



**JEA**  
**NOTICE REGARDING ANNUAL DISCLOSURE REPORT**

The attached Annual Disclosure Report for Water and Sewer System and District Energy System for Fiscal Year Ended September 30, 2023 (together with the Schedule and the Appendices attached thereto, the "Annual Disclosure Report") has been prepared and is being delivered by JEA in connection with its annual continuing disclosure obligations as an "obligated person" (as defined in Rule 15c2-12 promulgated by the U.S. Securities Exchange Commission under the Securities and Exchange Act of 1934, as amended), as set forth in the continuing disclosure undertakings relating to certain of its outstanding debt. The Annual Disclosure Report reflects updates to certain annual financial information and operating data of JEA reported as of September 30, 2023, except where expressly indicated otherwise, and there is no assurance that such information has not changed or will not change after such dates.

JEA annually prepares its audited financial statements and on December 22, 2023, JEA filed its audited financial statements for the fiscal years ended September 30, 2023 and 2022 (the "2023 Audited Financial Statements") on the Electronic Municipal Market Access system website operated by the Municipal Securities Rulemaking Board. The 2023 Audited Financial Statements are incorporated herein by reference thereto.

The Annual Disclosure Report is not, and nothing in it should be construed as, an offer, invitation or recommendation in respect of JEA's debt, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy any security or other financial instrument in any jurisdiction or to adopt any investment strategy. The matters discussed in the Annual Disclosure Report and all other documents issued by JEA are for informational purposes only, and holders of JEA's debt and/or other interested parties should not rely on such information as their sole source of information about matters related to JEA's debt or in making an investment decision with respect to JEA's debt or any other debt or securities which may be offered by JEA. Neither the Annual Disclosure Report nor anything in it shall form the basis of any contract or commitment. JEA makes no recommendations and gives no investment advice herein or as to any of JEA's debt or securities. In no event shall JEA be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, the information contained herein, and such information may not be relied upon in evaluating the merits of holding, purchasing, or selling any of JEA's securities. The information contained in the Annual Disclosure Report, including any forecast financial information, should not be considered as advice or a recommendation to holders and potential investors in relation to holding, purchasing, or selling securities. Before acting on any information holders and potential investors should consider the appropriateness of the information having regard to these matters, any relevant offer

document and in particular, holders and potential purchasers should seek independent financial and/or legal advice.

Certain of the information in the Annual Disclosure Report has been compiled from sources believed to be reliable, certain of which has not been independently verified. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions expressed herein.

The Annual Disclosure Report contains "forward-looking" statements that involve risks, uncertainties, and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, JEA cautions holders and potential purchasers not to place undue reliance on these statements. All statements other than the statements of historical fact could be deemed forward-looking and should not be considered a comprehensive representation of JEA's expected operational or financial performance. All opinions, estimates, projections, forecasts, and valuations are preliminary, indicative and are subject to change without notice.

The information in the Annual Disclosure Report is current as of the dates set forth therein and there may be events that have occurred or will occur subsequent to such dates that would have a material adverse effect on the operational or financial information that is presented therein. JEA has not undertaken any obligation to update any information in the Annual Disclosure Report. Any market prices, financial data and other information provided therein are not warranted as to completeness or accuracy and are subject to change without notice.

The Annual Disclosure Report is dated as of March 26, 2024.



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**ANNUAL DISCLOSURE REPORT  
FOR  
WATER AND SEWER SYSTEM AND DISTRICT ENERGY SYSTEM  
FOR  
FISCAL YEAR  
ENDED  
SEPTEMBER 30, 2023**

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

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**Filed on EMMA**

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**Dated as of  
March 26, 2024**

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**JEA**  
**225 NORTH PEARL STREET**  
**JACKSONVILLE, FLORIDA 32202**  
**(904) 665-7410**  
**(<http://www.jea.com>)**

**JEA OFFICIALS**

**BOARD OF DIRECTORS**

Chair  
Vice Chair  
Secretary

Robert L. Stein  
Martha T. Lanahan\*  
Gen. Joseph P. DiSalvo  
John D. Baker II  
Dr. A. Zachary Faison, Jr.  
Kawanza A. Humphrey  
Ricardo Morales III

**LEADERSHIP TEAM**

Managing Director and Chief Executive Officer  
Chief Operating Officer  
Chief Customer Officer  
Chief Human Resources Officer  
Chief Financial Officer  
Chief Legal Officer  
Chief External Affairs Officer

Joseph C. Stowe III  
Raynetta Curry Marshall  
Sheila E. Pressley  
L. David Emanuel  
Theodore B. Phillips  
Regina D. Ross  
Laura Marshall Schepis

Vice President, Financial Services

Joseph E. Orfano

**GENERAL COUNSEL**

Michael T. Fackler, Esq.  
General Counsel of the City of Jacksonville  
Jacksonville, Florida

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\* Vice Chair Lanahan has announced her intent to resign from the Board prior to the end of her current term once a successor has been approved by City Council.

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**ANNUAL DISCLOSURE REPORT  
FOR  
WATER AND SEWER SYSTEM AND DISTRICT ENERGY SYSTEM  
FOR  
FISCAL YEAR  
ENDED  
SEPTEMBER 30, 2023**

**INTRODUCTION**

**General**

This Annual Disclosure Report for Water and Sewer System and District Energy System for Fiscal Year Ended September 30, 2023 (together with the Schedule and the Appendices hereto, this "Annual Disclosure Report") has been prepared and is being filed by JEA in connection with its annual continuing disclosure obligations as an "obligated person" (as defined in Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC") promulgated under the Securities Exchange Act of 1934, as amended), as set forth in the continuing disclosure undertakings of JEA entered into pursuant to Rule 15c2-12 relating to those certain series of bonds more particularly identified in APPENDIX E attached hereto. Information in this Annual Disclosure Report is reported as of September 30, 2023, except where expressly indicated otherwise.

This Annual Disclosure Report is being filed with the Municipal Securities Rulemaking Board (the "MSRB"), through the MSRB's Electronic Municipal Market Access ("EMMA") website currently located at <https://emma.msrb.org/>.

Each of the hereinafter defined Electric System, Water and Sewer System and District Energy System is owned and operated by JEA separately. For information relating to JEA's Electric System, see the Annual Disclosure Report for Electric Utility System for Fiscal Year Ended September 30, 2023 (the "Electric Annual Disclosure Report"), which is available on EMMA. **The revenues of each system do not constitute revenues of the other systems, and, except as described under "WATER AND SEWER SYSTEM - FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM - Debt Relating to Water and Sewer System - Water and Sewer System Support of the District Energy System Bonds" herein, revenues of each system are not pledged to the payment of any debt issued or to be issued by JEA to finance and refinance the other systems.** JEA may, however, satisfy its annual obligation to transfer funds to the City of Jacksonville, Florida (the "City") with funds derived from any of its utilities systems. See "OTHER FINANCIAL INFORMATION - Transfers to the City" herein.

This Annual Disclosure Report contains information regarding JEA's Water and Sewer System and the District Energy System. For financing purposes and except as described under "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Debt Relating to Water and Sewer System - *Water and Sewer System Support of the District Energy System Bonds*" herein, the debt of JEA relating to the Water and Sewer System is payable from and secured by the revenues derived by the Water and Sewer System from the sale of water and the provision of sewer treatment and related services. The debt of JEA relating to the District Energy System is payable from and secured by the revenues derived from JEA's chilled water activities and any local district heating facilities JEA may develop in the future. **Accordingly, (a) except as described under "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Debt Relating to Water and Sewer System - *Water and Sewer System Support of the District Energy System Bonds*" herein, the information contained herein relating to the Water and Sewer System is not relevant to the Electric System Bonds, the Subordinated Electric System Bonds or the District Energy System Bonds and should not be taken into account in evaluating such debt; and (b) the information contained herein relating to the District Energy System is not relevant to the Electric System Bonds, Subordinated Electric System Bonds, Water and Sewer System Bonds or Subordinated Water and Sewer System Bonds and should not be taken into account in evaluating such debt.**

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

### **Miscellaneous; Forward-Looking Statements**

This Annual Disclosure Report is not, and nothing in it should be construed as, an offer, invitation or recommendation in respect of any of JEA's debt or securities, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy JEA's debt in any jurisdiction. The matters discussed in this Annual Disclosure Report and all other documents issued by JEA are for informational purposes only, and holders of JEA's debt, potential investors and/or other interested parties should not rely on such information as their sole source of information about matters related to JEA's debt or in making an investment decision with respect to JEA's existing debt or securities or any other debt or securities which may be offered by JEA. Neither this Annual Disclosure Report nor anything in it shall form the basis of any contract or commitment. By the filing of this Annual Disclosure Report, JEA makes no recommendations and is not giving any investment advice as to any of JEA's debt or securities. In no event shall JEA be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, the information contained in this Annual Disclosure

Report and such information may not be relied upon in evaluating the merits of holding, purchasing or selling any of JEA's debt or securities. The information contained in this Annual Disclosure Report, including any forecast financial information, if any, should not be considered as advice or a recommendation to holders and potential investors in relation to holding, purchasing or selling any such securities. Before acting on any information contained in Annual Disclosure Report, holders and potential investors should consider the appropriateness of the information having regard to these matters, any relevant offering document and in particular, holders and potential purchasers should seek independent financial and/or legal advice. Certain of the information in this Annual Disclosure Report has been compiled from sources believed to be reliable, certain of which has not been independently verified. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions contained or expressed in this Annual Disclosure Report.

This Annual Disclosure Report may contain "forward-looking" statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, JEA cautions holders and potential purchasers not to place undue reliance on these statements. All statements other than the statements of historical fact could be deemed forward-looking and should not be considered a comprehensive representation of JEA's expected operational or financial performance. All opinions, estimates, projections, forecasts and valuations are preliminary, indicative and are subject to change without notice. The information in this Annual Disclosure Report is current as of the dates set forth in this Annual Disclosure Report and there may be events that have occurred or will occur subsequent to such dates that would have a material adverse effect on the operational or financial information that is presented in this Annual Disclosure Report. JEA has not undertaken any obligation to update any information in this Annual Disclosure Report.

JEA's independent certified public accountants have not examined, compiled or otherwise applied procedures to this Annual Disclosure Report, including any forward-looking statements or financial forecasts presented in this Annual Disclosure, and, accordingly, do not express an opinion or any other form of assurance on the information in this Annual Disclosure Report, except where expressly indicated otherwise.

## **JEA Establishment and Organization**

JEA is a body politic and corporate organized and existing under the laws of the State of Florida (the "State") and is an independent agency of the City. The City is a consolidated city-county local government for Duval County, located in Northeast Florida. For information regarding the governing body of JEA (the "JEA Board"), see "INTRODUCTION - JEA Establishment and Organization" below. JEA (then known as Jacksonville Electric Authority) was established in 1968 to own and manage the electric utility which had been owned by the City since 1895 (the "Electric System"). In 1997, the Council of the City (the "Council") amended the Charter of the City (the "Charter") in order to authorize JEA to own and operate additional utility functions and, effective on June 1, 1997, the City transferred to JEA the City's combined water and sewer utilities system (the "Water and Sewer System"). Effective as of October 1, 2004, JEA established a separate utility system (the "District Energy System") for its local district energy facilities, including its chilled water activities and any local district heating facilities JEA may develop in

the future. JEA operates and maintains its records on the basis of a fiscal year ending on each September 30th (a "Fiscal Year").

The Charter assigns responsibility for the management of JEA's utility systems, including the Water and Sewer System, to the JEA Board. The JEA Board consists of seven members. The Council previously enacted an ordinance placing a referendum question on the November 3, 2020 general election ballot that asked the voters of the City to approve a change to the Charter that would require four members of the JEA Board be appointed by the Council president and three members be appointed by the Mayor of the City. In all cases the appointments would have to be confirmed by the Council. One of the Council president's appointments must be a former JEA employee or a person recommended by an employee, union or group of current or former JEA employees. The referendum item was supported by the majority of voters on November 3, 2020, and on December 8, 2020, the Council enacted an ordinance that codified these changes, among others, into the Charter. The members serve without pay for staggered terms of four years each, with a maximum of two consecutive full terms each.

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

<b>Member</b>	<b>Occupation</b>	<b>Term<sup>(1)</sup></b>
Robert L. Stein, <i>Chair</i>	President, The Regency Group, Inc.	April 16, 2020 – February 28, 2025 <sup>(2)</sup>
Martha T. Lanahan, <i>Vice-Chair</i>	Executive Vice President & Regional President, North Central Southwest Florida Region, First Horizon Bank	April 16, 2020 – February 28, 2027 <sup>(3)</sup>
Gen. Joseph P. DiSalvo, <i>Secretary</i>	Lieutenant General, U.S. Army (Retired)	April 16, 2020 – February 28, 2026 <sup>(4)</sup>
John D. Baker II	Executive Chairman & CEO, FRP Holdings, Inc.	April 16, 2020 – February 28, 2024
Dr. A. Zachary Faison, Jr.	President & CEO, Edward Waters College	April 16, 2020 – February 28, 2026 <sup>(4)</sup>
Kawanza A. Humphrey	Chief Human Resources Officer, VyStar Credit Union	August 24, 2023 – February 28, 2027 <sup>(5)</sup>
Ricardo 'Rick' Morales III	President & CEO, Morales Construction Co. Inc.	September 28, 2021 – February 28, 2024 <sup>(6)</sup>

<sup>(1)</sup> At the January 28, 2020 JEA Board meeting, the previous Chair of the JEA Board announced her resignation and following such meeting, Mayor Lenny Curry announced that all of the members of the JEA Board would be leaving their positions effective February 29, 2020. Accordingly, all seven of the then members of the JEA Board were subsequently appointed and all of their terms commenced on April 16, 2020.

<sup>(2)</sup> Mr. Stein was reappointed for a first full term commencing February 28, 2021.

<sup>(3)</sup> Ms. Lanahan was reappointed to a second full-term commencing February 28, 2023. Vice Chair Lanahan has announced her intent to resign from the Board prior to the end of her current term once a successor has been approved by City Council.

<sup>(4)</sup> General DiSalvo and Dr. Faison were each reappointed for a first full-term commencing February 28, 2022.

<sup>(5)</sup> Ms. Humphrey was appointed for a first full term commencing August 24, 2023, replacing Thomas Van Osdol, who resigned from the JEA Board effective May 19, 2023.

<sup>(6)</sup> Mr. Morales was appointed for a first full-term commencing September 28, 2021, replacing Dr. Leon L. Haley, Jr.

In addition, in accordance with the provisions of the interlocal agreement entered into between JEA and Nassau County, Florida ("Nassau County") in connection with JEA's acquisition of certain assets and franchises of a private water and sewer utility in Nassau County, Nassau County is entitled to appoint a non-voting representative to the JEA Board. The Nassau County representative is entitled to attend all JEA Board meetings and to participate in discussions concerning matters that affect the provision of water and sewer services within Nassau County. As of the date of this Annual Disclosure Report, Nassau County has not appointed its non-voting representative to the JEA Board.

The Charter authorizes JEA to construct, acquire (including acquisition by condemnation), establish, improve, extend, enlarge, maintain, repair, finance, manage, operate and promote its utilities systems (which consist of (a) the Electric System, (b) the Water and Sewer System, (c) the District Energy System and (d) any additional utilities systems which JEA may undertake in the future upon satisfaction of the conditions set forth in the Charter), and to furnish electricity, water, sanitary sewer service, natural gas and other utility services as authorized therein within and outside of the City and for said purposes to construct and maintain electric lines, pipelines, water

and sewer mains, natural gas lines and related facilities along all public highways and streets within and outside of the City. Should any additional utility system be undertaken by JEA in the future, such utility system may, at the option of JEA, constitute an additional utility function added to, and may become a part of, the Water and Sewer System or the District Energy System. See "SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER SYSTEM RESOLUTION - Certain Other Covenants - *Additional Utility Functions*" in APPENDIX B attached hereto. The Charter also confers upon JEA the power to sue, to enter into contracts, agreements and leases, and to sell revenue bonds to finance capital improvements and to refund previously issued evidences of indebtedness of JEA.

## **Management and Employees**

The Charter assigns responsibility for the management of JEA's utilities systems to the JEA Board. JEA employs a Managing Director and Chief Executive Officer as its chief executive officer. The Managing Director, executive officers, vice presidents, directors, managers, executive assistants and other appointed staff, numbering approximately 501 persons, form the management team (the "Management Team") and are not subject to the City's civil service system.

### ***Management***

Mr. Stowe assumed his responsibilities at JEA as Managing Director and Chief Executive Officer on November 30, 2020.

The following is information regarding the Managing Director and Chief Executive Officer of JEA and the leadership team.

***Joseph "Jay" C. Stowe III, Managing Director and Chief Executive Officer.*** Mr. Stowe was named JEA's Managing Director and Chief Executive Officer in November 2020 and has served in the not-for-profit utility sector.

For more than 30 years he has been focused on supporting a team of leaders to deliver on the mission of improving lives and building community – which he believes is critical to JEA's ability to best serve its customers in the Northeast Florida region.

Mr. Stowe served municipal utilities in direct roles and as a consultant. He served in a senior vice president role for the Tennessee Valley Authority ("TVA"). Prior to TVA, he spent more than a decade at Huntsville (Alabama) Utilities, where he served as VP of Operations and COO before becoming President and CEO. He also served two municipal utilities in North Carolina and started his career as a consultant for Black & Veatch.

Mr. Stowe serves as an American Public Power Association (APPA) representative on the national Electricity Subsector Coordinating Council (ESCC) and is currently the Co-chair of the group. He also serves as a board member and chair of The Energy Authority, and as a board member and chair of TEA Solutions. Mr. Stowe earned a bachelor's degree in civil engineering from North Carolina State University.



***Raynetta Curry Marshall, Chief Operating Officer.*** Ms. Marshall leads all utility operations as well as the electric and water teams that provide reliable, affordable, safe utility services to more than one million Northeast Florida residents.

With more than 35 years of experience in water resources and utility management, Ms. Marshall returned to JEA as chief operating officer (COO) in August 2021. She served as general manager of the Underground Utilities & Public Infrastructure Department (UU&PI) in Tallahassee, Florida, for two years. Prior to that, Ms. Marshall held several leadership roles at JEA's water/wastewater department from 2011 to 2019.

Ms. Marshall holds a master's degree in environmental engineering and a bachelor's degree in civil engineering from Howard University. She served on the boards of the Florida Municipal Power Association and the Association of Edison Illuminating Companies and previously served as president of the Florida Water Environment Association and as Chair of the Water Environment Federation Utility Management Committee.

***Sheila E. Pressley, Chief Customer Officer.*** Ms. Pressley was named JEA's Chief Customer Officer in February 2021. She is principally responsible for developing and implementing strategies to enhance the customer experience for JEA's 500,000 + customers. During her 20-year tenure at JEA, she has served as a member of senior leadership as the interim CCO, an executive with responsibility for AMI and AMR implementations, revenue cycle, and customer service operations.

Ms. Pressley is heavily engaged in community and civic endeavors. She serves as a JAX Chamber Trustee and on the board of directors for several nonprofit agencies including the American Red Cross, CX Innovation, and Leadership Jacksonville. She is a 2019 Leadership Jacksonville graduate and volunteers her time to support this longstanding leadership program. She also serves on the National Energy & Utility Affordability Coalition (NEUAC) board of directors, a nationwide organization that advocates for the energy needs of low-income households. Ms. Pressley studied Fine Arts at Florida State University and earned a Bachelor of Business Administration from the University of Phoenix.

***L. David Emanuel, Chief Human Resources Officer.*** Mr. Emanuel was named JEA's Chief Human Resources Officer in February 2021. He is responsible for the development and implementation of organizational re-design efforts, talent acquisition, succession planning, compensation plans, and team member engagement efforts critical to JEA's efficiency and productivity.

As a human resources executive with over 30 years of experience in a variety of sectors, Mr. Emanuel strives to help others navigate personnel and organizational matters in a thoughtful, progressive and meaningful manner. He has worked globally, while learning the value of diversity of cultures. He firmly believes that while rules, policies, standards, and expectations can differ, respect for the individual cannot.

Prior to joining JEA, Mr. Emanuel served in a number of senior leadership roles, most recently as Chief Human Resources Officer for APR Energy, a global organization responsible for designing, manufacturing, and operating emergency power sources to customers in 35 countries

internationally. He also worked as Senior Vice President of Global Human Resources for CIT, where he was responsible for business process redesign of all human resources in the corporate functional, operations and administration areas across its global footprint. Additionally, Mr. Emanuel was Vice President of Global Human Resources for Anschutz Entertainment Group (AEG) Worldwide, where he was head of the global human resources sports and entertainment business, encompassing sports teams, entertainment, content management, product development, and facility management for over 35 major venues around the world.

Mr. Emanuel is the Chair of the Dean's Council at the University of North Florida, Co-Chair of the Talent Advancement Network for the Jacksonville Chamber of Commerce, President of the Board of Directors at Angelwood, Board member at Level the Playing Field, and has been a speaker for the Minority Business Roundtable for over a decade. He earned a bachelor's degree in history from Wittenberg University.

**Theodore "Ted" B. Phillips, Chief Financial Officer.** Mr. Phillips joined JEA as its Chief Financial Officer in August 2021. In this role, his responsibilities include oversight of Financial Services, Treasury Services, Risk Management Services, Supply Chain, Corporate Security, Procurement, Emergency Preparedness and Business Continuity, Facilities and Fleet Services and Technical Services. He brings with him a wealth of experience leading finance teams for public utilities.

Prior to joining JEA, Mr. Phillips worked for 10 years with Huntsville (Ala.) Utilities, leading teams in Finance/Accounting, MIS, Technical Services, Purchasing, Stores & Warehouses, Fleet and Facilities. Previously, he spent 20 years in the public sector working for the cities of Shelby and Monroe, North Carolina, Mecklenburg County, North Carolina, and the State Auditor's office in Missouri.

Mr. Phillips received a Bachelor of Science in Business Administration from Southeast Missouri State University. He has been an active member in the communities he has called home, having served on the boards of the United Way and The Schools Foundation in Huntsville, and in various United Way campaign leadership positions. He currently serves as Treasurer of the Salvation Army of Northeast Florida Advisory Board. He has also been a longtime pack leader for the Boy Scouts of America.

**Laura Marshall Schepis, Chief External Affairs Officer.** Ms. Schepis was named JEA's Chief External Affairs Officer in September 2021. She leads teams responsible for government relations, media relations, communications and environmental services. In her appointed role, she also serves as the designated chief compliance officer for JEA.

For over two decades, Ms. Schepis has focused on improving outcomes for energy utilities and the customers and communities they serve. In leadership positions at the American Public Power Association, the Edison Electric Institute, and the National Rural Electric Cooperative Association, she directed advocacy, political, and communications campaigns on issues including energy efficiency, renewable resources, national security, telecommunications and climate change.

Ms. Schepis received her Juris Doctor degree from the University of Georgia School of Law and practiced civil and criminal law in Georgia before relocating to Washington, D.C. in

2000. She formerly chaired and now serves on the board of the National Energy Resources Organization. She also serves on the board of Downtown Vision, Inc. and the Greater Jacksonville Cultural Council.

### ***Employees***

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

As of October 1, 2023, JEA had 2,402 budgeted employee positions of which 750 were budgeted to the Water and Sewer System, six were budgeted to the District Energy System, and 1,646 were budgeted to the Electric System. Except for the Management Team and a minor number of contract employees, such employees have civil service status.

Approximately 1,650 employees are covered by five collective bargaining agreements. These employees are represented by the American Federation of State, County, and Municipal Employees ("AFSCME"), the International Brotherhood of Electrical Workers ("IBEW"), Local 2358 and the Northeast Florida Public Employees, Local 630, Laborers' International Union of North America ("LIUNA"), all of which are affiliated with the AFL-CIO, and by a professional employees' association (the "PEA," Professional Employees Association) and a supervisors' association (the "JSA," Jacksonville Supervisors Association) that have no AFL-CIO affiliation. JEA has collective bargaining agreements with all the collective bargaining agents, and all of the collective bargaining agreements have been ratified and approved by the legislative body, the Council, and are effective through September 30, 2025.

### ***Pension***

Despite pension reform, which shifted new employees to a defined contribution retirement plan beginning in October 2017, a substantial portion of JEA's employees participate in the City's General Employees Retirement Plan ("GERP"). Employees of the Power Park participate in a separate pension plan. See Note 12 to JEA's 2023 Financial Statements (as defined herein) attached hereto as APPENDIX A for a discussion of certain information on the City's plan. The Actuarial Valuation and Review as of October 1, 2021 for the City's GERP (the "2021 Actuarial Valuation Report") and the Actuarial Valuation and Review as of October 1, 2022 for the City's GERP (the "2022 Actuarial Valuation Report") are available for viewing and downloading from the City's website link: (<https://www.jacksonville.gov/departments/finance/retirement->

[system/gasb-and-plan-valuation-statements](#)) and selecting the October 1, 2021 Valuation or the October 1, 2022 Valuation, respectively, under "General Employees Retirement Plan."

For the five Fiscal Years ended September 30, 2018, 2019, 2020, 2021 and 2022, JEA contributed approximately \$35,459,523, \$34,352,000, \$38,050,000, \$40,401,000 and \$43,893,000 to the GERP, respectively. JEA's minimum required contribution to the GERP for the Fiscal Year ended September 30, 2023 was \$43,985,801 and is \$50,036,224 for the Fiscal Year ending September 30, 2024.

Preparation of the Actuarial Valuation as of October 1, 2023 for the City's GERP has not been completed as of the date of this Annual Disclosure Report. The following discussion is based on the 2022 Actuarial Valuation Report and the 2021 Actuarial Valuation Report, the latest two reports available.

JEA expects its annual contributions to the GERP will continue to grow in line with projections made when pension reform was enacted and the GERP was closed to new participants beginning October 1, 2017. JEA expects that its annual contributions to GERP will continue to be at lower levels in the near term than they would have been absent the pension reform primarily due to the recognition of a pension liability surtax beginning with Fiscal Year ended September 30, 2017 and then it expects its annual contributions to GERP to increase over the longer-term as a result of the expected increase in the GERP's unfunded actuarial accrued liability. JEA expects that the GERP's unfunded actuarial accrued liability and JEA's portion of that unfunded liability will continue to increase over the near term primarily due to a delay in receipt of the revenues from the pension liability surtax.

For the Fiscal Year ended September 30, 2022, the aggregate unfunded actuarial accrued liability for the GERP was \$1,573,517,914, which represented an increase of \$163,272,732 from an aggregate unfunded actuarial accrued liability for the GERP for the Fiscal Year ended September 30, 2021 of \$1,410,245,182. For the Fiscal Year ended September 30, 2021, the aggregate unfunded actuarial accrued liability for the GERP was \$1,410,245,182, which represented an increase of \$63,320,978 from an aggregate unfunded actuarial accrued liability for the GERP for the Fiscal Year ended September 30, 2020 of \$1,346,924,204. JEA was informed by the City that the actuary for the GERP calculated (a) JEA's allocated share of the unfunded actuarial accrued liability for the GERP reported for the Fiscal Year ended September 30, 2022 of \$743,411,868 (an increase of \$68,179,713 from JEA's allocated share for the Fiscal Year ended September 30, 2021) of the aggregate amount of \$1,573,517,914 and (b) JEA's allocated share of the unfunded actuarial accrued liability for the GERP reported for the Fiscal Year ended September 30, 2021 of \$675,232,155 (an increase of \$27,112,006 from JEA's allocated share for the Fiscal Year ended September 30, 2020) of the aggregate amount of \$1,410,245,182. The actuarial accrued liability is an estimate by the actuary for GERP of the present value of the amount of earned benefit payments that GERP will pay to retirees during retirement. The unfunded actuarial accrued liability represents the amount that the actuarial accrued liability exceeds assets in GERP available to pay those benefit payments. These figures are based on numerous assumptions, such as retirement age, mortality rates, and inflation rates, and use numerous methodologies all of which can cause the actual performance of the GERP to differ materially from the estimates of the actuary in any actuarial valuation. However, based on the current unfunded actuarial accrued liability of the GERP, JEA expects that its annual contributions to GERP will be increasing over the near

future to fund its portion of the unfunded amount. JEA does not expect that increases in its annual contributions to GERP over time will be material.

JEA also 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. JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees.

See Note 12, Note 13 and pages 113-119 of JEA's 2023 Financial Statements attached hereto as APPENDIX A for a discussion of the pension plans, "other post-employment benefit" plan and actuarial accrued liability.

### **Certain Demographic Information**

*The information provided in this section relates to the City and the Jacksonville Metropolitan Statistical Area (the "Jacksonville MSA"). The service areas for the Water System and the Sewer System do not encompass all of the City or the Jacksonville MSA. For additional information regarding the service areas for the Water System and the Sewer System, see "WATER AND SEWER SYSTEM - WATER AND SEWER SYSTEM FUNCTIONS - Area Served - Water System" and "- Sewer System" herein.*

Under Florida law, the City and Duval County are organized as a single, consolidated government. Based upon the 2020 United States Census, the consolidated City is the most populous city in the State. The City covers 840 square miles and is one of the largest cities in area in the United States.

The Jacksonville MSA is composed of Duval, Clay, Nassau, St. Johns and Baker Counties, an area covering 3,202 square miles. The U.S. Census Bureau estimates that the Jacksonville MSA had a population of 1,675,668 as of July 1, 2022. The Jacksonville MSA is currently the fourth most populous MSA in the State. The table below shows the population for the Jacksonville MSA.

<u>Year</u>	<u>Population</u> <u>Jacksonville MSA</u>
1990	906,727
2000 <sup>(1)</sup>	1,126,224
2010	1,348,967
2020	1,587,892
2021	1,637,666
2022	1,675,668

Source: United States Census Bureau.

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

The economy of the Jacksonville MSA contains significant elements of trade and services, transportation services, manufacturing, insurance and banking and tourism. The Port of Jacksonville is one of the largest ports on the South Atlantic seaboard and in terms of tonnage ranks third in the State. A number of insurance and banking companies maintain regional offices in the City. The tourism and recreational facilities in the City include an arena, a performing arts center, a convention center, EverBank Stadium (the home field of the National Football League's

Jacksonville Jaguars), a baseball park, numerous golf courses and resorts and various recreational facilities at the beaches. Two large United States Navy bases are located in the City.

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The table below sets forth the annual, not seasonally adjusted, labor force, employment and unemployment figures for the Jacksonville MSA and comparative unemployment figures for the State and the United States for calendar years 2013 through 2022.

<u>Year</u>	<u>Jacksonville MSA Labor Force</u>			<u>Unemployment Rate (%)</u>	
	<u>Civilian</u>	<u>Employment</u>	<u>Unemployment Rate (%)</u>	<u>Florida</u>	<u>U.S.</u>
2013	707,489	655,861	7.3	7.5	7.4
2014	714,795	668,958	6.4	6.4	6.2
2015	722,937	683,745	5.4	5.5	5.3
2016	738,827	704,144	4.7	4.9	4.9
2017	757,108	721,215	4.1	4.3	4.4
2018	766,719	739,813	3.5	3.6	3.9
2019	779,889	754,917	3.2	3.2	3.7
2020	777,024	725,930	6.6	8.1	8.1
2021	800,061	767,454	4.1	4.6	5.3
2022	832,239	808,776	2.8	2.9	3.6

Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics database <https://www.bls.gov/lau/data.htm> (for Jacksonville MSA and Florida annual data) and Current Population Survey database <https://www.bls.gov/cps/cpsaat01.htm> (for U.S. annual data). Annual data are not seasonally adjusted.

The table below shows the preliminary estimated average non-agricultural wage and salary employment by sector for the Jacksonville MSA for the 12 months ended September 2023.

	<u>Number of Employees</u>	<u>Percent of Distribution</u>
Trade, Transportation and Utilities	171,700	21.5%
Professional and Business Services	130,400	16.3
Education and Health Services	121,600	15.2
Leisure and Hospitality	91,400	11.5
Government	78,600	9.9
Finance	76,000	9.5
Construction	51,500	6.5
Other Services <sup>(1)</sup>	41,000	5.1
Manufacturing	36,100	4.5
Total Non-Agricultural Employment (Except Domestics, Self-Employed and Unpaid Family Workers)	798,300	100.0%

Source: Bureau of Labor Statistics Current Employment Statistics database, extracted from <https://www.bls.gov/data/#employment> at <https://www.floridajobs.org/workforce-statistics/data-center/statistical-programs/current-employment-statistics>.

<sup>(1)</sup> Consists of other services, information and natural resources and mining.

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

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Approximate No. of Employees</u>
Amazon	E-commerce Fulfillment	16,000
Baptist Health System	Healthcare	12,000
Mayo Clinic	Healthcare	8,450
Bank of America / Merrill Lynch	Banking	8,000
UF Health Jacksonville	Healthcare	6,600
Florida Blue	Health Insurance	5,700
Southeastern Grocers	Supermarkets	5,700
Ascension St. Vincent's Healthcare	Healthcare	5,050
UPS	Worldwide Parcel Delivery	4,500
Citibank	Banking	4,000

Source: Jacksonville Regional Chamber of Commerce Research Department.

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

<u>Name of Employer</u>	<u>Type of Entity/Activity</u>	<u>Approximate No. of Employees</u>
Naval Air Station, Jacksonville	United States Navy	20,000
Duval County Public Schools	Public Education	11,172 <sup>(1)</sup>
Naval Air Station, Mayport	United States Navy	10,030
City of Jacksonville	Municipal Government	7,868 <sup>(2)</sup>
St. Johns County School District	Public Education	6,299 <sup>(3)</sup>
Fleet Readiness Center	Maintenance / Repair Overhaul	5,350
Clay County School Board	Public Education	4,960
United States Postal Service	United States Government	3,800

Source: Jacksonville Regional Chamber of Commerce Research Department.

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

(2) City of Jacksonville Annual Budget 2023-24 (<https://www.coj.net/departments/finance/docs/budget/fy-2023-2024-budget-summary.aspx>).

(3) St. Johns County School District website, full- and part-time staff (<http://www.stjohns.k12.fl.us/about/>).

## **Indebtedness of JEA**

The indebtedness of JEA relating to its Water and Sewer System as of the date of this Annual Disclosure Report consists of Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds (as such terms are hereinafter defined) and borrowings under the Revolving Credit Facility for the account of the Water and Sewer System. See "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Debt Relating to Water and Sewer System" herein. The indebtedness of JEA relating to the District Energy System currently consists of District Energy System Bonds (as such term is hereinafter defined) and borrowings outstanding under the Revolving Credit Facility for the account of the District Energy System. See "DISTRICT ENERGY SYSTEM - *FINANCIAL INFORMATION RELATING TO DISTRICT ENERGY SYSTEM* - Debt Relating to the District Energy System" herein. For information regarding the Revolving Credit Facility, see "OTHER FINANCIAL INFORMATION - Revolving Credit Facility" herein. As described under "INTRODUCTION - General" herein, and except as described under "WATER AND SEWER



SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Debt Relating to Water and Sewer System - *Water and Sewer System Support of the District Energy System Bonds*" herein, the debt of JEA relating to its Electric System, the debt of JEA relating to the Water and Sewer System and the debt of JEA relating to the District Energy System are payable from and secured by separate revenue sources. Accordingly, (a) except as described under "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Debt Relating to Water and Sewer System - *Water and Sewer System Support of the District Energy System Bonds*" herein, the information contained in this Annual Disclosure Report relating to JEA's Water and Sewer System is not relevant to the Electric System Bonds (as described in the Electric Annual Disclosure Report), the Subordinated Electric System Bonds (as described in the Electric Annual Disclosure Report), Power Park Issue Three Bonds (as described in the Electric Annual Disclosure Report), Additional Bulk Power Supply System Bonds (as described in the Electric Annual Disclosure Report) or the District Energy System Bonds and should not be taken into account in evaluating such debt; and (b) the information contained in this Annual Disclosure Report relating to the District Energy System is not relevant to the Electric System Bonds, the Subordinated Electric System Bonds, the Power Park Issue Three Bonds, the Additional Bulk Power Supply System Bonds, the Water and Sewer System Bonds or the Subordinated Water and Sewer System Bonds.

