2027	91,100	5,021	71,017	167,138
2028–2032	172,605	3,147	44,475	220,227
2033–2037	114,180	1,240	17,904	133,324
2038–2042	18,250	74	1,174	19,498
Total	$ 410,235	$ 19,444	$ 275,030	$ 704,709

Water and Sewer System[(1)]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2013	$ –	$ 507	$ 552	$ 1,059
2014	–	1,085	3,827	4,912
2015	–	1,085	3,827	4,912
2016	4,105	1,085	3,827	9,017
2017	4,255	980	3,767	9,002
2018–2022	30,370	2,763	17,625	50,758
2023–2027	17,595	437	14,684	32,716
2028–2032	4,540	381	12,797	17,718
2033–2037	21,430	321	10,821	32,572
2038–2042	41,725	122	4,078	45,925
Total	$ 124,020	$ 8,766	$ 75,805	$ 208,591

[(1)] Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2013. 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, 2013.

(Dollars in Thousands)

6. 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, 2013, 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, 2013.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2013, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	A-/Baa1/A	$ 184,285
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/A+	128,200
Merrill Lynch Derivative Products AG	A-/Baa2/A	85,290
Total		$ 534,255

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, 2013, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.2%, while the SIFMA swap index rate is 0.1% and 68% of LIBOR is 0.1%.

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 is in a liability position, JEA would be liable to the counterparty for a payment equal to the liability.

(Dollars in Thousands)

6. 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.

7. Transactions with City of Jacksonville

Utility and Administrative Services

JEA is a separately governed authority and is also considered to be 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:

	Revenues	Expenses
Fiscal year 2013	**$ 36,390**	**$ 7,090**
Fiscal year 2012	$ 39,602	$ 8,672

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2013 is the fifth year of an eight-year agreement. This calculation is subject to a minimum average increase of $2,500 per year, using 2008 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount not to exceed 5.5 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 contribution for fiscal years 2013 and 2012 amounted to $83,969 and $83,038.

The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount not to exceed 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. The contribution for fiscal years 2013 and 2012 amounted to $22,718 and $21,150.

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 may, in its sole discretion, utilize any of its available revenues regardless of source to satisfy its total annual obligation to the City.

7. Transactions with City of Jacksonville (continued)

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2013, JEA recorded $28,286 and $9,817 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses. For the year ended September 30, 2012, JEA recorded $29,478 and $9,790 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

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 of Jacksonville, 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 has excess coverage for individual workers' compensation claims above $1.2 million. 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. The workers' compensation premium expense in 2013 amounted to $391, which included a refund of prior-year credits in the amount of $1,777. In 2012, the premium was $1,744. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $964 and $1,703 for the years ended September 30, 2013 and 2012. In 2013 and 2012, there were refunds of prior year credits of $678 and $9, included in the general liability insurance premium expense amounts. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

The estimated loss accrual for the City of Jacksonville amounted to $13,073 for general insurance liability and $15,254 for the workers' compensation insurance liability for the year ended September 30, 2013, and $11,280 for general insurance liability and $85,867 for workers' compensation insurance liability for the year ended September 30, 2012. JEA's portion of the general insurance liability was $1,920 during the fiscal year ended September 30, 2013, and was $1,361 during the fiscal year ended September 30, 2012. JEA's portion of the workers' compensation insurance liability was $4,149 during the fiscal year ended September 30, 2013, and was $3,729 during the fiscal year ended September 30, 2012. The amounts are recorded at present value using no discount rate the fiscal year ended September 30, 2013 and a 2% discount rate for the fiscal year ended September 30, 2012.

(Dollars in Thousands)

8. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for the majority of the coal requirements for SJRPP and Scherer Unit 4 through calendar year 2014, while maintaining flexibility to switch to natural gas. 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. From time to time, JEA purchases portions of its coal supply for SJRPP from domestic suppliers and takes delivery at the mine. In these instances, JEA contracts with CSX for rail transportation from the mine to the SJRPP plant. JEA currently has a rail transportation commitment with CSX for delivery to SJRPP through calendar year 2016. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. After recent contract extensions by Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, the term of the agreement with Burlington Northern Santa Fe Railway Company (BNSF) extends through calendar year 2018, and the agreement with Southern Railway Company (NS) extends through December 31, 2015.

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with BG Energy Merchants, LLC (BG) that expires in 2021. Contract terms for the natural gas 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 BG, JEA currently has long-term contracts with Florida Gas Transmission Company (FGT) for firm gas transportation capacity to allow delivery of gas through the FGT system and an option from Peoples Gas System for a seasonal release of firm gas transportation capacity on Southern Natural Gas Company and FGT. JEA has also made a commitment for firm gas transportation capacity with Southern Natural Gas Company, LLC that is expected to be available in 2016.

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, including the projected effects of inflation for coal purchase commitments of SJRPP (at JEA's 80% ownership interest) and the Bulk Power Supply System and future estimated fixed charges for electric generating capacity entitlement and transmission, including the projected effects of inflation for JEA, appear in the table below:

Year Ending	**Coal and Petroleum Coke**		**Natural Gas**			
September 30	**Fuel**	**Transportation**	**Fuel**	**Transportation**	**Transmission**	**Total**
2014	$ 12,832	$ 29,729	$ 3,340	$ 2,227	$ 5,167	$ 53,295
2015	8,986	23,232	3,340	2,227	5,620	43,405
2016	8,713	22,760	3,349	2,233	5,668	42,723
2017	2,196	5,713	3,340	2,227	5,769	19,245
2018–2038	–	–	11,410	7,607	166,005	185,022

8. Fuel Purchase and Purchased Power Commitments (continued)

Vogtle Units Purchase Power Agreement

The JEA Board established a target of up to 30.0% of JEA's energy requirements to be met with nuclear energy by 2030. As a result of those efforts, JEA entered into a power purchase agreement (as amended, the "Additional Vogtle Units PPA") with MEAG Power for 206 MW of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 12.0% of JEA's total energy requirements in the year 2018.

The Additional Vogtle Units PPA requires JEA to pay MEAG Power for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG Power to finance the portion of the capacity to be sold to JEA of its ownership interest in 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 (which dates currently are estimated to occur in 2017 and 2018, respectively) 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.

Three separate "projects" were created by MEAG Power 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). MEAG Power originally estimated that total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units, including construction costs, financing costs and contingencies, initial fuel load costs, and switchyard and transmission costs, would be approximately $3.7 billion, of which approximately $1.5 billion would be allocable to the project (referred to herein as Project J) from which the capacity and energy will be sold to JEA under the Additional Vogtle Units PPA.

In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG Power, MEAG Power issued $1.2 billion of its Plant Vogtle Units 3&4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. These bonds were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG Power expects to receive a cash subsidy payment from the United State Treasury for 35% of the related interest. This financing represents approximately 85.0% of the then estimated construction costs of the units applicable to the output purchased by JEA under the Additional Vogtle Units PPA. Such estimate results in a portion of fixed annual costs to JEA for one of the Additional Vogtle Units of approximately $36.3 million per year for 20 years beginning in 2016 and a portion of fixed annual costs to JEA for the other Additional Vogtle Unit of approximately $28.7 million per year for 20 years beginning in 2017. Such fixed annual costs are net of the expected 35% cash subsidy related to the Build America Bonds.

8. Fuel Purchase and Purchased Power Commitments (continued)

MEAG Power, based upon information provided to it by its agent, has advised JEA that during the course of construction activities, the following issues have arisen that may impact the project budget and schedule:

> The most significant issues relate to costs associated with design changes to the Design Control Document (DCD) and costs associated with delays in the project schedule related to the timing of approval of the DCD and issuance of the Construction and Operating Lease (COL) by the Nuclear Regulatory Commission (NRC). The Consortium's estimated adjustment attributable to Project J is approximately $84 million (in 2008 dollars) with respect to these issues.
>
> November 1, 2012, Georgia Power and the other owners filed suit against the Consortium in the U.S. District Court for the Southern District of Georgia, seeking a declaratory judgment that the Owners are not responsible for the costs related to these issues. Also on November 1, 2012, the Consortium filed suit against Georgia Power and the other Owners in the U.S. District Court for the District of Columbia, alleging the Owners are responsible for the costs related to these issues and seeking payment from the Owners of the full amount of these costs. While litigation has commenced, the Owners expect negotiations with the Consortium to continue with respect to cost and schedule during which time the parties will attempt to reach a mutually acceptable compromise of their positions. The Owners intend to vigorously defend their positions. The U.S. District Court for the District of Columbia issued an order on August 30, 2013, dismissing the Consortium Claim, and allowing the case to proceed in the U.S. District Court for the Southern District of Georgia (Augusta, Georgia). Additional claims by the Consortium or the Owners are expected to arise throughout the construction of Plant Vogtle Units 3 and 4.
>
> Processes have been implemented that are designed to assure compliance with the design requirements specified in the DCD and the COLs, including rigorous inspections by Southern Nuclear and the NRC that occur throughout construction. Various design and other issues are expected to arise as construction proceeds, which may result in license amendments or require other resolution. If any license amendment requests are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Owners, the Contractor, or both.