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

For a detailed description of the outstanding debt of JEA as of September 30, 2023, see Note 8 to the JEA's 2023 Financial Statements attached hereto as APPENDIX A.

## **Strategic Planning**

JEA's strategic planning efforts are guided by its values:

1. Safety – Putting the physical and emotional wellbeing of people first, both at and away from work,
2. Respect – Treating others with courtesy and respect, seeking diverse perspectives and helping to bring out the best in everyone, and
3. Integrity – Placing the highest standard on ethics and personal responsibility, worthy of the trust its customers and colleagues place in it.

With these values in mind, JEA's strategic efforts are centered around three strategic focus areas:

1. Developing an Unbeatable Team – because knowing employees that are treated well will treat JEA customers well,
2. Delivering Business Excellence – because JEA and its employees are serious about serving as good stewards of the resources its customers rely on, and

3. Earning Customer Loyalty – because JEA's customers count on it to deliver affordable, reliable services.

To execute on the strategic focus areas, JEA has laid out its strategic objectives:

1. Fostering an Exceptional Work Culture
  - Employee engagement
  - Diversity, equity and inclusion
  - Employee development
2. Deepening Customer and Community Engagement
  - Reasonable rates
  - Sound business decisions
  - Economic development
  - Customer solutions
  - Stakeholder relationships
  - Environmental stewardship
3. Planning for the Future
  - Long-term workforce plan
  - New business opportunities
  - Enterprise planning
  - Resilient & reliable infrastructure
  - Grid modernization
4. Making Doing Business with JEA Easy
  - Technology, Tools & Data
  - Governance & Policy

While JEA's mission, vision, and values generally do not change, the strategic objectives, particularly the objectives within each focus area, will continue to evolve as JEA works to serve northeast Florida. These strategic focus areas and objectives will guide the development and/or refinement of JEA's plans, programs, and targets to meet its mission of improving lives and building community to be the best utility in the nation.

## **WATER AND SEWER SYSTEM**

### ***WATER AND SEWER SYSTEM FUNCTIONS***

#### **General**

The Water and Sewer System consists of (a) facilities for the provision of potable water (hereinafter referred to as the "Water System"), (b) facilities for the collection and treatment of wastewater (hereinafter referred to as the "Sewer System") and (c) facilities for the treatment and distribution of reclaimed water (herein referred to as the "Reclaimed Water System"). The Water

and Sewer System provides water and sewer service within the urban and suburban areas of the City, other than certain excluded areas described below.

The Water and Sewer System's service territory extends into St. Johns County, which is southeast of the City, and Nassau County, which is north of the City, and also serves a number of customers in Clay County, which is southwest of the City. It is JEA's policy to serve any customer requesting service within its urban and suburban service area. Investor-owned utilities must file a petition with the Public Service Commission in order to provide water or wastewater service within the City, and JEA would object to any petition for expansion of investor-owned utility service areas unless it otherwise determines that it would be in JEA's interest not to do so.

The Water System, which served an average of 391,859 customer accounts and 425,764 reuse water customers, respectively, in the Fiscal Year ended September 30, 2023, currently is composed of 39 water treatment plants and two repump facilities, 139 active water supply wells, approximately 5,112 miles of water distribution mains and water storage capacity of 84 million gallons (including the repump facilities). The overall peak capacity of the Water System is approximately 324 million gallons per day ("mgd"), and the Water System experienced an average daily flow of approximately 126 mgd and a maximum daily flow of approximately 163 mgd during the Fiscal Year ended September 30, 2023. Water supply is from the Floridan Aquifer, one of the most productive aquifers in the world, which provides high quality water. Total Water System sales revenues (including water capacity fees) during the Fiscal Year ended September 30, 2023 were approximately \$236,417,000 (see "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Schedules of Debt Service Coverage" herein).

The Sewer System, which served an average of 311,873 customer accounts in the Fiscal Year ended September 30, 2023, currently is composed of 11 wastewater treatment plants that have a rated average daily treatment capacity of approximately 124 mgd and a maximum daily flow capacity of approximately 248 mgd, approximately 1,616 pumping stations, five vacuum stations, 765 low pressure sewer units and approximately 4,402 miles of gravity sewers and force mains. The Sewer System experienced an average daily flow of approximately 82 mgd and a non-coincident maximum daily flow of approximately 121 mgd during the Fiscal Year ended September 30, 2023. Total Sewer System sales revenues (including sewer capacity fees) during the Fiscal Year ended September 30, 2023 were approximately \$321,332,000 (see "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Schedules of Debt Service Coverage" herein).

Since the transfer of the Water and Sewer System from the City to JEA in 1997, JEA has acquired the assets and customers of seven privately-owned water and sewer companies and one governmentally owned water and sewer utility. From time to time, JEA may explore other potential acquisition opportunities but presently has no plans to do so.

## **Interlocal Agreements**

### *St. Johns County*

In July 1999, JEA entered into an interlocal agreement (the "1999 Interlocal Agreement") with St. Johns County in connection with JEA's acquisition of JCP Utility Company, a standalone water and wastewater utility located wholly within St. Johns County. The effective term of the 1999 Interlocal Agreement is 30 years, subject to two successive five-year terms upon mutual consent of the parties. The 1999 Interlocal Agreement was subsequently amended in 2001 (the "First Addendum"), in 2003 (the "Second Addendum"), and in 2013 (the "Third Addendum").

Pursuant to the First Addendum, the 1999 Interlocal Agreement was amended to include JEA's acquisition of the entire utility system of United Water Florida, Inc., which included those portions of United Water Florida's water and wastewater operations located within St. Johns County (the "2001 Amendment"). In connection with the First Addendum, JEA made an up-front payment in December 2001 to St. Johns County in the amount of the net present value of five percent of JEA's projected gross revenues from the retail sale of water and wastewater (excluding reclaimed water) which JEA expected to realize in providing such services for the next 10 years in St. Johns County, calculated to be \$3,616,576.

Under the terms of the 1999 Interlocal Agreement, as amended, subsequent utilities were purchased and St. Johns County granted JEA the right to: (a) provide water and wastewater service to those customers in an acquired franchise area within St. Johns County, (b) provide water and wastewater service to additional areas in St. Johns County not currently served by either the St. Johns County Water and Sewer Department or other water and wastewater utilities and (c) acquire, in JEA's sole discretion, other private utilities in northern St. Johns County.

In accordance with the 1999 Interlocal Agreement, as amended, at the end of each 10-year anniversary of this 30-year interlocal agreement with St. Johns County, JEA will calculate a "true-up" to adjust for the net present value of the actual retail revenues realized if the revenues exceed the projected revenues during the 10-year period. Additionally, after the 10-year and 20-year anniversaries of the 1999 Interlocal Agreement, as amended, JEA agrees to pay St. Johns County the net present value of five percent of the projected water and wastewater retail revenues that JEA expects to receive for the ensuing 10-year period. Based on this methodology, JEA paid St. Johns County \$12,176,152 on January 11, 2012, for both components related to the first 10-year anniversary. St. Johns County disputed JEA's methodology for computing the true-up payment related to the first 10-year anniversary. The parties entered into mediation and settled the dispute by executing the Third Addendum, which provides that future payments will be made on an annual basis.

In accordance with the 1999 Interlocal Agreement, as amended, St. Johns County is granted a purchase option with regard to JEA facilities in St. Johns County. In September 2019, as part of its since-canceled privatization initiative, JEA provided notice to St. Johns County of its intent to enter into negotiations for purchase of the St. Johns County facilities, as provided in the 1999 Interlocal Agreement, as amended. Following cancellation of the privatization initiative, JEA determined that St. Johns County's purchase option was not triggered. Accordingly, the 1999 Interlocal Agreement, as amended, remains in effect subject to the same terms and conditions prior to the September 2019 notice provided by JEA.

Nassau County

In December 2001, JEA entered into an interlocal agreement (the "2001 Interlocal Agreement") with Nassau County in connection with JEA's acquisition of the entire utility system of United Water Florida, Inc., including those portions of United Water Florida's water and wastewater facilities located within Nassau County. The effective term of the 2001 Interlocal Agreement is 30 years, subject to two successive five-year terms upon mutual consent of the parties. The 2001 Interlocal Agreement was subsequently amended in October 2022 (the "First Amendment").

In accordance with the 2001 Interlocal Agreement, JEA made an up-front payment in December 2001 to Nassau County in the amount of the net present value of five percent of JEA's projected gross revenues from the sale of water and wastewater (excluding reclaimed water) which JEA expected to realize in providing such services for the next 10 years in Nassau County, calculated to be \$720,000.

Under the terms of the 2001 Interlocal Agreement, Nassau County granted JEA the right to: (a) provide water and wastewater service to those customers in an acquired franchise area within Nassau County and (b) provide water and wastewater service to additional areas in Nassau County not currently served by either Nassau County or other water and wastewater utilities. The 2001 Interlocal Agreement further provided that, at the end of each 10-year anniversary of the 2001 Interlocal Agreement with Nassau County, JEA will calculate a "true-up" based on the actual revenues realized during the 10-year period. If the revenues exceed the projected amount, JEA will pay Nassau County the amount that would have been due based on actual revenues. Additionally, after the 10-year and 20-year anniversaries of the 2001 Interlocal Agreement, JEA agrees to pay Nassau County the net present value of five percent of the projected water and wastewater retail revenues that JEA expects to receive for the ensuing 10-year period. Based on this methodology, JEA paid Nassau County \$3,480,556 on January 11, 2012, for both components related to the first 10-year anniversary. On October 10, 2022, the parties executed the First Amendment, which provides that future payments will be made on an annual basis.

In accordance with the 2001 Interlocal Agreement, Nassau County is granted a purchase option with regard to JEA facilities in Nassau County. The 2001 Interlocal Agreement provides Nassau County 90 days from receipt of written notice from JEA within which to enter into negotiations for purchase of the Nassau County facilities. In September 2019, as part of its since-canceled privatization initiative, JEA provided notice to Nassau County of its intent to enter into negotiations for purchase of the Nassau facilities, as provided in the 2001 Interlocal Agreement. Following cancellation of the privatization initiative, JEA determined that the Nassau County purchase option was not triggered. Accordingly, the 2001 Interlocal Agreement, as amended, remains in effect subject to the same terms and conditions prior to the September 2019 notice provided by JEA.

## **Area Served**

### ***Water System***

The service territory of the Water System includes (a) virtually the entire City, other than the beach communities (Jacksonville Beach, Atlantic Beach and Neptune Beach), the Town of Baldwin, the active United States Navy facilities located within the City and those areas served by

a community-owned water and wastewater utility that is not subject to jurisdiction of the Florida Public Service Commission ("PSC") and one investor-owned water utility and one investor-owned sewer utility that provide service within certificated territories under jurisdiction of the PSC, (b) approximately 143 square miles in St. Johns County and (c) approximately 620 square miles in Nassau County. In addition, the Water System serves a small number of customers in Clay County.

The Water System provides service in an area currently comprising approximately 497 square miles in Duval County, approximately 95 square miles in St. Johns County, approximately 77 square miles in Nassau County and approximately four-square miles in Clay County. In the remaining areas of the Water System's service territory not currently served by the Water System, other cities, the Navy, the community-owned utility or investor-owned utility, water service is provided through privately owned and operated wells.

Customers of the Water System are charged for water service based upon customer classification (residential, commercial or multi-family). Charges within each classification vary based upon meter size and monthly consumption.

### ***Sewer System***

The service territory for the Sewer System is essentially the same as that for the Water System. However, only approximately 40 percent of the service territory is currently served. In the remaining areas of the Sewer System's service territory not currently served by the Sewer System, other cities, the Navy, the community-owned utility or the investor-owned utility, wastewater service is provided through privately owned and operated septic tanks.

Customers of the Sewer System are charged for sewer service based upon customer classification (residential, commercial or multi-family). Charges within each classification vary and are based upon meter size and monthly flow. The Sewer System provides wholesale bulk sewer service to the investor-owned utility mentioned above.

## **Existing Facilities**

### ***Water System***

The Water System consists of 28 major and 11 small water treatment plants and two repump facilities and is divided into two major distribution grids: the north grid and the south grid (one on each side of the St. Johns River), and includes four minor distribution grids: Ponte Vedra, Ponce de Leon, Mayport and Nassau County. The major distribution grids are fully interconnected, which provides the Water System with a high degree of redundancy. The purpose of such interconnectivity is to provide sufficient water capacity at the least cost which meets JEA's desired level of customer service requirements and complies with water quality criteria while avoiding adverse impacts on the Floridan Aquifer. The Water System has 139 active wells supplying the various water plants. Each plant consists of wells, aerators, ground storage tanks, water quality treatment and pH monitoring and chlorination facilities. Control is by computer with regular operator oversight. The rated maximum daily treatment capacity of the Water System is approximately 305 mgd for the north and south grids together and 324 mgd for the total Water System, taking into consideration maintenance factors. Treatment at the water plants currently

consists of aeration and detention to oxidize hydrogen sulfide. The addition of sodium hypochlorite provides disinfection and prevents biological growth in the water distribution system. JEA also uses packed tower forced draft aeration and ozone to treat hydrogen sulfide at several facilities.

The following table shows the daily average and maximum flow capacities for the Fiscal Years ended September 30, 2019 through 2023.

<b>Fiscal Year Ended September 30,</b>	<b>Average Daily Flow (mgd)</b>	<b>Maximum Daily Flow (Non-Coincident) (mgd)</b>
2019	117	173
2020	118	170
2021	117	174
2022	124	171
2023	126	163

The following table shows the rated maximum daily treatment capacity during the Fiscal Year ended September 30, 2023 for each distribution grid.

<b>Grid</b>	<b>Maximum Daily Treatment Capacity (mgd)</b>
North grid	116
South grid	194
Other	14
Total	324

The water distribution system consists of approximately 5,112 miles of water distribution mains ranging from two to 36 inches in diameter. The water distribution mains are made of various materials, including polyvinyl chloride ("PVC"), galvanized steel, ductile iron, cast iron and asbestos cement. The majority of the water distribution mains are made of PVC, with less than one percent of the water distribution system being composed of asbestos cement pipe. Water quality monitoring in the areas containing asbestos cement pipe has shown all areas to be within the United States Environmental Protection Agency (the "EPA") and the Florida Department of Environmental Protection ("FDEP") regulatory limits. The asbestos cement pipe has been in service for several decades, and JEA anticipates removal of this pipe from the Water System through routine replacement of aging water mains. Virtually all new water system distribution mains are constructed of PVC.

Total finished water storage capacity of the Water System is 84 million gallons. All water storage facilities are located at the various water treatment plants, including two repump facilities. The Water System does not utilize elevated storage tanks.

Water supply is from the Floridan Aquifer, one of the most productive aquifers in the world, with high quality water. The Floridan Aquifer covers most of Florida and parts of Georgia and South Carolina. The Floridan Aquifer should be capable of meeting JEA's needs well into the future; provided that JEA continues its three-part program and well water quality program described under "Regulation - Public Water Supply System" below. Some capital expenditures are required to maintain this capacity, but these expenditures are expected to be equal to or less than those experienced by other Florida water systems of similar size and with similar water

supply. As of the date of this Annual Disclosure Report, water quality monitoring of JEA well fields has not detected the presence of any man-made compounds at actionable levels, and water quality impacts are limited to selected wells on the south grid from localized upwelling of trapped water from deep fissures - not the result of lateral salt water intrusion. JEA is the largest single user of water from the Floridan Aquifer in Duval County. Other major users include the paper industry and investor-owned utilities. JEA currently operates the water systems and water plants under one potable Consumptive Use of Water Permit ("CUP"). JEA expects that current permitted withdrawal allocations (2011-2031) should be sufficient to satisfy customer demands through CUP expiration in 2031, assuming average weather conditions. JEA expects that customer demands through CUP expiration in 2031, assuming average weather conditions. JEA expects that customer demands will exceed current permitted withdrawal allocations (2011-2031) during the latter part of the 2021-2041 planning period. JEA is currently implementing conservation measures through the Demand Side Management program and developing alternative water supplies to offset the shortfall.

### *Sewer System*

The Sewer System consists of approximately 4,402 miles of gravity sewers and force mains. The gravity sewers range from six to 84 inches in diameter and the force mains range from three to 54 inches in diameter. Approximately 72 percent of the gravity sewers and force mains are made of PVC, with the remaining sewers and mains consisting of various materials including, among others, concrete, vitrified clay, ductile iron, cast iron and polyethylene. Virtually all new sewer system gravity sewers and force mains are constructed of PVC, and the majority of sewer system rehabilitation (using pipe bursting technology) is constructed of high-density polyethylene.

The Sewer System has approximately 1,616 pumping stations, five vacuum stations, 765 low pressure sewer units and 11 treatment plants ranging in rated average daily treatment capacity from 0.2 to 52.5 mgd. Each of the treatment plants provides a minimum of secondary treatment with biological nutrient removal utilized at the major treatment plants. All sludge from the treatment plants is pumped or trucked to either permitted land application sites or a JEA-owned biosolids processing facility for anaerobic digestion, centrifuge dewatering and palletization in preparation for beneficial use. Current sludge production averages approximately 40 dry tons per day ("dt/day"). The Residuals Management Facility ("RMF") is permitted at an annual capacity of 20,290 dry tons per year (64.1 dry tons per day). The RMF produces a usable product (fertilizer) from the sludge. Design of a new biosolids processing facility is underway, which will include solids thickening, dewatering, and cake loadout facilities in a new building. JEA also plans to replace the dryer with new dryers in a new building in Fiscal Year 2028.

The following table shows the average and maximum daily wastewater treatment flows and the rated average and maximum daily wastewater treatment capacities during the Fiscal Year ended September 30, 2023 for each of JEA's wastewater treatment plants.



<b>Wastewater Treatment Plant</b>	<b>Average Daily Flow (mgd) Fiscal Year Ended September 30, 2023</b>	<b>Maximum Daily Flow (Non-Coincident) (mgd) Fiscal Year Ended September 30, 2023</b>	<b>Rated Average Daily Treatment Capacity (mgd)<sup>(1)</sup></b>	<b>Rated Maximum Daily Treatment Capacity (mgd)<sup>(1)</sup></b>
Buckman	25.41	44.03	52.50	105.00
District 2	5.68	7.05	10.00	20.00
Southwest	11.81	18.79	14.00	28.00
Arlington East	19.85	24.07	25.00	50.00
Mandarin	7.14	10.42	8.75	17.50
Julington Creek Plantation	.91	1.21	1.00	2.00
Blacks Ford	5.98	8.81	6.00	12.00
Nassau	1.81	2.45	2.00	4.00
Monterey	2.31	2.75	3.60	7.20
Ponte Vedra	0.68	1.29	0.80	1.60
Ponce De Leon	<u>0.08</u>	<u>0.81</u>	<u>0.24</u>	<u>0.48</u>
Total	<u>81.65</u>	<u>121.68</u>	<u>123.89</u>	<u>247.78</u>

<sup>(1)</sup> Since the rated maximum daily treatment capacity of each wastewater treatment plant is approximately twice the rated average daily treatment capacity, the Sewer System is able to accept and handle surges that come with peak usage periods (morning and evening) and heavy rains. On-going system maintenance and improvements are aimed at continuing to decrease peak surges from heavy rains and infiltration into the collection system (*i.e.*, storm water and/or ground water that enters the sewer system through cracks or openings in the collection system) and inflow (*i.e.*, water that enters the sewer system through illegal or unpermitted piped connections to the collection system).

Five of the regional wastewater treatment plants (Buckman, District 2, Southwest, Arlington East and Mandarin) provide advanced secondary treatment and two of the regional wastewater treatment plants (Blacks Ford and Nassau) provide advanced waste treatment. The Buckman, District 2, Southwest, Arlington East, Mandarin and Blacks Ford wastewater treatment plants utilize ultraviolet light disinfection (irradiation of the water), and the Julington Creek Plantation plant utilizes chlorination for disinfection and SO<sub>2</sub> for dechlorination prior to discharge to the St. Johns River. Design is underway to expand treatment capacity at Blacks Ford to 12.0 mgd. Construction is underway to expand treatment capacity at Southwest and Nassau to 16.0 mgd and 3.5 mgd respectively, in addition to a new Greenland wastewater treatment plant (4.0 mgd) to be located in the Southeast corner of Duval County.

Although effluent disposal currently is predominately surface water discharge, JEA initiated implementation of a reclaimed water reuse program in 1999 with its acquisition of the assets and customers of an investor-owned water and wastewater utility which had an existing program for reuse of reclaimed water by customers. JEA has established an expanding program to substantially increase water reclamation systems in Nassau, Duval and St. Johns Counties. JEA is actively developing additional reclaimed water capacity. Reclaimed water capacity (in mgd) as of September 30, 2023 is provided in the table below.

<u>Facility</u>	<u>Capacity (mgd)</u>
Arlington East (Public Access)	8.00
Mandarin (Public Access)	8.75
Blacks Ford (Public Access)	6.00
Julington Creek Plantation (Public Access)	1.00
Ponte Vedra (Public Access)	0.80
Nassau (Public Access)	2.00
Buckman (Non-Public Access)	7.70
District 2 (Non-Public Access)	6.00
Southwest (Non-Public Access)	0.80
Ponce De Leon (Non-Public Access)	0.24
Total	<u>41.29</u>

## Customers and Sales

### *Water System*

During the Fiscal Year ended September 30, 2023, the Water System served an average of 391,859 customer accounts and 25,764 reuse water customers, respectively. Water System revenues, including revenues from environmental charges, sales of water, expressed in 1,000 gallons ("kgal") and the average number of Water System customer accounts, all by customer classification, for the Fiscal Year ended September 30, 2019 through 2023 are shown in the following table.

	<u>Fiscal Year Ended September 30</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Water Revenues</b>					
Residential	\$107,920	\$105,065	\$100,361	\$100,316	\$ 96,699
Commercial and Industrial	49,970	49,302	47,429	47,011	47,619
Irrigation	<u>34,291</u>	<u>34,510</u>	<u>31,666</u>	<u>35,030</u>	<u>34,800</u>
Subtotal	\$192,181	\$188,877	\$179,456	\$182,357	\$179,118
Reuse Water	<u>26,150</u>	<u>25,260</u>	<u>20,644</u>	<u>21,097</u>	<u>17,909</u>
TOTAL	<u>\$218,331</u>	<u>\$214,137</u>	<u>\$200,100</u>	<u>\$203,454</u>	<u>\$197,027</u>
<b>Water Sales (kgals):</b>					
Residential	19,632,070	19,168,978	18,448,336	18,839,990	17,921,588
Commercial and Industrial	14,423,321	14,321,083	13,675,041	13,540,631	13,958,000
Irrigation	<u>5,678,470</u>	<u>5,718,816</u>	<u>5,057,191</u>	<u>5,891,176</u>	<u>5,816,484</u>
Subtotal	39,733,861	39,208,877	37,180,568	38,271,797	37,696,072
Reuse Water	<u>5,277,237</u>	<u>5,166,479</u>	<u>4,463,047</u>	<u>4,426,905</u>	<u>3,884,210</u>
TOTAL	<u>45,011,098</u>	<u>44,375,356</u>	<u>41,643,615</u>	<u>42,698,702</u>	<u>41,580,282</u>
<b>Average Number of Accounts:</b>					
Residential	326,119	318,284	308,626	299,872	292,460
Commercial and Industrial	27,265	26,939	26,518	26,190	25,963
Irrigation	<u>38,475</u>	<u>38,258</u>	<u>37,931</u>	<u>37,535</u>	<u>37,212</u>
Subtotal	391,859	383,481	373,075	363,597	355,635
Reuse Water	<u>25,764</u>	<u>22,634</u>	<u>19,704</u>	<u>17,031</u>	<u>14,267</u>
TOTAL	<u>417,623</u>	<u>406,115</u>	<u>392,779</u>	<u>380,628</u>	<u>369,902</u>

Source: JEA.

## *Sewer System*

During the Fiscal Year ended September 30, 2023, the Sewer System served an average of 311,873 customer accounts. Sewer System revenues, including revenues from environmental charges, volume of wastewater treatment billed and the average number of Sewer System customer accounts, all by customer classification, for the Fiscal Years ended September 30, 2019 through 2023 are shown in the following table.

	<b>Fiscal Year Ended September 30</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Sewer Revenues (000's omitted):</b>					
Residential	\$162,512	\$157,706	\$152,684	\$151,893	\$146,186
Commercial and Industrial	<u>114,093</u>	<u>114,448</u>	<u>111,255</u>	<u>109,682</u>	<u>110,724</u>
TOTAL	<u>\$276,605</u>	<u>\$272,154</u>	<u>\$263,939</u>	<u>\$261,575</u>	<u>\$256,910</u>
<b>Volume (kgals):</b>					
Residential	17,295,189	16,816,302	16,148,759	16,405,359	15,717,129
Commercial and Industrial	<u>12,371,643</u>	<u>12,436,566</u>	<u>11,990,765</u>	<u>11,754,843</u>	<u>12,009,667</u>
TOTAL	<u>29,666,832</u>	<u>29,252,868</u>	<u>28,139,524</u>	<u>28,160,202</u>	<u>27,726,796</u>
<b>Average Number of Accounts:</b>					
Residential	292,490	284,401	275,022	266,460	259,308
Commercial and Industrial	<u>19,383</u>	<u>19,149</u>	<u>18,848</u>	<u>18,644</u>	<u>18,507</u>
TOTAL	<u>311,873</u>	<u>303,550</u>	<u>293,870</u>	<u>285,104</u>	<u>277,815</u>

Source: JEA.

## **Largest Customers**

### *Water System*

The 10 highest consumption customers served by the Water System composed 6.4 percent of total Water System consumption during the Fiscal Year ended September 30, 2023. The following table sets forth the 10 highest consumption customers, by kgal, during the Fiscal Year ended September 30, 2023.

<b><u>Customer Account</u></b>	<b><u>Annual Billed</u></b> <b><u>(kgal)</u></b>	<b><u>Percentage</u></b> <b><u>of Total</u></b>
St. Johns County Utility	666,271	1.5
City of Jacksonville	565,163	1.3
Duval County Public Schools	291,387	0.7
Southern Baptist Hospital	285,530	0.6
Mayo Clinic Jacksonville	190,594	0.4
The American Bottling Company	174,873	0.4
Johnson & Johnson Vision Care	164,873	0.4
American Homes 4 Rent	163,599	0.4
Gate Petroleum Company	160,171	0.4
Mid America Apartments	<u>138,616</u>	<u>0.3</u>
Total	<u>2,801,077</u>	<u>6.4</u>

Source: JEA.

## *Sewer System*

The 10 customers with the highest usage level served by the Sewer System composed 6.3 percent of the total volume of wastewater treatment billed during the Fiscal Year ended September 30, 2023. The following table sets forth the 10 customers with the highest usage level, by volume of wastewater treatment billed, during the Fiscal Year ended September 30, 2023.

<u>Customer Accounts</u>	<u>Annual Billed (kgal)</u>	<u>Percentage of Total</u>
City of Jacksonville	348,558	1.2
St. Johns County Utility	331,225	1.1
Duval County Public Schools	203,237	0.7
Southern Baptist Hospital	150,965	0.5
Mayo Clinic Jacksonville	144,448	0.5
American Homes 4 Rent	142,726	0.5
Johnson & Johnson Vision Care	136,311	0.5
Mid-America Apartments	133,930	0.5
Gate Petroleum Company	126,194	0.4
Symrise Inc	<u>116,719</u>	<u>0.4</u>
Total	<u>1,834,313</u>	<u>6.3</u>

Source: JEA.

## *Customer Billing Procedures*

Customers are billed on a cycle basis approximately once per month. If the customer has not paid a bill within 42 days after the initial bill date, JEA may discontinue service to that customer. New commercial accounts are generally assessed a deposit. Residential customers who meet JEA's credit criteria are not assessed a deposit. Customers who do not meet JEA's credit criteria or do not maintain a good payment record may be assessed a deposit, which may vary with consumption. A late payment fee of 1.5 percent is assessed to customers for past due balances in excess of 27 days. The amount of uncollectible accounts is budgeted to be approximately 0.20 percent of estimated gross Water and Sewer System revenues for the Fiscal Year ending September 30, 2024. Actual uncollectible accounts were 0.21 percent of gross Water and Sewer System revenues for the Fiscal Year ended September 30, 2023.

## **Rates**

### *General*

Water and Sewer System revenues are derived from two basic types of charges: (a) monthly service charges and (b) connection charges (which include capacity charges). Additionally, environmental charges collected were reflected in Water and Sewer System Revenues prior to April 1, 2023 and were eliminated and rolled into the monthly service charges, specifically the unit charges for metered consumption (per kgal), thereafter. The JEA Board has sole discretion to set rate levels and revenue requirements for the Water and Sewer System. JEA sets its retail rates after a public hearing.

Generally, Water System customers are charged for monthly water service based upon metered consumption, and Sewer System customers are charged for monthly sewer service based

upon water consumption during that same month, utilizing readings of the water meters. Approximately 15 percent of the customers of the Water System have separate meters for water used for irrigation purposes. In those cases, billings for monthly sewer service exclude the water used for irrigation purposes. In the case of Sewer System customers that obtain water service from a community- or investor-owned utility, monthly sewer charges are based upon readings of that utility's water meter. In the case of Sewer System customers that obtain water from privately owned wells, water meters meeting JEA's requirements are required to be installed, and monthly sewer charges are based upon readings of those meters. In addition, in some instances, non-residential customers have separate meters to measure wastewater flows, and JEA charges those customers for sewer service based upon readings of such separate meters. Further, certain non-residential Sewer System customers are subject to surcharges for wastewater discharges that exceed certain designated levels of chemical oxygen demand and suspended solids.

Prior to April 1, 2023, water users were charged a monthly service availability charge according to water meter size, plus a unit rate and an environmental charge. After April 1, 2023, water users are only charged monthly service availability and unit rate charges.

***Rates for Monthly Service***

The schedules shown in the following tables reflect rates for monthly water, sewer service and reclaimed service effective as of October 1, 2021, and April 1, 2023, as indicated.

*Water Rates*

Prior to April 1, 2023, water users were charged a monthly service availability charge according to water meter size, plus a unit rate and an environmental charge. After April 1, 2023, water users are only charged monthly service availability and unit rate charges. The following tables reflect rates for monthly water service effective as of October 1, 2021 and April 1, 2023, as indicated:

<b>Water System</b>					
<b><u>Monthly Service Availability Charge</u></b>					
<b><u>Meter Size</u></b>	<b><u>Residential</u></b>	<b><u>Residential Irrigation</u></b>	<b><u>Commercial</u></b>	<b><u>Multi-Family</u></b>	<b><u>Multi-Family Irrigation; Commercial Irrigation</u></b>
5/8"	\$ 12.60	\$ 12.60	\$ 12.60	\$ 18.41	\$ 12.60
3/4"	18.90	18.90	18.90	27.62	18.90
1"	31.50	31.50	31.50	46.03	31.50
1 1/2"	63.00	63.00	63.00	92.05	63.00
2"	100.80	100.80	100.80	147.28	100.80
3"	201.60	201.60	201.60	294.56	201.60
4"	-	-	315.00	460.25	315.00
6"	-	-	630.00	920.50	630.00
8"	-	-	1,008.00	1,472.80	1,008.00
10"	-	-	1,974.55	2,117.15	-
12"	-	-	3,691.55	3,958.15	-
20"	-	-	7,726.50	8,284.50	-

<b>Water System</b>									
<b><u>Unit Charge (per kgal)*</u></b>									
<b><u>Non-Irrigation</u></b>					<b><u>Irrigation</u></b>				
<b><u>Residential</u></b>			<b><u>Commercial</u></b>	<b><u>Multi-Family</u></b>	<b><u>Residential</u></b>		<b><u>Multi-Family;</u></b>		<b><u>Commercial</u></b>
<b><u>Tiers (kgal)</u></b>			<b><u>Tier</u></b>	<b><u>Tier</u></b>	<b><u>Tiers (kgal)</u></b>		<b><u>Tiers (kgal)</u></b>		<b><u>Tiers (kgal)</u></b>
<b><u>1-6</u></b>	<b><u>7-20</u></b>	<b><u>&gt;20</u></b>	<b><u>All kgal</u></b>	<b><u>All kgal</u></b>	<b><u>1-14</u></b>	<b><u>&gt;14</u></b>	<b><u>1-14</u></b>	<b><u>&gt;14</u></b>	<b><u>&gt;14</u></b>
\$0.93	\$2.60	\$5.60	\$1.49	\$1.00	\$2.60	\$5.60	\$3.44	\$3.96	

\*Unit Charge rates in effect prior to April 1, 2023.

<b>Water System</b>	
<b><u>Environmental Charge (per kgal)*</u></b>	
Water	\$0.37
Irrigation	0.37

\*Environmental Charge rates in effect prior to April 1, 2023.

Effective April 1, 2023, environmental charges were eliminated and rolled into the unit charge according to the following schedule.

<b>Water System</b>									
<b><u>Unit Charge (per kgal) Effective April 1, 2023</u></b>									
<b><u>Non-Irrigation</u></b>					<b><u>Irrigation</u></b>				
<b><u>Residential</u></b>			<b><u>Commercial</u></b>	<b><u>Multi-Family</u></b>	<b><u>Residential</u></b>		<b><u>Multi-Family;</u></b>		<b><u>Commercial</u></b>
<b><u>Tiers (kgal)</u></b>			<b><u>Tier</u></b>	<b><u>Tier</u></b>	<b><u>Tiers (kgal)</u></b>		<b><u>Tiers (kgal)</u></b>		<b><u>Tiers (kgal)</u></b>
<b><u>1-6</u></b>	<b><u>7-20</u></b>	<b><u>&gt;20</u></b>	<b><u>All kgal</u></b>	<b><u>All kgal</u></b>	<b><u>1-14</u></b>	<b><u>&gt;14</u></b>	<b><u>1-14</u></b>	<b><u>&gt;14</u></b>	<b><u>&gt;14</u></b>
\$1.30	\$2.97	\$5.97	\$1.86	\$1.37	\$2.97	\$5.97	\$3.81	\$4.33	

### Sewer Rates

Prior to April 1, 2023, users of the Sewer System were charged a monthly service availability charge according to water meter size, plus a unit rate based on water consumption from JEA, community- or investor-owned utilities or private wells, as applicable and an environmental charge. After April 1, 2023, Sewer System users are only charged monthly service availability and unit rate charges. The following tables reflect rates for monthly water service effective as of October 1, 2021 and April 1, 2023, as indicated:

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<b>Sewer System</b>			
<b><u>Monthly Service Availability Charge</u></b>			
<b><u>Meter Size</u></b>	<b><u>Residential</u></b>	<b><u>Multi-Family</u></b>	<b><u>Commercial</u></b>
5/8"	\$ 14.10	\$ 24.68	\$ 21.15
3/4"	21.15	37.01	31.73
1"	35.25	61.69	52.88
1 1/2"	70.50	123.38	105.75
2"	112.80	197.40	169.20
3"	225.60	394.80	338.40
4"	-	616.88	528.75
6"	-	1,233.75	1,057.50
8"	-	1,974.00	1,692.00
10"	-	2,837.63	2,432.25
12"	-	5,305.13	4,547.25
20"	-	11,103.75	9,517.50

<b>Sewer System</b>		
<b><u>Unit Charge (per kgal)*</u></b>		
<b><u>Tiers (kgal)</u></b>	<b><u>Residential</u></b>	<b><u>Multi-Family; Commercial</u></b>
1-6	\$4.94	-
7-20	6.02	-
All	-	\$6.02

\*Unit Charge rates in effect prior to April 1, 2023.