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 is currently planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2024 with respect to Unit 1 and 2025 with respect to Unit 2. The total cost of the option was $7.5 million, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30% of JEA’s energy requirements from nuclear sources by 2030. JEA is evaluating potential transmission paths.

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 Nuclear Regulatory Commission (NRC) approval of the combined construction and operating license (COL)

8. Fuel Purchase and Purchased Power Commitments (continued)

for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The NRC began a review of the seismic criteria that nuclear plants must be designed to withstand in 2008. The source model is complete, but completion of the ground attenuation model is not expected until 2016. Both are required to complete the seismic assessment. This has affected the Lee Project COL license, and is expected to delay the COL until mid-2016. The NRC effort on developing a generic Environmental Impact Statement to allow for longer-term storage of spent fuel on site (the Waste Confidence Rule) is expected to be complete by late 2014. The seismic reassessment is therefore the critical path for the COL.

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 upon such exercise specify the percentage undivided ownership interest in the Lee Project that it will acquire.

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

Under certain circumstances should the Lee Project be terminated by Duke Carolinas, Duke may be obligated to provide JEA with options for alternative resources (but not necessarily from nuclear resources) to replace JEA's optionable portion of the projected Lee Project capacity.

Such alternative resources are to be available to JEA in a substantially similar time frame (i.e., within two years of the projected online date) as currently planned for the Lee Project.

Jacksonville Solar

In 2009, JEA entered into a 30-year purchase 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 generates approximately 22,430 MWh of electricity per year. JEA pays only for the energy produced. Purchases of energy for the fiscal years 2013 and 2012 were $3,661 and $3,568.

Trail Ridge Landfill

JEA currently purchases energy from a 9.6 MW landfill gas-to-energy facility at the Trail Ridge Landfill in Jacksonville through a Purchase Power Agreement with Landfill Energy Systems. JEA has signed an agreement to purchase an additional 9.6 MW net output from the facility if it is expanded and becomes available. The additional power is now slated to be supplied from landfill gas-to-energy facilities in Raiford, Florida and Sarasota, Florida, at the same rates as negotiated for Trail Ridge. These new facilities are planned to be online by late 2014. Purchases of energy for the fiscal years 2013 and 2012 were $3,197 and $3,154.

(Dollars in Thousands)

9. Fuel Management Program

The fuel management program is intended to help manage the risk of changes in the market prices of natural gas and oil. Given reduced volatility in natural gas prices and limited need for oil, during fiscal years 2013 and 2012, JEA did not enter into fuel management contracts. When entering into fuel management contracts, it was possible that the market price before or at the specified time to purchase fuel oil or natural gas may be lower than the price at which JEA was committed to buy. All fuel management contracts expired during fiscal 2013.

Fuel Management of Natural Gas

At September 30, 2013 and 2012, the fuel management program had no open NYMEX natural gas futures contracts. The fuel management program had margin deposits of $12 at September 30, 2013 and 2012, which is included in other noncurrent assets on the accompanying statements of net position.

JEA utilizes TEA to execute 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. At September 30, 2013 and 2012, deferred credits of $0 and $735 were included in deferred inflows of resources on the accompanying statements of net position. 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 years ending September 30, 2013 and 2012, $1,097 and $4,678 realized gains were included in fuel expense. Any losses were offset by decreased prices in the purchase of natural gas.

The following is a summary of derivative transactions for the years ending September 30, 2013 and 2012:

Electric Enterprise Fund	**Changes in Fair Value**		**Fair Value at September 30, 2013**		
Cash Flow Hedges	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Natural Gas	Deferred inflows	**$ (735)**	Deferred inflows	**$ -**	**$ -**

Electric Enterprise Fund	**Changes in Fair Value**		**Fair Value at September 30, 2012**		
Cash Flow Hedges	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Natural Gas	Deferred inflows	$ 1,398	Deferred inflows	$ 735	$ (377)

10. Pension Plans

JEA Plan Description and Contributions

Substantially all of the employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employees' Pension Plan (JEA Plan), as amended. The JEA Plan is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative.

10. Pension Plans (continued)

The JEA Plan, 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 2012 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at http://www.coj.net/departments/finance/docs/accounting/2012-city-of-jacksonville-cafr-sec.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.

In fiscal years 2013, 2012, and 2011, JEA plan members were required to contribute 8% of their annual covered salary, and JEA's contribution of the covered payroll for the JEA plan members was $27,038 (20.8%) in 2013, $22,301 (17.5%) in 2012, and $17,195 (13.0%) in 2011. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Beginning in fiscal year 2010, employees had the option to participate in a defined contribution plan. In fiscal years 2012 and 2013 JEA plan members of the defined contribution plan were required to contribute 8.0% of their annual covered salary, and JEA's contribution for the members of the defined contribution plan was $422 (8.0%) in 2013 and $250 (8.0%) in 2012.

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated out between the pension contribution and a disability program fund. Due to this change, a physical exam is not required to participate in the plans.

St. Johns River Power Park Plan Description

Plan Description – The JEA St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) is a single employer contributory defined benefit plan covering 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 board (Pension Board). The SJRPP Plan does not issue publicly audited financial statements.

Effective February 25, 2013, the SJRPP Plan was amended. Pursuant to this 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.

Funding Policy – The SJRPP Plan's funding policy provides for bi-weekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The SJRPP employer's contribution to the SJRPP Plan for the year ended September 30, 2013, was 62.4% of annual covered payroll.

Annual Pension Cost – The annual pension contributions for the years ended September 30, 2013, 2012, and 2011 were $12,647, $8,787 and $9,804, which was equal to the required employee and employer contributions for each year.

10. Pension Plans (continued)

Funding Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the SJRPP Pension Plan was 82.6% funded. The actuarial accrued liability (AAL) for benefits was $140,281, and the actuarial value of assets was $115,815, resulting in an unfunded actuarial accrued liability (UAAL) of $24,466. The covered payroll (annual payroll of active employees covered by the pension plan) was $19,318, and the ratio of the UAAL to the covered payroll was 126.6%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information indicating whether the actuarial value of pension plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

SJRPP Plan members are required to contribute currently 4.0% of their current year annual covered salary. The annual required contribution was determined by actuarial valuation using the Entry Age Actuarial Cost Method. The actuarial assumptions include: a life expectancy calculation using the RP-2000 Mortality Table; a 7.0% investment rate of return (net of investment expenses); and projected salary increases from 2.5% to 12.5%, depending on years of service per year, including an inflation component of 3.0%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. As of October 1, 2011, all UAALs were consolidated into one and amortized over six years. The goal is to have the unfunded amount at zero by October 1, 2017. Recommended revisions in actuarial assumptions and methods for assumed rates of turnover, retirement, backdrop and salary increases were adopted by the Pension Board following a comprehensive assumption review.

11. Health Insurance Programs

As of July 1, 2009, JEA became self-insured for medical and prescription benefits. Under the self-insurance program, JEA is liable for all claims up to certain maximum amounts per occurrence. Claims in excess of $250 per employee, with an aggregate limit of 125.0% of claims, are covered by insurance. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through an 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. This amount, which includes claims that have been incurred but not reported, is reported on the accompanying statements of net position in accounts and accrued expenses payable.

(Dollars in Thousands)

11. Health Insurance Programs (continued)

The changes in the self-insurance reserves for the years ended September 30, 2013 and 2012, are as follows:

	Medical and Prescription Benefits
Balance at September 30, 2011	$ 12,505
Contributions	31,777
Incurred claims	(28,842)
Balance at September 30, 2012	15,440
Contributions	**31,328**
Incurred claims	**(30,854)**
Balance at September 30, 2013	**$ 15,914**

12. Other Postemployment Benefits

Plan Description

The JEA maintains a medical benefits 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. The postretirement benefit portion of the benefits plan (referred to as 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 the purposes of GASB Statement No. 45.