<b>Sewer System</b>	
<b><u>Environmental Charge (per kgal)*</u></b>	
Residential: 1-20 kgal	\$0.37
Commercial; Multi-Family; Limited Service: All kgal	0.37

\*Environmental Charge rates in effect prior to April 1, 2023.

Effective April 1, 2023, environmental charges were eliminated and rolled into the unit charge according to the following schedule.

<b>Sewer System</b>		
<b><u>Unit Charge (per kgal) Effective April 1, 2023</u></b>		
<b><u>Tiers (kgal)</u></b>	<b><u>Residential</u></b>	<b><u>Multi-Family; Commercial</u></b>
1-6	\$5.31	-
7-20	6.39	-
All	-	\$6.39

### Reclaimed Water Rates

Prior to April 1, 2023, reclaimed (reuse) water users were charged a monthly service availability charge according to water meter size, plus a unit rate and an environmental charge. After April 1, 2023, reclaimed water users are only charged monthly service availability and unit rate charges. The following tables reflect rates for monthly reclaimed water service effective as of October 1, 2021 and April 1, 2023, as indicated:

**Reclaimed System  
Monthly Service Availability Charge**

<u>Meter Size</u>	<u>Residential<sup>(1)</sup></u>	<u>Multi-Family<sup>(1)</sup>; Commercial<sup>(1)</sup></u>
5/8"	\$ 12.60	\$ 12.60
3/4"	18.90	18.90
1"	31.50	31.50
1 1/2"	63.00	63.00
2"	100.80	100.80
3"	201.60	201.60
4"	-	315.00
6"	-	630.00
8"	-	1,008.00

<sup>(1)</sup> Non-bulk reclaimed customers will be charged an additional \$6.00 regardless of meter size to cover costs due to regulatory requirements.

**Reclaimed System  
Unit Charge (per kgal)**

<u>Tiers (kgal)</u>	<u>Residential</u>	<u>Multi-Family; Commercial</u>
1-14	\$2.60	\$3.44
> 14	5.60	3.96

**Reclaimed System  
Environmental Charge (per kgal)\***  
\$0.37

\*Environmental Charge rates in effect prior to April 1, 2023.  
Note: Environmental Charge not applicable to bulk reclaimed usage.

Effective April 1, 2023, environmental charges were eliminated and rolled into the unit charge according to the following schedule.

**Reclaimed System  
Unit Charge (per kgal) Effective April 1, 2023**

<u>Tiers (kgal)</u>	<u>Residential</u>	<u>Multi-Family; Commercial</u>
1-14	\$2.97	\$3.81
> 14	5.97	4.33

***Connection and Capacity Charges***

In addition to the monthly charges for water and wastewater service described above, JEA assesses connection and capacity charges for new Water and Sewer System customers, which charges are designed to cover some of the capital costs of providing service to new customers.

Capacity charges are included within the revenues pledged for payment of the Water and Sewer System Bonds. However, under applicable Florida law and in accordance with the provisions of the Water and Sewer System Resolution, such capacity charges may be used and applied only for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt service on Water and Sewer System Bonds, Subordinated



Indebtedness or other indebtedness of JEA relating to the Water and Sewer System issued for such purpose.

On September 17, 2021, the JEA Board approved a new rate structure for plant capacity and line extension charges to better reflect the actual expenditures for providing water with and without irrigation. These rates were effective October 1, 2021 and are scheduled to adjust through 2023. On October 15, 2021, the JEA Board Finance & Audit Committee approved deferring implementation of phase-in until the April 1, 2022 scheduled increases.

New Water System customers are assessed a one-time plant capacity charge for new connections. The minimum charge for a new water connection shall be the greater of the charge per gallon of average daily water as estimated and approved by JEA or the applicable plant capacity fee stated below, plus the line extension growth capacity charge.

**Water Plant Capacity Fees for Residential and Commercial Service <sup>(1)</sup>**

<b>Effective Date/ Meter Size</b>	<b><u>October 1, 2021</u></b>	<b><u>April 1, 2022</u></b>	<b><u>October 1, 2022</u></b>	<b><u>April 1, 2023</u></b>
	<b><u>Charge per Gallon</u></b>			
\$/gallon	\$1.90	\$2.83	\$3.76	\$4.68
	<b><u>Water (without irrigation)</u></b>			
3/4"	\$475.00	\$ 707.50	\$ 940.00	\$1,170.00
1"	570.00	849.00	1,128.00	1,404.00
1 1/2"	855.00	1,273.50	1,692.00	2,106.00
	<b><u>Water (with irrigation)</u></b>			
3/4"	\$380.00	\$566.00	\$ 752.00	\$ 936.00
1"	475.00	707.50	940.00	1,170.00
1 1/2"	570.00	849.00	1,128.00	1,404.00
	<b><u>Irrigation</u></b>			
3/4"	\$ 427.50	\$ 636.75	\$ 846.00	\$1,053.00
1"	617.50	919.75	1,222.00	1,521.00
1 1/2"	1,330.00	1,981.00	2,632.00	3,276.00

<sup>(1)</sup> Services greater than 1 1/2" and those that have more fixture units than allowed by meter size will be charged based on the estimated average daily flow.

The average daily flow is determined by reference to industry standards, subject to review and approval by the JEA Board. In addition, all new Water and Sewer System connections are assessed a one-time "line extension growth" capacity charge that is a minimum of \$1,695.00.

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The following table presents the line extension growth capacity charges for new residential and commercial Water System customers. Services that have more fixture units than allowed by meter size will be charged based on the estimated average daily flow.

**Water Line Extension Growth Capacity Charge  
for Residential and Commercial Service**

<u>Meter Size</u>	<u>Residential</u>	<u>Commercial</u>
5/8"	N/A	N/A
3/4"	\$1,695	\$ 1,695
1"	2,000	2,500
1 1/2"	2,175	2,500
2"	2,350	2,500
3"	N/A	5,000
4"	N/A	5,000
6"	N/A	5,000
8"	N/A	5,000
10"	N/A	10,000
12"	N/A	10,000
20"	N/A	20,000

The following table presents the connection charges for new residential and commercial Water System customers.

**Water System Connection Charges  
for Residential and Commercial Service<sup>(1)</sup>**

<u>Meter Size</u>	<u>Tap Fee</u>	<u>Set Fee</u>
3/4"	\$1,360.00	\$ 300.00
1"	1,360.00	320.00
1 1/2"	1,770.00	1,010.00
2"	1,770.00 <sup>(2)</sup>	1,150.00 <sup>(2)</sup>

<sup>(1)</sup> Includes potable, irrigation, and reclaimed water.

<sup>(2)</sup> Or actual installation cost, whichever is greater, for service connections larger than 2".

### ***Sewer System Connection Charges***

The following table presents the connection charges for new Sewer System customers:

**Sewer System Connection Charges**

<u>Connection Size</u>	<u>Charge</u>
Up to 6"	\$8,330.00
Greater than 6"	Actual Cost

Source: JEA.

New residential and commercial Sewer System customers also are assessed a one-time capacity charge for new connections. The minimum charge for a new sewer connection shall be the greater of the charge per gallon of average daily sewer as estimated and approved by JEA or the applicable plant capacity fee stated below. For existing sewer connections, there will be a

charge per gallon of additional average daily sewer capacity as estimated and approved as stated below.

<b><u>Sewer Plant Capacity Fees for Residential and Commercial Service</u></b>				
<b>Effective Date/ Meter Size</b>	<b><u>October 1, 2021</u></b>	<b><u>April 1, 2022</u></b>	<b><u>October 1, 2022</u></b>	<b><u>April 1, 2023</u></b>
	<b><u>Charge per Gallon</u></b>			
\$/gallon	\$9.12	\$14.60	\$20.08	\$25.57
	<b><u>Sewer</u></b>			
3/4"	\$1,824.00	\$2,920.00	\$4,016.00	\$5,114.00
1"	2,280.00	3,650.00	5,020.00	6,392.50
1 1/2"	2,736.00	4,380.00	6,024.00	7,671.00

***Reclaimed Water System Connection Charges***

Effective on October 1, 2007, the retail reclaimed (reuse) water rate was modified to reflect (a) a separate rate for commercial customers in DRIs equal to potable, non-DRI, commercial irrigation rates and (b) a new rate class for commercial bulk reclaimed (reuse) water service.

**Regulation**

***Water and Sewer System***

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

Several upcoming rules could impact the potable water system:

1. The revised Lead and Copper Rule ("LCR"). The LCR includes (a) lead service line replacement by the utility of the utility-owned section when a customer changes the portion they own, (b) a new trigger level from 15 ppb to 10 ppb for the 90th percentile sample for optimizing corrosion control treatment ("CCT") or completing a CCT study if not currently treating, (c) increase sampling reliability by imbedding current guidance in the rule and revising sampling pool requirements, (d) require public notification with 24 hours of an action level exceedance, (e) require utilities to test for lead in schools and child care facilities and (f) require a lead service line inventory and replacement plan. The final rule was published January 15, 2021, with an effective date of December 16, 2021. On November 30, 2023, EPA announced the proposed Lead and Copper Rule Improvements (LCRI) to promulgate further revisions. The proposed LCRI would require many water systems to replace lead services lines within 10 years. JEA will work with water associations to provide comments in informing EPA in the development

of the final regulation. As described above, the rule will require additional sampling and reporting; the overall financial impacts are expected to be minimal.

2. Potential regulation of Per- and Polyfluoroalkyl substances ("PFAS"). PFAS are group of synthetic compounds widely used in consumer and commercial products, including perfluorooctanoic acid ("PFOA") and perfluorooctanesulfonic acid ("PFOS"). On June 15, 2022, EPA issued interim updated drinking water health advisories for PFOA and PFOS that replace those EPA issued in 2016. The updated advisory levels indicate that some negative health effects may occur with concentrations of PFOA or PFOS in water that are near zero. These interim health advisories will remain in place until EPA establishes a National Primary Drinking Water Regulation. The PFAS rule is still pending; however, it will likely not affect JEA as there is no PFOA or PFOS in our deep Floridan aquifer wells, and levels reported in wastewater effluent are below current provisional screening levels.

### ***Public Water Supply System***

The St. Johns River Water Management District ("SJRWMD") regulates groundwater withdrawals and issues permits for the same. JEA was issued a 20-year CUP in May 2011 from the SJRWMD. As of the date of this Annual Disclosure Report, modeling efforts have indicated that a sustainable groundwater supply can continue to be met for the 20-year planning period out to 2031 with a three-part program that is the basis of JEA's water capital improvement plan: (a) continued expansion of the reuse system, (b) aggressive water conservation program and (c) 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. JEA has also implemented a groundwater quality management program to mitigate the effects of (non-lateral) saltwater intrusion into specific wells on the systems south grid that includes routine well monitoring, back plugging of specific wells, and reducing or replacing wells that show continued increases in chlorides. The 2023 permitted CUP allocation was 142.26 million gallons per day. Actual calendar year withdrawals through December 2023 averaged 124 million gallons per day.

JEA's groundwater withdrawals are subject to a consumptive use permit issued by the St. Johns River Water Management District. Pursuant to its CUP, JEA is required to address its share of impact to water bodies with set minimum flows and levels, which are regulatory water levels intended to prevent significant harm.

Rulemaking to set Minimum Flows and Levels ("MFLs") is currently underway for several water bodies in north Florida. The SJRWMD set MFLs for Lakes Brooklyn and Geneva on May 11, 2021. JEA and other utilities participated in an agreement with the SJRWMD to partially fund a project to move water from Black Creek into the lakes. The Florida Department of Environmental Protection is due to set MFLs for the Lower Santa Fe and Ichetucknee Rivers in 2023-24. Based on preliminary information, one or more of the MFLs for these water bodies may be violated upon completion of rulemaking.

JEA's costs associated with its use of groundwater could be increased or JEA may be required to implement more costly sources of water.

In addition, the SJRWMD and SRWMD have developed a joint North Florida Regional Water Supply Plan, which was approved in December 2023. The plan concludes that future water demands through 2045 can be met with water conservation measures and water supply options included in the plan.

### ***Wastewater Treatment System***

The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Control Act. The EPA has delegated the wastewater regulatory program to the FDEP. Except as described below, the Sewer System is in substantial compliance with all federal and state wastewater regulations.

In 2013, the EPA and FDEP reached an agreement on the adoption of numeric nutrient criteria ("NNC") for the State. As part of the NNC adoption process, the EPA re-approved the Lower St. Johns River nutrient Total Maximum Daily Load ("TMDL"). The EPA re-approval means the TMDL will remain the legally enforceable nutrient standard for the Lower St. Johns River. JEA has completed all the treatment plant improvements required of the utility by the TMDL and its facilities are in compliance with its nutrient allocation.

Because JEA has reduced nitrogen well below its own permitted nitrogen reduction goals, it can generate Water Quality Credits. JEA has previously recorded a reduction in its NPDES permit to generate and transfer 74.69 metric tons of Total Nitrogen Water Quality Credits ("Initial Credits") to the City in 2024 and is positioned to remain in compliance with its Aggregate Nitrogen permit. JEA has agreed to provide 45.34 metric tons per year to the City for no compensation from 2025 through December 31, 2031 as long as the Credits are authorized and approved by the appropriate regulatory agency. JEA's current aggregate nitrogen limit for all wastewater plants discharging to the St. Johns River is 683 short tons per year. During the Fiscal Year ended September 30, 2023, JEA facilities discharged 428 short tons to the river.

As the regulatory reduction of Total Nitrogen in the Lower St. Johns River is an ongoing annualized requirement that both the City and JEA will be required to meet beyond December 31, 2031, the City and JEA have agreed to engage in discussions to work on a plan for meeting the future needs of both parties beyond December 31, 2031.

On December 11, 2006, JEA and the FDEP executed a long-term sanitary sewer overflows ("SSO") consent order. The long-term SSO consent order is the mechanism under which periodic, unforeseeable JEA SSOs are reviewed and adjudicated. The SSOs for each Fiscal Year are typically adjudicated on an annual to bi-annual basis. In connection with the SSOs for the Fiscal Year Ended September 30, 2023, JEA will be assessed an estimated penalty of \$146,500 by FDEP for Fiscal Year 2023 SSOs. In September 2023, due to state legislation, the consent order was revised to increase SSO penalties for the first time since 2006, with the penalties for most volume categories doubling. The maximum penalty is raised from \$10,000/day to \$15,000/day. JEA continues its extreme weather resiliency program to evaluate and implement processes or physical projects to reduce the potential for and mitigate impacts from SSOs during extreme weather events or due to effects of climate change.

### ***Reclaimed Water System***

April 21, 2021, the Florida Legislature passed Senate Bill 64, titled "Reclaimed Water" (the "Reclaimed Water Bill"), which was signed into law by the Governor on June 29, 2021. The Reclaimed Water Bill calls for the state-wide elimination of non-beneficial surface water discharges of effluent, reclaimed water or reuse water. With a few exceptions, wastewater utilities with discharges to surface water were required to submit a plan by November 1, 2021, to the FDEP outlining how they will comply with the elimination or curtailment of the discharges with full implementation by January 1, 2032. In conjunction with JEA's integrated water resource planning process, JEA submitted a plan to FDEP designed to meet the conditions required under the Reclaimed Water Bill. The plan has been approved by FDEP and is projected to result in significant costs to JEA.

### **Capital Program**

The Water and Sewer System's capital program for the four-year period through September 30, 2027 is centered on renewal and replacement and to enable the Water and Sewer System to remain in compliance with all applicable regulatory requirements, as well as to lower operating and maintenance expenses. Major projects include the Buckman Water Reclamation Facility (WRF), the Buckman Biosolids Conversion Process Facility with Dual Dryers, expansion of the Blacks Ford Water Reclamation Facility, and multiple Surface Water Discharge projects to comply with Florida Senate Bill 64 including Arlington East WRF, Southwest WRF, Cedar Bay WRF, Buckman WRF, Monterey WRF, and Ponte Vedra WRF. Also included is funding for our galvanized pipe and water meter conversion programs, construction of a 4.7 mgd Water Treatment Plant to serve customers in the southern part of JEA's service territory, and expansion of the Westlake Water Treatment Plant from 3.0 to 7.0 mgd. This program contains funding targeted to improve water and sewer treatment plants, in addition to meeting the three-part program described in "Regulation - Public Water Supply System" above to maintain sustainable water supply for JEA's customers. The projected total amount of the capital program for the four-year period ending September 30, 2027 is shown in the following table.

#### **Water and Sewer System Capital Program (000s omitted)**

<b><u>Fiscal Year Ending September 30,</u></b>	<b><u>Amount</u></b>
2024	\$ 514,000
2025	520,000
2026	520,000
2027	520,000
Total	<u>\$2,074,000</u>

The total amount of the capital program for the four-year period is estimated to be approximately \$2,074 million. It is expected that approximately \$1,380 million of the capital program for this period will be provided by proceeds of bonds and that approximately \$953 million will be provided from revenues (including capacity charges) and available funds of the Water and

Sewer System. The projected total amount of the capital program may be affected by future environmental legislation and regulation. See "Regulation" above.

## **Certain Factors Affecting the Water and Sewer Utility Industry**

### ***COVID-19 Pandemic***

JEA quickly responded to the effects of the COVID-19 pandemic with the implementation of practices and protocols to protect the wellbeing of its employees and established fully redundant electric and water control centers; both are used on a day-to-day basis, but either can control the System in an emergency.

For certain information regarding the impact of the COVID-19 pandemic on JEA, see Note 6 of JEA's 2023 Financial Statements attached hereto as APPENDIX A.

### ***Legislation***

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

Compliance with state legislation on Elimination of Surface Water Discharge could require JEA, at significant cost, to undertake capital projects to develop alternatives to surface water discharge to the St. John's River. The estimation of costs of compliance with legislation on Elimination of Surface Water Discharge is approximately \$1.8 billion. Also, any future EPA requirements for testing and removal of PFAS from wastewater could require JEA, at significant cost, to purchase equipment, modify wastewater treatment plants, and conduct site cleanup to curtail or remove PFAS contaminants. The estimation of costs of compliance with the EPA final ruling on PFAS is subject to uncertainties based on codification deemed hazardous, timing of the implementation of rules, the maturation and availability of PFAS removal technology, additional associated regulations, and JEA's selected compliance alternatives.

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

## ***FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM***

### **Debt Relating to Water and Sewer System**

#### ***Water and Sewer System Bonds***

As of September 30, 2023, \$1,002,400,000 in aggregate principal amount of bonds (the "Water and Sewer System Bonds") issued pursuant to the resolution of JEA adopted on February 18, 1997 and referred to therein as the "Water and Sewer System Revenue Bond Resolution" (as amended, restated and supplemented, the "Water and Sewer System Resolution") was outstanding. As of the date of this Annual Disclosure Report, there is \$1,300,850,000 in aggregate principal amount of Water and Sewer System Bonds outstanding under the Water and Sewer System Resolution, consisting of (a) \$133,075,000 in aggregate principal amount of variable rate Water and Sewer System Bonds and (b) \$1,167,775,000 in aggregate principal amount of fixed rate Water and Sewer System Bonds.

Water and Sewer System Bonds may be issued for the purposes of (a) paying or providing for the payment of Costs (as defined in the Water and Sewer System Resolution) of the Water and Sewer System and (b) refunding any Water and Sewer System Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER SYSTEM RESOLUTION - *Additional Water and Sewer System Bonds*" in APPENDIX B attached hereto.

Pursuant to the Water and Sewer System Resolution and the laws of the State, the amount of Water and Sewer System Bonds that may be issued by JEA is not limited and is subject only to approval by the Council and satisfaction of the conditions set forth in the Water and Sewer System Resolution.

On September 26, 2023, JEA's governing board (the "JEA Board") approved a resolution changing JEA's historical approach to seeking incremental debt authorization from the Council. The resolution established a not-to-exceed debt outstanding amount of \$2.5 billion for the Water and Sewer System. The not-to-exceed amount is for the purposes of providing funds for both new money and the refunding of existing debt. The Council approved this new approach pursuant to Ordinance 2023-724-E enacted on November 14, 2023. This new methodology for debt authorization replaces the previous incremental approach. JEA will submit a summary, as part of its annual budget submission to the City, showing outstanding and anticipated borrowings against the not-to-exceed authorization amount. In the event additional authorization is needed in the future, it will be requested from the Board and the Council.

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

On February 7, 2024, JEA closed on the issuance of \$503,835,000 in aggregate principal amount of its Water and Sewer System Revenue Bonds, 2024 Series A (the "2024 Series A Bonds"). Of this amount, \$353 million was new money issuance, and \$150.8 million was refunding of existing senior and subordinate debt. The proceeds of the 2024 Series A Bonds, together with any additional funds made available by JEA, will be used for the purpose of repaying the



outstanding balance of \$177 million under the revolving credit facility, in addition to providing funds to pay for expansion and improvements to the Water and Sewer System.

Liquidity support in connection with tenders for purchase of the Variable Rate Water and Sewer System Revenue Bonds, 2008 Series B (the "SBPA Supported Variable Rate Water and Sewer Bond") currently is provided by a bank pursuant to a standby bond purchase agreement between JEA and such bank. Credit and liquidity support for JEA's Variable Rate Water and Sewer System Revenue Bonds, 2008 Series A-2 (the "LOC Supported Variable Rate Water and Sewer System Bond" and, together with the SBPA Supported Variable Rate Water and Sewer System Bond, the "Senior Liquidity Supported Water and Sewer Bonds") currently is provided by a direct-pay letter of credit issued by a different bank. Any Senior Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its (a) standby bond purchase agreement between JEA and such bank or (b) letter of credit issued in connection with the reimbursement agreement between JEA and such bank, as applicable, and is not remarketed is required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the date so purchased. In addition, any Senior Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement or letter of credit reimbursement agreement, as applicable, will constitute an "Option Bond" within the meaning of the Water and Sewer System Resolution and, as such, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain "events of default" on the part of JEA under such standby bond purchase agreement or letter of credit reimbursement agreement, as applicable. Upon any such tender or deemed tender for purchase, the Senior Liquidity Supported Water and Sewer Bond so tendered or deemed tendered will be due and payable immediately. For a discussion of certain "ratings triggers" contained in such standby bond purchase agreement and such reimbursement agreement, see "OTHER FINANCIAL INFORMATION - Effect of JEA Credit Rating Changes" herein.

As of the date of this Annual Disclosure Report, no Senior Liquidity Supported Water and Sewer Bonds are held by the banks providing such standby bond purchase agreement or such letter of credit. The standby bond purchase agreement and letter of credit are subject to periodic renewal at the discretion of the respective bank. The current expiration date for the standby bond purchase agreement is May 7, 2027, and the current expiration date for the letter of credit is September 27, 2028.

### ***Subordinated Water and Sewer System Bonds***

As of September 30, 2023, \$184,655,000 in aggregate principal amount of bonds (the "Subordinated Water and Sewer System Bonds") issued pursuant to the resolution of JEA adopted on May 15, 2003 and referred to therein as the "Water and Sewer System Subordinated Revenue Bond Resolution" (as supplemented, the "Subordinated Water and Sewer System Resolution") was outstanding. As of the date of this Annual Disclosure Report, there is \$166,380,000 in aggregate principal amount of Subordinated Water and Sewer System Bonds outstanding under the Subordinated Water and Sewer System Resolution, consisting of (a) \$94,135,000 in aggregate principal amount of variable rate Subordinated Water and Sewer System Bonds and (b) \$72,245,000 in aggregate principal amount of fixed rate Subordinated Water and Sewer System Bonds.

The Subordinated Water and Sewer System Bonds may be issued (a) for any lawful purpose of JEA relating to the Water and Sewer System or (b) to refund any of the Water and Sewer System Bonds or the Subordinated Water and Sewer System Bonds.

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

A summary of certain provisions of the Subordinated Water and Sewer System Resolution is attached to this Annual Disclosure Report as APPENDIX C.

Liquidity support in connection with tenders for purchase of the Variable Rate Water and Sewer System Subordinated Revenue Bonds, 2008 Series A-1, 2008 Series A-2 and 2008 Series B-1 (the "Subordinated Liquidity Supported Water and Sewer Bonds") currently is provided by certain banks pursuant to standby bond purchase agreements between JEA and each such bank. Any Subordinated Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement and is not remarketed is required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the date so purchased. In addition, any Subordinated Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement will constitute an "Option Subordinated Bond" within the meaning of the Subordinated Water and Sewer System Resolution and, as such, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain "events of default" on the part of JEA under the standby bond purchase agreement. Upon any such tender or deemed tender for purchase, the Subordinated Liquidity Supported Water and Sewer Bond so tendered or deemed tendered will be due and payable immediately. For a discussion of certain "ratings triggers" contained in such standby bond purchase agreements, see "OTHER FINANCIAL INFORMATION - Effect of JEA Credit Rating Changes" herein.

As of the date of this Annual Disclosure Report, no Subordinated Liquidity Supported Water and Sewer Bonds are held by the banks providing such standby bond purchase agreements. Such standby bond purchase agreements are subject to periodic renewal at the discretion of the respective bank. The current expiration dates for the standby bond purchase agreements range from July 8, 2024 to May 7, 2027. JEA is currently negotiating the replacement of the standby bond purchase agreement set to expire on July 8, 2024.

### ***Water and Sewer System Contract Debts***

"Contract Debts," a component of the Water and Sewer System's Operation and Maintenance Expenses, is defined by the Water and Sewer System Resolution to mean any obligations of JEA under any contract, lease, installment sale agreement, bulk purchase agreement or otherwise to make payments out of the Revenues of the Water and Sewer System for property, services or commodities whether or not the same are made available, furnished or received. JEA

has not incurred any obligations constituting Contract Debts under the Water and Sewer System Resolution, but it may do so in the future. All Contract Debts will be payable from the Revenues of the Water and Sewer System prior to any payments from such Revenues for indebtedness not constituting Contract Debt issued for the Water and Sewer System, including the Water and Sewer System Bonds and Subordinated Indebtedness (including the Subordinated Water and Sewer System Bonds).

***Water and Sewer System Support of the District Energy System Bonds***

Effective as of October 1, 2004, JEA established the District Energy System, a separate system to provide chilled water services and other local district energy functions. JEA transferred its assets relating to chilled water production and distribution from the Electric System to the District Energy System. The Electric System received approximately \$30,000,000 from the District Energy System for the transferred assets. The District Energy System is operated as a separate system for accounting and financing purposes. See JEA's 2023 Financial Statements attached hereto as APPENDIX A.

As of the date of this Annual Disclosure Report, there is \$25,955,000 in aggregate principal amount of District Energy System Bonds outstanding under the District Energy System Resolution.

Pursuant to Resolution No. 2013-2, adopted by JEA on March 19, 2013, revenues of the Water and Sewer System shall be deposited into a special subaccount in the Debt Service Reserve Account (the "2013 Series A Bonds Subaccount") established for the District Energy System Refunding Revenue Bonds, 2013 Series A (the "DES 2013 Series A Bonds") and pledged to pay debt service on the DES 2013 Series A Bonds in the event that revenues of the District Energy System are insufficient to pay debt service on such DES 2013 Series A Bonds.

**Schedules of Debt Service Coverage**

The following table sets forth Schedules of the Debt Service Coverage for the Water and Sewer System for the Fiscal Years ended September 30, 2023 and September 30, 2022 and has been prepared in accordance with the requirements of the Resolution. Such information should be read in conjunction with JEA's 2023 Financial Statements attached hereto as APPENDIX A.

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**Water and Sewer System Schedules of Debt Service Coverage  
(In Thousands)**

	<b>Fiscal Year Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Water	\$217,572	\$214,073
Water Capacity Charges.....	18,845	17,046
Sewer	275,642	272,074
Sewer Capacity Charges .....	45,690	30,165
Investment income .....	6,338	3,674
Other <sup>(1)</sup> .....	18,999	19,732
Plus: amounts paid from the Rate Stabilization Fund into the Revenue Fund ....	48,387	28,991
Less: amounts paid from the Revenue Fund into the Rate Stabilization Fund....	(22,292)	(25,008)
<b>Total Revenues.....</b>	<b>\$609,181</b>	<b>\$560,747</b>
<b>Operation and Maintenance Expenses <sup>(2)</sup></b>		
Maintenance and other operating expenses.....	\$231,632	\$195,656
State utility and franchise taxes.....	11,319	11,294
<b>Total Operation and Maintenance Expenses .....</b>	<b>\$242,951</b>	<b>\$206,950</b>
<b>Net Revenues .....</b>	<b>\$366,230</b>	<b>\$353,797</b>
Aggregate Debt service on Water and Sewer System Bonds (prior to reduction of Build America Bonds subsidy) .....	\$ 86,676	\$ 48,341
Less: Build America Bonds subsidy .....	(2,435)	(2,443)
Aggregate Debt service on Water and Sewer System Bonds.....	<u>\$ 84,241</u>	<u>\$ 45,898</u>
<b>Aggregate Debt service coverage on Water and Sewer System Bonds <sup>(3)</sup> .....</b>	<b>4.35x</b>	<b>7.71x</b>
Aggregate Debt service on Water and Sewer System Bonds (from above) .....	\$ 84,241	\$ 45,898
Plus: Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds.....	16,899	7,302
Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds	<u>\$101,140</u>	<u>\$ 53,200</u>
<b>Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds excluding Capacity Charges<sup>(4)</sup>.....</b>	<b>2.98x</b>	<b>5.76x</b>
<b>Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds including Capacity Charges<sup>(4)</sup>.....</b>	<b>3.62x</b>	<b>6.65x</b>

<sup>(1)</sup> Excludes the Build America Bonds subsidy.

<sup>(2)</sup> Excludes depreciation and recognition of deferred costs and revenues, net.

<sup>(3)</sup> Net Revenues divided by Aggregate Debt Service on Water and Sewer System Bonds. Minimum annual coverage is 1.25x.

<sup>(4)</sup> Net Revenues divided by Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds. Minimum annual coverage is either 1.00x Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds (excluding Capacity Charges) or the sum of 1.00x Aggregate Debt Service on Water and Sewer System Bonds and 1.20x Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds (including Capacity Charges)

## **Management's Discussion and Analysis of Water and Sewer System Schedules of Debt Service Coverage**

### ***Revenues***

Total Revenues increased \$48.4 million, or 8.6 percent for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022, primarily related to higher sales volumes, increases in customer accounts, increases in Capacity Charges, an increase in amounts paid from the Rate Stabilization Fund into the Revenue Fund and a reduction in amounts paid from the Revenue Fund into the Rate Stabilization Fund.

Water revenues (including reuse) increased \$3.5 million, or 1.6 percent, for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022, primarily related to a 1.4 percent increase in water sales and a 2.8 percent increase in water accounts. Water sales volume, measured in thousands of gallons (kgals), increased 635,742 kgals, or 1.4 percent, to 45,011,098 kgals for the Fiscal Year ended September 30, 2023 from 44,375,356 kgals for the Fiscal Year ended September 30, 2022. Residential water sales volume increased 3.5 percent, commercial and industrial water sales volume increased 0.8 percent and irrigation decreased 4.1 percent.

Sewer revenues increased \$3.6 million, or 1.3 percent, for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022, primarily related to a 1.4 percent increase in sewer sales and a 2.7 percent increase in sewer accounts. Sewer sales volume increased 413,964 kgals, or 1.4 percent, to 29,666,832 kgals for the Fiscal Year ended September 30, 2023 from 29,252,868 kgals for the Fiscal Year ended September 30, 2022. Residential sewer sales volume increased 2.8 percent and commercial and industrial sewer sales volume decreased 0.5 percent.

Water Capacity Charges increased \$1.8 million, or 10.6 percent, and Sewer Capacity Charges increased \$15.5 million, or 51.5 percent for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022, primarily related to the new rate structure for water and sewer capacity charges approved by the Board on September 17, 2021 and executed on April 1, 2022, October 1, 2022, and April 1, 2023.

Investment income increase \$2.7 million, or 72.5 percent for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022 related to higher investment yields, offset in part, by lower investable balances.

Amounts paid from the Rate Stabilization Fund into the Revenue Fund increased \$17.8 million, or 58.1 percent, primarily related to an increase in environmental withdrawals, while amounts paid from the Revenue Fund into the Rate Stabilization Fund decreased \$4.3 million, or 16.3 percent primarily related to a decrease in environmental contributions.

### ***Operation and Maintenance Expenses***

Total Operation and Maintenance Expenses increased \$36.0 million, or 17.4 percent for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022 primarily related to higher maintenance and other operating expenses, as the result of a \$19.3

million increase in compensation and benefits, a \$12.8 million increase in overhead, a \$5.7 million increase in maintenance expenses, a \$3.3 million increase in professional services, offset, in part, by a \$5.1 million decrease in interlocal payments.

### ***Net Revenues***

Net Revenues available for debt service increased \$12.4 million, or 3.5 percent, to \$366.2 million for the Fiscal Year ended September 30, 2023 from \$353.8 million for the Fiscal Year ended September 30, 2022.

### ***Aggregate Debt Service on Water and Sewer System Bonds***

Aggregate Debt Service on Water and Sewer System Bonds for the Fiscal Year ended September 30, 2023 increased \$38.3 million, or 83.5 percent, as compared to the Fiscal Year ended September 30, 2022, primarily related to a \$35.2 million increase in scheduled principal amortization and a \$3.4 million increase in variable interest rates.

JEA did not issue any Water and Sewer System Bonds during the Fiscal Years ended September 30, 2023 and 2022.

### ***Debt Service Coverage on Water and Sewer System Bonds***

Debt service coverage on Water and Sewer System Bonds decreased to 4.35 times for the Fiscal Year ended September 30, 2023 as compared to the debt service coverage of 7.71 times for the Fiscal Year ended September 30, 2022, as a result of the 3.5 percent increase in Net Revenues available for debt service being proportionately less than the 83.5 percent increase in Aggregate Debt Service on Water and Sewer System Bonds between such periods.

### ***Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds***

Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds increased \$9.6 million, or 131.4 percent, for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022 primarily related to a \$8.2 million increase in scheduled principal amortization and a \$2.3 million increase in variable interest rates.

JEA did not issue any Subordinated Water and Sewer System Bonds during the Fiscal Years ended September 30, 2023 and 2022.

### ***Debt Service Coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds including Capacity Charges***

Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds decreased to 3.62 times for the Fiscal Year ended September 30, 2023 as compared to the debt service coverage of 6.65 times for the Fiscal Year ended September 30, 2022, as a result of the 3.5 percent increase in Net Revenues available for debt service being proportionately less than the 90.1 percent increase in Aggregate Debt Service on Water and Sewer System Bonds between such periods.