As of October 1, 2011 (the Actuarial valuation date), the OPEB Plan had approximately 2,271 active participants and 582 retirees receiving benefits. The JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

An actuarial Roll-forward for September 30, 2013 was used to make various adjustments to the results of an Actuarial Valuation previously performed on October 1, 2011.

Funding Policy

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.

(Dollars in Thousands)

12. Other Postemployment Benefits (continued)

State of Florida law prohibits the JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups blended-rate premiums. GAAP requires the actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

In 2008, JEA began to advance-fund the OPEB obligation. This was accomplished by establishing a separate trust into which JEA will make periodic deposits and withdrawals to reimburse operations for costs incurred on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation
September 30, 2013	**$ 5,469**	**$ 6,185**	**113.08%**	**$ 1,727**
September 30, 2012	5,254	5,423	103.23	2,443
September 30, 2011	5,427	6,601	121.62	2,612

*Implicit premiums paid by JEA

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB Plan, and the changes in the net OPEB obligation to JEA as of September 30, 2013 and 2012:

	September 30 2013	September 30 2012
Annual Required Contribution (ARC)	**$ 5,433**	$ 5,211
Interest on OPEB Plan obligation	**171**	183
Adjustment to ARC	**(135)**	(140)
Annual OPEB Plan retiree cost*	**5,469**	5,254
Contributions made	**(6,185)**	(5,423)
Change in OPEB Plan obligation	**(716)**	(169)
OPEB Plan obligation at beginning of year	**2,443**	2,612
OPEB Plan obligation at end of year	**$ 1,727**	$ 2,443

*Implicit additional premiums paid by JEA

12. Other Postemployment Benefits (continued)

Funded Status

As of October 1, 2011, the most recent valuation date, the OPEB Plan was 8.4% funded. The actuarial accrued liability for benefits was $77,280, and the actuarial value of assets was $6,471, resulting in an unfunded actuarial accrued liability (UAAL) of $70,809. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $150,714, and the ratio of the UAAL to the covered payroll was 47.0%.

Actuarial Cost Method and Assumptions

Annual requirements are determined in accordance with the actuarial assumptions and the Individual Entry Age Actuarial Cost Method. Under this method, the UAAL is amortized in a closed amortization, calculated as a level percent of payroll over a 26-year period. The actuarial assumptions include a 7.0% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB Plan will be funded through a separately invested trust fund. The asset valuation method used to determine the actuarial value of the assets was the market value of the investments held in trust. The medical trend rates were assumed to be 8.5% beginning on October 1, 2012, and decreasing 0.5% each subsequent year until realizing the ultimate value of 5.0%.

The assumed rate of payroll growth is 4.0%. The discount rate and salary rates include a general price inflation rate of 3.0%.

Amortizations were assumed to begin on October 1, 2007, and to continue monthly for the 30 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 30-year period, but not less than 15 years.

Actuarial valuations of the ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes of the accompanying financial statements, present information about whether the actuarial value of the OPEB Plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing the benefit costs between the employer and OPEB Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

13. 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 impacting JEA:

Electric Enterprise System – On July 6, 2011, the Environmental Protection Agency (EPA) released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the court-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 (PM2.5) NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO2 and NOx emissions from electricity generating units (EGUs). The EPA targeted these two pollutants because they are precursors to the formation of PM2.5 and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances, and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012, with more stringent limits taking effect in 2014.

Because of revised modeling results and public comments on the initial rule proposed to replace CAIR, which was issued on August 2, 2010, the EPA added and subtracted a number of states from the coverage of the CSAPR. From the list of states with annual SO2 and budgets, the EPA removed Connecticut, Delaware, the District of Columbia, Massachusetts, Louisiana, and Florida. However, the EPA determined in CSAPR that 26 states, including Florida, did contribute to downwind ozone air quality problems in other states during the ozone season. Consequently, EGUs in Florida, including those at JEA, did have new limits proposed for NOx emissions during the ozone season (May – September), beginning in 2012.

On August 21, 2012, the U.S. Court of Appeals for the D.C. Circuit issued a 2-1 opinion in *EME Homer City Generation, LP v. EPA*, vacating and remanding CSAPR. The opinion focused on two key elements of CSAPR: (1) EPA's two-step methodology for defining each upwind state's "significant contribution" to nonattainment or interference with maintenance of NAAQS in downwind states and (2) EPA's simultaneous issuance of CSAPR and CSAPR FIPs. The opinion concluded that both elements of the rule exceeded EPA's authority under the Clean Air Act. On October 5, 2012, EPA filed a Petition for Rehearing asking the D.C. Circuit to rehear *Homer City, en banc*. That Petition was rejected, whereupon EPA and environmental groups petitioned the U.S. Supreme Court for review of the D.C. Circuit Court's vacatur of CSAPR. On June 24, 2013, the U.S. Supreme Court issued an order granting petitions for review of the D.C. Circuit's vacatur decision.

13. Commitments and Contingent Liabilities (continued)

Shortly after the U.S. Supreme Court granted the petition for review, EPA announced plans to develop and release a new proposed rule to address the interstate transport of air pollution in the summer of 2014. At this time, it is uncertain as to when the U.S. Supreme Court will issue a ruling on CSAPR. Until the U.S. Supreme Court decides to uphold or remand CSAPR, or until a revised rule is promulgated by EPA, CAIR remains in effect.

JEA was already constructing selective catalytic reduction (SCR) technology for NOx control at SJRPP to meet the requirements of CAIR before the D.C. Circuit Court ruling came out vacating CAIR in July 2008. JEA continued with and completed construction of the SCR as the CAIR litigation progressed. The SCR at SJRPP will enhance JEAs ability to comply with CSAPR. JEA will determine how to optimize all of its emissions control options, including purchasing allowances and limited fuel switching, in order to comply with the seasonal emission limits. However, JEA does not expect to incur any new capital expenditures at any of its Florida-cited generating facilities in order to meet the requirements of CSAPR or its eventual replacement.

Water Supply System Regulatory Initiatives – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands out to 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.

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. The EPA has delegated the wastewater regulatory program to The Florida Department of Environmental Protection (FDEP). The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen that can be assimilated by the St. Johns River, to which 11 of JEA's 15 wastewater treatment plants discharge. This state rule limits the amount of nitrogen that these 11 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. In 2013, both FDEP and EPA re-affirmed the site specific nutrient standard that is codified in the Lower St. Johns River TMDL, ending controversy surrounding whether or not generalized Numeric Nutrient Criteria for the State of Florida would cause a revision to that standard.

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*, the reserve was increased by $302 due to new project estimates and probabilities bringing the liability to approximately $18,662 at September 30, 2013. 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

13. Commitments and Contingent Liabilities (continued)

remedial activities; Southside Generating Station Brownfield site, Kennedy Generating Station fuel oil tank farm, Northside Generating Station RCRA Corrective Action program, Tri-State Recycling Site; and remediation at a number of miscellaneous petroleum sites. Of the $18,662 that JEA has accrued as environmental liabilities, approximately $13,840 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: Bill Johns Waste Oil site assessment and remediation, Pickettville Road Landfill CERCLA site post-closure activities, Devil's Swamp Lake CERCLA site, Holley Electric CERCLA site, Ellis Road CERCLA site, and various claims related to mercury emissions from its power generation facilities that burn coal, as well as litigations related to SSOs. 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.

Northside Generating Station By-Product

JEA Northside Generating Station (NSGS) Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from the Florida Department of Environmental Protection (FDEP) to beneficially use the processed by-product material in the state of Florida, subject to certain restrictions. These ash products are combined and processed into civil construction materials presently being marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA reorganized its By-product Services to include the material-handling area and the marketing area under one process. In addition, 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 and EZBase are currently being transported by truck and rail to civil and environmental remediation/stabilization projects in several Southeastern states.

The By-products Storage Area (BSA) is an FDEP permitted, Class I lined storage facility at NSGS. JEA received a new five-year permit effective June 9, 2010.

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff is suing multiple defendants for damages allegedly resulting from construction defects. Plaintiff amended the complaint in April 2010 to add JEA as a defendant. Plaintiff contends that JEA's bed ash by-product, which it claims was defective, was incorporated into OPF-42, a separate product processed, marketed, and distributed by another defendant named in the lawsuit. Plaintiff also contends that this product was sold for use as a soil additive during the site work phase of construction for the project. JEA denies plaintiff's allegation that the by-product was defective and believes it has meritorious defenses to the action. The amount of damages to be sought by the plaintiff will be dependent upon the nature and cost of the final remediation, which is currently unknown, but is expected to potentially exceed $1 million.