## Liquidity Resources

The Days of Cash on Hand for the Water and Sewer System on September 30, 2023 was 23 days, and the Days of Liquidity was 109 days. The Days of Cash on Hand for the Water and Sewer System on September 30, 2022 was 252 days, and the Days of Liquidity was 370 days. In recent years, liquidity metrics had been historically high and well above internal targets. The elevated amounts were in anticipation of being able to fund a portion of increasing capital improvement needs in the Water and Sewer System. The lower liquidity metrics are representative of JEA's transition to a period of higher capital investment in the Water and Sewer System, resulting in more efficient use of liquidity while keeping within established liquidity targets. JEA anticipates moderate increases in liquidity metrics in upcoming years but does not expect the metrics to increase to prior levels that had built up in anticipation of recent elevated capital expenditures. The Days of Cash on Hand computation is as follows:

(Cash and cash equivalents and Investments amounts under Current assets on the Combining Statement of Net Position + Renewal and Replacement Fund balance referenced in Note 4 of JEA's 2023 Financial Statements attached hereto as APPENDIX A) / ((*Total operating expenses - Depreciation + Contributions to General Fund, City of Jacksonville, Florida*) / 365 days)

The Days of Liquidity computation is as follows:

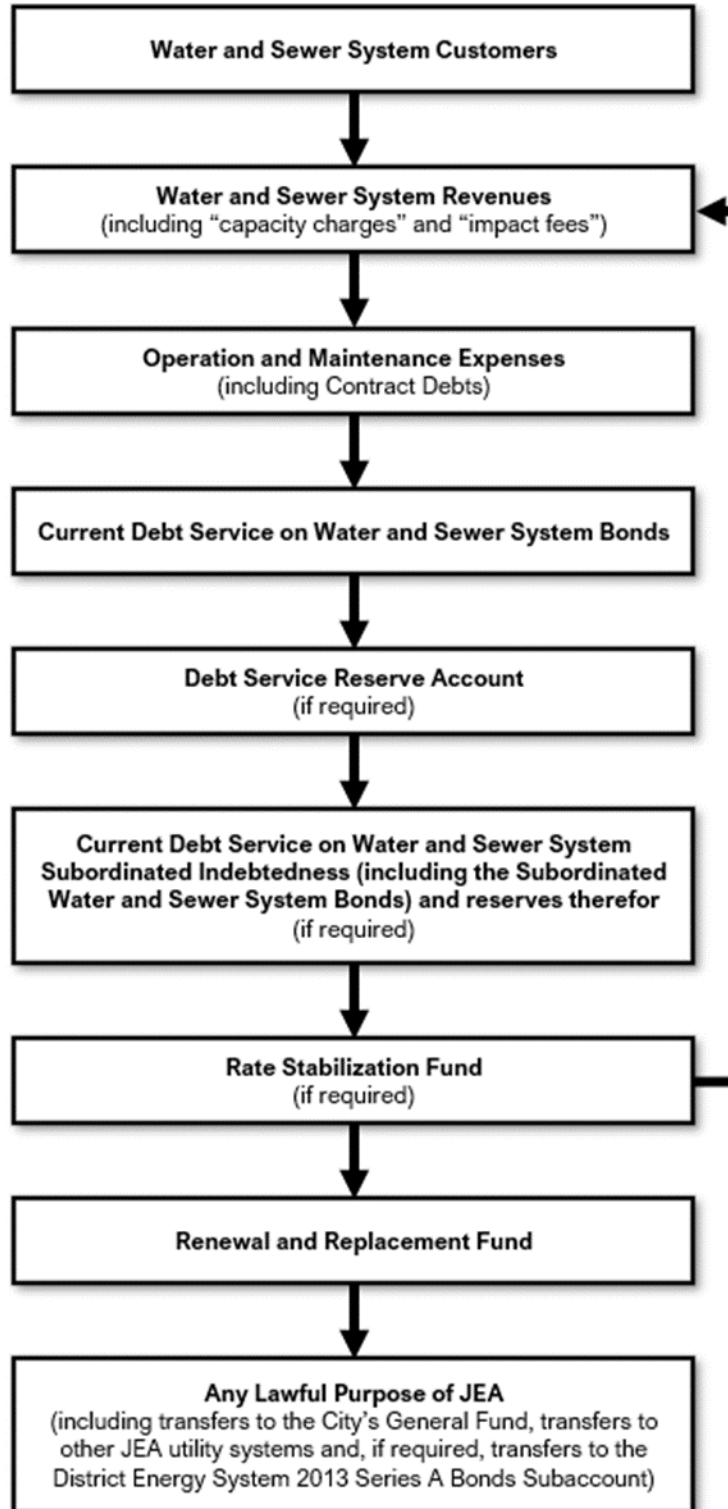
(Cash and cash equivalents and Investments amounts under Current assets on the Combining Statement of Net Position + Renewal and Replacement Fund balance referenced in Note 4 of JEA's 2023 Financial Statements attached hereto as APPENDIX A + allocated share of available Revolving Credit Facility\*) / ((*Total operating expenses - Depreciation + Contributions to General Fund, City of Jacksonville, Florida*) / 365 days)

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\* Allocated share of available Revolving Credit Facility on September 30, 2023 was approximately \$66.6 million and approximately \$85.0 million on September 30, 2022; however, the total balance available to the Water and Sewer System of \$362 million could have been drawn as of September 30, 2023.

## APPLICATION OF WATER AND SEWER SYSTEM REVENUES

The following chart shows a summary of the major components of the application of revenues under the Water and Sewer System Resolution.





## **DISTRICT ENERGY SYSTEM**

### ***DISTRICT ENERGY SYSTEM FUNCTIONS***

#### **General**

The District Energy System provides chilled water to customers for air-conditioning and, in some cases, cooling equipment. The facilities for the chilled water business consist of chilled water plants to generate chilled water and underground piping to distribute the chilled water to buildings located within the respective districts served by the plants and certain ancillary equipment. JEA's first chilled water facility became fully operational in March 2003.

The establishment of the District Energy System was approved by the Council in September 2004. Effective as of October 1, 2004, the District Energy System was established as a separate utility system for its local district energy facilities, including the chilled water activities, and any local district heating facilities JEA may develop in the future. Since its commencement of operations, JEA subsequently added three other chilled water facilities, one of which was sold on September 30, 2020. Currently, JEA District Energy has 15,930 tons of cooling demand under contract and in full service with an additional 3,530 tons of cooling demand under contract and in construction for initial services in 2024.

#### **Chilled Water Facilities**

Chilled water systems air condition buildings by circulating cold water in a continuous flow to the building. A central chilled water plant provides chilled water to buildings through an underground loop, rather than the customer installing and operating its own chiller equipment. JEA has entered into agreements with the City to provide chilled water systems to the baseball park, the arena, the Duval County Courthouse, the library and other government buildings. JEA also has contracts with private entities to serve institutional buildings.

JEA's first chilled water facility, the Hogan's Creek Plant, located on East Church Street in downtown Jacksonville, became fully operational in March 2003. At this time, the plant is serving the Baseball Grounds of Jacksonville (310-ton contract demand), the Jaguars Sports Performance Facility (500-ton contract demand), and the Jacksonville Veteran's Memorial Arena (2,350-ton contract demand). While not currently in service, the Shipyards Hotel and Offices are currently under contract for future load delivery. The facility includes three 2,000-ton chillers, two 1,700-ton cooling towers and a one-million-gallon chilled water storage tank for peak demand capacity.

A second chilled water facility located on Duval Street serves five City buildings including the Court House, State Attorney's Office, Library, City Hall Annex and a City garage for a total contract demand of 5,170 tons. The plant also serves the prior JEA downtown complex with a demand of 700 tons and in April 2022 started serving the new JEA headquarters facilities with a demand load of 400 tons. While not currently in service, a new data center facility is currently under contract for future load delivery in May, 2024. The facility includes three 2,400-ton chillers, and a 7,200-ton cooling tower.

JEA's third chilled water facility is located at 2103 Boulevard Avenue in the Springfield neighborhood. The Springfield facility currently serves eight locations on the UF Health

Jacksonville complex. The total contracted demand for the facility is 6,500 tons. The facility includes three 1,600-ton chillers, three 1,450-ton chillers, a 9,176-ton cooling tower and a 2,948-ton cooling tower.

### **Customers and Sales**

The District Energy System had contracts to provide 20 locations with chilled water, with three additional locations contracted for initial service in calendar year 2024, and total District Energy System sales revenues were approximately \$12,761,000 for the Fiscal Year ended September 30, 2023.

### **Customer Billing Procedures**

Customers are billed on a cycle basis approximately once per month. If the customer has not paid a bill within 42 days after the initial bill date, JEA may discontinue service to that customer. Customers who meet JEA's credit criteria are not assessed a deposit. Customers who do not meet JEA's credit criteria, or do not maintain a good payment record, are assessed a deposit which may vary with consumption. A late payment fee of 1.5 percent is assessed to customers for past due balances in excess of 27 days.

### **Rates**

Prior to October 1, 2022, District Energy System ("DES") revenues were derived from two basic types of charges: (a) a demand charge based upon the customer's estimated expected yearly cooling load requirements and (b) a consumption charge based upon the actual amount of chilled water consumed by the customer.

Standard rates for chilled water services were based on the customer's demand and consumption of chilled water and a standard 2,400 Equivalent Full Load Hour ("EFLH") profile. EFLH is defined as the annual ton-hours of chilled water required divided by the chiller's design capacity in tons.

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Between December 2021 and September 2022, the consumption rates for chilled water were adjusted monthly to reflect recovery of costs due to changes in the electric rate charged to DES. The following schedule reflects the rates and rate structure in effect during the adjustment period where consumption rates moved to a monthly setting for chilled water service.

<u>Contract Size</u>	<u>Charge</u>	<u>Rate Effective on January 1, 2022</u>	<u>Rate Effective on December 1, 2021</u>	<u>Rate Effective on October 1, 2021</u>
> 200 tons	Demand Charge	\$20.00/ ton	\$20.00/ ton	\$20.00/ ton
@ ≤ 2,400 EFLH	Consumption Charge	\$0.11828/ ton-hour	\$0.11132/ ton-hour	\$0.10553/ ton-hour
> 200 tons	Demand Charge	\$20.00/ ton	\$20.00/ ton	\$20.00/ ton
@ > 2,400 EFLH	Consumption Charge	\$0.10128/ ton-hour	\$0.09432/ ton-hour	\$0.08853/ ton-hour
< 200 tons	Demand Charge	NONE	NONE	NONE
@ ≤ 2,400 EFLH	Consumption Charge	\$0.20828/ ton-hour	\$0.20132/ ton-hour	\$0.19553/ ton-hour
< 200 tons	Demand Charge	NONE	NONE	NONE
@ > 2,400 EFLH	Consumption Charge	\$0.10128/ ton-hour	\$0.09432/ ton-hour	\$0.08853/ ton-hour

Effective October 1, 2022, the Board approved a new rate structure for the District Energy System, which has three components.

- Commodity charge – based on ton-hour sales, which is set monthly for full recovery of the electric and water expenses.
- Consumption charge (ton-hours) – based on ton-hour sales, which is set annually for full recovery of operating and maintenance expenses. Adjustments are made by multiplying current rate by CPI-U (All Urban Consumers All Items in U.S. City Average). The first annual CPI-U adjustment is scheduled to be applied to the April 1, 2024 consumption charge.
- Demand charge (tons) – based on tons of billable demand, which is set as needed for full recovery of costs for debt service, capital renewal and replacement of equipment for each plant.

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The DES rate structure no longer contains pricing differences between 200 tons and 2,400 EFLH thresholds. The following schedule reflects the new rates, rate structure and effective dates. Commodity (ton-hours) charges change monthly and only select periods are shown below. All other charges remained constant during the Fiscal Year ended September 30, 2023.

<u>Charge</u>	<u>Plant</u>	<u>Rate Effective on October 1, 2022</u>	<u>Rate Effective on November 1, 2022</u>	<u>Rate Effective on December 1, 2022</u>	<u>Rate Effective on January 1, 2023</u>	<u>Rate Effective on September 1, 2023</u>
Commodity (Ton-hours)	All	\$0.11220	\$0.08476	\$0.06592	\$0.09785	\$0.09083
Consumption (Ton-hours)	All	\$0.04814	\$0.04814	\$0.04814	\$0.04814	\$0.04814
Demand	Hogan's Creek	\$38.90/Ton	\$38.90/Ton	\$38.90/Ton	\$38.90/Ton	\$38.90/Ton
Demand	Downtown	\$35.40/Ton	\$35.40/Ton	\$35.40/Ton	\$35.40/Ton	\$35.40/Ton
Demand	Springfield	\$33.30/Ton	\$33.30/Ton	\$33.30/Ton	\$33.30/Ton	\$33.30/Ton

### Permits, Licenses and Approvals

All permits, licenses and approvals required for the operation of all District Energy System facilities have been obtained, and all of the facilities are operating in compliance with such permits, licenses and approvals.

### Capital Program

The District Energy System's capital program consists of capital requirements for renewal and replacement and improvements to existing facilities and expansion of the system. The District Energy System's projected capital program for the four-year period ending September 30, 2027 is summarized below.

#### District Energy System Capital Program (000s omitted)

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2024	\$ 16,800
2025	22,200
2026	24,100
2027	10,900
Total	\$74,000

The total amount of the capital program for the four-year period is estimated to be approximately \$74 million, which includes approximately \$41.7 million for future expansion, \$14.4M for the Hogans Creek chilled water extension, \$8.3 million for chiller replacements at our Hogan's Creek and Springfield facilities, \$5.8 million for the Downtown chilled water expansion,

and \$3.9 million for renewal. JEA expects the total amount required for the capital program will be derived from revenues, other available funds of the District Energy System and borrowings from the revolving credit facility. See "OTHER FINANCIAL INFORMATION - Revolving Credit Facility" herein for additional information.

## ***FINANCIAL INFORMATION RELATING TO DISTRICT ENERGY SYSTEM***

### **Debt Relating to the District Energy System**

#### ***District Energy System Bonds***

As of September 30, 2023, \$27,825,000 in aggregate principal amount of bonds (the "District Energy System Bonds") issued pursuant to the resolution of JEA adopted on June 15, 2004, as amended and supplemented (the "District Energy System Resolution") was outstanding. As of the date of this Annual Disclosure Report, there is \$25,955,000 in aggregate principal amount of District Energy System Bonds outstanding under the District Energy System Resolution.

District Energy System Bonds may be issued to finance any lawful purpose of JEA relating to the District Energy System. See "SUMMARY OF CERTAIN PROVISIONS OF THE DISTRICT ENERGY SYSTEM RESOLUTION - Additional Bonds" in APPENDIX D attached hereto.

Pursuant to the District Energy System Resolution and the laws of the State, the amount of District Energy System Bonds that may be issued by JEA is not limited and is subject only to approval by the Council and satisfaction of the conditions set forth in the District Energy System Resolution.

On September 26, 2023, the JEA Board approved a resolution changing JEA's historical approach to seeking incremental debt authorization from the Council. The resolution established a not-to-exceed debt outstanding amount of \$150 million for the District Energy System. The not-to-exceed amount is for the purposes of providing funds for both new money and the refunding of existing debt. The Council approved this new approach pursuant to Ordinance 2023-724-E enacted on November 14, 2023. This new methodology for debt authorization replaces the previous incremental approach. JEA will submit a summary, as part of its annual budget submission to the City, showing outstanding and anticipated borrowings against the not-to-exceed authorization amount. In the event additional authorization is needed in the future, it will be requested from the Board and the Council.

A summary of certain provisions of the District Energy System Resolution is attached to this Annual Disclosure Report as APPENDIX D.

#### ***District Energy System Contract Debts***

Contract Debts, a component of the District Energy System's Operation and Maintenance Expenses, is defined by the District Energy System Resolution to mean any obligations of JEA under a contract, lease, installment sale agreement, bulk purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received. JEA has not incurred any obligations constituting Contract Debts

under the District Energy System Resolution, but it may do so in the future. All Contract Debts will be payable from the Revenues of the District Energy System prior to any payments from such Revenues for indebtedness not constituting Contract Debt issued for the District Energy System, including the District Energy System Bonds.

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

The following table sets forth Schedules of the Debt Service Coverage for the District Energy System for the years ended September 30, 2023 and September 30, 2022, respectively. Such Schedules of Debt Service Coverage were derived from supplemental information included with JEA's 2023 Financial Statements and certain other information available to JEA. Such Schedules of Debt Service Coverage should be read in conjunction with such financial statements and the notes thereto.

JEA did not issue any District Energy System Bonds during the Fiscal Year ended September 30, 2023.

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**District Energy System Schedules of Debt Service Coverage  
(In Thousands)**

	Fiscal Year Ended September 30,	
	2023	2022
<b>Revenues</b>		
Services revenues.....	\$12,761	\$8,989
Investment income .....	100	21
Other income.....	-	2
Total Revenues.....	<u>12,861</u>	<u>9,012</u>
<b>Operation and Maintenance Expenses <sup>(1)</sup></b>		
Maintenance and other operating expenses.....	6,064	5,239
Total Operation and Maintenance Expenses .....	<u>6,064</u>	<u>5,239</u>
<b>Net Revenues</b> .....	<u>\$6,797</u>	<u>\$3,773</u>
Aggregate Debt Service <sup>(2)</sup> .....	<u>\$3,022</u>	<u>\$3,021</u>
<b>Debt service coverage on District Energy System Bonds <sup>(3)</sup></b> .....	<u>2.25x</u>	<u>1.25x</u>

<sup>(1)</sup> Excludes depreciation.

<sup>(2)</sup> On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer Revenues an amount equal to the Aggregate DES 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.

<sup>(3)</sup> Net Revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

**Management's Discussion and Analysis of District Energy System Schedules of Debt Service Coverage**

***Revenues***

Total Revenues increased \$3.8 million, or 42.6 percent, for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022, as the result of higher consumption, an increase in the adjustable fuel rate, and introduction of the new rate structure effective October 1, 2022.

***Operation and Maintenance Expenses***

Total Operation and Maintenance Expenses increased \$0.8 million, or 15.8 percent, for the Fiscal Year ended September 30, 2023 as compared to the Fiscal Year ended September 30, 2022, primarily related to an increase in electric utility charges and higher maintenance expenses.

***Net Revenues***

Net Revenues available for debt service increased \$3.0 million, or 79.9 percent, to \$6.8 million for the Fiscal Year ended September 30, 2023 from \$3.8 million for the Fiscal Year ended September 30, 2022.

***Aggregate Debt Service on District Energy System Bonds***

Aggregate Debt Service on District Energy System Bonds for the Fiscal Year ended September 30, 2023 remained relatively flat as compared to the Fiscal Year ended September 30, 2022.

JEA did not issue any District Energy System Bonds during the Fiscal Years ended September 30, 2023 or September 30, 2022.

***Debt Service Coverage on District Energy System Bonds***

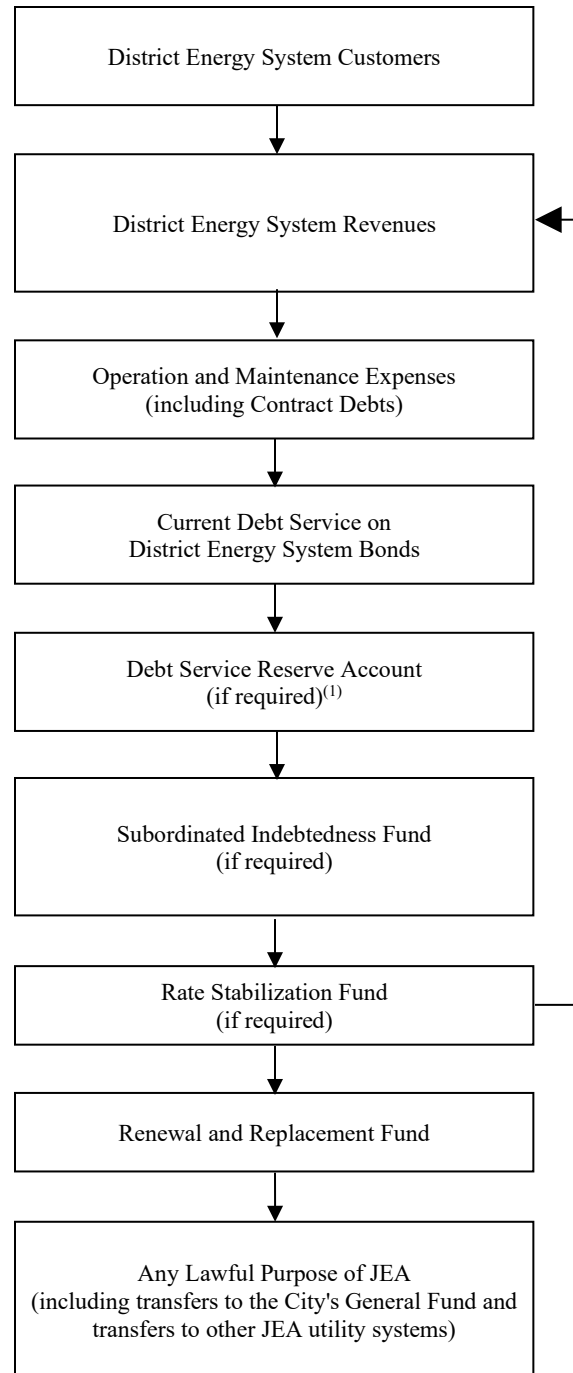
Debt service coverage on District Energy System Bonds increased to 2.25 times for the Fiscal Year ended September 30, 2023 as compared to the debt service coverage of 1.25 times for the Fiscal Year ended September 30, 2022, as a result of the 79.9 percent increase in Net Revenues available for debt service.

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## APPLICATION OF DISTRICT ENERGY SYSTEM REVENUES

The following chart shows a summary of the major components of the application of revenues under the District Energy System Resolution.



<sup>(1)</sup> Revenues of the Water and Sewer System shall be deposited into a special subaccount in the Debt Service Reserve Account (the "2013 Series A Bonds Subaccount") established for the DES 2013 Series A Bonds and pledged to pay debt service on the DES 2013 Series A Bonds in the event that revenues of the District Energy System are insufficient to pay debt service on such DES 2013 Series A Bonds.

## OTHER FINANCIAL INFORMATION

### General

JEA maintains separate accounting records for the Water and Sewer System and the District Energy System. For purposes of financial reporting, however, JEA prepares combined financial statements that include the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park<sup>(1)</sup>, the Water and Sewer System and the District Energy System. Attached hereto as APPENDIX A are (a) the financial statements of JEA for its Fiscal Year ended September 30, 2023 (which consist of the statements of net position of JEA as of September 30, 2023 and September 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended and the notes thereto; such financial statements are hereinafter referred to as "JEA's 2023 Financial Statements"), together with the report of Ernst & Young LLP, independent auditors, on such financial statements, (b) certain supplemental data as of September 30, 2023 and September 30, 2022 and for the years then ended (which consist of the combining statements of net position, the combining statements of revenues, expenses, and changes in net position and the combining statements of cash flows) and (c) certain statements of bond compliance information (which consist of schedules of debt service coverage for the years ended September 30, 2023 and September 30, 2022 for the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park, the Water and Sewer System and the District Energy System), together with the report of Ernst & Young LLP, independent auditors, on such schedules. All such statements, information, data and schedules should be read in conjunction with the notes to JEA's 2023 Financial Statements, which are an integral part of the financial statements.

The assets reflected in the statement of net position included in JEA's 2023 Financial Statements include all of the assets of the Water and Sewer System, Electric System, the Bulk Power Supply System, JEA's interest in the Power Park and the District Energy System, and the liabilities reflected in such statement of net position include, among other things, the Water and Sewer System Bonds, the Subordinated Water and Sewer System Bonds, the Electric System Bonds, the Subordinated Electric System Bonds, the Power Park Issue Three Bonds, the Additional Bulk Power Supply System Bonds and the District Energy System Bonds. The statement of revenues, expenses, and changes in net assets includes all expenses (*e.g.*, interest charges, operating and maintenance expenses, fuel expenses) of the Water and Sewer System, the Electric System, the Bulk Power Supply System, JEA's interest in the Power Park and the District Energy System.

Except as described under the caption "INTRODUCTION - General" herein, for financing purposes, the debt of JEA relating to the Electric Utilities Functions, the debt of JEA relating to its Water and Sewer System and the debt of JEA relating to the District Energy System are payable from and secured by separate revenue sources (*i.e.*, (a) the debt of JEA relating to its Electric Utility Functions is payable from and secured by the revenues derived by the Electric System from the sale of electricity and related services; (b) the debt of JEA relating to the Water and Sewer System is payable from and secured by the revenues derived by the Water and Sewer System from the sale of water and the provision of wastewater treatment and related services; and (c) except as

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<sup>(1)</sup> The Power Park ceased operations on January 5, 2018.

described under the caption "WATER AND SEWER SYSTEM - *FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM* - Debt Relating to Water and Sewer System - *Water and Sewer System Support of the District Energy System Bonds*" herein, the debt of JEA relating to the District Energy System is payable from and secured by the revenues derived by the District Energy System from the sale of chilled water and related services). Accordingly, potential purchasers of the Water and Sewer System and District Energy System Bonds are advised that the information in JEA's 2023 Financial Statements relating to JEA's Electric System is not relevant to a decision to purchase the Water and Sewer System and District Energy System Bonds.

### **Transfers to the City**

The Charter currently provides that, as consideration for the unique relationship between the City and JEA, there shall be assessed upon JEA in each Fiscal Year, for the uses and purposes of the City, from the revenues of the Electric System and Water and Sewer System operated by JEA available after the payment of all costs and expenses incurred by JEA in connection with the operation of the Electric System and the Water and Sewer System (including, without limitation, all costs of operation and maintenance, debt service on all obligations issued by JEA in connection with the Electric System and the Water and Sewer System and required reserves therefor and the annual deposit to the depreciation and reserve account required pursuant to terms of the Charter), an amount that is periodically negotiated by JEA and the City. The City's annual assessment of JEA does not include assessments pertaining to the District Energy System. See "APPLICATION OF WATER AND SEWER SYSTEM REVENUES" herein.

The Charter provides that the Council may reconsider the assessment calculations every five years; however, pursuant to the Charter, the Council may also revise the assessments at any time by amending the Charter with a two-thirds vote of the Council. From time to time, proposals have been made, and may be made in the future, to increase the amount of the City's annual assessment on JEA.

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

JEA and the City reached agreement on amendments to the Charter which affect the amount of the combined assessment that JEA is required to pay to the City. The combined assessment for the Electric System and the Water and Sewer System will be equal, but not exceed the greater of (A) the sum of (i) the amount calculated by multiplying 7.468 mills (a "mill" is one one-thousandth of a U.S. Dollar) by the gross kilowatt hours delivered by JEA to retail users of electricity in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year (other than sales of energy to FPL from JEA's St. Johns River Power Park System) during the 12-month period ending on April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such assessment is applicable, plus (ii) the amount calculated by multiplying 389.20 mills by the number of kgals (1000 gallons) potable water and sewer service, excluding reclaimed water service, provided to consumers during the 12-month period ending on April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such assessment is applicable or (B) a minimum calculated amount which increases by 1% per year using the fiscal year 2015-16 combined assessment of \$114,187,538 as the base year. The amounts

applicable to clause (B) above for fiscal year 2023-2024 is \$123,648,741. As provided in the Charter, the Council may change the assessment calculation by ordinance within the provisions of the relevant section of the Charter. In the event the Council does not reconsider the assessment calculations, the assessments shall be calculated using the existing formulas specified in the Charter, including a minimum calculated amount in clause (B) therein, which increases by one percent per year for each fiscal year computed as provided in the Charter.

The portion of the budgeted aggregate assessment calculated with respect to the Water and Sewer System has increased from approximately \$26,933,389 for the Fiscal Year ended September 30, 2023 to \$28,439,210 for the Fiscal Year ending September 30, 2024. While the Charter requires JEA to pay the JEA assessment to the City at such times as the City requests, but not in advance of collection, the Ordinance Code of the City requires JEA to pay the JEA assessment on a monthly basis. Pursuant to Section 21.07(f) of the Charter, although the calculation of the amounts assessed upon JEA pursuant to the Charter and the annual transfer of available revenues from JEA to the City pursuant to the Charter are based on formulas that are applied specifically to the respective utility systems operated by JEA, JEA may, in its discretion, determine how to allocate the aggregate assessment between the Electric System and the Water and Sewer System, and the aggregate assessment may be paid from any available revenues of JEA.

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

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

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

### ***General***

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

The table below sets forth the current ratings and outlooks for JEA's Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds, without giving effect to any third-party credit enhancement. Given JEA's current levels of ratings, JEA's management does not believe that the ratings triggers contained in any of its existing agreements will have a material adverse effect on its results of operations or financial condition. However, JEA's ratings reflect

the views of the rating agencies and not of JEA, and therefore JEA cannot give any assurance that its ratings will be maintained at current levels for any period of time.

	<u>Fitch Ratings</u>	<u>Moody's</u>	<u>S&amp;P</u>
Outstanding Water and Sewer System Bonds	AA+ (stable)	Aa2 (positive)	AA+ (stable)
Outstanding Subordinated Water and Sewer System Bonds	AA+ (stable)	Aa2 (positive)	AA (stable)

### ***Liquidity Support for JEA's Variable Rate Bonds***

In particular, JEA has entered into a credit agreement, standby bond purchase agreements and letter of credit reimbursement agreement with certain commercial banks in order to provide liquidity support in connection with tenders for purchase of the Senior Liquidity Supported Water and Sewer Bonds and the Subordinated Liquidity Supported Water and Sewer Bonds (collectively the "Liquidity Supported Bonds"). As of the date of this Annual Disclosure Report, there is \$133,075,000 in aggregate principal amount of Senior Liquidity Supported Water and Sewer Bonds outstanding and \$94,135,000 in aggregate principal amount of Subordinated Liquidity Supported Water and Sewer Bonds outstanding. The standby bond purchase agreements and reimbursement agreements, as applicable, relating to the Liquidity Supported Bonds provide that any of such Liquidity Supported Bonds that are purchased by the applicable bank pursuant to its standby bond purchase agreement or letter of credit, as applicable, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain "events of default" with respect to JEA under such standby bond purchase agreement or such reimbursement agreement, as applicable. Upon any such tender or deemed tender for purchase, such Liquidity Supported Bonds so tendered or deemed tendered will be due and payable immediately.

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

### **Interest Rate Swap Transactions**

From time to time, JEA enters into interest rate swap transactions pursuant to both its debt management policy (see "Debt Management Policy" below) and its investment policies (see "Investment Policies" below), which interest rate swap transactions may be for the account of the Water and Sewer System. As of September 30, 2023, JEA had an interest rate swap transaction outstanding under an interest rate swap master agreement in a notional amount of \$85,290,000 relating to the account of the Water and Sewer System. For additional information concerning those interest rate swap transactions, see (a) "Debt Management Policy" below, (b) "Investment Policies" below and (c) Notes 1(k) and 8 to JEA's 2023 Financial Statements attached hereto as APPENDIX A.

Under the master agreement, the interest rate swap transaction entered into pursuant to that master agreement is subject to early termination upon the occurrence and continuance of certain "events of default" and upon the occurrence of certain "termination events." One of such "termination events" with respect to JEA is a suspension or withdrawal of certain credit ratings with respect to JEA or a downgrade of such ratings to below the levels set forth in the master agreement or in the confirmation related to an interest rate swap transaction. Upon any such early termination of an interest rate swap transaction, JEA may owe to the counterparty a termination payment, the amount of which could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the master agreement and would be based primarily upon market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. In general, the ratings triggers on the part of JEA contained in the master agreement range from (x) below "BBB" by S&P and below "Baa2" by Moody's to (y) below "A-" by S&P and below "A3" by Moody's.

Additionally, the master agreement between JEA and Merrill Lynch Derivative Products AG ("MLDP") for the account of the Water and Sewer System contains an automatic transfer provision triggered by a certain rating downgrade or downgrades, as applicable, of JEA or MLDP. Under certain circumstances if the rating on JEA's senior lien Water and Sewer System Bonds or the long-term, unsecured, unsubordinated debt rating or financial program rating of MLDP were to fall below the double-A category, all rights and obligations of MLDP under the master agreement and all transactions under the master agreement would be automatically assigned and delegated to Merrill Lynch Capital Services, Inc. ("MLCS"). MLCS has entered into an agreement with JEA to cause a guarantee from Merrill Lynch & Co. to be delivered to JEA after the assignment occurs (the "Merrill Lynch Guarantee") and such guarantee will guarantee the payments of MLCS under the master agreement to JEA. S&P downgraded MLDP to "A+" on August 5, 2013, triggering the assignment to MLCS and the Merrill Lynch & Co. guarantee described above.

As of September 30, 2023, JEA's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (i.e., the net amount of the termination payments that JEA would owe to its counterparties if all of the interest rate swap transactions were terminated) was approximately \$18,368,071, of which approximately \$2,631,904 was attributable to interest rate swap transactions entered into for the account of the Water and Sewer System.

The following table presents a summary of the floating-to-fixed rate interest rate swap transactions entered into for the account of the Water and Sewer System.

<u>Related Bonds</u>	<u>Counterparty</u>	<u>Initial Notional Amount</u>	<u>Notional Amount as of September 30, 2023</u>	<u>Fixed Rate of Interest</u>	<u>Variable Rate Index<sup>(1)</sup></u>	<u>Termination Date<sup>(2)</sup></u>
<i>Variable Rate Water and Sewer System Revenue Bonds, 2008 Series B</i>	Merrill Lynch Capital Services, Inc.	85,290,000	85,290,000	3.895%	BMA Municipal Swap Index	10/1/2041

<sup>(1)</sup> The BMA Municipal Swap Index is now known as the SIFMA Municipal Swap Index.

<sup>(2)</sup> Unless earlier terminated.

## Debt Management Policy

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

The counterparties with whom JEA may deal must meet the requirements for counterparties described under the caption "Investment Policies" below. The policy requires JEA staff to submit to the JEA Board an annual plan of finance, which will address, at a minimum, the amount of debt projected to be issued during the next Fiscal Year, whether such debt is senior or subordinated, whether such debt is fixed or variable, and whether any hedging instruments may be utilized. Under the policy, JEA's net variable rate debt will not exceed 30 percent of total debt and JEA's net variable rate debt plus net fixed-to-floating interest rate swaps will not exceed 55 percent of total debt. "Net variable rate debt" is actual variable rate debt minus net variable rate assets. "Net variable rate assets" is actual variable rate assets minus the notional amount of investment/asset-matched interest rate swaps. "Net fixed-to-floating interest rate swaps" is the aggregate notional amount of fixed-to-floating swaps maturing in 10 years or less minus the aggregate notional amount of floating-to-fixed swaps maturing in 10 years or less outstanding on the last day of each month. "Total debt" equals fixed rate debt plus variable rate debt. "Variable rate debt" equals hedged and unhedged variable rate debt. "Variable rate assets" are investments maturing in less than one year. "Unhedged variable rate debt" is actual variable rate debt outstanding less variable rate debt that is associated with a floating-to-fixed rate swap where the term of the swap matches the term of the variable rate debt. The percentages are to be computed periodically.

JEA's fixed rate debt, variable rate debt and debt-related hedging instruments are to be managed in conjunction with investment assets and investment-related hedging instruments to incorporate the natural occurrence of hedging impacts in those balance sheet categories. The purpose is to use each side of the balance sheet to mitigate or hedge cash flow risks posed by the other side of the balance sheet.

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

Interest rate caps and related hedging instruments are to be utilized to help JEA manage interest rate risk in its debt management program. Generally, a fixed-to-floating interest rate swap will have an associated interest rate cap for the same notional amount at a level no greater than 200 basis points above the interest rate swap fixed rate. It is also contemplated that an interest rate

cap will not always have the same maturity as the interest swap with which it is associated. The average life of the aggregate of outstanding caps will not be less than 75 percent of the average life of the associated aggregate swaps.

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

The policy calls for no more than \$500,000,000 of net interest rate swap and cap or other hedging instruments to be outstanding in the aggregate with any one provider or affiliate thereof. The aggregate amount of all "long dated" (greater than 10 years) transactions executed with financial institutions and all affiliates thereof, shall be limited to an amount based on the credit rating of the financial institution at the time of the entry into the long-dated hedging transaction as shown below:

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

The ratings criteria shown above apply either to the counterparty to the long-dated transaction or, if the payment obligation of such counterparty under the relevant swap agreement shall be guaranteed by an affiliate thereof, such affiliate. The overall maximum by definition of the above limits cannot exceed \$400,000,000 for long dated transactions.

These diversification requirements include all interest rate swap, cap and other hedging instruments JEA may utilize to manage interest rate risks. Interest rate swap and cap transactions are to be competitively bid (unless otherwise determined by the Managing Director and Chief Executive Officer) by at least three providers that have executed interest rate swap agreements with JEA.

Under the policy, an annual budgeted reserve contribution is to be made to a reserve fund. The contributions to the reserve fund will be funded in three equal installments of 1 percent of the notional amount beginning in the month the swap is executed. Once funded, the reserve fund shall at all times be not less than three percent of the notional amount of fixed-to-floating rate debt interest rate swaps outstanding but can be used for any lawful purpose as approved by JEA's Managing Director and Chief Executive Officer.

The aggregate notional amount of all hedging instrument transactions entered into for the account of the Water and Sewer System outstanding at any one time, net of offsetting transactions, under all swap agreements is established at not to exceed (a) \$600,000,000 in the case of interest rate swaps, (b) \$250,000,000 in the case of basis swaps and (c) \$400,000,000 in the case of caps and collars. A transaction that reverses an original transaction in every respect thereby offsetting the cash flows perfectly is referred to herein as an "offsetting transaction." Generally, in the past JEA has elected to receive or pay an upfront cash payment to reverse the original swap transaction. The phrase "net of offsetting transactions" would relate to reversals that remain on JEA's books if JEA elected not to take/make an upfront cash payment.



## Investment Policies

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

JEA invests its funds pursuant to Section 218.415, Florida Statutes, its various bond resolutions and its JEA Board-approved investment policy. As of September 30, 2023, 43.9 percent of JEA's total investment portfolio (including funds held under the Water and Sewer System Resolution, the Subordinated Water and Sewer System Resolution, the District Energy System Resolution, the Bulk Power Supply System Resolution, the Electric System Resolution, the Subordinated Electric System Resolution, and the Second Power Park Resolution) was invested in securities issued by the United States Government, federal agencies or state and local government entities and has a weighted average maturity of approximately 2.9 years. As of September 30, 2023, the remaining 56.1 percent of such investment portfolio was invested in commercial paper rated at least "A-1" and "P-1" by S&P and Moody's, respectively, having a weighted average maturity of 140 days, in money market mutual funds and in demand deposit bank accounts. JEA's funds that are invested in commercial paper, in money market mutual funds and in bank accounts are used primarily for operating expenses.

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

JEA previously implemented a strategy to lengthen synthetically the investment maturity of its short-term revolving funds by entering into 100 percent asset-matched interest rate swap transactions. Through the use of this strategy, JEA may lock-in a fixed rate of return for up to five years on those funds, such as debt service sinking funds, that it is permitted to invest only in short-term investment securities. As of September 30, 2023, JEA had, and as of the date of this Annual Disclosure Report, JEA has, no outstanding interest rate swap transactions for this purpose, although it may enter into interest rate swap transactions for this purpose in the future.

The JEA Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with whom JEA may enter into interest rate swap transactions. The counterparties with whom JEA may deal must be rated (a) "AAA"/"Aaa" by one or more nationally recognized rating agencies at the time of execution, (b) "A"/"A2" or better by at least two of such credit rating agencies at the time of execution, or

(c) if such counterparty is not rated "A"/"A2" 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, swap agreements generally will require the counterparty to enter into a collateral agreement to provide collateral when (a) the ratings of such counterparty (or its guarantor) fall below "AA-"/ "Aa3" by two rating agencies and (b) a termination payment would be owed to JEA.

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

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

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

For further information regarding this interest rate swap program, see Notes 1(k) and 8 to JEA's 2023 Financial Statements attached hereto as APPENDIX A.

## **Revolving Credit Facility**

Effective December 17, 2015, JEA entered into a revolving credit agreement (the "Revolving Credit Facility") with JPMorgan Chase Bank, National Association ("JPMorgan") for a \$300,000,000 commitment. Effective November 1, 2018, the parties amended the Revolving Credit Facility to increase the maximum principal amount of the credit facility available for Electric System loans by \$200,000,000, for a total commitment equal to \$500,000,000. Effective May 24, 2021, the parties further amended the Revolving Credit Facility to increase the maximum principal amount of the credit facility available for the Water and Sewer System loans by \$200,000,000, for a total commitment equal to \$500,000,000. Effective July 31, 2023, the parties amended the Revolving Credit Facility to extend the facility maturity date from May 24, 2024 to May 24, 2027. Subject to meeting various conditions, the Revolving Credit Facility is available to JEA to provide working capital and short-term and interim financing for capital projects in connection with any of its systems. Payment obligations allocable to each of JEA's systems under the Revolving Credit Facility are payable from the respective revenues of the applicable system. More particularly, payment obligations allocable to the Water and Sewer System under the Revolving Credit Facility are payable from the revenues of the Water and Sewer System but are subordinate to the payment of JEA's Water and Sewer System Bonds and the Subordinated Water and Sewer System Bonds.

As of September 30, 2023, JEA had \$138,000,000 in borrowings outstanding under the Revolving Credit Facility, of which \$127,000,000 were for the account of the Water and Sewer System and \$11,000,000 were for the account of the District Energy System. On October 25, 2023, the Revolving Credit Facility was drawn upon by the Water and Sewer System for an additional \$50,000,000 leaving \$312,000,000 available to be drawn and on February 7, 2024, JEA repaid \$177,000,000 of borrowings on the account of the Water and Sewer System from funds available to that system. As of the date of this Annual Disclosure Report, JEA has \$11,000,000 in borrowings outstanding under the Revolving Credit Facility, all of which are for the account of the District Energy System. As of the date of this Annual Disclosure Report, \$489,000,000 is available to be drawn.

## **Loans Among Utility Systems**

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

## **No Default Certificates**

Section 714.2 of the Water and Sewer System Resolution and Section 7.07 of the Subordinated Water and Sewer Resolution require that JEA annually obtain a certificate of its independent firm of certified public accountants stating whether or not, to the knowledge of the signer, JEA is in default with respect to any of the covenants, agreements or conditions on its part contained in the Water and Sewer System Resolution and the Subordinated Water and Sewer System Resolution, respectively, and if so, the nature of such default. Section 713.2 of the District Energy System Resolution requires that JEA annually obtain a certificate of its independent firm of certified public accountants stating whether or not, to the knowledge of the signer, JEA is in

default with respect to any of the covenants, agreements or conditions on its part contained in the District Energy System Resolution, and if so, the nature of such default. The actual certificates provided by such accountants' state that nothing has come to such accountants' attention that caused such accountants to believe that JEA failed to comply with the terms, covenants, provisions or conditions of the applicable section(s) of the relevant resolutions, insofar as they relate to accounting matters (emphasis supplied). The accountants have advised JEA that the italicized qualifying language is required to be included by their professional standards (specifically, Statement on Auditing Standards No. 62). JEA does not believe that any other nationally recognized accounting firm will provide certificates that strictly meet the requirements of the applicable section(s) of the relevant resolutions and that differ materially from the certificates provided by JEA's accountants.

Notwithstanding the failure of the accountants' certificates to strictly meet the requirements of the respective resolutions as described above, as of the date of this Annual Disclosure Report, JEA is not in default in the performance of any of the covenants, agreements or conditions contained in the Water and Sewer System Resolution, Subordinated Water and Sewer Resolution and the District Energy System Resolution.

## **LITIGATION AND OTHER MATTERS**

### **General**

In the opinion of the Office of General Counsel of the City ("OGC"), there is no pending litigation or proceedings that may result in any material adverse change in the financial condition of JEA relating to the Water and Sewer System or the District Energy System other than as set forth in JEA's 2023 Financial Statements attached hereto as APPENDIX A and other than the matters set forth in this Annual Disclosure Report.

JEA, like other similar bodies, is subject to a variety of lawsuits and proceedings arising in the ordinary conduct of its affairs. After reviewing the status of all current and pending litigation, the OGC, believes that, while the outcome of litigation cannot be predicted, the final dissolution of all lawsuits which have been filed and of any actions or claims pending or, to the knowledge of JEA, threatened against JEA or its officials in such capacity are adequately covered by insurance, or the City's Risk Management fund, or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the Water and Sewer System.

### **Other Matters**

On April 21, 2020, the United States District Court for the Middle District of Florida issued a Subpoena to Testify Before Grand Jury to JEA requesting numerous documents and records relating to, among other things, the selection of JEA's former CEO, Aaron Zahn ("Zahn"); the former Invitation to Negotiate #127-19 for Strategic Alternatives ("ITN"), providing for the sale of JEA's assets and liabilities; and, a proposed bonus pay plan for senior executives to be funded by proceeds from the sale of JEA's assets and liabilities. JEA complied with the subpoena and provided the requested documents and records.

Subsequently, on March 2, 2022, a federal grand jury issued an indictment charging Zahn and Ryan Wannemacher ("Wannemacher"), JEA's former CFO, with one count of conspiracy and one count of wire fraud. According to the indictment, the charges stem from allegations that Zahn began planning for the ITN in efforts to effectuate the sale and privatization of JEA before he was selected as CEO of JEA. The indictment further alleges that Zahn and Wannemacher willfully engaged in a scheme to make false and fraudulent representations to the JEA Board about material facts concerning development of the proposed bonus plan and its connection to the ITN, knowing that if JEA was sold, they, along with others would be paid exorbitant sums of money from funds that would otherwise have gone to the City's General Fund. The trial of this case is anticipated to occur in the first half of 2024. JEA is not a party to the trial, and the outcome of the trial is not expected to have any effect on the operations or financial position of JEA.

On January 28, 2019, JEA terminated Zahn with cause. On May 8, 2020, Zahn filed a demand for arbitration with the American Arbitration Association seeking damages for JEA's alleged violation of the July 2019 employment agreement. The case is in arbitration and resolution of the matter is currently pending.

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**OPERATING HIGHLIGHTS**

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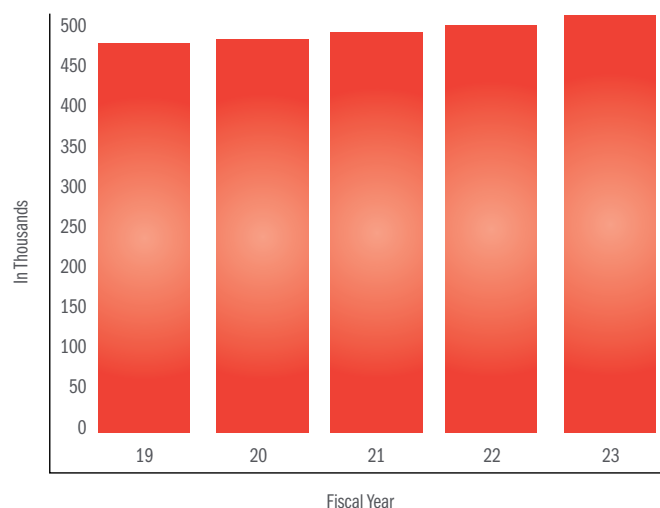


# ELECTRIC FINANCIAL AND OPERATING HIGHLIGHTS

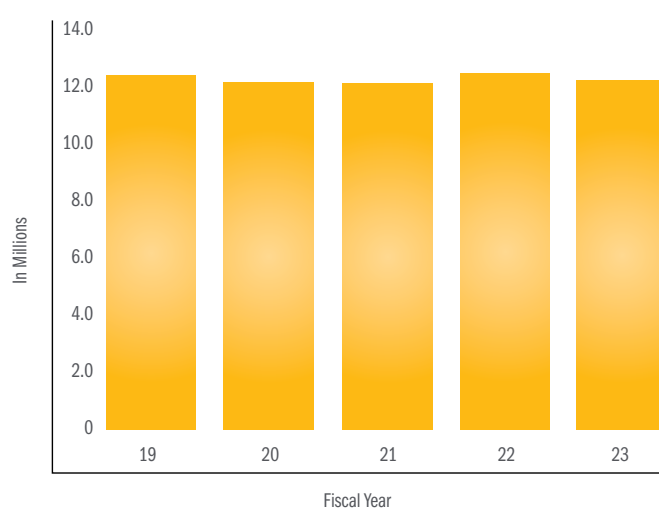
Years Ended September 30

	2023	2022	2021	2020	2019	% Change 2023-2022
<b>FINANCIAL HIGHLIGHTS</b>						
Total operating revenues (thousands)	\$1,324,028	\$1,534,816	\$1,308,982	\$1,241,506	\$1,300,208	-13.73%
Fuel and purchased power expenses (thousands)	\$711,072	\$771,954	\$475,461	\$376,011	\$465,573	-7.89%
Total operating expenses (thousands)	\$1,351,113	\$1,470,109	\$1,010,636	\$921,912	\$1,019,589	-8.09%
Debt service coverage:						
Senior and subordinated - Electric	3.72 x	5.55 x	5.17 x	4.79 x	2.81 x	-32.97%
Senior - Electric	6.50 x	10.03 x	11.80 x	10.68 x	6.51 x	-35.19%
Bulk Power Supply System	2.15 x	9.36 x	1.27 x	1.96 x	2.19 x	-77.03%
St. Johns River Power Park 2nd Resolution	1.15 x	2.31 x	1.15 x	1.15 x	1.19 x	-50.22%
<b>OPERATING HIGHLIGHTS</b>						
Sales (megawatt hours)	12,366,462	12,488,252	12,239,149	12,202,973	12,465,958	-0.98%
Peak demand - megawatts (60 minute net)	2,816	2,816	2,582	2,658	2,644	0.00%
Total accounts - average number	515,514	503,934	494,656	485,000	475,786	2.30%
Sales per residential account (kilowatt hours)	12,401	12,907	12,932	13,026	13,172	-3.92%
Average residential revenue per kilowatt hour	\$13.46	\$13.69	\$11.42	\$11.21	\$11.41	-1.68%
Power supply:						
Natural gas	58%	58%	62%	63%	49%	0.00%
Purchases	30%	29%	15%	3%	26%	3.45%
Coal	3%	6%	15%	12%	16%	-50.00%
Petroleum coke	9%	7%	8%	12%	9%	28.57%

Average Number of Electric Retail Accounts



Retail Megawatt Hour Sales

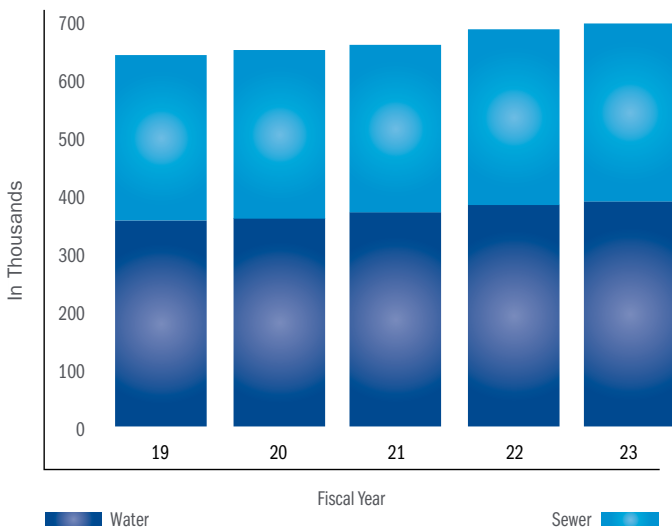


# WATER AND SEWER FINANCIAL AND OPERATING HIGHLIGHTS

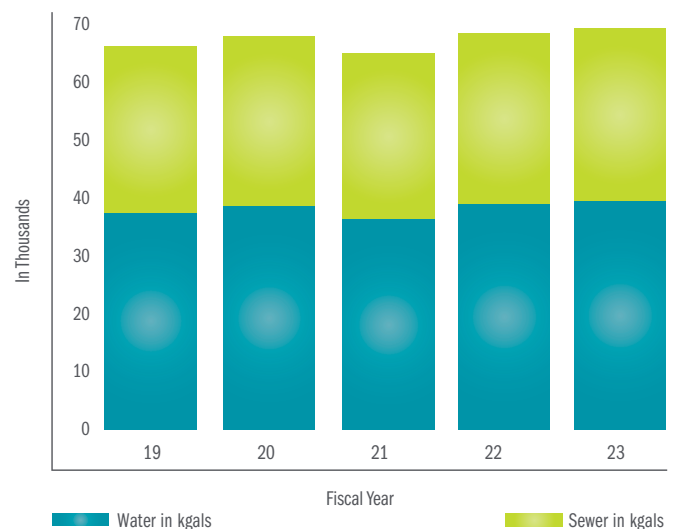
Years Ended September 30

	2023	2022	2021	2020	2019	% Change 2023-2022
<b>FINANCIAL HIGHLIGHTS</b>						
Total operating revenues (thousands)	\$538,308	\$509,862	\$471,430	\$483,859	\$463,817	5.58%
Operating expenses (thousands)	\$458,489	\$396,512	\$358,288	\$352,973	\$334,177	15.63%
Debt service coverage:						
Senior and subordinated	3.62 x	6.65 x	6.33 x	4.96 x	3.02 x	-45.56%
Senior	4.35 x	7.71 x	7.24 x	5.58 x	3.59 x	43.58%
<b>OPERATING HIGHLIGHTS</b>						
<b>WATER</b>						
Total sales (kgals)	39,733,861	39,208,877	37,180,568	38,271,797	37,696,072	1.34%
Total accounts - average number	391,859	383,481	373,075	363,597	355,635	2.18%
Average sales per residential account (kgals)	60.20	60.23	59.78	62.83	61.28	-0.05%
Average residential revenue per kgal	\$5.50	\$5.48	5.44	\$5.32	\$5.40	0.36%
<b>SEWER</b>						
Total sales (kgals)	29,666,832	29,252,868	28,139,524	28,160,202	27,726,796	1.42%
Total accounts - average number	311,873	303,550	293,870	285,104	277,815	2.74%
Average sales per residential account (kgals)	59.13	59.13	58.72	61.57	60.61	0.00%
Average residential revenue per kgal	\$9.40	\$9.38	\$9.45	\$9.26	\$9.30	0.21%
<b>REUSE</b>						
Total sales (kgals)	5,277,237	5,166,479	4,463,047	4,426,905	3,884,210	2.14%
Total accounts - average number	25,764	22,634	19,704	17,031	14,267	13.83%

Average Number of Water and Sewer Accounts



Water and Sewer Sales Volume



# FINANCIAL SUMMARY

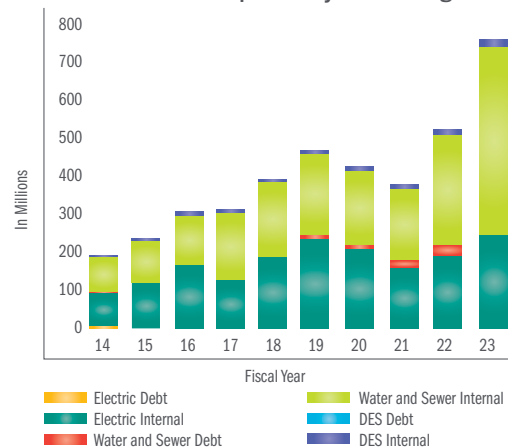
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

	2023-22	2022-21	2021-20	2020-19	2019-18
<b>Operating revenues:</b>					
Electric	\$1,276,715	\$1,491,097	\$1,267,212	\$1,203,688	\$1,259,815
Water and sewer	518,767	489,814	457,076	469,914	450,116
District energy system	11,934	8,516	7,704	8,235	8,504
Other	7,533	40,435	37,269	32,621	33,526
Total operating revenues	1,844,949	2,029,862	1,769,261	1,714,458	1,751,961
<b>Operating expenses:</b>					
Maintenance and other operating expenses	521,676	402,290	387,916	422,925	395,692
Fuel and purchased power	711,072	771,954	475,461	376,011	465,573
Depreciation	432,147	500,257	391,715	365,146	362,313
State utility and franchise taxes	83,809	83,892	70,966	69,769	71,569
Recognition of deferred costs and revenues, net	39,718	92,261	30,718	28,619	44,792
Total operating expenses	1,788,422	1,850,654	1,356,776	1,262,470	1,339,939
Operating income	56,527	179,208	412,485	451,988	412,022
<b>Nonoperating revenues (expenses):</b>					
Interest on debt	(109,275)	(114,707)	(120,911)	(141,213)	(175,046)
Earnings from The Energy Authority	23,603	29,731	15,378	2,848	2,412
Allowance for funds used during construction	25,853	13,866	9,305	19,713	14,099
Other nonoperating income, net	6,600	6,853	4,796	7,370	9,082
Investment income (loss)	27,787	(9,668)	2,165	15,721	39,745
Other interest, net	(7,744)	(1,343)	(23)	666	(1,626)
Total nonoperating expenses, net	(33,176)	(75,268)	(89,290)	(94,895)	(111,334)
Income before contributions and special item	23,351	103,940	323,195	357,093	300,688
<b>Contributions (to) from:</b>					
General fund, City of Jacksonville	(122,424)	(133,713)	(120,012)	(118,824)	(132,802)
<b>Capital contributions:</b>					
Developers and other	176,771	121,227	94,580	109,546	97,726
Reduction of plant cost through contributions	(112,236)	(74,016)	(54,299)	(76,558)	(68,188)
Total contributions, net	(57,889)	(86,502)	(79,731)	(85,836)	(103,264)
<b>Special item</b>	11,135	100,000	-	-	-
<b>Change in net position</b>	(23,403)	117,438	243,464	271,257	197,424
<b>Net position – beginning of year</b>	3,584,892	3,467,454	3,223,990	2,952,733	2,755,309
<b>Net position – end of year</b>	\$3,561,489	\$3,584,892	\$3,467,454	\$3,223,990	\$2,952,733

Total Operating Revenues and Expenses



Sources of Capital Project Funding

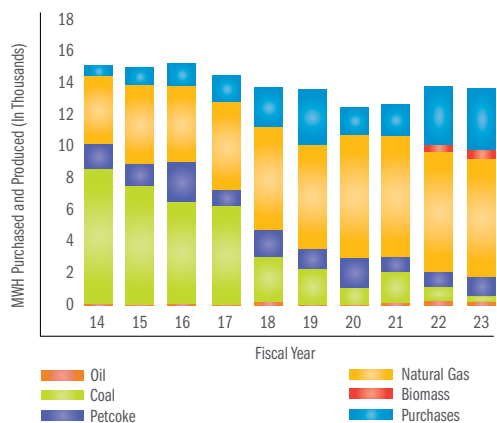


# FINANCIAL SUMMARY, CONTINUED

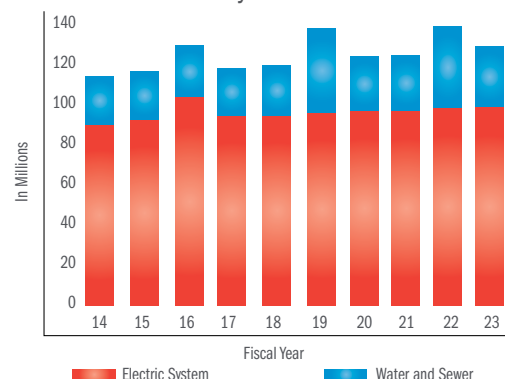
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

	2018-17	2017-16	2016-15	2015-14	2014-13
<b>Operating revenues:</b>					
Electric	\$1,267,202	\$1,382,206	\$1,321,713	\$1,324,883	\$1,431,167
Water and sewer	423,480	448,057	417,404	379,789	383,643
District energy system	8,348	8,185	8,337	8,778	8,682
Other	90,952	36,729	34,298	35,930	38,389
Total operating revenues	1,789,982	1,875,177	1,781,752	1,749,380	1,861,881
<b>Operating expenses:</b>					
Maintenance and other operating expenses	431,269	392,142	380,219	374,166	364,764
Fuel and purchased power	530,246	536,250	485,874	517,239	585,021
Depreciation	360,609	386,699	382,432	366,486	375,505
State utility and franchise taxes	70,027	69,683	71,244	72,510	72,221
Recognition of deferred costs and revenues, net	6,856	(4,075)	(1,527)	(11,168)	49,271
Total operating expenses	1,399,007	1,380,699	1,318,242	1,319,233	1,446,782
Operating income	390,975	494,478	463,510	430,147	415,099
<b>Nonoperating revenues (expenses):</b>					
Interest on debt	(166,508)	(182,992)	(184,457)	(198,199)	(223,736)
Earnings from The Energy Authority	4,074	6,335	6,136	1,461	3,567
Allowance for funds used during construction	11,764	11,774	9,407	5,723	3,894
Other nonoperating income, net	9,857	5,918	8,765	11,634	7,280
Investment income (loss)	11,826	10,576	14,225	12,904	20,546
Other interest, net	(1,825)	(451)	(403)	(68)	(38)
Total nonoperating expenses, net	(130,812)	(148,840)	(146,327)	(166,545)	(188,487)
Income before contributions and special item	260,163	345,638	317,183	263,602	226,612
<b>Contributions (to) from:</b>					
General fund, City of Jacksonville	(116,620)	(115,823)	(129,187)	(111,688)	(109,188)
Capital contributions:					
Developers and other	82,157	66,875	53,652	52,709	38,845
Reduction of plant cost through contributions	(54,114)	(42,069)	(31,632)	-	-
Water & Sewer Expansion Authority	-	-	-	(33,105)	-
Total contributions, net	(88,577)	(91,017)	(107,167)	(92,084)	(70,343)
Special item	(45,099)	-	-	151,490	-
Change in net position	126,487	254,621	210,016	323,008	156,269
Net position - beginning of year, originally reported	2,628,822	2,376,925	2,166,909	1,843,901	2,039,737
Effect of change in accounting	-	(2,724)	-	-	(352,105)
Net position - beginning of year, as restated	2,628,822	2,374,201	2,166,909	1,843,901	1,687,632
Net position - end of year	\$2,755,309	\$2,628,822	\$2,376,925	\$2,166,909	\$1,843,901

Fuel Sources



Contribution to the General Fund of the City of Jacksonville



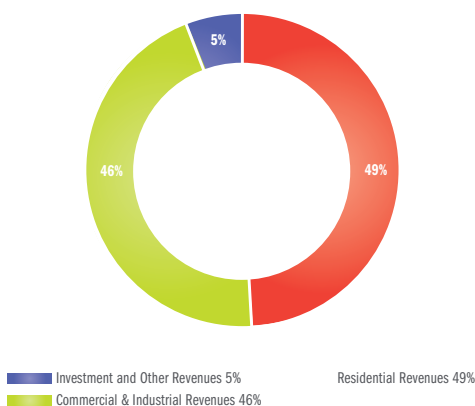
# OPERATING SUMMARY: ELECTRIC SYSTEM

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

	2023-22	2022-21	2021-20	2020-19	2019-18
<b>Electric revenues (000s omitted):</b>					
Residential	\$760,374	\$785,986	\$644,639	\$624,078	\$629,355
Commercial and industrial	708,529	714,288	566,942	556,722	590,473
Public street lighting	15,423	15,039	13,821	13,410	13,176
Sales for resale	2,254	1,341	2,137	2,128	3,914
Florida Power & Light saleback	-	-	1	(1)	1,664
Total	1,486,580	1,516,654	1,227,540	1,196,337	1,238,582
<b>Sales (megawatt hours):</b>					
Residential	5,650,016	5,741,350	5,642,412	5,566,222	5,515,428
Commercial and industrial	6,608,722	6,674,205	6,518,435	6,562,365	6,793,557
Public street lighting	54,822	54,939	55,487	55,974	57,410
Sales for resale	52,902	17,758	22,815	18,412	99,563
Florida Power & Light saleback	-	-	-	-	-
Total	12,366,462	12,488,252	12,239,149	12,202,973	12,465,958
<b>Average number of accounts:</b>					
Residential	455,609	444,840	436,299	427,321	418,728
Commercial and industrial	55,895	55,105	54,381	53,750	53,204
Public street lighting	4,010	3,989	3,976	3,929	3,854
Total	515,514	503,934	494,656	485,000	475,786
<b>System installed capacity – MW (1)</b>	2,931	2,931	3,129	3,113	3,114
<b>Peak demand – MW (60 minute net)</b>	52%	56%	54%	56%	48%
<b>System load factor – %</b>	52%	52%	56%	54%	56%
<b>Residential averages – annual:</b>					
Revenue per account – \$	1,766.90	1,477.52	1,460.44	1,503.02	1,507.51
kWh per account	12,907	12,932	13,026	13,172	13,205
Revenue per kWh – ¢	13.69	11.42	11.21	11.41	11.42
<b>All other retail – annual:</b>					
Revenue per account – \$	1,668.92	1,766.90	1,477.52	1,460.44	1,503.02
kWh per account	12,401	12,907	12,932	13,026	13,172
Revenue per kWh – ¢	10.86	10.84	8.83	8.61	8.81
<b>Heating-cooling degree days</b>	3 4,004	3,937	4,012	4,015	4,294

(1) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) through closure in January 2018 and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4 through December 2021. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



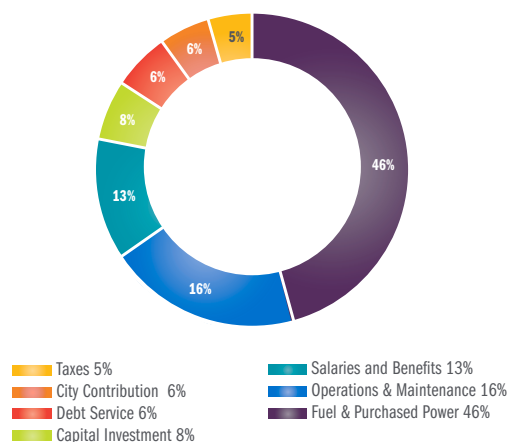
# OPERATING SUMMARY: ELECTRIC SYSTEM, CONTINUED

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

	2018-17	2017-16	2016-15	2015-14	2014-13
<b>Electric revenues (000s omitted):</b>					
Residential	\$618,171	\$584,663	\$599,009	\$619,897	\$608,983
Commercial and industrial	594,395	587,972	597,796	627,547	632,121
Public street lighting	12,873	13,069	13,488	11,982	13,943
Sales for resale	5,474	21,813	31,210	32,424	34,700
Florida Power & Light saleback	30,767	128,737	130,053	128,475	159,747
<b>Total</b>	<b>1,261,680</b>	<b>1,336,254</b>	<b>1,371,556</b>	<b>1,420,325</b>	<b>1,449,494</b>
<b>Sales (megawatt hours):</b>					
Residential	5,414,721	5,108,945	5,328,245	5,243,002	5,086,866
Commercial and industrial	6,851,803	6,725,201	6,847,583	6,767,836	6,636,445
Public street lighting	59,176	65,721	80,108	89,376	111,325
Sales for resale	74,069	300,903	474,352	417,361	473,695
Florida Power & Light saleback	332,467	1,693,082	1,856,198	1,862,122	2,003,682
<b>Total</b>	<b>12,732,236</b>	<b>13,893,852</b>	<b>14,586,486</b>	<b>14,379,697</b>	<b>14,312,013</b>
<b>Average number of accounts:</b>					
Residential	410,060	403,164	396,664	389,287	382,438
Commercial and industrial	52,573	52,060	51,472	50,867	48,999
Public street lighting	3,776	3,727	3,649	3,549	3,477
<b>Total</b>	<b>466,409</b>	<b>458,951</b>	<b>451,785</b>	<b>443,703</b>	<b>434,914</b>
<b>System installed capacity – MW (1)</b>	<b>3,084</b>	<b>3,722</b>	<b>3,722</b>	<b>3,759</b>	<b>3,759</b>
<b>Peak demand – MW (60 minute net)</b>	<b>3,080</b>	<b>2,682</b>	<b>2,674</b>	<b>2,863</b>	<b>2,823</b>
<b>System load factor – %</b>	<b>48%</b>	<b>53%</b>	<b>56%</b>	<b>51%</b>	<b>51%</b>
<b>Residential averages – annual:</b>					
Revenue per account – \$	1,507.51	1,450.19	1,510.12	1,592.39	1,592.37
kWh per account	3,205	12,672	13,433	13,468	13,301
Revenue per kWh – ¢	11.42	11.44	11.24	11.82	11.97
<b>All other retail – annual:</b>					
Revenue per account – \$	10,776.91	10,773.85	11,089.86	11,752.59	12,311.61
kWh per account	122,646	121,729	125,682	126,015	128,588
Revenue per kWh – ¢	8.79	8.85	8.82	9.33	9.57
<b>Heating-cooling degree days</b>	<b>4,256</b>	<b>3,737</b>	<b>4,117</b>	<b>4,159</b>	<b>3,998</b>

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

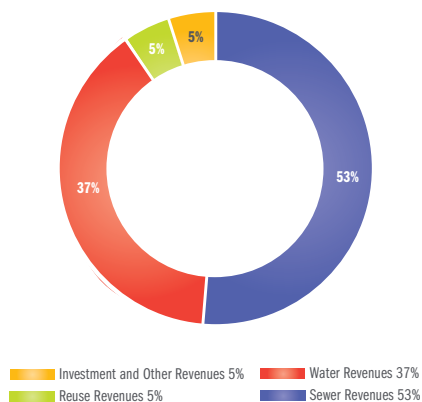
Electric System Revenue Uses



# OPERATING SUMMARY: WATER AND SEWER SYSTEM

	2023-22	2022-21	2021-20	2020-19	2019-20
<b>WATER</b>					
<b>Water revenues (000s omitted):</b>					
Residential	\$107,920	\$105,065	\$100,361	\$100,316	\$96,699
Commercial and industrial	49,970	49,302	47,429	47,011	47,619
Irrigation	34,291	34,510	31,666	35,030	34,800
Total	192,181	188,877	179,456	182,357	179,118
<b>Water sales (kgals):</b>					
Residential	19,632,070	19,168,978	18,448,336	18,839,990	17,921,588
Commercial and industrial	14,423,321	14,321,083	13,675,041	13,540,631	13,958,000
Irrigation	5,678,470	5,718,816	5,057,191	5,891,176	5,816,484
Total	39,733,861	39,208,877	37,180,568	38,271,797	37,696,072
<b>Average number of accounts:</b>					
Residential	326,119	318,284	308,626	299,872	292,460
Commercial and industrial	27,265	26,939	26,518	26,190	25,963
Irrigation	38,475	38,258	37,931	37,535	37,212
Total	391,859	383,481	373,075	363,597	355,635
<b>Residential averages - annual:</b>					
Revenue per account - \$	330.92	330.10	325.19	334.53	330.64
kgals per account	60.20	60.23	59.78	62.83	61.28
Revenue per kgal - \$	5.50	5.48	5.44	5.32	5.40
<b>SEWER</b>					
<b>Sewer revenues (000s omitted):</b>					
Residential	\$162,512	\$157,706	\$152,684	\$151,893	\$146,186
Commercial and industrial	114,093	114,448	111,255	109,682	110,724
Total	276,605	272,154	263,939	261,575	256,910
<b>Volume (kgals):</b>					
Residential	17,295,189	16,816,302	16,148,759	16,405,359	15,717,129
Commercial and industrial	12,371,643	12,436,566	11,990,765	11,754,843	12,009,667
Total	29,666,832	29,252,868	28,139,524	28,160,202	27,726,796
<b>Average number of accounts:</b>					
Residential	292,490	284,401	275,022	266,460	259,308
Commercial and industrial	19,383	19,149	18,848	18,644	18,507
Total	311,873	303,550	293,870	285,104	277,815
<b>Residential averages - annual:</b>					
Revenue per account - \$	555.62	554.52	555.17	570.04	563.75
kgals per account	59.13	59.13	58.72	61.57	60.61
Revenue per kgal - \$	9.40	9.38	9.45	9.26	9.30
<b>REUSE</b>					
<b>Reuse revenues (000s omitted):</b>	\$26,150	\$25,260	\$20,644	\$21,097	\$17,909
<b>Reuse sales (kgals):</b>	5,277,237	5,166,479	4,463,047	4,426,905	3,884,210
<b>Average number of accounts:</b>	25,764	22,634	19,704	17,031	14,267
<b>RAINFALL</b>					
<b>Inches</b>	50.07	59.32	56.40	60.97	45.95
<b>Days</b>	104	109	135	122	123

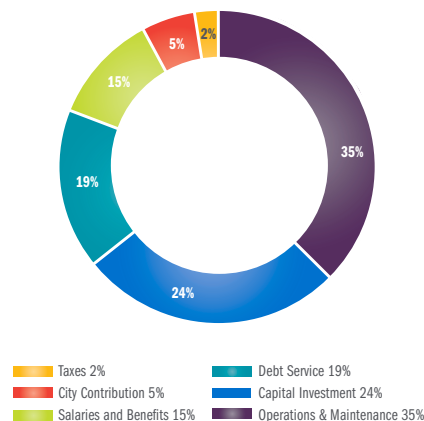
Water and Sewer System Revenue Sources



# OPERATING SUMMARY: WATER AND SEWER SYSTEM, CONTINUED

	2018-17	2017-16	2016-15	2015-14	2014-13
<b>WATER</b>					
<b>Water revenues (000s omitted):</b>					
Residential	\$91,954	\$96,615	\$89,946	\$86,215	\$83,014
Commercial and industrial	47,494	47,969	46,212	45,078	43,647
Irrigation	32,004	36,836	34,846	32,681	30,088
Total	171,452	181,420	171,004	163,974	156,749
<b>Water sales (kgals):</b>					
Residential	16,932,812	17,624,952	17,086,586	16,271,698	15,507,752
Commercial and industrial	14,023,130	13,402,094	13,343,376	12,870,984	12,131,400
Irrigation	5,230,617	6,218,142	5,927,957	5,415,602	4,829,184
Total	36,186,559	37,245,188	36,357,919	34,558,284	32,468,336
<b>Average number of accounts:</b>					
Residential	285,404	278,838	272,157	265,373	259,159
Commercial and industrial	25,702	25,423	24,698	23,951	23,722
Irrigation	37,053	36,755	36,284	36,028	35,827
Total	348,159	341,016	333,139	325,352	318,708
<b>Residential averages - annual:</b>					
Revenue per account - \$	322.19	346.49	330.49	324.88	320.32
kgals per account	59.33	63.21	62.78	61.32	59.84
Revenue per kgal - \$	5.43	5.48	5.26	5.30	5.35
<b>SEWER</b>					
<b>Sewer revenues (000s omitted):</b>					
Residential	\$139,174	\$143,967	\$135,288	\$129,976	\$125,526
Commercial and industrial	108,126	107,446	103,731	101,910	97,339
Total	247,300	251,413	239,019	231,886	222,865
<b>Volume (kgals):</b>					
Residential	14,623,682	15,225,124	14,614,026	13,934,981	13,269,638
Commercial and industrial	11,716,940	11,487,646	11,203,632	10,987,160	10,257,338
Total	26,340,622	26,712,770	25,817,658	24,922,141	23,526,976
<b>Average number of accounts:</b>					
Residential	252,531	246,187	239,738	233,203	227,216
Commercial and industrial	18,340	18,149	17,981	17,771	17,620
Total	270,871	264,336	257,719	250,974	244,836
<b>Residential averages - annual:</b>					
Revenue per account - \$	551.12	584.79	564.32	557.35	552.45
kgals per account	57.91	61.84	60.96	59.75	58.40
Revenue per kgal - \$	9.52	9.46	9.26	9.33	9.46
<b>REUSE</b>					
<b>Reuse revenues (000s omitted):</b>	\$13,659	\$13,216	\$10,267	\$7,378	\$5,533
<b>Reuse sales (kgals):</b>	3,119,739	3,290,311	2,644,046	1,783,730	1,300,838
<b>Average number of accounts:</b>	11,498	9,391	7,498	5,891	4,501
<b>RAINFALL</b>					
<b>Inches</b>	57.41	72.89	31.38	49.43	51.17
<b>Days</b>	120	98	98	114	114.00

Water and Sewer System Revenue Uses





**JEA FINANCIAL INFORMATION**

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FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION,  
AND BOND COMPLIANCE INFORMATION

JEA

Years Ended September 30, 2023 and 2022  
With Report of Independent Auditors

Ernst & Young LLP



# JEA

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

Years Ended September 30, 2023 and 2022

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## Report of Independent Auditors

The Board of Directors  
JEA  
Jacksonville, Florida

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activity of JEA, a component unit of the City of Jacksonville, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activity of JEA at September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JEA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JEA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 JEA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of JEA's Proportionate Share of the Net Pension Liability and Schedule of JEA Contributions, SJRPP Pension Plan – Schedule of Changes in Net Pension Liability and Related Ratios, SJRPP Pension Plan – Investment Returns and Schedule of Contributions, OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios and OPEB Plan – Investment Returns and Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 of America, 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 opinions on the financial statements that collectively comprise JEA's basic financial statements. The combining statements of net position, revenues, expenses and changes in net position and cash flows and Schedules of Debt Service Coverage as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 of America. In our opinion, the combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report December 21, 2023, on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of JEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEA's internal control over financial reporting and compliance.