In a related case, a plaintiff is seeking an injunction and attorney's fees related to a public records request as to matters in the Mississippi litigation. JEA has answered and asserted defenses related to the claim. A hearing was held on August 27, and the Court ruled in JEA's favor. Plaintiff has filed a notice of appeal with the appellate court.

13. Commitments and Contingent Liabilities (continued)

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. JEA has spent approximately $27,561 for demolition, disposal, and environmental remediation associated with the site. JEA continues to work on positioning the property for a future sale and redevelopment, including additional environmental monitoring and clean up and review of site access, land use and development rights. As part of a future sale, JEA may require the buyer to assume responsibility for the site under the Brownfield Site Rehabilitation Agreement between JEA and the FDEP, along with all environmental liability related to the site, except any portion to be retained by JEA.

Area real estate market conditions continue to affect the timing of any future sale opportunities.

Interlocal Agreements

JEA is involved in a pre-litigation dispute with St. Johns County, Florida (County) and Nassau County, Florida (collectively, Counties), arising from an Interlocal Agreement (Agreement) entered into by the parties in 2001. Under terms of the Agreement, which arose from JEA's purchase of certain water and wastewater facilities in the Counties from third parties, JEA agreed in 2001 to make an up-front payment of 5.0% of the projected gross revenues from JEA's retail water and waste water sales in each county for the next 10 years, reduced to present value, and JEA agreed to do the same for two additional 10-year periods of the 30-year Agreement. JEA further agreed at the end of each 10-year period to make a "true-up" payment to "adjust the net present value of the actual retail revenues realized if the revenues exceed the projected amount." JEA made the first 10-year true-up payment to each county in January 2012, together with the net present value payment for 2012-2021. The Counties disagree with JEA's calculation of the true-up payment and the net present value payment. St. Johns County contends that JEA underpaid the County by $1,336, and JEA vigorously disagrees. If Nassau County claims the same calculation method as St. Johns County, the collective amount in dispute with both Counties would be approximately $2 million. St. Johns County and JEA are presently in mediation and have reached an agreed settlement in principle, subject to the approval of the governing boards of JEA and the county. Nassau County is awaiting the outcome of the St. Johns County mediation before pursuing its claim, and JEA believes it has good and meritorious defenses to Nassau County's claim.

Plant Scherer

Complaints have been filed by 13 separate individuals or groups of plaintiffs against the joint co-owners of Plant Scherer in Georgia. They all have been filed in state count in DeKalb County, Georgia. The claims assert air pollution and ground water contamination, which plaintiffs' claims caused personal injuries and property damage under various theories of liability. Answers and defenses, as well as motions to transfer venue, have been filed on behalf of JEA in all cases. JEA believes it has good and meritorious defenses in these actions and will fully defend the cases. The cases have not been set for trial, discovery is proceeding.

13. Commitments and Contingent Liabilities (continued)

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.

14. 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. JEA's Water and Sewer System segment consists of water collection, distribution and wastewater treatment in Northeast Florida. The District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer 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 monthly and annual financial statements. Electricity charges to the Water and Sewer entity were $15,965 for fiscal year 2013 and $16,787 for fiscal year 2012. Water and Sewer charges to the Electric System were $265 for fiscal year 2013 and $198 for fiscal year 2012.

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 $42,801 for fiscal year 2013 and $41,573 for fiscal year 2012.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System in the amount of $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 $829 for fiscal year 2013 and $1,734 for fiscal year 2012.

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 $6,278, 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 $1,902 for fiscal 2013 and $1,870 for fiscal year 2012.

(Dollars in Thousands)

14. Segment Information (continued)

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 (SA) per Account. Deposits are allocated to the Electric System or Water and Sewer System based on accounts receivable balances. When the deposits are credited to customer accounts they are allocated between the service agreements.

Segment information for these activities for the fiscal years ended September 30, 2013 and 2012, was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer System		DES	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Total current assets	**$ 547,307**	$ 550,260	**$ 133,937**	$ 151,272	**$ 126,305**	$ 131,410	**$ 4,220**	$ 3,881
Total other noncurrent assets	**363,011**	382,606	**410,422**	396,846	**362,021**	343,555	**4,185**	3,441
Capital assets, net	**2,981,034**	3,059,463	**678,657**	716,480	**2,730,103**	2,748,104	**40,057**	41,319
Deferred outflows	**72,064**	168,264	**–**	–	**12,159**	26,394	**–**	–
Total assets	**$ 3,963,416**	$ 4,160,593	**$ 1,223,016**	$ 1,264,598	**$ 3,230,588**	$ 3,249,463	**$ 48,462**	$ 48,641
Total current liabilities	**$ 145,805**	$ 159,994	**$ 26,604**	$ 12,952	**$ 29,879**	$ 30,963	**$ 43**	$ 127
Total current liabilities payable from restricted assets	**119,732**	125,897	**258,377**	255,555	**96,570**	104,320	**1,344**	1,425
Total other noncurrent liabilities	**92,881**	96,829	**126,640**	44,972	**7,748**	7,390	**37**	23
Total long-term debt	**2,844,739**	3,040,079	**715,735**	851,335	**1,885,390**	1,955,638	**42,672**	43,750
Total liabilities	**3,203,157**	3,422,799	**1,127,356**	1,164,814	**2,019,587**	2,098,311	**44,096**	45,325
Deferred inflows	**–**	735	**–**	–	**–**	–	**–**	–
Net investment in capital assets	**183,472**	189,006	**(154,452)**	(165,297)	**910,415**	871,292	**(2,949)**	(3,605)
Restricted net position	**204,325**	182,252	**145,655**	129,871	**199,063**	172,856	**3,175**	3,190
Unrestricted net position	**372,462**	365,801	**104,457**	135,210	**101,523**	107,004	**4,140**	3,731
Total net assets	**760,259**	737,059	**95,660**	99,784	**1,211,001**	1,151,152	**4,366**	3,316
Total liabilities and net assets	**$ 3,963,416**	$ 4,160,593	**$ 1,223,016**	$ 1,264,598	**$ 3,230,588**	$ 3,249,463	**$ 48,462**	$ 48,641
Condensed Statement of Revenues, Expenses, and Changes in Net Position Information								
Operating revenues	**$ 1,274,586**	$ 1,358,090	**$ 418,816**	$ 418,776	**$ 390,692**	$ 395,437	**$ 8,471**	$ 8,571
Depreciation	**202,921**	198,393	**40,712**	40,581	**132,333**	138,549	**2,101**	2,047
Operating expenses	**852,469**	865,232	**334,012**	312,209	**133,979**	137,330	**4,515**	4,580
Operating income	**219,196**	294,465	**44,092**	65,986	**124,380**	119,558	**1,855**	1,944
Nonoperating revenues (expenses)	**(112,027)**	(98,260)	**(48,216)**	(45,350)	**(71,105)**	(69,596)	**(805)**	(581)
Contributions	**(83,969)**	(83,038)	**–**	–	**6,574**	(2,376)	**–**	–
Change in net position	**23,200**	113,167	**(4,124)**	20,636	**59,849**	47,586	**1,050**	1,363
Beginning net position	**737,059**	623,892	**99,784**	79,148	**1,151,152**	1,103,566	**3,316**	1,953
Ending net position	**$ 760,259**	$ 737,059	**$ 95,660**	$ 99,784	**$ 1,211,001**	$ 1,151,152	**$ 4,366**	$ 3,316
Condensed Statement of Cash Flow Information								
Net cash provided by (used in):								
Operating activities	**$ 412,313**	$ 518,229	**$ 182,260**	$ 143,167	**$ 259,275**	$ 250,812	**$ 3,730**	$ 4,282
Noncapital financing activities	**(79,351)**	(73,925)	**421**	440	**(20,183)**	(13,908)	**–**	–
Capital and related financing activities	**(340,817)**	(384,101)	**(168,895)**	(178,556)	**(222,439)**	(245,224)	**(3,065)**	(6,715)
Investing activities	**(110,752)**	(247,189)	**4,930**	(32,145)	**(44,900)**	(44,054)	**28**	12
Net change in cash and cash equivalents	**(118,607)**	(186,986)	**18,716**	(67,094)	**(28,247)**	(52,374)	**693**	(2,421)
Cash and cash equivalents at beginning of year	**280,113**	467,099	**239,865**	306,959	**186,986**	239,360	**6,370**	8,791
Cash and cash equivalents at end of year	**$ 161,506**	$ 280,113	**$ 258,581**	$ 239,865	**$ 158,739**	$ 186,986	**$ 7,063**	$ 6,370

15. Subsequent Events

In October 2013, 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 2, 2018.