*Ernst + Young LLP*

December 21, 2023



# Management's Discussion and Analysis

## **Introduction**

JEA is a municipal utility operating in Jacksonville, Florida (Duval County) and parts of three adjacent counties. The operation is composed of three enterprise funds – Electric Enterprise, Water and Sewer, and District Energy System (DES). Electric Enterprise is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). Electric Enterprise, Water and Sewer, and DES funds 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, 2023 and 2022. 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 fiduciary financial statements are presented on a comparative basis for the fiscal years ended September 30, 2023 and 2022. The statements of fiduciary net position present the SJRPP pension trust fund's assets and liabilities, with the residual reported as fiduciary net position. Additions and deductions information is presented in the accompanying statements of changes in fiduciary net position.

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

## Management's Discussion and Analysis (continued)

The following tables summarize the financial condition and operations of JEA for the 2023 and 2022 fiscal years:

### Condensed Statements of Net Position

	2023	2022	2021
	<i>(In millions)</i>		
<b>Assets and deferred outflows of resources</b>			
Current assets	\$ 844	\$ 734	\$ 696
Other noncurrent assets	1,384	1,725	1,688
Net capital assets	5,889	5,464	5,477
Deferred outflows of resources	455	306	421
Total assets and deferred outflows of resources	<u>\$ 8,572</u>	<u>\$ 8,229</u>	<u>\$ 8,282</u>
<b>Liabilities and deferred inflows of resources</b>			
Current liabilities	\$ 244	\$ 267	\$ 205
Current liabilities payable from restricted assets	280	218	221
Net pension liability	959	646	730
Other noncurrent liabilities	222	96	91
Long-term debt	2,873	2,870	3,232
Deferred inflows of resources	433	547	336
<b>Net position</b>			
Net investment in capital assets	3,043	2,831	2,696
Restricted	229	424	431
Unrestricted	289	330	340
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,572</u>	<u>\$ 8,229</u>	<u>\$ 8,282</u>

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

	2023	2022	2021
	<i>(In millions)</i>		
Operating revenue	\$ 1,845	\$ 2,030	\$ 1,768
Operating expense	(1,789)	(1,851)	(1,356)
Operating income	56	179	412
Nonoperating expense, net	(33)	(75)	(89)
Contributions	(58)	(86)	(80)
Special Item	11	100	—
Change in net position	(24)	118	243
Net position – beginning of the year	3,585	3,467	3,224
Net position – end of the year	<u>\$ 3,561</u>	<u>\$ 3,585</u>	<u>\$ 3,467</u>

## Management's Discussion and Analysis (continued)

### Financial Analysis of JEA for fiscal years 2023 and 2022

#### 2023 Compared to 2022

##### **Electric Enterprise**

##### *Operating Revenues*

Total operating revenues decreased approximately \$211 million (-13.7%) over the prior year. The drivers of the changes are detailed below.

*(Dollars in millions)*

<b>September 2022 operating revenues</b>	<b>\$ 1,535</b>
Stabilization funds	(177)
Territorial sales	(31)
Other	(3)
<b>September 2023 operating revenues</b>	<b><u>\$ 1,324</u></b>

Stabilization fund revenues decreased \$177 million due to increases in contributions to the purchased power stabilization fund. Territorial sales revenues decreased \$31 million, due primarily to a \$27 million decrease in fuel revenues resulting from a decrease in fuel costs.

##### *Operating Expenses*

Total operating expenses decreased approximately \$119 million (8.1%) over the prior year. The drivers of the changes are detailed below.

*(Dollars in millions)*

<b>September 2022 operating expenses</b>	<b>\$ 1,470</b>
Depreciation	(99)
Fuel	(50)
Recognition of deferred costs and revenues, net	(48)
Purchased power	(11)
Maintenance and other operating expense	89
<b>September 2023 operating expenses</b>	<b><u>\$ 1,351</u></b>

Depreciation expense decreased \$99 million (30.4%) largely due to the Plant Scherer shutdown in 2022. Fuel expense decreased \$50 million (10.2%) primarily due to decreased fuel costs. Recognition of deferred costs and revenues, net decreased \$48 million (63.4.0%) driven by the Plant Scherer shutdown in 2022.

Purchased power expense decreased \$11 million (4.0%) driven by a \$34 million decrease in FPL purchased power, slightly offset by a \$20 million increase in MEAG power purchase agreement debt service due to Plant Vogtle, Unit 3, going in service July 31, 2023 (see footnote 10, fuel and purchase power commitments for additional details).

## Management's Discussion and Analysis (continued)

Maintenance and other operating expenses increased \$89 million (39.5%) as a result of \$45 million in higher maintenance costs, primarily due to SJRPP decommissioning expenses and a change in estimate for environmental liability; \$16 million due to company-wide payroll market adjustments; \$22 million due to the cancellation of the C2M conversion project; and \$6 million in higher legal and other professional services.

As commodity prices fluctuate, the mix between generation and purchased power shifts, with JEA taking advantage of the most economical source of power. JEA's power supply mix is detailed below.

	<b>2023</b>	<b>2022</b>
Natural gas	58%	58%
Purchased power	30%	29%
Coal	3%	6%
Petroleum coke	9%	7%
<b>Total</b>	100%	100%

### ***Water and Sewer Enterprise***

#### *Operating Revenues*

Total operating revenues increased approximately \$28 million (5.6%) over the prior year. The drivers of the changes are detailed below.

*(Dollars in millions)*

<b>September 2022 operating revenues</b>	<b>\$</b>	<b>510</b>
Stabilization funds		22
Sewer		5
Water		4
Bad debt		(3)
<b>September 2023 operating revenues</b>	<b>\$</b>	<b>538</b>

Stabilization fund revenues increased \$22 million primarily due to current year withdrawals from the environmental stabilization fund. Sewer revenues increased \$5 million driven by higher consumption as a result of a 2.7% increase in customers. Water revenues increased \$4 million driven by higher consumption as a result of a 2.2% increase in customers. Bad debt expense increased \$3 million.

#### *Operating Expenses*

Operating expenses increased approximately \$62 million (15.6%) over the prior year. The drivers of the changes are detailed below.

*(Dollars in millions)*

<b>September 2022 operating expenses</b>	<b>\$</b>	<b>396</b>
Maintenance and other operating expenses		36
Depreciation		30
Recognition of deferred costs and revenues, net		(4)
<b>September 2023 operating expenses</b>	<b>\$</b>	<b>458</b>

## Management's Discussion and Analysis (continued)

Maintenance and other operating expenses increased \$36 million (18.4%) due to increases of \$19 million in compensation and benefits, \$13 million in overhead, \$6 million in maintenance expenses, and \$3 million in professional services. This increase is slightly offset by a decrease of \$5 million in interlocal payments.

Depreciation expense increased \$30 million (17.3%) due to a higher depreciable base. Recognition of deferred costs and revenues, net decreased \$4 million (25.9%) due to lower capital expenses recovered through the rate stabilization fund.

### ***District Energy System***

Operating revenues increased \$4 million (41.96%) over prior year due to higher consumption, an increase in the adjustable fuel rate, and introduction of the new rate structure effective October 1, 2022. Operating expenses increased from \$8 million in 2022 to \$9 million in 2023.

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

Total nonoperating expenses, net decreased approximately \$42 million (55.9%) over the prior year. The drivers of the changes are detailed below.

*(Dollars in millions)*

<b>September 2022 nonoperating revenues and expenses, net</b>	<b>\$ (75)</b>
Increase in investment fair market value	20
Increase in realized investment income	18
Increase in allowance for funds used during construction	12
Decrease in interest on debt	6
Decrease in The Energy Authority earnings	(7)
Increase in other interest, net	(7)
<b>September 2023 nonoperating revenues and expenses, net</b>	<b><u>\$ (33)</u></b>

### ***2022 Compared to 2021***

#### ***Electric Enterprise***

##### *Operating Revenues*

Total operating revenues increased approximately \$226 million (17.3%) compared to fiscal year 2021. Territorial sales revenues increased \$290 million, comprised of a \$239 million increase in fuel revenues and a \$51 million increase in base revenues. The increase in fuel revenues was due to an increase in fuel costs. The increase in base revenues was driven by higher consumption as a result of a 1.9% increase in customers. Other operating revenue decreased by \$1 million due to a decrease in late fees, which were temporarily suspended during fiscal year 2022. Stabilization fund revenues decreased due to increases in contributions to the purchased power stabilization fund, which were partially offset by fuel stabilization fund withdrawals.

## Management's Discussion and Analysis (continued)

### *Operating Expenses*

Total operating expenses increased approximately \$459 million (45.5%), compared to fiscal year 2021. Purchased power expense increased \$173 million (155.1%) driven by an \$50 million increase in purchased power unit cost, a \$121 million increase in MWh purchased (1,791,636 MWh, 92.4%), and a \$2 million increase in MEAG power purchase agreement debt service. Fuel expense increased \$124 million (34.0%) due to increased generation costs of \$193 million and a \$69 million decrease from lower MWh generated (1,561,258 MWh, 14.5%). Depreciation expense increased \$106 million (48.8%) largely due to the Plant Scherer shutdown.

Recognition of deferred costs and revenues, net increased \$55 million (264.0%) driven by the Plant Scherer shutdown. State utility and franchise taxes increased \$12 million (20.8%), as a result of higher taxable revenues. Maintenance and other operating expenses decreased \$11 million (4.7%) as a result of \$28 million lower maintenance costs, primarily due to SJRPP, partially offset by \$12 million in higher compensation and benefits, primarily due to fiscal year 2022 SJRPP pension contributions, \$4 million in higher legal and other professional services, and \$1 million in higher overhead.

As commodity prices fluctuate, the mix between generation and purchased power shifts, with JEA taking advantage of the most economical source of power. JEA's power supply mix is detailed below.

	<u>FY 2022</u>	<u>FY 2021</u>
Natural gas	58%	62%
Purchases	29%	15%
Coal	6%	15%
Petroleum coke	7%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### ***Water and Sewer Enterprise***

#### *Operating Revenues*

Total operating revenues increased approximately \$38 million (8.2%) compared to fiscal year 2021. Stabilization fund revenues increased \$11 million primarily due to fiscal year 2022 withdrawals from the environmental stabilization fund. Water revenues increased \$9 million driven by higher consumption as a result of a 2.8% increase in customers. Sewer revenues increased \$8 million driven by higher consumption as a result of a 3.3% increase in customers. Reuse revenues increased \$4 million driven by higher consumption as a result of a 14.9% increase in customers. Other operating revenue increased \$6 million due to higher miscellaneous service revenues.

#### *Operating Expenses*

Operating expenses increased \$38 million (10.7%), compared to fiscal year 2021. Maintenance and other operating expenses increased \$29 million (17.7%) due to a \$7 million increase in interlocal payments, \$7 million in higher compensation and benefits, \$7 million in higher overhead, a \$6 million increase in maintenance expenses, and \$2 million in higher professional services. Recognition of deferred costs and revenues, net increased \$6 million (63.4%) due to higher environmental expenditures. Depreciation expense increased \$2 million (1.3%) due to a higher depreciable base. Franchise taxes increased \$1 million (3.7%), as a result of higher taxable revenues.

## Management's Discussion and Analysis (continued)

### **District Energy System**

Operating revenues and expenses remained relatively flat when compared to fiscal year 2021 comparable period at approximately \$9 million and \$8 million, respectively.

### **Nonoperating Revenues and Expenses**

Total nonoperating expenses, net decreased \$14 million (15.7%) over fiscal year 2021. The drivers of the changes are detailed below.

*(Dollars in millions)*

<b>September 2021 nonoperating revenues and expenses, net</b>	<b>\$</b>	<b>(89)</b>
Increase in The Energy Authority earnings		14
Decrease in investment fair market value		(13)
Decrease in interest on debt		6
Increase in allowance for funds used during construction		5
Increase in realized investment income		1
Increase in other		1
<b>September 2022 nonoperating revenues and expenses, net</b>	<b>\$</b>	<b>(75)</b>

### **Capital Assets and Debt Administration for Fiscal Years 2023 and 2022**

#### **Capital Assets**

JEA's total investment in capital assets and capital expenditures are detailed below.

<i>(Dollars in millions)</i>	Total Investment		Additions	
	September 30, 2023	September 30, 2022	FY 2023	FY 2022
Electric Enterprise	\$ 2,593	\$ 2,480	\$ 245	\$ 187
Water and Sewer Enterprise	3,253	2,947	484	289
District Energy System	43	37	9	5
<b>Total</b>	<b>\$ 5,889</b>	<b>\$ 5,464</b>	<b>\$ 738</b>	<b>\$ 481</b>

Under the utility basis methodology for rate setting, the depreciation of contributed assets is not included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2023, \$8 million of contributed capital related to the Electric System and \$104 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2022, \$5 million of contributed capital related to the Electric System and \$69 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for improvements to existing generating facilities that are determined to be necessary as a result of JEA's annual resource planning process; (b) the Electric Enterprise Fund 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

## Management's Discussion and Analysis (continued)

the capital improvement program is planned to be primarily provided from revenues generated from operations, existing construction fund balances, and a potential issuance of new debt in the Water and Sewer Fund.

### **Debt Administration**

Debt outstanding at September 30, 2023 was \$2,795 million, an increase of approximately \$61 million from the prior fiscal year. This increase was due to revolving credit agreement advances of \$135 million less scheduled principal payments of \$74 million.

Debt outstanding at September 30, 2022 was \$2,734 million, a decrease of approximately \$266 million from the prior fiscal year. This decrease was due to defeasance of principal of \$177 million and scheduled principal payments of \$92 million, partially offset by \$3 million in revolving credit agreement advances.

JEA's debt ratings on its long-term debt per Standard & Poor's and Moody's remained unchanged from fiscal year 2022. On June 6, 2023, Fitch upgraded its ratings with respect to the Bonds of JEA as follows:

- With respect to Water and Sewer Revenue Bonds, Senior and Subordinate Liens, the long-term ratings each were raised to AA+ from AA, and
- With respect to District Energy System Revenue Bonds, the long-term ratings were raised to AA+ from AA.

JEA's outlooks on its long-term debt per Moody's remained unchanged from fiscal year 2022. On June 6, 2023, Fitch revised JEA's water utility system and District Energy System rating outlooks to stable from positive. On August 9, 2023, Standard & Poor's revised JEA's electric utility system, including St. Johns River Power Park System and Bulk Power Supply System, rating outlooks to stable from negative. All ratings and outlooks as of September 30, 2023 are detailed below.

	Moody's		Standard & Poor's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
<b>JEA Electric System</b>						
<b>Senior</b>	A1	stable	A+	stable	AA	stable
<b>Subordinated</b>	A2	stable	A	stable	AA	stable
<b>Scherer</b>	A1	stable	A+	stable	AA	stable
<b>SJRPP</b>	A1	stable	A+	stable	AA	stable
<b>W&amp;S</b>						
<b>Senior</b>	Aa2	stable	AA+	stable	AA+	stable
<b>Subordinated</b>	Aa2	stable	AA	stable	AA+	stable
<b>DES</b>	Aa3	stable	AA	stable	AA+	stable

All ratings and outlooks as of September 30, 2022 are detailed below.

	Moody's		Standard & Poor's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
<b>JEA Electric System</b>						
<b>Senior</b>	A1	stable	A+	negative	AA	stable
<b>Subordinated</b>	A2	stable	A	negative	AA	stable
<b>Scherer</b>	A1	stable	A+	negative	AA	stable
<b>SJRPP</b>	A1	stable	A+	negative	AA	stable
<b>W&amp;S</b>						
<b>Senior</b>	Aa2	stable	AA+	stable	AA	positive
<b>Subordinated</b>	Aa2	stable	AA	stable	AA	positive
<b>DES</b>	Aa3	stable	AA	stable	AA	positive



## Management's Discussion and Analysis (continued)

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

#### *Setting of Rates*

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented monthly and do not require a public rate hearing or Board approval. At the October 2021 meeting, the Board approved a revision to the pricing policy that stated the fuel rate (fuel charge) will be set monthly by the CEO/Manager Director or designee. The fuel charge is based on the energy cost projection for the billing month to fully recover all expected fuel and purchased power energy-related costs. Fuel charge variances and true-ups are typically recovered in the subsequent billing month, except for certain circumstances which may extend over a period of time. At the February 2023 meeting, the Board approved the following Base Rate changes, effective April 1, 2023:

- Modification of the Electric and Water/Sewer Tariff Documentation:
  - to increase customer charge for electric customers,
  - to decrease the energy rate for electric customers,
  - to extend terms of certain Economic Development Riders, and
  - to remove separate environmental and conservation charges for all electric and water customers while rolling those charges into energy and/or consumption rates

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services.

### **SJRPP Pension Trust Fund for Fiscal Years 2023 and 2022**

The Statements of Fiduciary Net Position present information on all of the SJRPP Pension Trust Fund's assets and liabilities with the difference between these two amounts being reported as fiduciary net position available for benefits. Assets and liabilities are segregated based on their nature and liquidity. The Statements of Changes in Fiduciary Net Position present the current year additions and deductions from the fiduciary net position during the fiscal year.

	2023	2022	2021
	<i>(in thousands)</i>		
<i>Condensed Statement of Fiduciary Net Position</i>			
Total assets	\$ 160,730	\$ 156,148	\$ 190,477
Total liabilities	124	505	383
Fiduciary net position available for benefits	\$ 160,606	\$ 155,643	\$ 190,094
 <i>Condensed Statement of Changes in Fiduciary Net Position</i>			
Total contributions	\$ 14	\$ 6,912	\$ 15
Net investment earnings (losses)	17,835	(27,684)	33,731
Total additions (losses) to fiduciary net position	17,849	(20,772)	33,746
Total deductions from fiduciary net position	12,886	13,679	13,634
Net change in fiduciary net position	\$ 4,963	\$ (34,451)	\$ 20,112

## Management's Discussion and Analysis (continued)

### ***2023 compared to 2022***

Total assets increased due to an increase in investment values as a result of market conditions. Total liabilities decreased due to timing of broker settlements regarding investment sales and purchases.

Total contributions decreased as employer contributions were made during fiscal year 2022 compared to no employer contributions during fiscal year 2023. A net investment gain during fiscal year 2023 was due to the improvement in market performance as compared to the prior year.

### ***2022 compared to 2021***

Total assets decreased due to a decrease in investment values as a result of market conditions. Total liabilities increased due to timing of broker settlements regarding investment sales and purchases.

Total contributions increased as contributions were made during fiscal year 2022 compared to no employer contributions during fiscal year 2021. A net investment loss during fiscal year 2022 was due to a decline in market performance as compared to the prior year.

### ***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, 225 North Pearl Street, Jacksonville, Florida, 32202.

**Audited Financial Statements**

JEA

Statements of Net Position  
(In Thousands)

	September	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 278,483	\$ 245,337
Investments	106,701	278
Customer accounts receivable, net of allowance (\$2,242 for 2023 and \$679 for 2022)	252,861	314,362
Inventories:		
Materials and supplies	103,057	67,064
Fuel	56,131	52,483
Prepaid assets	23,847	31,774
Other current assets	22,476	22,987
Total current assets	<u>843,556</u>	<u>734,285</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	100,129	275,353
Investments	288,132	306,650
Other restricted assets	991	215
Total restricted assets	<u>389,252</u>	<u>582,218</u>
Costs to be recovered from future revenues	865,083	814,161
Hedging derivative instruments	93,219	267,807
Other assets	36,070	60,137
Total noncurrent assets	<u>1,383,624</u>	<u>1,724,323</u>
Net capital assets	5,888,960	5,464,497
Total assets	<u>8,116,140</u>	<u>7,923,105</u>
<b>Deferred outflows of resources</b>		
Unrealized pension contributions and losses	290,610	131,651
Unamortized deferred losses on refundings	73,433	80,372
Unrealized asset retirement obligation	36,276	42,931
Accumulated decrease in fair value of hedging derivatives	39,157	39,582
Unrealized OPEB contributions and losses	15,943	11,029
Total deferred outflows of resources	<u>455,419</u>	<u>305,565</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 8,571,559</u>	<u>\$ 8,228,670</u>

See accompanying notes to financial statements.

JEA

Statements of Net Position (continued)  
(In Thousands)

	September	
	2023	2022
<b>Liabilities</b>		
Current liabilities:		
Accounts and accrued expense payable	\$ 100,645	\$ 117,105
Customer deposits and prepayments	85,651	89,690
Billings on behalf of state and local governments	28,535	33,764
Compensation and benefits payable	16,237	14,306
City of Jacksonville payable	10,366	10,245
Asset retirement obligation	2,623	2,254
Total current liabilities	<u>244,057</u>	<u>267,364</u>
Current liabilities payable from restricted assets:		
Construction contracts and accounts payable	137,793	90,627
Debt due within one year	89,375	74,070
Interest payable	48,304	48,950
Renewal and replacement reserve	4,581	4,252
Total current liabilities payable from restricted assets	<u>280,053</u>	<u>217,899</u>
Noncurrent liabilities:		
Long-term debt		
Debt payable, less current portion	2,705,510	2,659,885
Unamortized premium, net	149,503	171,753
Fair value of debt management strategy instruments	18,368	38,231
Total long-term debt	<u>2,873,381</u>	<u>2,869,869</u>
Net pension liability	958,534	646,112
Lease liability	89,463	-
Compensation and benefits payable	40,142	34,726
Asset retirement obligations	33,653	40,677
Net OPEB liability	7,971	1,642
Other liabilities	50,409	18,701
Total noncurrent liabilities	<u>4,053,553</u>	<u>3,611,727</u>
Total liabilities	<u>4,577,663</u>	<u>4,096,990</u>
<b>Deferred inflows of resources</b>		
Revenues to be used for future costs	300,455	141,722
Accumulated increase in fair value of hedging derivatives	93,218	267,807
Unrealized pension gains	22,391	118,660
Unrealized OPEB gains	16,343	18,599
Total deferred inflows of resources	<u>432,407</u>	<u>546,788</u>
<b>Net position</b>		
Net investment in capital assets	3,042,666	2,830,411
Restricted for:		
Capital projects	138,245	347,929
Debt service	90,582	73,635
Other purposes	594	2,473
Unrestricted	289,402	330,444
Total net position	<u>3,561,489</u>	<u>3,584,892</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 8,571,559</u>	<u>\$ 8,228,670</u>

See accompanying notes to financial statements.

JEA

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

	September	
	2023	2022
<b>Operating revenue</b>		
Electric	\$ 1,276,715	\$ 1,491,097
Water and sewer	518,767	489,814
District energy system	11,934	8,516
Other operating revenue	37,533	40,435
Total operating revenue	1,844,949	2,029,862
<b>Operating expense</b>		
Operations and maintenance:		
Maintenance and other operating expense	521,676	402,290
Fuel	438,132	487,776
Purchased power	272,940	284,178
Depreciation and amortization	432,147	500,257
State utility and franchise taxes	83,809	83,892
Recognition of deferred costs and revenues, net	39,718	92,261
Total operating expense	1,788,422	1,850,654
Operating income	56,527	179,208
<b>Nonoperating revenue (expense)</b>		
Interest on debt	(109,275)	(114,707)
Earnings from The Energy Authority	23,603	29,731
Allowance for funds used during construction	25,853	13,866
Other nonoperating income, net	6,600	6,853
Investment income, net	27,787	(9,668)
Other interest, net	(7,744)	(1,343)
Total nonoperating expense, net	(33,176)	(75,268)
Income before contributions	23,351	103,940
<b>Contributions (to) from</b>		
General Fund, City of Jacksonville, Florida	(122,424)	(133,713)
Developers and other	176,771	121,227
Reduction of plant cost through contributions	(112,236)	(74,016)
Total contributions, net	(57,889)	(86,502)
<b>Special item</b>	11,135	100,000
Change in net position	(23,403)	117,438
Net position, beginning of year	3,584,892	3,467,454
<b>Net position, end of year</b>	\$ 3,561,489	\$ 3,584,892

See accompanying notes to financial statements.

JEA

Statements of Cash Flows  
(In Thousands)

	September	
	2023	2022
<b>Operating activities</b>		
Receipts from customers	\$ 2,018,257	\$ 1,915,319
Payments to suppliers	(1,041,801)	(1,024,326)
Payments for salaries and benefits	(295,240)	(274,104)
Other operating activities	41,802	144,458
Net cash provided by operating activities	<u>723,018</u>	<u>761,347</u>
<b>Noncapital and related financing activities</b>		
Contribution to General Fund, City of Jacksonville, Florida	(122,323)	(133,613)
Net cash used in noncapital and related financing activities	<u>(122,323)</u>	<u>(133,613)</u>
<b>Capital and related financing activities</b>		
Acquisition and construction of capital assets	(702,805)	(454,761)
Defeasance of debt	-	(177,220)
Interest paid on debt	(124,539)	(128,061)
Repayment of debt principal	(74,070)	(91,535)
Capital contributions	64,536	47,211
Revolving credit agreement withdrawals (repayments)	135,000	3,000
Other capital financing activities	(369)	8,581
Net cash used in capital and related financing activities	<u>(702,247)</u>	<u>(792,785)</u>
<b>Investing activities</b>		
Proceeds from sale and maturity of investments	482,732	520,053
Purchase of investments	(568,910)	(570,815)
Distributions from The Energy Authority	20,731	15,464
Investment income	24,921	7,926
Net cash used in investing activities	<u>(40,526)</u>	<u>(27,372)</u>
Net change in cash and cash equivalents	(142,078)	(192,423)
Cash and cash equivalents at beginning of year	520,690	713,113
<b>Cash and cash equivalents at end of year</b>	<u>\$ 378,612</u>	<u>\$ 520,690</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 56,527	\$ 179,208
Adjustments:		
Depreciation and amortization	432,147	500,531
Recognition of deferred costs and revenues, net	39,718	92,261
Other nonoperating income, net	6,817	98,656
Changes in noncash assets and noncash liabilities:		
Accounts receivable	61,501	(92,794)
Inventories	(39,642)	(23,839)
Other assets	14,121	(25,209)
Accounts and accrued expense payable	(25,835)	63,640
Current liabilities payable from restricted assets	(999)	(32,585)
Other noncurrent liabilities and deferred inflows	178,663	1,478
<b>Net cash provided by operating activities</b>	<u>\$ 723,018</u>	<u>\$ 761,347</u>
<b>Non-cash activity</b>		
Contribution of capital assets from developers	\$ 112,236	\$ 74,016
Unrealized investment fair market value changes, net	\$ 1,729	\$ (17,794)

See accompanying notes to financial statements.

JEA

Statements of Fiduciary Net Position  
 SJRPP Pension Trust Fund  
 (In Thousands)

	September	
	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 4,869	\$ 3,469
Receivables:		
Interest and dividends	634	437
Sale of investments	142	191
Employer	13	5
Total receivables	<u>789</u>	<u>633</u>
Investments at fair value:		
Bonds and notes	69,041	59,441
Common stock	46,172	46,640
Mutual funds	39,859	45,965
Total investments	<u>155,072</u>	<u>152,046</u>
Total assets	<u>\$ 160,730</u>	<u>\$ 156,148</u>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 124	\$ 505
<b>Net position</b>		
Restricted for pensions	160,606	155,643
<b>Total liabilities and net position</b>	<u>\$ 160,730</u>	<u>\$ 156,148</u>

See accompanying notes to financial statements.



JEA

Statements of Changes in Fiduciary Net Position  
 SJRPP Pension Trust Fund  
 (In Thousands)

	September	
	2023	2022
<b>Additions</b>		
Contributions:		
Employer	\$ -	\$ 6,900
Members	14	12
Total contributions	<u>14</u>	<u>6,912</u>
Investment earnings (losses):		
Net gains (losses)	14,957	(30,023)
Interest, dividends, and other	3,455	2,932
Total investment earnings (losses)	<u>18,412</u>	<u>(27,091)</u>
Less investment activity costs	(577)	(593)
Net investment earnings (losses)	<u>17,835</u>	<u>(27,684)</u>
Total additions (losses)	<u>17,849</u>	<u>(20,772)</u>
<b>Deductions</b>		
Benefits paid to participants or beneficiaries	12,819	13,579
Administrative expense	67	100
Total deductions	<u>12,886</u>	<u>13,679</u>
Net change in fiduciary net position	4,963	(34,451)
Net position, beginning of year	155,643	190,094
<b>Net position, end of year</b>	<u>\$ 160,606</u>	<u>\$ 155,643</u>

See accompanying notes to financial statements.

# JEA

## Notes to Financial Statements (Dollars in Thousands)

Years Ended September 30, 2023 and 2022

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

#### (a) Reporting Entity

JEA is currently organized into three enterprise funds – Electric Enterprise, Water and Sewer, and District Energy System (DES). Electric Enterprise is comprised of the Electric System; the Bulk Power Supply System (Scherer), which is jointly 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) owned by JEA (100% ownership as of August 2022, previously 80% ownership interest by JEA and 20% ownership interest by FPL). Water and Sewer consists of water and sewer system activities. DES consists of chilled water activities. Separate accounting records are currently maintained for each system. These financial statements include JEA's ownership interest in Scherer. The following information relates to JEA's ownership interest in Scherer as of September 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Inventories	\$ 2,292	\$ 2,341
Other current assets	770	160
Costs to be recovered from future revenues	19,911	22,406
Net capital assets	1,115	1,115
Unrealized asset retirement obligations	36,276	42,879
Current portion of asset retirement obligations	2,623	2,202
Accounts and accrued expenses payable	-	999
Debt due within one year	2,495	2,410
Interest payable	711	774
Long-term portion of asset retirement obligations	33,653	40,677
Long-term debt	22,270	24,765

The funds are governed by the JEA Board of Directors (Board). The Board is responsible for setting rates based on operating and maintenance expenses and depreciation of the operations. The operations of Scherer 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(t), Setting of rates.

On November 24, 2020, JEA executed a retirement agreement with FPL, setting forth the terms and conditions of the Plant Scherer closure as of January 1, 2022. On that same date, JEA also executed a 20-year Purchased Power Agreement (PPA) between JEA and FPL for natural gas-fired system product with a solar conversion option and a related 10-year natural gas hedge to replace the capacity and energy of Plant Scherer. On August 15, 2022, JEA executed a termination of covenant agreement with FPL, terminating FPL's 20% ownership in SJRPP.

## JEA

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

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

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

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

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

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

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

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

##### (c) *Revenues*

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

JEA

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

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

Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to and/or from stabilization funds. Discounts and allowances totaled \$31,892 in fiscal year 2023 and \$38,297 in 2022. JEA contributed the net amount of \$155,941 in fiscal year 2023 to stabilization funds and contributed the net amount of \$1,300 in 2022 to stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. Operating revenues include amounts estimated for unbilled services provided during the reporting period of \$77,801 in fiscal year 2023 and \$96,027 in 2022.

**(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 their bond resolutions to deposit certain amounts in a renewal and replacement fund, which are applied to 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.

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

Beginning in fiscal year 2022, JEA elected to apply regulatory accounting to continue capitalizing qualifying interest cost as a regulatory asset. See note 2, Regulatory Deferrals, for additional information.

For construction projects prior to fiscal year 2022, an allowance for funds used during construction (AFUDC) was included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds and renewal and replacement funds. The average AFUDC rate for the debt of each system is listed in the table below.

<b>Average AFUDC Rate (%)</b>	<b>2023</b>	<b>2022</b>
Electric Enterprise Fund	4.6%	4.5%
Water and Sewer Fund	4.5%	4.1%
District Energy System	4.5%	4.0%

JEA

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

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

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 \$109,275 for fiscal year 2023 and \$114,707 for 2022, of which \$25,853 and \$13,866 was capitalized as a regulatory asset in fiscal year 2023 and 2022, respectively. Investment income on bond proceeds was \$73 in fiscal year 2023 and \$16 in 2022.