Required Supplementary Information

JEA

Schedules of Funding Progress

(Dollars in Thousands)

September 30, 2013

SJRPP Employees' Retirement Plan

The following funding schedule presents multiyear trend information on the funded status of SJRPP Defined Benefit as of September 30, 2013. The schedule has been prepared using the Entry Age Actuarial method.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Unfunded/ (Overfunded) AAL (UAAL) (b–a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b–a)/c)
October 1, 2012	$ 115,815	$ 140,281*	$ 24,466	82.6%	$ 19,318	126.6%
October 1, 2011	96,511	143,203	46,692	67.4	19,895	234.7
October 1, 2010	91,974	120,940	28,966	76.0	19,431	149.1

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

See St. Johns River Power Park Plan Description of Pension Plans footnote for more information on the SJRPP Employees' Retirement Plan.

*Reflects a change in plan provisions and assumptions.

Schedules of Funding Progress (continued)

(Dollars in Thousands)

Other Post-Employment Benefit Plan

The following funding schedule presents multiyear trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2013, the schedule has been prepared using the Entry Age Actuarial Method.

Valuation Date	AAL	Actuarial Value of Assets	UAAL	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
October 1, 2011	$ 77,280	$ 6,471	$ 70,809	8.37%	$ 150,714	46.98%
October 1, 2009	71,894	2,149	69,745	2.99	138,093	50.51
October 1, 2008	70,286	754	69,532	1.07	79,280	87.70

See Other Postemployment Benefits footnote for more information on the OPEB Plan.

Supplementary Information

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2013

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	$ 156,707	$ 58,269	$ -	$ 214,976	$ 40,377	$ 3,374	$ -	$ 258,727
Investments	143,882	11,992	-	155,874	-	25	-	155,899
Accounts and interest receivable, less allowance for doubtful accounts of $4,61:	204,474	10,776	(19,727)	195,523	39,050	821	-	235,394
Inventories:								
Fuel	40,006	32,022	-	72,028	-	-	-	72,028
Materials and supplies	2,238	20,878	-	23,116	46,878	-	-	69,994
Total current assets	547,307	133,937	(19,727)	661,517	126,305	4,220	-	792,042
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	4,799	200,312	-	205,111	118,362	3,689	-	327,162
Investments	318,795	203,479	-	522,274	213,788	-	-	736,062
Accounts and interest receivable	2,382	990	-	3,372	3,232	-	-	6,604
Total restricted assets	325,976	404,781	-	730,757	335,382	3,689	-	1,069,828
Deferred costs	18,905	5,641	-	24,546	26,639	496	-	51,681
Investment in The Energy Authority	6,289	-	-	6,289	-	-	-	6,289
Costs to be recovered from future revenues	11,841	-	-	11,841	-	-	-	11,841
Total noncurrent assets	363,011	410,422	-	773,433	362,021	4,185	-	1,139,639
Capital assets:								
Land and easements	70,718	6,660	-	77,378	53,289	3,051	-	133,718
Plant in service	5,008,369	1,365,922	-	6,374,291	3,974,833	51,360	-	10,400,484
Less accumulated depreciation	(2,195,168)	(752,507)	-	(2,947,675)	(1,382,723)	(15,243)	-	(4,345,641)
Plant in service, net	2,883,919	620,075	-	3,503,994	2,645,399	39,168	-	6,188,561
Construction work in progress	97,115	58,582	-	155,697	84,704	889	-	241,290
Net capital assets	2,981,034	678,657	-	3,659,691	2,730,103	40,057	-	6,429,851
Total assets	3,891,352	1,223,016	(19,727)	5,094,641	3,218,429	48,462	-	8,361,532
Deferred outflows of resources								
Accumulated decrease in fair value of hedging derivatives	72,064	-	-	72,064	12,159	-	-	84,223
Total assets and deferred outflows	$ 3,963,416	$ 1,223,016	$ (19,727)	$ 5,166,705	$ 3,230,588	$ 48,462	$ -	$ 8,445,755

JEA

Combining Statement of Net Position (continued)

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Liabilities, deferred inflows of resources, and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 100,645	$ 26,604	$ (1,248)	$ 126,001	$ 16,019	$ 43	$ -	$ 142,063
Customer deposits	45,160	-	-	45,160	13,860	-	-	59,020
Total current liabilities	145,805	26,604	(1,248)	171,161	29,879	43	-	201,083
Current liabilities payable from restricted assets:								
Debt due within one year	64,785	127,390	-	192,175	46,492	365	-	239,032
Interest payable	45,156	19,699	-	64,855	34,821	402	-	100,078
Construction contracts and accounts payable	9,791	22,245	(18,479)	13,557	15,257	577	-	29,391
Renewal and replacement reserve	-	89,043	-	89,043	-	-	-	89,043
Total current liabilities payable from restricted assets	119,732	258,377	(18,479)	359,630	96,570	1,344	-	457,544
Noncurrent liabilities:								
Deferred credits and other liabilities	35,932	2,876	-	38,808	7,748	37	-	46,593
Revenues to be used for future costs	56,949	123,764	-	180,713	-	-	-	180,713
Total noncurrent liabilities	92,881	126,640	-	219,521	7,748	37	-	227,306
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,773,030	709,955	-	3,482,985	1,871,007	42,965	-	5,396,957
Unamortized premium, net	92,951	35,105	-	128,056	52,042	(58)	-	180,040
Unamortized deferred losses on refundings	(93,306)	(29,325)	-	(122,631)	(49,818)	(235)	-	(172,684)
Fair value of debt management strategy instruments	72,064	-	-	72,064	12,159	-	-	84,223
Total long-term debt	2,844,739	715,735	-	3,560,474	1,885,390	42,672	-	5,488,536
Total liabilities	3,203,157	1,127,356	(19,727)	4,310,786	2,019,587	44,096	-	6,374,469
Deferred inflows of resources								
Accumulated increase in fair value of hedging derivatives	-	-	-	-	-	-	-	-
Net position								
Net investment in capital assets	183,472	(154,452)	-	29,020	910,415	(2,949)	-	936,486
Restricted	204,325	145,655	18,479	368,459	199,063	3,175	-	570,697
Unrestricted	372,462	104,457	(18,479)	458,440	101,523	4,140	-	564,103
Total net position	760,259	95,660	-	855,919	1,211,001	4,366	-	2,071,286
Total liabilities, deferred inflows of resources, and net position	$ 3,963,416	$ 1,223,016	$ (19,727)	$ 5,166,705	$ 3,230,588	$ 48,462	$ -	$ 8,445,755

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2012

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	$ 271,713	$ 72,360	$ –	$ 344,073	$ 42,658	$ 3,174	$ –	$ 389,905
Investments	23,948	998	–	24,946	–	43	–	24,989
Accounts and interest receivable, less allowance for doubtful accounts of $4,62(	212,227	11,045	(18,510)	204,762	41,052	664	–	246,478
Inventories:								
Fuel	40,266	45,015	–	85,281	–	–	–	85,281
Materials and supplies	2,106	21,854	–	23,960	47,700	–	–	71,660
Total current assets	550,260	151,272	(18,510)	683,022	131,410	3,881	–	818,313
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	8,400	167,505	–	175,905	144,328	3,196	–	323,429
Investments	331,170	222,630	–	553,800	168,634	–	–	722,434
Accounts and interest receivable	1,434	848	–	2,282	2,472	–	–	4,754
Total restricted assets	341,004	390,983	–	731,987	315,434	3,196	–	1,050,617
Deferred costs	20,386	5,863	–	26,249	28,121	245	–	54,615
Investment in The Energy Authority	9,510	–	–	9,510	–	–	–	9,510
Costs to be recovered from future revenues	11,706	–	–	11,706	–	–	–	11,706
Total noncurrent assets	382,606	396,846	–	779,452	343,555	3,441	–	1,126,448
Capital assets:								
Land and easements	69,014	6,660	–	75,674	46,110	3,051	–	124,835
Plant in service	4,881,904	1,380,584	–	6,262,488	3,863,930	50,511	–	10,176,929
Less accumulated depreciation	(2,005,077)	(715,409)	–	(2,720,486)	(1,259,562)	(13,142)	–	(3,993,190)
Plant in service, net	2,945,841	671,835	–	3,617,676	2,650,478	40,420	–	6,308,574
Construction work in progress	113,622	44,645	–	158,267	97,626	899	–	256,792
Net capital assets	3,059,463	716,480	–	3,775,943	2,748,104	41,319	–	6,565,366
Total assets	3,992,329	1,264,598	(18,510)	5,238,417	3,223,069	48,641	–	8,510,127
Deferred outflows of resources								
Accumulated decrease in fair value of hedging derivatives derivative:	168,264	–	–	168,264	26,394	–	–	194,658
Total assets and deferred outflows	$ 4,160,593	$ 1,264,598	$ (18,510)	$ 5,406,681	$ 3,249,463	$ 48,641	$ –	$ 8,704,785

JEA

Combining Statement of Net Position (continued)

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Liabilities, deferred inflows of resources, and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 116,271	$ 12,952	$ (1,220)	$ 128,003	$ 18,336	$ 127	$ -	$ 146,466
Customer deposits	43,723	-	-	43,723	12,627	-	-	56,350
Total current liabilities	159,994	12,952	(1,220)	171,726	30,963	127	-	202,816
Current liabilities payable from restricted assets:								
Debt due within one year	75,095	127,346	-	202,441	47,972	1,390	-	251,803
Interest payable	40,022	18,492	-	58,514	34,596	6	-	93,116
Construction contracts and accounts payable	10,780	19,717	(17,290)	13,207	21,752	29	-	34,988
Renewal and replacement reserve	-	90,000		90,000	-	-	-	90,000
Total current liabilities payable from restricted assets	125,897	255,555	(17,290)	364,162	104,320	1,425	-	469,907
Noncurrent liabilities:								
Deferred credits and other liabilities	36,002	3,110	-	39,112	7,390	23	-	46,525
Revenues to be used for future costs	60,827	41,862	-	102,689	-	-	-	102,689
Total noncurrent liabilities	96,829	44,972	-	141,801	7,390	23	-	149,214
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,898,190	837,345	-	3,735,535	1,937,370	43,750	-	5,716,655
Unamortized premium, net	38,800	51,305	-	90,105	44,718	-	-	134,823
Unamortized deferred losses on refundings	(65,175)	(37,315)	-	(102,490)	(52,844)	-	-	(155,334)
Fair value of debt management strategy instruments	168,264	-	-	168,264	26,394	-	-	194,658
Total long-term debt	3,040,079	851,335	-	3,891,414	1,955,638	43,750	-	5,890,802
Total liabilities	3,422,799	1,164,814	(18,510)	4,569,103	2,098,311	45,325	-	6,712,739
Deferred inflows of resources								
Accumulated increase in fair value of hedging derivatives	735	-	-	735	-	-	-	735
Net position								
Net investment in capital assets	189,006	(165,297)	-	23,709	871,292	(3,605)	-	891,396
Restricted	182,252	129,871	17,290	329,413	172,856	3,190	-	505,459
Unrestricted	365,801	135,210	(17,290)	483,721	107,004	3,731	-	594,456
Total net position	737,059	99,784	-	836,843	1,151,152	3,316	-	1,991,311
Total liabilities, deferred inflows of resources, and net position	$ 4,160,593	$ 1,264,598	$ (18,510)	$ 5,406,681	$ 3,249,463	$ 48,641	$ -	$ 8,704,785

JEA

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

Year Ended September 30, 2013

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,241,630	$ 418,816	$ (260,785)	$ 1,399,661	$ –	$ –	$ (15,965)	$ 1,383,696
Water and sewer	–	–	–	–	381,942	–	(265)	381,677
District Energy System	–	–	–	–	–	8,471	–	8,471
Other	32,956	–	–	32,956	8,750	–	(2,731)	38,975
Total operating revenues	1,274,586	418,816	(260,785)	1,432,617	390,692	8,471	(18,961)	1,812,819
Operating expenses:								
Operations:								
Fuel	287,326	198,083	–	485,409	–	–	–	485,409
Purchased power	315,022	–	(260,785)	54,237	–	–	–	54,237
Other	134,737	41,301	–	176,038	107,097	3,741	(18,961)	267,915
Maintenance	58,888	26,399	–	85,287	17,065	774	–	103,126
Depreciation	202,921	40,712	–	243,633	132,333	2,101	–	378,067
State utility and franchise taxes	60,420	–	–	60,420	9,817	–	–	70,237
Recognition of deferred costs and revenues, net	(3,924)	68,229	–	64,305	–	–	–	64,305
Total operating expenses	1,055,390	374,724	(260,785)	1,169,329	266,312	6,616	(18,961)	1,423,296
Operating income	219,196	44,092	–	263,288	124,380	1,855	–	389,523
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	4,325	–	–	4,325	–	–	–	4,325
Investment income	(10,519)	(3,085)	–	(13,604)	354	10	–	(13,240)
Other nonoperating revenue	4,541	421	–	4,962	2,568	–	–	7,530
Interest on debt	(111,889)	(45,552)	–	(157,441)	(76,362)	(817)	–	(234,620)
Other interest, net	(122)	–	–	(122)	(12)	–	–	(134)
Allowance for funds used during construction	1,637	–	–	1,637	2,347	2	–	3,986
Gain (loss) on sale of asset								
Total nonoperating revenues (expenses)	(112,027)	(48,216)	–	(160,243)	(71,105)	(805)	–	(232,153)
Income before contributions	107,169	(4,124)	–	103,045	53,275	1,050	–	157,370
Contributions (to) from:								
General Fund, City of Jacksonville	(83,969)	–	–	(83,969)	(22,718)	–	–	(106,687)
Developers and other	–	–	–	–	29,292	–	–	29,292
Total contributions	(83,969)	–	–	(83,969)	6,574	–	–	(77,395)
Change in net position	23,200	(4,124)	–	19,076	59,849	1,050	–	79,975
Net position, beginning of year	737,059	99,784	–	836,843	1,151,152	3,316	–	1,991,311
Net position, end of year	$ 760,259	$ 95,660	$ –	$ 855,919	$ 1,211,001	$ 4,366	$ –	$ 2,071,286

JEA

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

Year Ended September 30, 2012

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,323,048	$ 418,776	$ (251,903)	$ 1,489,921	$ –	$ –	$ (16,787)	$ 1,473,134
Water and sewer	–	–	–	–	385,829	–	(198)	385,631
District Energy System	–	–	–	–	–	8,571	–	8,571
Other	35,042	–	–	35,042	9,608	–	(3,604)	41,046
Total operating revenues	1,358,090	418,776	(251,903)	1,524,963	395,437	8,571	(20,589)	1,908,382
Operating expenses:								
Operations:								
Fuel	284,688	196,187	–	480,875	–	–	–	480,875
Purchased power	319,058	–	(251,903)	67,155	–	–	–	67,155
Other	149,925	28,249	–	178,174	107,984	3,882	(20,589)	269,451
Maintenance	53,036	24,010	–	77,046	19,556	698	–	97,300
Depreciation	198,393	40,581	–	238,974	138,549	2,047	–	379,570
State utility and franchise taxes	63,135	–	–	63,135	9,790	–	–	72,925
Recognition of deferred costs and revenues, net	(4,610)	63,763	–	59,153	–	–	–	59,153
Total operating expenses	1,063,625	352,790	(251,903)	1,164,512	275,879	6,627	(20,589)	1,426,429
Operating income	294,465	65,986	–	360,451	119,558	1,944	–	481,953
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	6,328	–	–	6,328	–	–	–	6,328
Investment income	2,543	4,030	–	6,573	2,220	11	–	8,804
Other nonoperating revenue	9,021	440	–	9,461	6,959	–	–	16,420
Interest on debt	(117,684)	(49,820)	–	(167,504)	(80,580)	(597)	–	(248,681)
Other interest, net	(26)	–	–	(26)	3	–	–	(23)
Allowance for funds used during construction	1,558	–	–	1,558	1,802	5	–	3,365
Total nonoperating revenues (expenses)	(98,260)	(45,350)	–	(143,610)	(69,596)	(581)	–	(213,787)
Income before contributions	196,205	20,636	–	216,841	49,962	1,363	–	268,166
Contributions (to) from:								
General Fund, City of Jacksonville	(83,038)	–	–	(83,038)	(21,150)	–	–	(104,188)
Developers and other	–	–	–	–	18,774	–	–	18,774
Total contributions	(83,038)	–	–	(83,038)	(2,376)	–	–	(85,414)
Change in net position	113,167	20,636	–	133,803	47,586	1,363	–	182,752
Net position, beginning of year	623,892	79,148	–	703,040	1,103,566	1,953	–	1,808,559
Net position, end of year	$ 737,059	$ 99,784	$ –	$ 836,843	$ 1,151,152	$ 3,316	$ –	$ 1,991,311