**(f) Depreciation**

Depreciation of capital assets is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. Depreciation begins on the date the assets are placed in service. Generally, recurring renewal and replacement capital additions are placed in service at the end of each fiscal year. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically. The latest depreciation study was completed during fiscal year 2019 and the rates for that study became effective in fiscal year 2020. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.36% and 3.99% for fiscal years 2023 and 2022, respectively. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

<b>Average Depreciable Life (Years)</b>	<b>2023</b>	<b>2022</b>
Electric Enterprise Fund	23.6	23.6
Water and Sewer Fund	26.9	27.1
District Energy System	24.0	23.0

**(g) Amortization**

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

**(h) Losses on Refundings**

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

# JEA

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

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

#### (i) *Investments*

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

#### (j) *Cash and Cash Equivalents*

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

#### (k) *Interest Rate Swap Agreements*

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

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

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

During fiscal years 2023 and 2022, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section in note 8, Long-Term Debt, for more information on JEA's debt management interest rate swap program.

JEA

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

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

**(l) Inventory**

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

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

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB 53 and the fair market value changes are recorded on the accompanying statements of net position as either a deferred outflow of resources or a deferred inflow of resources until such time that the transactions end. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position.

**(n) Capital Contributions**

Capital contributions represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statement of revenues, expenses, and changes in net position at the time of receipt. Assets received are recorded as contributions from developers and others at acquisition cost. Corresponding expenses of \$112,236 and \$74,016 were recorded in fiscal years 2023 and 2022 to recognize the costs of the assets since it will not be included in revenue requirements charged to customers in the future.

**(o) Pension**

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

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

JEA

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

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

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

**(p) Compensated Absences**

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

Upon termination from employment, employees are paid for their unused leave balances. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 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 16.

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

The compensated absence liability as of September 30, 2023 is \$44,910. Of this amount, \$4,768 is included in compensation and benefits payable under current liabilities on the accompanying statement of net position. The remaining balance of \$40,142 is included in compensation and benefits payable in noncurrent liabilities on the accompanying statement of net position. During fiscal year 2023, annual leave earned totaled \$32,249 and annual leave taken totaled \$26,614. The compensated absence liability as of September 30, 2022 was \$39,191. Of this amount, \$4,465 was included in compensation and benefits payable under current liabilities on the accompanying statements of net position. The remaining balance of \$34,726 was included in compensation and benefits payable in noncurrent liabilities on the accompanying statements of net position. During fiscal year 2022, annual leave earned totaled \$27,167 and annual leave taken totaled \$25,199.

**(q) Pollution Remediation Obligations**

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



# JEA

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

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

#### (r) *Asset Retirement Obligations*

JEA applies GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). See note 3, Asset Retirement Obligations, for further discussion.

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

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

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

#### (t) *Setting of Rates*

The setting of rates is the responsibility of the JEA Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented monthly and do not require a public rate hearing or Board approval. At the October 2021 meeting, the JEA Board approved a revision to the Pricing Policy that stated the Fuel Rate (Fuel Charge) will be set monthly by the CEO/Manager Director or designee. The Fuel Charge is based on the energy cost projection for the billing month to fully recover all expected fuel and purchased power energy-related costs. Fuel Charge variances and true ups are typically recovered in subsequent billing month, except for certain circumstances which may extend over a period of time.

At the February 2023 meeting, the Board approved the following Base Rate changes, effective April 1, 2023:

- Modification of the Electric and Water/Sewer Tariff Documentation:
  - To increase Customer Charge for electric customers
  - To decrease the Energy Rate for electric customers
  - To extend terms of certain Economic Development Riders
  - To remove separate environmental & conservation charges for all electric and water customers while rolling those charges into energy and/or consumption rates

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services.

JEA

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

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

**(u) Leases**

JEA applies GASB Statement No. 87, *Leases* (GASB 87). See note 18, Leases, for further discussion.

**(v) Pervasiveness of Estimates**

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

**(w) Newly Adopted Standards for Fiscal Year 2023**

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for JEA in fiscal year 2023. The implementation of this statement did not have an impact on JEA's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. The removal of LIBOR as an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt is effective for JEA in fiscal year 2023 while all other requirements of this statement were effective for JEA for fiscal year 2021. JEA and JEA's interest rate swap counterparties have adhered to the ISDA 2020 IBOR Fallbacks Protocol as published by the International Swaps and Derivatives Association, Inc. (ISDA) on October 23, 2020 where LIBOR will fall back to compounded SOFR plus a spread adjustment for rates set after June 30, 2023. JEA has adopted the application of GASB 93 which provides exceptions for certain hedging derivatives instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instruments variable payment. JEA's LIBOR based interest rate swaps were replaced by daily compounding SOFR plus 11.448 basis points which qualifies as an exception to the hedge accounting terminations provisions as stated in GASB 93 and making it eligible for hedge accounting treatment if the applicable provisions of hedge accounting treatment are met per GASB 53.

## JEA

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

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

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement is effective for JEA in fiscal year 2023. The implementation of this statement did not have an impact on JEA's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement is effective for JEA in fiscal year 2023. The implementation of this statement did not have an impact on JEA's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Some requirements were effective for fiscal year 2022, while the remaining requirements are effective for JEA in fiscal years 2023 and 2024. The implementation of the fiscal year 2023 requirements of this statement did not have an impact on JEA's financial statements. The impact on JEA's financial reporting for future requirements has not been determined.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Portions of this statement were effective for fiscal year 2020 while the remaining requirements are effective for JEA in fiscal year 2023. The implementation of this statement did not have an impact on JEA's financial statements.

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

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for JEA in fiscal year 2024. The impact on JEA's financial reporting has not been determined.

JEA

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

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

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for JEA in fiscal year 2025. The implementation of this statement will not have an impact on JEA's financial statements.

**2. Regulatory Deferrals**

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

**Regulatory Assets**

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

<b>Regulatory Assets</b>	<b>2023</b>	<b>2022</b>
Unfunded pension costs	\$ 704,048	\$ 623,640
SJRPP and Bulk Power costs to be recovered	89,840	107,560
Allowance for funds used during construction	39,358	13,868
Deferred fuel regulatory costs	11,231	12,582
Unfunded OPEB costs	8,371	9,212
Debt issue costs	6,879	7,438
Storm and COVID-19 costs to be recovered	5,356	8,501
Environmental projects	-	31,360
Total regulatory assets	\$ 865,083	\$ 814,161

**Unfunded Pension Costs** – Accrued pension represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to JEA's portion of the GERP. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension.

## JEA

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

#### 2. Regulatory Deferrals (continued)

***SJRPP and Bulk Power costs to be recovered*** – SJRPP deferred debt-related costs of \$69,996 at September 30, 2023 and \$85,254 at September 30, 2022 are the result of differences between expenses in determining rates and those used in financial reporting. During fiscal year 2018, operations of SJRPP, as generating facility, ceased and the majority of the assets were dismantled. As of September 30, 2023, SJRPP has remaining plant in service assets of \$8,095 and outstanding debt of \$92,715. The details relating to the shutdown of SJRPP are further discussed in the St. Johns River Power Park section of note 3, Asset Retirement Obligations. The JEA board approved the deferral of this regulatory asset. SJRPP has a contract with the JEA Electric System to recover these costs from future revenues that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. The Bulk Power Supply System deferred debt-related costs were \$19,844 at September 30, 2023 and \$22,306 at September 30, 2022. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation. The Bulk Power Supply System will recover these costs from future revenues that will coincide with the retirement of long-term debt.

***Allowance for Funds Used During Construction*** – This amount represents interest cost incurred before the end of a construction period. The regulatory asset is amortized over the life of constructed assets after they are placed into service.

***Deferred fuel regulatory costs*** – During fiscal year 2022 the fuel stabilization fund was discontinued. JEA began adjusting the fuel charge monthly. This represents the amount under-collected that will be recovered in the next period.

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

***Debt issue costs*** – With the application of regulatory accounting in fiscal year 2015, the Board approved deferral of the issue costs on all new debt issues with the amounts being amortized over the life of the bonds, as they are included in revenue requirements. These costs are incurred in connection with the issuance of debt obligations and are mainly underwriter fees and legal costs.

***Storm and COVID-19 costs to be recovered*** – This amount represents storm costs and COVID-19 costs that are expected to be recovered from insurance and the Federal Emergency Management Agency (FEMA). See note 16, Disaster Costs, for further details.

JEA

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

**2. Regulatory Deferrals (continued)**

**Environmental Projects** – The Board approved the recovery of previously approved water environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was \$101,277 and it was fully recovered as of September 30, 2023. This deferral was originally being amortized over ten years, however, recovery was accelerated with the elimination of the environmental surcharge effective March 31, 2023. The Board also approved the recovery of previously approved electric environmental capital projects that had not been collected through the environmental surcharge over a five-year period beginning October 1, 2018. The amount approved for recovery and transferred out of capital assets was \$28,527 and it was fully recovered as of September 30, 2023. This deferral was amortized over five years.

**Regulatory Liabilities**

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

Regulatory Liabilities	2023	2022
Nonfuel purchased power	\$ 246,000	\$ 55,000
Self-insurance medical reserve	20,134	14,145
Environmental	14,612	46,822
Excess pension contributions	13,733	16,931
Customer benefit stabilization	5,976	8,824
Total regulatory liabilities	\$ 300,455	\$ 141,722

**Nonfuel purchased power** – JEA entered into a power purchase agreement related to the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia (Plant Vogtle). This agreement is discussed in further detail in note 10, Fuel Purchase and Purchased Power Commitments. Related to that agreement, the JEA Board approved a nonfuel purchased power stabilization fund to assist in the timing of nonfuel purchased power expenses. The amounts included in the fund are to be used for nonfuel purchased power expenses or refunded to customers. Deposits of \$191,000 and \$72,731 were made to the stabilization fund for fiscal years 2023 and 2022, respectively.

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

JEA

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

**2. Regulatory Deferrals (continued)**

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

The changes in the self-insurance medical reserve for the years ended September 30, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 14,145	\$ 14,272
Contributions	32,744	31,504
Incurred claims	(26,755)	(31,631)
Ending balance	<u>\$ 20,134</u>	<u>\$ 14,145</u>

**Environmental** – The Board authorized an environmental surcharge that was applied to all electric customer kilowatt-hour and water customer kilogallon sales through March 31, 2023. Amounts over-collected were recorded as a regulatory liability and will be used for electric costs of environmental remediation and compliance with new and existing environmental regulations, and water operating and capital costs of environmentally driven or regulatory required projects approved by the Board.

The changes in the environmental regulatory liability for the years ended September 30, 2023 and 2022 are as follows:

<b>Environmental</b>	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 46,822	\$ 49,833
Surcharge revenue	15,404	33,436
Prior capital projects cost recovery	(31,360)	(14,257)
Capital projects	(14,683)	(16,421)
Operations and maintenance projects	(1,571)	(5,769)
Ending balance	<u>\$ 14,612</u>	<u>\$ 46,822</u>

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

## JEA

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

#### 2. Regulatory Deferrals (continued)

**Customer benefit stabilization** – The pricing policy adopted by the Board included a demand side management surcharge through March 31, 2023. The costs approved for recovery through the surcharge includes programs for the electrification, direct load control, demand side management, residential low-income efficiency programs, and customer utility optimization education programs.

#### 3. Asset Retirement Obligations

##### Scherer

On November 24, 2020, JEA executed a retirement agreement with FPL, setting forth the terms and conditions of the Plant Scherer closure as of January 1, 2022. On that same date, JEA also executed the FPL PPA and a related 10-year natural gas hedge. The obligation of JEA to retire Plant Scherer was subject to FPL having performed and complied in all material respects with the agreement including remittance of the \$100,000 consummation payment to be used by JEA in its discretion to pay for JEA's costs in completing the retirement of Unit No. 4, including, but not limited to, the defeasance of the outstanding bonds. The consummation payment is listed as a special item on the statement of revenues, expenses, and changes in net position.

As part of JEA's ownership of Scherer, it has a proportionate ownership interest in associated common facilities (Common Facilities) of 5.91% (23.64% divided by 4, as there are 4 units in total). There is no majority owner of the Common Facilities. Georgia Power is the nongovernmental minority owner that has operational responsibility of the Common Facilities and, as such, is responsible for calculating any associated asset retirement obligations (AROs). The AROs at Scherer are primarily related to the ash pond.

In accordance with GASB 83, JEA's minority share of the AROs is reported using the measurement produced by Georgia Power, who is registered with the Securities and Exchange Commission and is subject to accounting rules set by the Financial Accounting Standards Board.

At September 30, 2023, the total amount of the AROs at Scherer are \$613,804, with JEA's minority share being \$36,276. Of the total liability, \$2,623 is recorded in asset retirement obligations in current liabilities and \$33,653 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of \$36,276, which is recorded in deferred outflows of resources.

At September 30, 2022, the total amount of the AROs at Scherer are \$725,528, with JEA's minority share being \$42,879. Of the total liability, \$2,202 is recorded in asset retirement obligations in current liabilities and \$40,677 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of \$42,879, which is recorded in deferred outflows of resources.

There are no legally required funding or assurance provisions associated with JEA's minority share of the AROs and JEA has not restricted any of its assets for payment of this liability.



## JEA

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

#### 3. Asset Retirement Obligations (continued)

##### St. Johns River Power Park

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

FPL received a credit for their estimated share of the material and supplies inventory balance at shutdown, pending sale of the inventory. After the sales period passed, FPL paid a shutdown payment adjustment for their share of 20% of the loss on the remaining materials and supplies inventory. During fiscal year 2020, JEA liquidated the remaining material and supplies inventory.

Regulatory balances remaining will be amortized over the life of the remaining debt outstanding related to Issue Three debt. See note 2, Regulatory Deferrals, for additional information related to SJRPP's regulatory deferrals.

FPL conveyed their 20% undivided ownership of plant in service assets to JEA. The retained plant in service assets were recorded at fair value. In addition, FPL conveyed their 20% undivided ownership interest in the SJRPP site to JEA upon completion of dismantlement and environmental remediation. Under a service management agreement, FPL will pay 20% of the dismantlement and remediation costs incurred. Dismantlement and remediation were completed September 30, 2023. Monitoring of the site will continue for thirty years subsequent to the completion date. Currently, JEA does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on the site until completion of future environmental studies. In addition, conditions that are currently unknown could result in additional exposure, the amount and materiality of which cannot presently be reasonably estimated.

JEA

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

**4. Restricted Assets**

Restricted assets were held in the following funds at September 30, 2023 and 2022:

	September 30, 2023					
	Electric	SJRPP	Water and Sewer		DES	Total
Renewal and Replacement Fund	\$ 135,992	\$ 4,581	\$ 946	\$ 1,065	\$ 142,584	
Sinking Fund	42,024	17,585	75,477	2,505	137,591	
Debt Service Reserve Fund	53,352	3,403	57,587	-	114,342	
Revenue Fund	-	335	-	-	335	
Construction Fund	-	-	242	-	242	
Adjustment to fair value of investments	(6,269)	(53)	(2,481)	-	(8,803)	
Environmental Fund	922	-	2,039	-	2,961	
Total	<u>\$ 226,021</u>	<u>\$ 25,851</u>	<u>\$ 133,810</u>	<u>\$ 3,570</u>	<u>\$ 389,252</u>	

	September 30, 2022					
	Electric	SJRPP	Water and Sewer		DES	Total
Renewal and Replacement Fund	\$ 233,018	\$ 4,252	\$ 113,105	\$ 1,049	\$ 351,424	
Sinking Fund	69,890	17,350	32,499	2,421	122,160	
Debt Service Reserve Fund	53,352	3,879	56,606	-	113,837	
Revenue Fund	-	190	-	-	190	
Construction Fund	111	-	646	-	757	
Adjustment to fair value of investments	(8,061)	13	(2,502)	-	(10,550)	
Environmental Fund	-	-	4,400	-	4,400	
Total	<u>\$ 348,310</u>	<u>\$ 25,684</u>	<u>\$ 204,754</u>	<u>\$ 3,470</u>	<u>\$ 582,218</u>	

The Electric System, SJRPP System, Bulk Power Supply System, Water and Sewer System, and 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.
- Bulk Power Supply System: An amount equal to 12.5% of aggregate debt service, as defined.
- Water and Sewer System: An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues.
- DES: An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.

JEA

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

**5. Cash and Investments**

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

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

At September 30, 2023 and 2022, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	<u>2023</u>	<u>2022</u>
Securities:		
U.S. Treasury and government agency securities	\$ 272,528	\$ 153,707
Local government investment pool	119,545	126,076
Money market mutual funds	74,502	122,525
Commercial paper	72,873	97,301
State and local government securities	63,917	92,400
Total securities, at fair value	<u>\$ 603,365</u>	<u>\$ 592,009</u>

These securities are held in the following accounts:

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 278,483	\$ 245,337
Investments	106,701	278
Restricted assets:		
Cash and cash equivalents	100,129	275,353
Investments	288,132	306,650
Total cash and investments	<u>773,445</u>	<u>827,618</u>
Less: cash on deposit	(172,185)	(236,546)
Plus: interest due on securities	2,105	937
Total securities, at fair value	<u>\$ 603,365</u>	<u>\$ 592,009</u>

JEA

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

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

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2023, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Puttable securities are presented as investments with a maturity of less than one year.

The maturity distribution of the investments held at September 30, 2023 is listed below.

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
Money market mutual funds	\$ 74,502	\$ –	\$ –	\$ –	\$ 74,502
Local government investment pools	119,545	–	–	–	119,545
State and local government securities	–	3,646	44,265	16,006	63,917
U.S. Treasury and government agency securities	172,251	96,298	–	3,979	272,528
Commercial paper	72,873	–	–	–	72,873
Total securities, at fair value	\$ 439,171	\$ 99,944	\$ 44,265	\$ 19,985	\$ 603,365

**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 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; (2) 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; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S., or the governments of Canada or Canadian provinces and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2023, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. In addition, JEA's investment policy limits the commercial paper investment in any one issuer to \$12,500 as well as limits investments in commercial paper to 25% of the total cash and investment portfolio, regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2023, JEA had 12.1% of its investments in commercial paper.

## JEA

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

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

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

**Concentration of Credit Risk** – As of September 30, 2023, investments in any one issuer representing 5% or more of JEA's investments included \$188,692 (31.3%) invested in issues of the Federal Home Loan Bank and \$42,181 in Federal Farm Credit Bank (7.0%). JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 50% of total cash and investments regardless of statement of net position classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total cash and investment portfolio (regardless of statement of net position classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2023, investments in all security types were within the allowable policy limits.

JEA

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

**6. Capital Assets**

Capital asset activity for the year ended September 30, 2023 is as follows:

	Balance September 30, 2022	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2023
<b>Electric Enterprise Fund:</b>					
Generation assets	\$ 3,902,140	\$ —	\$ (4,043)	\$ 62,285	\$ 3,960,382
Transmission assets	689,536	—	(273)	56,783	746,046
Distribution assets	2,304,997	—	(2,172)	49,434	2,352,259
Other assets	554,716	—	(1,813)	35,333	588,236
Lease assets	—	93,313	—	—	93,313
Total capital assets	7,451,389	93,313	(8,301)	203,835	7,740,236
Less: accumulated depreciation and amortization	(5,274,607)	(225,537)	8,301	—	(5,491,843)
Land	133,759	—	—	5,717	139,476
Construction work-in-process	169,195	244,962	—	(209,552)	204,605
Net capital assets	2,479,736	112,738	—	—	2,592,474
<b>Water and Sewer Fund:</b>					
Pumping assets	680,751	—	(472)	21,905	702,184
Treatment assets	828,866	—	(31)	57,185	886,020
Transmission and distribution assets	1,361,360	—	(207)	49,309	1,410,462
Collection assets	1,638,564	—	(262)	20,311	1,658,613
Reclaimed water assets	169,195	—	—	7,284	176,479
General and other assets	475,354	—	(548)	32,724	507,530
Total capital assets	5,154,090	—	(1,520)	188,718	5,341,288
Less: accumulated depreciation	(2,686,812)	(182,371)	1,520	4,181	(2,863,482)
Land	81,433	—	(54)	47	81,426
Construction work-in-process	398,824	483,909	—	(188,764)	693,969
Net capital assets	2,947,535	301,538	(54)	4,182	3,253,201
<b>District Energy System:</b>					
Chilled water plant assets	65,212	—	—	11,320	76,532
Total capital assets	65,212	—	—	11,320	76,532
Less: accumulated depreciation	(34,401)	(2,897)	—	—	(37,298)
Land	3,051	—	—	—	3,051
Construction work-in process	3,364	8,956	—	(11,320)	1,000
Net capital assets	37,226	6,059	—	—	43,285
<b>Total</b>	<b>\$ 5,464,497</b>	<b>\$ 420,335</b>	<b>\$ (54)</b>	<b>\$ 4,182</b>	<b>\$ 5,888,960</b>

JEA

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

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2022 is as follows:

	Balance September 30, 2021	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2022
<b>Electric Enterprise Fund:</b>					
Generation assets	\$ 3,873,079	\$ —	\$ (829)	\$ 29,890	\$ 3,902,140
Transmission assets	678,921	—	(38)	10,653	689,536
Distribution assets	2,240,186	—	(2,297)	67,108	2,304,997
Other assets	531,608	—	(4,627)	27,735	554,716
Total capital assets	7,323,794	—	(7,791)	135,386	7,451,389
Less: accumulated depreciation and amortization	(4,957,598)	(324,800)	7,791	—	(5,274,607)
Land	131,496	—	—	2,263	133,759
Construction work-in-process	120,138	186,706	—	(137,649)	169,195
Net capital assets	2,617,830	(138,094)	—	—	2,479,736
<b>Water and Sewer Fund:</b>					
Pumping assets	648,724	—	(5,217)	37,244	680,751
Treatment assets	809,191	—	(312)	19,987	828,866
Transmission and distribution assets	1,332,578	—	(1,122)	29,904	1,361,360
Collection assets	1,605,027	—	(2,626)	36,163	1,638,564
Reclaimed water assets	163,609	—	—	5,586	169,195
General and other assets	471,723	—	(2,007)	5,638	475,354
Total capital assets	5,030,852	—	(11,284)	134,522	5,154,090
Less: accumulated depreciation	(2,532,588)	(169,697)	11,284	4,189	(2,686,812)
Land	79,102	—	—	2,331	81,433
Construction work-in-process	246,928	288,749	—	(136,853)	398,824
Net capital assets	2,824,294	119,052	—	4,189	2,947,535
<b>District Energy System:</b>					
Chilled water plant assets	60,858	—	(41)	4,395	65,212
Total capital assets	60,858	—	(41)	4,395	65,212
Less: accumulated depreciation	(31,841)	(2,607)	41	6	(34,401)
Land	3,051	—	—	—	3,051
Construction work-in process	2,301	5,464	—	(4,401)	3,364
Net capital assets	34,369	2,857	—	—	37,226
Total	\$ 5,476,493	\$ (16,185)	\$ —	\$ 4,189	\$ 5,464,497

JEA

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

**7. Investment in The Energy Authority**

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida, with an ownership interest of 17.6%. 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 \$23,603 in fiscal year 2023 and \$29,731 in 2022 for all power marketing activities. JEA's distributions from TEA were \$20,731 in fiscal year 2023 and \$15,464 in 2022. The investment in TEA was \$27,863 at September 30, 2023 and \$25,507 at September 30, 2022 and 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, 2023 and 2022. TEA issues separate audited financial statements on a calendar-year basis.

	<b>Unaudited</b>	
	<b>2023</b>	<b>2022</b>
Condensed statement of net position:		
Current assets	\$ 355,758	\$ 699,272
Noncurrent assets	41,039	34,897
Total assets	<u>\$ 396,797</u>	<u>\$ 734,169</u>
Current liabilities	\$ 236,091	\$ 589,538
Noncurrent liabilities	18,231	15,423
Deferred inflows	4,506	18,447
Members' capital	158,889	144,541
Total liabilities and members' capital	<u>\$ 417,717</u>	<u>\$ 767,949</u>
Condensed statement of operations:		
Operating revenues	\$ 3,132,281	\$ 3,912,598
Operating expenses	3,026,014	3,638,084
Operating income	<u>\$ 106,267</u>	<u>\$ 274,514</u>
Net income	<u>\$ 110,154</u>	<u>\$ 275,020</u>

As of September 30, 2023, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to \$60,000, and TEA's natural gas procurement and trading activities up to \$93,700, 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

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

#### 7. Investment in The Energy Authority (continued)

Generally, JEA's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity, or transmission that was delivered or made available, or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract. Generally, JEA's guaranty obligations for natural gas procurement and trading would arise if TEA did not make the contractually required payment for natural gas or transportation that was delivered or purchased or if TEA failed to deliver natural gas or transportation as required under a contract.

Upon JEA's making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. Upon JEA's making any payments under its natural gas guaranty, it has certain contribution rights with the other members of TEA in order that payments under the TEA member guaranties would be equalized ratably in proportion to their respective amounts of guaranties, as adjusted by the actual natural gas member volumes and prices for the calendar year. After such contributions have been effected, JEA would only have recourse against TEA to recover amounts paid under the guaranty.

The term of these guaranties is generally indefinite, but JEA has the ability to terminate its guaranty obligations by providing advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. Such termination would be because of JEA's withdrawal from membership in TEA, or such termination could cause JEA's membership in TEA to be terminated.

#### 8. Long-Term Debt

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System, and DES revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Bulk Power Supply System bonds are governed by a single bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the Second Power Park Resolution; 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.

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.

JEA

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

**8. Long-Term Debt (continued)**

Below is the schedule of outstanding indebtedness for the years ended September 30, 2023 and 2022.

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2023	2022
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.000%	2039	\$ 5	\$ 5
Series Three 2005B	4.750%	2033	100	100
Series Three 2008A <sup>(2)</sup>	Variable	2027-2036	51,680	51,680
Series Three 2008B-1 <sup>(3)</sup>	Variable	2023-2040	53,945	56,395
Series Three 2008B-2 <sup>(2)</sup>	Variable	2025-2040	41,900	41,900
Series Three 2008B-3 <sup>(2)</sup>	Variable	2024-2036	37,000	37,000
Series Three 2008B-4 <sup>(3)</sup>	Variable	2023-2036	38,735	42,110
Series Three 2008C-1 <sup>(2)</sup>	Variable	2024-2034	44,145	44,145
Series Three 2008C-2 <sup>(2)</sup>	Variable	2024-2034	43,900	43,900
Series Three 2008C-3 <sup>(2)</sup>	Variable	2030-2038	25,000	25,000
Series Three 2008D-1 <sup>(3)</sup>	Variable	2023-2036	94,605	97,705
Series Three 2009D <sup>(4)</sup>	6.056%	2033-2044	45,955	45,955
Series Three 2010E <sup>(4)</sup>	5.350-5.482%	2028-2040	34,255	34,255
Series Three 2013A	N/A	N/A	-	15,245
Series Three 2013C	4.600%	2029	845	2,795
Series Three 2015B	5.000%	2030-2031	4,535	4,535
Series Three 2017B	3.375-5.000%	2026-2039	198,095	198,095
Series Three 2020A	3.000-5.000%	2026-2041	129,255	129,255
Series Three 2021A	4.000-5.000%	2033-2039	10,385	10,385
Total Electric System Senior Revenue Bonds			<b>854,340</b>	880,460

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2023	2022
Electric System Subordinated Revenue Bonds:				
2000 Series A <sup>(2)</sup>	Variable	2023-2025	\$ 12,030	\$ 14,770
2008 Series D <sup>(2)</sup>	Variable	2024-2038	39,455	39,455
2009 Series F <sup>(4)</sup>	5.500-6.406%	2024-2034	58,420	58,420
2010 Series D <sup>(4)</sup>	4.899-5.582%	2023-2027	30,140	34,485
2013 Series A	5.000%	2027-2029	6,725	6,725
2013 Series B	N/A	N/A	-	5,225
2013 Series C	5.000%	2029-2037	31,900	31,900
2014 Series A	5.000%	2034-2039	22,860	29,140
2017 Series B	3.375-5.000%	2026-2034	142,065	142,065
2020 Series A	4.000-5.000%	2028-2038	92,415	92,415
2021 Series A	4.000-5.000%	2029-2034	34,175	34,175
Total Electric System Subordinated Revenue Bonds			470,185	488,775
Bulk Power Supply System Revenue Bonds:				
Series 2010A <sup>(4)</sup>	5.300-5.920%	2023-2030	24,765	27,175
Total Bulk Power System Revenue Bonds			24,765	27,175
SJRPP System Revenue Bonds:				
Issue Three, Series Four <sup>(4)</sup>	4.950-5.450%	2023-2028	13,245	15,195
Issue Three, Series Six	3.000-5.000%	2023-2027	26,460	35,435
Issue Three, Series Seven	3.000-3.375%	2023-2028	41,190	43,375
Issue Three, Series Eight	2.750-3.125%	2023-2027	11,820	13,995
Total SJRPP System Revenue Bonds			92,715	108,000

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2023	2022
Water and Sewer System Senior Revenue Bonds:				
2006 Series B <sup>(5)</sup>	Variable	N/A	\$ —	\$ 5,055
2008 Series A-2 <sup>(2)</sup>	Variable	2028-2042	51,820	51,820
2008 Series B <sup>(2)</sup>	Variable	2023-2041	85,290	85,290
2010 Series A <sup>(4)</sup>	6.210-6.310%	2026-2044	83,115	83,115
2010 Series B	5.600-5.700%	2023-2025	5,190	6,920
2010 Series F <sup>(4)</sup>	4.550-5.887%	2023-2040	37,845	38,335
2012 Series B	3.000-5.000%	2024-2034	13,170	13,170
2013 Series A	4.500-5.000%	2023-2027	4,995	4,995
2014 Series A	4.000-5.000%	2023-2040	148,390	148,390
2017 Series A	3.125-5.000%	2023-2041	346,770	346,770
2020 Series A	3.000-5.000%	2023-2040	104,000	104,000
2021 Series A	3.000-5.000%	2023-2041	121,815	121,815
Total Water and Sewer System Senior Revenue Bonds			<u>1,002,400</u>	<u>1,009,675</u>
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1 <sup>(2)</sup>	Variable	2023-2038	39,325	41,900
Subordinated 2008 Series A-2 <sup>(2)</sup>	Variable	2030-2038	25,600	25,600
Subordinated 2008 Series B-1 <sup>(2)</sup>	Variable	2030-2036	30,885	30,885
Subordinated 2012 Series B	3.250-5.000%	2030-2034	4,480	4,480
Subordinated 2013 Series A	5.000%	2028-2029	2,760	2,760
Subordinated 2017 Series A	2.750-5.000%	2023-2034	55,015	55,015
Subordinated 2020 Series A	4.000-5.000%	2024-2040	26,590	26,590
Total Water and Sewer System Subordinated Revenue Bonds			<u>184,655</u>	<u>187,230</u>
Water and Sewer System Other Subordinated Debt				
Revolving Credit Agreement	Variable	2027	127,000	—
Water and Sewer System Other Subordinated Debt			<u>127,000</u>	<u>—</u>

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates <sup>(1)</sup>	Payment Dates	September 30	
			2023	2022
District Energy System:				
2013 Series A	3.244-4.538%	2023-2034	\$ 27,825	\$ 29,640
Total District Energy System			<u>27,825</u>	<u>29,640</u>
District Energy System Other Subordinated Debt				
Revolving Credit Agreement	Variable	2027	\$ 11,000	\$ 3,000
Total District Energy System Subordinated Debt			<u>11,000</u>	<u>3,000</u>
Total Debt Principal Outstanding			<b>2,794,885</b>	2,733,955
Less: Debt Due Within One Year			<b>(89,375)</b>	(74,070)
Total Long-Term Debt			<u><b>\$ 2,705,510</b></u>	<u>\$ 2,659,885</u>

- (1) Interest rates apply only to bonds outstanding at September 30, 2023. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode, or the flexible mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2023 and 2022.
- (2) Variable rate demand obligations – interest rates ranged from 3.55% to 4.50% at September 30, 2023.
- (3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 4.43% at September 30, 2023.
- (4) Federally Taxable – Issuer Subsidy – Build America Bonds where JEA expects to receive a cash subsidy payment from the United States Department of the Treasury for an amount up to 35% of the related interest.
- (5) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – JEA executed the final scheduled debt service payment on October 1, 2022, and has no CPI bonds outstanding at September 30, 2023.

JEA

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

8. Long-Term Debt (continued)

Long-term debt activity for the year ended September 30, 2023 was as follows:

System	Debt Payable September 30, 2022	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2023	Current Portion of Debt Payable September 30, 2023
Electric:						
Revenue	\$ 1,173,025	\$ -	\$ -	\$ (35,785)	\$ 1,137,240	\$ 8,830
Direct Purchase	196,210	-	-	(8,925)	187,285	7,950
Total Electric	1,369,235	-	-	(44,710)	1,324,525	16,780
Bulk Power Supply	27,175	-	-	(2,410)	24,765	2,495
SJRPP	108,000	-	-	(15,285)	92,715	15,865
Water and Sewer:						
Revenue	\$ 1,196,905	\$ -	\$ -	\$ (9,850)	\$ 1,187,055	\$ 52,365
Revolver	-	127,000	-	-	127,000	-
Total Water and Sewer	1,196,905	127,000	-	(9,850)	1,314,055	52,365
DES:						
Revenue	29,640	-	-	(1,815)	27,825	1,870
Revolver	3,000	8,000	-	-	11,000	-
Total DES	32,640	8,000	-	(1,815)	38,825	1,870
Total	\$ 2,733,955	\$ 135,000	\$ -	\$ (74,070)	\$ 2,794,885	\$ 89,375

JEA

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

**8. Long-Term Debt (continued)**

Long-term debt activity for the year ended September 30, 2022 was as follows:

<b>System</b>	<b>Debt Payable September 30, 2021</b>	<b>Par Amount of Debt Issued</b>	<b>Par Amount of Debt Refunded or Defeased</b>	<b>Scheduled Debt Principal Payments</b>	<b>Debt Payable September 30, 2022</b>	<b>Current Portion of Debt Payable September 30, 2022</b>
Electric:						
Revenue	\$ 1,223,570	\$ –	\$ –	\$ (50,545)	\$ 1,173,025	\$ 35,785
Direct Purchase	204,805	–	–	(8,595)	196,210	8,925
Total Electric	1,428,375	–	–	(59,140)	1,369,235	44,710
Bulk Power Supply	81,885	–	(47,630)	(7,080)	27,175	2,410
SJRPP	251,765	–	(129,590)	(14,175)	108,000	15,285
Water and Sewer	1,206,275	–	–	(9,370)	1,196,905	9,850
DES:						
Revenue	31,410	–	–	(1,770)	29,640	1,815
Revolver	–	3,000	–	–	3,000	–
Total DES	31,410	3,000	–	(1,770)	32,640	1,815
Total	\$ 2,999,710	\$ 3,000	\$ (177,220)	\$ (91,535)	\$ 2,733,955	\$ 74,070

JEA

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

8. Long-Term Debt (continued)

The debt service payments to maturity on the outstanding debt as of September 30, 2023 are summarized below.