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2013

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating activities								
Receipts from customers	$ 1,249,604	$ 418,816	$ (261,154)	$ 1,407,266	$ 384,045	$ 8,314	$ (16,230)	$ 1,783,395
Other receipts	32,008	–	–	32,008	7,988	–	(2,731)	37,265
Payments to suppliers	(725,917)	(201,590)	261,154	(666,353)	(85,911)	(4,117)	18,961	(737,420)
Payments to employees	(143,382)	(34,966)	–	(178,348)	(46,847)	(467)		(225,662)
Net cash provided by operating activities	412,313	182,260	–	594,573	259,275	3,730	–	857,578
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(83,892)	–	–	(83,892)	(22,751)	–	–	(106,643)
Payment from City of Jacksonville	–	–	–	–	–	–	–	–
Build America Bonds subsidies	4,541	421	–	4,962	2,568	–	–	7,530
Net cash (used in) provided by noncapital activities and related financing activities	(79,351)	421	–	(78,930)	(20,183)	–	–	(99,113)
Capital and related financing activities								
Acquisition and construction of capital assets	(124,237)	(2,888)	–	(127,125)	(107,304)	(289)	–	(234,718)
Proceeds from issuance of debt, net	555,975	–	–	555,975	203,635	43,330	–	802,940
Defeasance of debt	(572,842)	(3,163)	–	(576,005)	(202,821)	(43,351)	–	(822,177)
Repayment of debt principal	(87,677)	(124,655)	–	(212,332)	(54,366)	(2,347)	–	(269,045)
Interest paid on debt	(112,428)	(38,189)	–	(150,617)	(79,700)	(408)	–	(230,725)
Developer and other contributions	–	–	–	–	17,394	–	–	17,394
Proceeds from sales of property	392	–	–	392	723	–	–	1,115
Net cash used in capital and related financing activities	(340,817)	(168,895)	–	(509,712)	(222,439)	(3,065)	–	(735,216)
Investing activities								
Purchase of investments	(874,363)	(877,199)	–	(1,751,562)	(646,772)	–	–	(2,398,334)
Proceeds from sale and maturities of investments	762,729	878,746	–	1,641,475	598,860	25	–	2,240,360
Investment income	(6,664)	3,383	–	(3,281)	3,012	3	–	(266)
Distributions from The Energy Authority	7,546	–	–	7,546	–	–	–	7,546
Net cash (used in) provided by investing activities	(110,752)	4,930	–	(105,822)	(44,900)	28	–	(150,694)
Net increase in cash and cash equivalents	(118,607)	18,716	–	(99,891)	(28,247)	693	–	(127,445)
Cash and cash equivalents at beginning of year	280,113	239,865	–	519,978	186,986	6,370	–	713,334
Cash and cash equivalents at end of year	$ 161,506	$ 258,581	$ –	$ 420,087	$ 158,739	$ 7,063	$ –	$ 585,889
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 219,196	$ 44,092	$ –	$ 263,288	$ 124,380	$ 1,855	$ –	$ 389,523
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	202,921	40,712	–	243,633	133,424	2,101	–	379,158
Recognition of deferred costs and revenues, net	(3,924)	68,229	–	64,305	–	–	–	64,305
Changes in noncash assets and non cash liabilities:								
Accounts receivable and interest receivable	7,972	268	–	8,240	2,103	(156)	–	10,187
Accounts receivable and interest receivable, restricted	(948)	–	–	(948)	(762)	–	–	(1,710)
Inventories	128	13,970	–	14,098	822	–	–	14,920
Other	1,036	–	–	1,036	11	–	–	1,047
Accounts and expenses payable	(14,388)	13,652	–	(736)	(1,061)	(85)	–	(1,882)
Liabilities payable from restricted liabilities	–	1,571	–	1,571	–	–	–	1,571
Deferred credits and other liabilities	320	(234)	–	86	358	15	–	459
Net cash provided by operating activities	$ 412,313	$ 182,260	$ –	$ 594,573	$ 259,275	$ 3,730	$ –	$ 857,578
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 11,898	$ –	$ –	$ 11,898

JEA

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2012

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating activities								
Receipts from customers	$ 1,329,395	$ 418,776	$ (251,844)	$ 1,496,327	$ 384,757	$ 8,784	$ (16,985)	$ 1,872,883
Other receipts	38,954	–	–	38,954	9,481	–	(3,604)	44,831
Payments to suppliers	(718,689)	(240,966)	251,844	(707,811)	(102,501)	(4,084)	20,589	(793,807)
Payments to employees	(131,431)	(34,643)	–	(166,074)	(40,925)	(418)	–	(207,417)
Net cash provided by operating activities	518,229	143,167	–	661,396	250,812	4,282	–	916,490
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(82,945)	–	–	(82,945)	(20,867)	–	–	(103,812)
Payment from City of Jacksonville	4,274	–	–	4,274	4,274	–	–	8,548
Build America Bonds subsidies	4,746	440	–	5,186	2,685	–	–	7,871
Net cash (used in) provided by capital activities and related financing activities	(73,925)	440	–	(73,485)	(13,908)	–	–	(87,393)
Capital and related financing activities								
Acquisition and construction of capital assets	(139,926)	(19,024)	–	(158,950)	(113,534)	(1,290)	–	(273,774)
Proceeds from issuance of debt, net	425,125	587,305	–	1,012,430	537,038	–	–	1,549,468
Defeasance of debt	(453,435)	(578,264)	–	(1,031,699)	(549,487)	(3,485)	–	(1,584,671)
Repayment of debt principal	(89,115)	(101,121)	–	(190,236)	(43,123)	(1,350)	–	(234,709)
Interest paid on debt	(126,992)	(67,452)	–	(194,444)	(87,619)	(590)	–	(282,653)
Developer and other contributions	–	–	–	–	11,069	–	–	11,069
Proceeds from sales of property	242	–	–	242	432	–	–	674
Net cash used in capital and related financing activities	(384,101)	(178,556)	–	(562,657)	(245,224)	(6,715)	–	(814,596)
Investing activities								
Purchase of investments	(1,035,820)	(1,131,469)	–	(2,167,289)	(509,084)	–	–	(2,676,373)
Proceeds from sale and maturities of investments	780,591	1,095,545	–	1,876,136	462,157	10	–	2,338,303
Investment income	2,213	3,779	–	5,992	2,873	2	–	8,867
Distributions from The Energy Authority	5,827	–	–	5,827	–	–	–	5,827
Net cash (used in) provided by investing activities	(247,189)	(32,145)	–	(279,334)	(44,054)	12	–	(323,376)
Net increase in cash and cash equivalents	(186,986)	(67,094)	–	(254,080)	(52,374)	(2,421)	–	(308,875)
Cash and cash equivalents at beginning of year	467,099	306,959		774,058	239,360	8,791	–	1,022,209
Cash and cash equivalents at end of year	$ 280,113	$ 239,865	$ –	$ 519,978	$ 186,986	$ 6,370	$ –	$ 713,334
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 294,465	$ 65,986	$ –	$ 360,451	$ 119,558	$ 1,944	$ –	$ 481,953
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	198,393	40,581	–	238,974	140,071	2,047	–	381,092
Recognition of deferred costs and revenues, net	(4,610)	63,763	–	59,153	–	–	–	59,153
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	6,347	(1,565)	–	4,782	(1,071)	212	–	3,923
Accounts receivable and interest receivable, restricted	3,912	–	–	3,912	(127)	–	–	3,785
Inventories	4,648	(13,722)	–	(9,074)	(1,549)	–	–	(10,623)
Other	5,043	–	–	5,043	(14,594)	–	–	(9,551)
Accounts and expenses payable	14,771	(12,002)	–	2,769	8,206	77	–	11,052
Liabilities payable from restricted liabilities	–	238	–	238	–	–	–	238
Deferred credits and other liabilities	(4,740)	(112)	–	(4,852)	318	2	–	(4,532)
Net cash provided by operating activities	$ 518,229	$ 143,167	$ –	$ 661,396	$ 250,812	$ 4,282	$ –	$ 916,490
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 7,705	$ –	$ –	7,705

Bond Compliance Information

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Report of Independent Certified Public Accountants on Schedules of Debt Service Coverage

The Governing Board
JEA
Jacksonville, Florida

We have audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA Bulk Power 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, 2013 and 2012, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2013 and 2012 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 audits. We conducted our audits 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 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, 2013 and 2012, 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, 2013 and 2012

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, 2013 and 2012, and have issued our report, with an unmodified opinion thereon, dated December 2, 2013.

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 2, 2013

JEA Electric System

Schedules of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2013	2012
Revenues:		
Electric	**$ 1,241,630**	$ 1,323,048
Investment income[1]	**1,235**	814
Earnings from The Energy Authority	**4,325**	6,328
Other, net[2]	**32,956**	37,315
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**53,337**	21,164
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(71,438)**	(91,538)
Total revenues	**1,262,045**	1,297,131
Operating expenses[3]:		
Fuel	**247,628**	252,637
Purchased power[4]	**380,252**	387,585
Other operation and maintenance	**177,703**	174,071
Utility and franchise taxes	**59,505**	62,236
Total operating expenses	**865,088**	876,529
Net revenues	**$ 396,957**	$ 420,602
Debt service	**$ 74,466**	$ 77,804
Less: investment income on sinking fund	**(1,063)**	(1,229)
Less: Build America Bonds subsidy	**(1,557)**	(1,628)
Debt service requirement	**$ 71,846**	$ 74,947
Senior debt service coverage[5][6]	**5.53x**	5.61x
Net revenues (from above)	**$ 396,957**	$ 420,602
Debt service requirement (from above)	**$ 71,846**	$ 74,947
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**84,604**	81,479
Less: Build America Bonds subsidy	**(2,174)**	–
Adjusted debt service requirement	**$ 154,276**	$ 156,426
Senior and subordinated debt service coverage[7][8]	**2.57x**	2.69x

[1]Excludes investment income on sinking funds.

[2]Excludes the senior Build America Bonds subsidy. Effective November 6, 2012, the Electric System Resolution was amended to exclude from revenues the subsidy related to subordinated Build America Bonds.

[3]Excludes depreciation.

[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 Supply System 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]Had the Build America Bonds subsidy related to the subordinated Build America Bonds not been excluded from revenues in the current year-to date calculation, senior debt service coverage would have been 5.55x.

[7]Net revenues divided by adjusted debt service requirement. Minimum annual coverage is 1.15x.

[8]Effective November 6, 2012, the Electric System Resolution was amended to exclude from interest the subsidy related to subordinated Build America Bonds in the debt service requirement calculation. Had such Build America Bonds subsidy not been excluded from Revenues and not been excluded from interest in the current year-to-date calculation, senior and subordinated debt service coverage would have been 2.55x.

JEA Bulk Power Supply System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2013	**2012**
Revenues:		
JEA	**$ 65,231**	$ 68,526
Investment income	**15**	37
Other, net	**809**	846
Total revenues	**66,055**	69,409
Operating expenses[1]:		
Fuel	**39,698**	32,051
Other operation and maintenance	**11,873**	15,570
Total operating expenses	**51,571**	47,621
Net revenues	**$ 14,484**	$ 21,788
Aggregate debt service	**$ 9,505**	$ 7,533
Debt service coverage[2][3]	**1.52x**	2.89x

[1]Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues.
[2]Net revenues divided by aggregate debt service.
[3]Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage – 1st Resolution
(In Thousands)

	Year Ended September 30	
	2013	2012
Revenues:		
JEA	**$ 257,364**	$ 250,959
FPL	**158,031**	165,344
Investment income	**3,524**	3,369
Total revenues	**418,919**	419,672
Operating expenses[1]:		
Fuel	**198,083**	196,187
Other operation and maintenance	**43,325**	40,959
Total operating expenses	**241,408**	237,146
Net revenues	**$ 177,511**	$ 182,526
Aggregate debt service	**$ 142,002**	$ 143,320
Debt service coverage[2]	**1.25x**	1.27x

[1]Excludes depreciation.
[2]Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.25x.

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage – 2nd Resolution

(In Thousands)

	Year Ended September 30	
	2013	2012
Revenues:		
JEA	**$ 28,081**	$ 26,839
Investment income	**–**	–
Other	**421**	440
Total revenues	**28,502**	27,279
Operating expenses[1]:		
Fuel	**–**	–
Other operation and maintenance	**–**	–
Total operating expenses	**–**	–
Net revenues	**$ 28,502**	$ 27,279
Aggregate debt service	**$ 24,664**	$ 23,712
Debt service coverage[2][3]	**1.16x**	1.15x

[1]Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues under the 1st Resolution.
[2]Net revenues divided by aggregate debt service.
[3]Minimum annual coverage is 1.15x.

JEA Water and Sewer System

Schedules of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2013	2012
Revenues:		
Water	**$ 157,158**	$ 161,468
Water capacity fees[1]	**6,040**	4,023
Sewer	**224,784**	224,361
Sewer capacity fees[1]	**10,944**	6,798
Investment income	**3,114**	2,392
Other[2]	**8,750**	9,608
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**21,193**	21,747
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(21,193)**	(24,477)
Total revenues	**410,790**	405,920
Operating expenses[3]:		
Operations and maintenance	**133,979**	137,330
Net revenues	**$ 276,811**	$ 268,590
Aggregate debt service:	**$ 107,009**	$ 112,019
Less: Build America Bonds subsidy	**(2,568)**	(2,685)
Aggregate debt service	**$ 104,441**	$ 109,334
Senior debt service coverage[4]	**2.65x**	2.46x
Net revenues (from above)	**$ 276,811**	$ 268,590
Debt service requirement (from above)	**$ 104,441**	$ 109,334
Plus: aggregate subordinated debt service on outstanding subordinated debt	**11,586**	10,588
Adjusted debt service requirement	**$ 116,027**	$ 119,922
Senior and subordinated debt service coverage[5]	**2.39x**	2.24x

[1] Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending September 30, 2013 and 2012, coverage would have been 2.24x and 2.15x.

[2] Excludes the Build America Bonds subsidy.

[3] Excludes depreciation.

[4] Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.

[5] Net revenues must be greater than or equal to the sum of 100% of the senior debt service and 120% of the subordinated debt service. The sum of such debt service amounts for the year ended September 2013 is $118,344 and $122,040 for the year ended September 2012.

JEA District Energy System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2013	**2012**
Revenues:		
Service revenues	**$ 8,471**	$ 8,571
Investment income	**3**	2
Other	**-**	–
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**-**	3,485
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(582)**	(1,537)
Total revenues	**7,892**	10,521
Operating expenses[1]:		
Operations and maintenance	**4,514**	4,580
Net revenues	**$ 3,378**	$ 5,941
Aggregate debt service	**$ 766**	$ –
Debt service coverage[2][3]	**4.41x**	–

[1]Excludes depreciation.

[2]Net Revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

[3]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.

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Electric System and Water and Sewer System Fixed Rate Senior Bonds:
Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Electric System and Water and Sewer System Fixed Rate Subordinated Bonds:
Subordinated Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Electric System and Water and Sewer System Variable Rate Senior Bonds:
Bond Registrar, Paying Agent and Tender Agent
The Bank of New York Mellon Trust Company, N.A.*
Jacksonville, Florida

Electric System and Water and Sewer System Variable Rate Subordinated Bonds:
Subordinated Bond Registrar, Paying Agent and Tender Agent
The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

Electric System Commercial Paper Notes:
Issuing and Paying Agent
U.S. Bank National Association
New York, New York

St. Johns River Power Park System Bonds:
Trustee, Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Bulk Power Supply System Bonds:
Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

District Energy System Bonds:
Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Independent Auditors:
Ernst & Young, LLP
Jacksonville, Florida

Upon request to the office of the treasurer, quarterly and annual financial statements will be provided.

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** Except for the Water and Sewer System Variable Rate Senior Bonds, 2006 Series B, for which U.S. Bank National Association in Jacksonville, Florida is the Bond Registrar Paying Agent and Tender Agent*

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