Fiscal Year	Electric System Revenue		Electric System Direct Purchase		Bulk Power Supply System	
	Principal	Interest <sup>(1)(2)</sup>	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(1)</sup>
2024	\$ 8,830	\$ 51,591	\$ 7,950	\$ 7,462	\$ 2,495	\$ 1,356
2025	19,745	50,816	10,190	7,055	2,580	1,221
2026	26,020	49,728	10,605	6,616	3,105	1,066
2027	59,110	47,728	11,050	6,159	3,100	890
2028	67,975	44,532	15,430	5,534	3,205	703
2029-2033	363,025	173,220	76,295	17,676	10,280	927
2034-2038	458,255	77,051	45,895	5,637	—	—
2039-2043	125,070	10,801	9,870	285	—	—
2044-2045	9,210	563	—	—	—	—
Total	\$ 1,137,240	\$ 506,030	\$ 187,285	\$ 56,424	\$ 24,765	\$ 6,163

Fiscal Year	SJRPP		Water and Sewer System		District Energy System		Total Debt Service
	Principal	Interest <sup>(1)</sup>	Principal	Interest <sup>(1)(2)</sup>	Principal	Interest	
2024	\$ 15,865	\$ 3,124	\$ 52,365	\$ 58,340	\$ 1,870	\$ 1,886	\$ 213,134
2025	16,445	2,457	55,675	55,335	1,930	1,763	\$ 225,212
2026	17,105	1,825	60,155	52,549	1,995	1,695	\$ 232,464
2027	17,565	1,245	182,015	49,781	13,065	1,621	\$ 393,329
2028	18,060	628	54,280	40,534	2,145	833	\$ 253,859
2029-2033	7,675	155	284,900	161,429	12,165	2,678	\$ 1,110,425
2034-2038	—	—	341,060	92,269	5,655	259	\$ 1,026,081
2039-2043	—	—	271,595	24,623	—	—	\$ 442,244
2044-2045	—	—	12,010	765	—	—	\$ 22,548
Total	\$ 92,715	\$ 9,434	\$ 1,314,055	\$ 535,625	\$ 38,825	\$ 10,735	\$ 3,919,296

- (1) The interest requirement reflects gross interest, prior to any 35% cash subsidy payments, on the Federally Taxable – Issuer Subsidy – Build America Bonds.
- (2) The 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, 2023.
- (3) The principal requirement for Fiscal Year 2027 includes the outstanding amounts drawn upon the revolving credit agreement, which is scheduled to expire on May 24, 2027.



JEA

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

**8. Long-Term Debt (continued)**

JEA, at its option, may redeem specific outstanding fixed rate JEA Revenue Bonds prior to maturity, as discussed in the official statements covering their issuance. A summary of the redemption provisions, excluding federally taxable bonds with make-whole redemption provisions, is as follows:

	<b>Electric System</b>	<b>SJRPP</b>	<b>Water and Sewer System</b>	<b>District Energy System</b>
Earliest fiscal year for redemption	2024	2024	2024	2024
Redemption price	100%	100%	100%	100%
Par available for redemption	\$ 103,510	\$ 79,470	\$ 250,840	\$ 27,825

JEA, at its option, may redeem federally taxable bonds, including Build America Bonds, with make-whole redemption provisions, in whole or in part, on any date, as discussed in the official statements covering their issuance. A summary of the make-whole redemption provisions is as follows:

	<b>Electric System</b>	<b>Bulk Power Supply System</b>	<b>SJRPP</b>	<b>Water and Sewer System</b>
Earliest fiscal year for redemption	2024	2024	2024	2024
Redemption price	Make-Whole	Make-Whole	Make-Whole	Make-Whole
Par available for redemption	\$ 168,770	\$ 24,765	\$ 13,245	\$ 126,150

JEA issued no bonds during fiscal years 2023 or 2022.

The JEA Board has authorized the issuance of additional bonds within certain parameters for the Electric System, SJRPP, the Water and Sewer System, and DES.

On January 24, 2023, the JEA Board replaced the authorizing delegations that expired on December 31, 2022 with authorizing delegations that expire on December 31, 2025. The following table summarizes the maximum amounts that could be issued:

<b>System</b>	<b>New Money Authorization</b>		<b>Refunding Authorization</b>		<b>Expiration</b>
	<b>Senior</b>	<b>Subordinated</b>	<b>Senior</b>	<b>Subordinated</b>	
Electric	\$ -	\$ -	\$ 454,000	\$ 160,000	December 31, 2025
SJRPP Issue Three	-	-	88,000	-	December 31, 2025
Water and Sewer	-	-	405,000	109,000	December 31, 2025
District Energy System	-	-	31,000	-	December 31, 2025

JEA

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

**8. Long-Term Debt (continued)**

On September 26, 2023, the JEA Board replaced the authorizing delegations that expired on December 31, 2025 with authorizing delegations that expire on September 30, 2024. The following table summarizes the maximum amounts that could be issued:

System	New Money Authorization		Refunding Authorization		Expiration
	Senior	Subordinated	Senior	Subordinated	
Electric	\$ –	\$ –	\$ 454,000	\$ 160,000	September 30, 2024
SJRPP Issue Three	–	–	88,000	–	September 30, 2024
Water and Sewer	353,000	–	532,000	109,000	September 30, 2024
District Energy System	22,000	–	42,000	–	September 30, 2024

**Variable Rate Demand Obligations (VRDOs) – Liquidity Support**

For the Electric System and the Water and Sewer System VRDOs appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2023, 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, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations by the bank, JEA shall begin to make equal semiannual installments over an approximate five-year period. Commitment fees range from 0.40% to 0.42% with stated termination dates ranging from March 19, 2024 to May 7, 2027, unless otherwise extended.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2023, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The commitment fee is 0.42% with a stated expiration date of September 27, 2028, unless otherwise extended.

## JEA

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

#### 8. Long-Term Debt (continued)

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 Purchase Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchase 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 Purchase Bonds that were not purchased 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 the scheduled mandatory tender date. The continuing covenant agreements specify certain events of default that require immediate repayment of outstanding amounts and other events of default that require repayment of outstanding amounts if the event of default continues from 7 days to 180 days. During the years ended September 30, 2023 and 2022, JEA did not default on any terms of the continuing covenant agreements. The current expiration date of the continuing covenant agreements is December 9, 2024, unless otherwise extended. The interest rate is variable and set weekly based upon SIFMA plus 45 basis points.

#### ***Revolving Credit Agreement***

JEA has a revolving credit agreement with a commercial bank for an unsecured amount of \$500,000. The revolving credit agreement may be used with respect to the Electric System, the Bulk Power Supply System, SJRPP, the Water and Sewer System, or DES for operating or capital expenditures. The revolving credit agreement specifies events of default that require immediate repayment of outstanding amounts. During the years ended September 30, 2023 and 2022, JEA did not default on any terms of the revolving credit agreement. During fiscal year 2023, the revolving credit agreement was drawn upon by the District Energy System for \$8,000 and the Water and Sewer System for \$127,000 increasing the balance outstanding to \$138,000 as of September 30, 2023, with \$362,000 available to be drawn. The revolving credit agreement is scheduled to expire on May 24, 2027.

#### ***Debt Management Strategy***

JEA has entered into various interest rate swap agreements, executed in conjunction with debt financings for initial terms up to 35 years (unless earlier terminated). JEA utilizes floating to fixed interest rate swaps as part of its debt management strategy. For purposes of this note, the term floating to fixed interest rate swaps refers to swaps in which JEA receives a floating rate and pays a fixed rate.

The fair value of the interest rate swap agreements and related hedging instruments is reported in the long-term debt section in the accompanying statements of net position; however, the notional amounts of the interest rate swaps are not reflected in the accompanying financial statements. JEA follows GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; therefore, hedge accounting is applied where fair market value changes are recorded in the accompanying statements of net position as either deferred outflow or deferred inflow of resources.

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

JEA

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

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2023, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	\$ 174,000	\$ 84,800	3.7%	Sep 2003	Sep 2033	68% of 1 month LIBOR fallback(1)
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	74,925	3.7%	Sep 2008	Oct 2035	68% of 1 month LIBOR fallback(1)
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of 1 month LIBOR fallback(1)
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2008 Series B	85,290	85,290	3.90%	Mar 2007	Oct 2041	SIFMA
		<b>\$ 732,790</b>	<b>\$ 481,425</b>				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2022, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	\$ 174,000	\$ 84,800	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR <sup>(1)</sup>
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	78,300	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR <sup>(1)</sup>
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR <sup>(1)</sup>
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	5,055	4.1%	Oct 2006	Oct 2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		<b>\$ 771,520</b>	<b>\$ 489,855</b>				

(1) The UK's Financial Conduct Authority ("FCA") is responsible for regulating LIBOR. On November 30, 2020, the ICE Benchmark Administration ("IBA"), an authorized administrator, regulated and supervised by the FCA, announced that it planned to consult on its intention to cease publication of the overnight, one-month, six-month and 12-month LIBOR tenors on June 30, 2022. On March 5, 2021, the FCA announced the future cessation or loss of representativeness of the 35 LIBOR benchmark settings published by IBA, and on May 3, 2021, the FCA confirmed that the one-month U.S. dollar tenor, among others, would cease to be provided by any administrator or no longer representative after June 30, 2023. The International Swap and Derivatives Association ("ISDA") led an industry effort to implement fallback language for derivatives contracts covered under the IBA and FCA announcements. On October 23, 2020, ISDA published the ISDA 2020 IBOR Fallbacks Protocol ("Protocol"), which enables parties to amend the terms of covered swap documents and to include new fallback rates for those that would be discontinued or become non-representative. JEA and its LIBOR swap counterparties adhered to the Protocol prior to June 30, 2023, to replace LIBOR with a rate based on SOFR.

JEA

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

**8. Long-Term Debt (continued)**

For fiscal years ended September 30, 2023 and 2022, all outstanding interest rate swap agreements were considered effective hedging instruments. The following table includes fiscal year 2023 and 2022 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

System	Changes in Fair Value		Fair Value at September 30, 2023		
	Classification	Amount	Classification	Amount <sup>(1)</sup>	Notional
Electric	Deferred outflows	\$ 15,768	Fair value of debt management strategy instruments	\$ (15,736)	\$ 396,135
Water and Sewer	Deferred outflows	4,095	Fair value of debt management strategy instruments	(2,632)	85,290
Total		<u>\$ 19,863</u>		<u>\$ (18,368)</u>	<u>\$ 481,425</u>

System	Changes in Fair Value		Fair Value at September 30, 2022		
	Classification	Amount	Classification	Amount <sup>(1)</sup>	Notional
Electric	Deferred outflows	\$ (71,248)	Fair value of debt management strategy instruments	\$ (31,504)	\$ 399,510
Water and Sewer	Deferred outflows	(19,876)	Fair value of debt management strategy instruments	(6,727)	90,345
Total		<u>\$ (91,124)</u>		<u>\$ (38,231)</u>	<u>\$ 489,855</u>

(1) Fair value amounts were calculated using market rates and standard cash flow present valuing techniques.

JEA

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

**8. Long-Term Debt (continued)**

For fiscal years ended September 30, 2023 and 2022, 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:

	<b>2023</b>		<b>2022</b>
68% of LIBOR fallback (based on SOFR Index) and LIBOR Index <sup>(1)</sup> :			
Notional amount outstanding	\$ 198,900	\$	202,275
Variable rate received (weighted average)	3.16%		0.55%
Fixed rate paid (weighted average)	3.70%		3.70%
SIFMA Index (formerly BMA Index):			
Notional amount outstanding	\$ 282,525	\$	282,525
Variable rate received (weighted average)	3.06%		0.61%
Fixed rate paid (weighted average)	4.02%		4.02%
CPI Index:			
Notional amount outstanding	\$ -	\$	5,055
Variable rate received (weighted average)	-		7.42%
Fixed rate paid (weighted average)	-		4.09%
Net debt management swap loss	\$ (3,765)	\$	(15,916)

<sup>(1)</sup> LIBOR fallback (based on SOFR Index) for rates set after June 30, 2023 and LIBOR Index for rates set on and prior to June 30, 2023.

JEA

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

8. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2023:

<b>Electric System</b>					
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest<sup>(1)</sup></b>	<b>Net Swap Interest</b>	<b>Total</b>	
2024	\$ 5,400	\$ 15,167	\$ 740	\$	21,307
2025	13,840	14,629	725		29,194
2026	19,205	13,905	689		33,799
2027	19,750	13,144	649		33,543
2028	32,905	11,910	591		45,406
2029-2033	172,605	38,984	1,890		213,479
2034-2038	114,180	13,708	1,094		128,982
2039-2040	18,250	414	69		18,733
<b>Total</b>	<b>\$ 396,135</b>	<b>\$ 121,861</b>	<b>\$ 6,447</b>	<b>\$</b>	<b>524,443</b>

<b>Water and Sewer System</b>					
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest<sup>(1)</sup></b>	<b>Net Swap Interest</b>	<b>Total</b>	
2024	\$ 4,035	\$ 3,016	\$ 159	\$	7,210
2025	4,420	2,849	148		7,417
2026	4,525	2,682	139		7,346
2027	4,615	2,512	131		7,258
2028	—	2,498	130		2,628
2029-2033	4,540	12,174	632		17,346
2034-2038	21,430	9,699	503		31,632
2039-2042	41,725	2,517	130		44,372
<b>Total</b>	<b>\$ 85,290</b>	<b>\$ 37,947</b>	<b>\$ 1,972</b>	<b>\$</b>	<b>125,209</b>

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swaps was determined by using the interest rates that were in effect at the financial statement date of September 30, 2023. 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, 2023.

JEA

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

**8. Long-Term Debt (continued)**

**Credit Risk** – JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA’s interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) “AAA”/“Aaa” by one or more nationally recognized rating agencies at the time of execution, (ii) “A”/“A2” or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated “A”/“A2” or better at the time of execution, 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. With respect to swap agreements entered into in 2014 between JEA and three swap counterparties, each counterparty will be required to provide collateral when (a) the ratings of such counterparty fall below “A+”/“A1” by any one of the rating agencies and (b) a termination payment would be owed to JEA above a specified threshold amount. All outstanding interest rate swaps at September 30, 2023, 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, 2023.

JEA’s floating to fixed interest rate swap counterparty credit ratings at September 30, 2023, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody’s/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	A-/A1/A+	\$ 145,555
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa2/AA	114,100
Merrill Lynch Derivative Products AG	A-/A1/AA-	85,290
Total		<u>\$ 481,425</u>

**Interest Rate Risk** – JEA is exposed to interest rate risk where changes in interest rates could affect the related net cash flows and fair values of outstanding interest rate swaps. On a pay-fixed, receive-variable interest rate swap, as the floating swap index decreases, JEA’s net payment on the swap increases, and as the fixed rate swap market declines as compared to the fixed rate on the swap, the fair value declines.

**Basis Risk** – JEA is exposed to basis risk on certain pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received on certain hedging derivative instruments are based on a rate or index other than interest rates that JEA pays on its hedged variable-rate debt, which is reset every one or seven days. As of September 30, 2023, the weighted-average interest rate on JEA’s hedged variable-rate debt is 4.17%, the SIFMA swap index rate is 3.98%, and 68% of LIBOR fallback (based on SOFR) is 3.69%.



JEA

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

**8. Long-Term Debt (continued)**

**Termination Risk** – JEA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument were in a liability position, JEA would be liable to the counterparty for a payment equal to the liability.

**Market Access Risk** – JEA is exposed to market access risk due to potential market disruptions in the municipal credit markets that could inhibit the issuing or remarketing of bonds and related hedging instruments. JEA maintains strong credit ratings (see Debt Administration section of the Management Discussion and Analysis) and, to date, has not encountered any barriers to the credit markets.

**9. Related Party Transactions**

**City of Jacksonville**

*Utility and Administrative Services*

JEA is a separately governed authority and considered a discretely presented component unit of the City. JEA provides electric, water, and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City including insurance, legal, and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related-party transactions with the City were as follows:

	<u>2023</u>		<u>2022</u>
Revenues	\$ 31,878	\$	30,386
Expenses	\$ 5,248	\$	4,827

*City Contribution*

On March 22, 2016, the City and JEA entered into a five-year agreement, which established the contribution formula for the fiscal years 2017 through 2022. On February 28, 2019, the agreement was amended to extend its expiration date to September 30, 2023. The City and JEA are discussing terms for a new agreement, which is expected to be ratified in 2024. In the absence of a new agreement, the contribution formula will continue.

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA, at its sole discretion, may utilize any of its available revenues, regardless of source, to satisfy its total annual obligation to the City.

JEA

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

**9. Related Party Transactions (continued)**

The contributions from the JEA Electric Enterprise Fund and JEA Water and Sewer Fund were as follows:

	<u>2023</u>		<u>2022</u>
Electric	\$ 95,491	\$	94,546
Water and Sewer	\$ 26,933	\$	26,667

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 7.468 mills per kilowatt hour delivered by JEA to retail users in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year. The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 389.2 mills per thousand gallons of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum increase of 1% per year through 2023, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

In 2022, JEA made an additional one-time contribution of \$12,500 from the JEA Water and Sewer Fund to the City to be used for septic tank phase out.

*Franchise Fees*

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. These amounts are included in operating revenues and expenses and were as follows:

	<u>2023</u>		<u>2022</u>
Electric	\$ 34,329	\$	34,484
Water and Sewer	\$ 11,319	\$	11,294

*Insurance Risk Pool*

JEA is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, and natural disasters. In addition, JEA is exposed to risks of loss due to injuries and illness of its employees. These risks are managed through the Risk Management Division of the City, which administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and the Jacksonville Aviation Authority. The general objectives are to formulate, develop, and administer, on behalf of the members, a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program.

JEA

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

**9. Related Party Transactions (continued)**

JEA has excess coverage for individual workers' compensation claims above \$1,500. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis, depending on the claims experience of JEA and other participants in the City's self-insurance program. The liabilities are based on the estimated ultimate cost of settling the claim including the effects of inflation and other societal and economic factors. The JEA workers' compensation expense is the premium charged by the City's self-insurance plan. JEA is also a participant in the City's general liability insurance program. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs. These amounts are included in operating expenses and were as follows:

	<u>2023</u>		<u>2022</u>
General liability	\$ 2,145	\$	2,015
Workers' compensation	\$ 1,821	\$	1,712

The following table shows the estimated workers' compensation and general liability loss accruals for the City and JEA's portion for the fiscal years ended September 30, 2023 and 2022. The amounts are recorded by the City at present value using a 4% discount rate for the fiscal years ended September 30, 2023 and September 30, 2022.

	<u>Workers' Compensation</u>		<u>General Liability</u>	
	<u>City of Jacksonville</u>	<u>JEA Portion</u>	<u>City of Jacksonville</u>	<u>JEA Portion</u>
Beginning balance	\$ 147,168	\$ 2,651	\$ 17,903	\$ 2,280
Change in provision	17,201	1,349	10,651	2,394
Payments	(24,929)	(967)	(10,348)	(1,513)
Ending balance	<u>\$ 139,440</u>	<u>\$ 3,033</u>	<u>\$ 18,206</u>	<u>\$ 3,161</u>

**10. Fuel Purchase and Purchased Power Commitments**

JEA has committed to purchase approximately 97,000 tons of coal and 67,500 tons of petroleum coke for Northside. 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 and petroleum coke contracts. JEA's coal and petroleum coke supply is purchased with transportation included.

JEA has a power purchase agreement (PPA) with Florida Power & Light (FPL) which provides 200 MW of day-ahead scheduled power. The pricing structure of the FPL PPA is based on the system cost of its natural gas combined cycle units and has a term of 20 years.

JEA

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with Shell Energy North America L.P. (Shell Energy) until 2031. Contract terms for the natural gas supply specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition to the gas delivered by Shell Energy, JEA has long-term contracts with Peoples Gas system, Florida Gas Transmission, Southern Natural Gas and SeaCoast Gas Transmission for firm gas transportation to allow the delivery of natural gas through those pipeline systems. There is no purchase commitment of natural gas associated with those transportation contracts.

JEA has eight contracts to purchase prepaid natural gas supplies at daily volumes currently ranging from 35,000 mmBtu/day to 43,000 mmBtu/day, depending on the month, and increasing to 45,000 – 53,000 mmBtu/day effective April 1st, 2024. The prepaid natural gas is supplied via JEA's firm natural gas transportation or natural gas supply agreements with each contract having a 20- or 30-year term. JEA's financial obligations under the gas supply agreements are based on index prices for monthly deliveries at the delivery point and are on a "take and pay" basis whereby JEA is only obligated to pay for gas that is delivered.

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by remarketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate appears in the table below:

Fiscal Year Ending	Coal and Pet Coke		Natural Gas		Total
	Fuel	Transportation	Transportation	Transmission	
2024	\$ 4,465	\$ 4,206	\$ 5,342	\$ 16,800	\$ 30,813
2025	–	–	5,328	16,800	22,128
2026	–	–	5,328	16,800	22,128
2027	–	–	5,328	16,800	22,128
2028-2042	–	–	19,542	239,400	258,942
Total	\$ 4,465	\$ 4,206	\$ 40,868	\$ 306,600	\$ 356,139

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

##### ***Vogtle Units Purchased Power Agreement***

###### *Overview*

As a result of an earlier 2008 Board policy establishing a 10% of total energy from nuclear energy goal, JEA entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with the Municipal Electric Authority of Georgia (MEAG) for 206 megawatts (MW) of capacity and related energy from MEAG's interest in two additional nuclear generating units (the Additional Vogtle Units or Plant Vogtle Units 3 and 4) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The owners of the Additional Vogtle Units include Georgia Power Company (Georgia Power), Oglethorpe Power Corporation, MEAG and the City of Dalton, Georgia (collectively, the Vogtle Co-Owners). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 12% of JEA's total energy requirements in the year 2026.

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

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

MEAG created three separate projects (the Vogtle Units 3 and 4 Project Entities) for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). The project corresponding to the portion of MEAG's ownership interest, which will provide the capacity and energy to be purchased by JEA under the Additional Vogtle Units PPA, is referred to herein as Project J. MEAG currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately \$7,464,820, including construction and financing costs through the estimated in-service dates, initial fuel load costs, switchyard and transmission costs, and contingencies established by Georgia Power at the project level for all Vogtle Co-Owners. MEAG has additionally provided that its total capital costs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately \$8,006,368. A certain portion of these costs is subject to reduction in accordance with the 2019 Global Amendments to the Plant Vogtle Joint Operating Agreements. The total in-service cost for the Additional Vogtle Units allocable to Project J and the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately \$3,452,663.

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

On September 29, 2022, MEAG announced that MEAG and the Vogtle Units 3 and 4 Project Entities have entered into a Definitive Settlement Agreement with Georgia Power (the Settlement Agreement) to resolve claims relating to the 2019 Global Amendments currently pending in litigation filed by MEAG and the Vogtle Units 3 and 4 Project Entities on June 18, 2022, in the Superior Court of Fulton County, Georgia. Under the Settlement Agreement:

- Georgia Power will reimburse the Vogtle Units 3 and 4 Project Entities for (1) 15% of their share of the actual cost of construction of the Additional Vogtle Units in excess of \$18.7 billion, up to and including \$19.6 billion, and (2) 20% of their share of the actual cost of construction of the Additional Vogtle Units in excess of \$19.6 billion. MEAG and the Vogtle Units 3 and 4 Project Entities will release Georgia Power from claims for reimbursement of costs of construction of the Additional Vogtle Units other than pursuant to the Settlement Agreement;
- The Vogtle Units 3 and 4 Project Entities will not tender any of their ownership interests in the Additional Vogtle Units to Georgia Power, which will remain 22.7% in the aggregate;
- The parties will dismiss with prejudice the existing litigation among them and deliver customary releases relating to the litigation; and
- MEAG Power waives its rights under the Agreement Regarding Additional Participating Party Rights, dated November 2, 2017, by and among MEAG, Georgia Power, and the other Vogtle Co-Owners (Additional Rights Agreement), and agrees to vote to continue the construction of the Additional Vogtle Units upon occurrence of specified project adverse events unless the commercial operation date of either of the Additional Vogtle Units is not projected to occur by December 31, 2025.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

**Financing for Project J** – In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG, MEAG issued \$1,248,435 of its Plant Vogtle Units 3 and 4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. Of the total 2010 PPA Bonds, approximately \$1,224,265 were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest, subject to reduction due to sequestration. At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2019 for the current fiscal year through fiscal year 2030. The current sequestration rate of 5.7% will be applied unless and until a law is enacted that cancels or otherwise affects the sequester. MEAG issued \$185,180 of additional Project J tax-exempt bonds on September 9, 2015. In addition, MEAG issued \$570,925 of additional Project J tax-exempt bonds on July 19, 2019. JEA was not asked to, and did not, provide updated disclosure regarding JEA in connection with the preparation of MEAG's July 18, 2019 Project J Bonds Series 2019A Official Statement relating to the issuance and JEA did not make any representations or warranties, or deliver any opinions of legal counsel, in connection with the offering, issuance, and sale of the Project J Bonds, Series 2019A. Further, on July 20, 2021, July 12, 2022 and January 19, 2023, MEAG issued \$150,350, \$212,005, and \$192,370 of additional Project J tax-exempt bonds, Series 2021A, Series 2022A and Series 2023A, respectively. JEA provided updated disclosure regarding JEA in connection with MEAG's July 8, 2021 Project J Bonds, Series 2021A Official Statement, June 29, 2022 Project J Bonds, Series 2022A Official Statement and January 12, 2023 Project J Bonds, Series 2023A Official Statement, respectively, relating to the issuances and JEA made certain representations and warranties and delivered opinions of legal counsel in connection with the offering, issuance, and sale of the Project J Bonds, Series 2021A, 2022A and 2023A.

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

The Project J Entity entered into a loan guarantee agreement with the DOE in 2015, subsequently amended in 2016 and 2017, under which the Project J Entity is permitted to borrow from the Federal Financing Bank (FFB) an aggregate amount of approximately \$687,279, all of which has been advanced to date.

On September 28, 2017, DOE, MEAG, and the Vogtle Units 3 and 4 Project Entities entered into a conditional commitment for additional DOE loan guarantees in the aggregate amount of \$414,700. On March 22, 2019, MEAG announced that it had closed on the additional DOE loan guarantees in the aggregate amount of \$414,700. The Project J Entity's portion of the \$414,700 in additional loan guarantees is \$111,541 and this amount was fully drawn on October 2, 2021. MEAG expects that the total financing needs for Project J will exceed the aggregate of the Project J Entity's FFB lending commitments and the balance will be financed in the capital markets, or bank borrowings.

JEA

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

The following is a summary of financing associated with Project J:

Long-term bonds	
2010A Build America bonds	\$ 1,224,265
2010B tax-exempt bonds	24,170
2015A tax-exempt bonds	185,180
2019A tax-exempt bonds	570,925
2021A tax-exempt bonds	150,350
2022A tax-exempt bonds	212,005
2023A tax-exempt bonds	192,370
Remaining financing requirement	<u>16,740</u>
Total long-term bonds	<u>2,576,005</u>
DOE advances <sup>(1)</sup>	
2015 DOE advances	345,990
2019 DOE advances	229,748
2020 DOE advances	<u>111,541</u>
Total DOE advances	<u>687,279</u>
Estimated interest earnings and bond premiums	<u>189,379</u>
Total capital requirements <sup>(2)</sup>	<u>\$ 3,452,663</u>

(1) Includes advances and related capitalized interest accretion.

(2) Represents estimated total construction costs and required reserve deposits, net of payments received.



JEA

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

**10. Fuel Purchase and Purchased Power Commitments (continued)**

Based on information provided by MEAG, JEA's portion of the debt service on the outstanding Project J debt as of September 30, 2023, is summarized as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>	<b>Build America Bonds Subsidy</b>	<b>Capitalized Interest</b>	<b>Net Debt Service</b>
2024	\$ 34,951	\$ 162,117	\$ 197,068	\$ (26,100)	\$ (14,119)	\$ 156,849
2025	37,296	159,306	196,602	(25,746)	—	170,856
2026	38,710	155,221	193,931	(25,378)	—	168,553
2027	40,198	152,844	193,042	(24,993)	—	168,049
2028	41,776	150,685	192,461	(24,592)	—	167,869
2029	43,399	148,566	191,965	(24,173)	—	167,792
2030	45,082	146,324	191,406	(23,737)	—	167,669
2031	46,838	143,991	190,829	(23,281)	—	167,548
2032	48,622	141,692	190,314	(22,806)	—	167,508
2033	50,586	139,007	189,593	(22,311)	—	167,282
2034	52,603	136,362	188,965	(21,794)	—	167,171
2035	54,653	133,682	188,335	(21,255)	—	167,080
2036	48,287	130,892	179,179	(20,692)	—	158,487
2037	35,932	127,928	163,860	(20,106)	—	143,754
2038	30,988	124,870	155,858	(19,494)	—	136,364
2039	28,020	121,601	149,621	(18,855)	—	130,766
2040	18,891	118,315	137,206	(18,189)	—	119,017
2041	15,847	114,843	130,690	(17,495)	—	113,195
2042	9,710	111,750	121,460	(16,770)	—	104,690
2043	3,393	90,426	93,819	(13,880)	—	79,939
2044	—	11,080	11,080	(1,790)	—	9,290
<b>Total</b>	<b>\$ 725,782</b>	<b>\$ 2,721,502</b>	<b>\$ 3,447,284</b>	<b>\$ (433,437)</b>	<b>\$ (14,119)</b>	<b>\$ 2,999,728</b>

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

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

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

- Bechtel Power Corporation (Bechtel) will serve as the prime construction contractor for the remaining construction activities for Plant Vogtle Units 3 and 4 under a Construction Agreement entered into between Bechtel and Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners (the Construction Agreement), which is a cost reimbursable plus fee arrangement, which means that the Construction Agreement does not require Bechtel to absorb any increases in construction costs.
- In August 2018, the Vogtle Co-Owners approved amendments to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the Vogtle Joint Ownership Agreements) that limit the circumstances under which the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 are required to approve the continuance of the construction of the Additional Vogtle Units to a few events, including the delay of one year or more over the most recently approved project schedule. Such events do not include increases in the construction budget.
- Under the Vogtle Joint Ownership Agreements, Georgia Power has the right to cancel the project at any time in its discretion.

The estimated construction costs to complete Project J's share of the Additional Vogtle Units have significantly increased from the original project budget of approximately \$1,400,000 to the current estimate of approximately \$3,452,663 inclusive of financing costs and required reserves. In addition, significant delays in the project's construction schedule have resulted in the original placed inservice dates for Vogtle Unit 3 of April 2016 and for Vogtle Unit 4 of April 2017 being revised. Vogtle Unit 3 was placed inservice on July 31, 2023 and Vogtle Unit 4 is expected to be placed in service during the first quarter of 2024.

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

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

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

##### Settlement of Prior Litigation

On July 30, 2020, JEA and MEAG filed a voluntary notice and announced a settlement of all disputed issues relating to the Additional Vogtle Units PPA. In connection with the litigation settlement, MEAG and JEA executed an amendment to the Additional Vogtle Units PPA pursuant to which MEAG and JEA agreed to an increase in the Additional Compensation Obligation payable by JEA to MEAG of \$0.75 per MWh of energy delivered to JEA thereunder.

In addition, MEAG and JEA also entered into an agreement that, subject to the rights granted to other Project J participants in their Project J power sales contracts, grants to JEA a right of first refusal to purchase all or any portion of the entitlement share of a Project J participant to the output and services of Project J in the event that any Project J participant requests MEAG to effectuate a sale of such entitlement share pursuant to such participant's Project J power sales contract. This right of first refusal is applicable during the period commencing ten (10) years following the commercial operation date of the first of Vogtle Unit 3 or Vogtle Unit 4 to achieve commercial operation (July 31, 2033) and continuing until the expiration of twenty (20) years following such commercial operation dates. In order to exercise its right of first refusal as described above, JEA will be required to pay the price offered by a third-party purchaser or the fully embedded costs as provided for in the Project J power sales contract, whichever is greater.

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

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2026 with respect to Unit 1 and 2028 with respect to Unit 2. The total cost of the option was \$7,500, with \$3,750 paid in both fiscal year 2011 and 2012, respectively. JEA obtained this option in furtherance of its 2010 policy target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

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

Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and, if it does exercise the option, it must specify the percentage undivided ownership interest in the Lee Project that it will acquire.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

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 optional portion of the projected Lee Project capacity.

Such alternative resources are to be available to JEA within two years of the projected online date for the Lee Project, once such date is set. No alternative resource for the Lee Project has yet been proposed by Duke Carolinas.

#### **Solar Projects**

In 2009, JEA entered into a 30-year PPA 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 currently owned by Rev Renewables, an LS Power company, and generated approximately 16,255 MWh of electricity in fiscal year 2023 and 18,024 MWh of electricity in 2022. JEA pays only for the energy produced. Purchases of energy were \$3,636 for fiscal year 2023 and \$3,928 in 2022.

As part of JEA's continued commitment to the environment, and to increase JEA's level of carbon-free renewable energy generation, in December 2014, the Board established a solar policy to add up to 38 MWac of solar photovoltaic capacity. To support this policy, JEA issued requests for proposals for PPAs in December 2014 and April 2015. Seven PPAs, representing 27 MWac, have been finalized. The solar PPAs are distributed around JEA's service territory.

As of the end of calendar year 2019, all seven projects had been completed: NW Jacksonville Solar, Old Plank Road Solar, Starratt Solar, Simmons Solar, Blair Road Solar, Old Kings Solar, and Sunport Solar. JEA entered into 20-25 year PPAs for the energy and the associated environmental attributes from each solar farm. The solar facilities generated approximately 51,304 MWh in fiscal year 2023 and 53,607 MWh in fiscal year 2022. JEA pays only for the energy produced. Purchases of energy were \$4,042 for fiscal year 2023 and \$4,174 in 2022.

On April 25, 2023, the JEA Board approved JEA's 2030 goals, which include sourcing 35% of JEA's energy from clean energy resources, such as solar and nuclear. To support this goal, JEA will need a total of 1,275 MW of solar. As a result, JEA entered into an agreement on January 24, 2023, to purchase 150 MWac of electric energy, capacity resources, and renewable attributes (Solar) beginning April 1, 2023, from Florida Power & Light. JEA received approximately 196,411 MWh in fiscal year 2023 and the purchases of energy were \$9,934.

## JEA

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

#### 10. Fuel Purchase and Purchased Power Commitments (continued)

JEA is in negotiations for a solar agreement with the Florida Municipal Power Agency to purchase approximately 140 MW from facilities set to commission in 2026. Finally, JEA is currently in negotiations with Florida Renewable Partners for 280 MW of solar and energy storage systems to be constructed on JEA-owned parcels. These facilities are expected to commission between 2026 and 2027.

##### ***Trail Ridge Landfill***

JEA purchases energy from two landfill gas-to-energy facilities through PPA agreements with Landfill Energy Systems (LES). Each agreement is for 9.6 MWs. Currently, JEA purchases 9.6 MW from Trail Ridge Landfill in Jacksonville, FL and 6.4 MW from Sarasota Landfill in Sarasota, FL. LES can supply the remaining 3.2 MW from Sarasota, if it is expanded and becomes available, or JEA can exercise its option to receive the remaining 3.2 MW from New River Landfill in Raiford, FL. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville, which came online in January 2015. Purchases of landfill energy were 55,312 MWh for \$4,256 in fiscal year 2023 and 68,457 MWh for \$5,161 in fiscal year 2022.

#### 11. Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. JEA entered into financial swaps that locked in the monthly commodity price of natural gas for calendar years 2023 through 2031. These swaps cover approximately 66% of expected annual natural gas requirements for calendar year 2024. Each year thereafter, until calendar year 2028, the number of financial swaps gradually declines. Calendar years 2029 through 2031 have consistent numbers of financial swaps.

Under the existing natural gas supply contract with Shell Energy, JEA has the option to enter into fixed price transactions with Shell Energy in relation to the purchases to be made under the contract. As of September 30, 2023, JEA has executed fixed price transactions on 43% of the natural gas supply to be received from Shell Energy through July 2027.

JEA executes over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53 and the fair market value changes are recorded on the accompanying statements of net position as either deferred charges or deferred credits until such time that the transactions end. At September 30, 2023, deferred credits of \$93,219 were included in accumulated increase in fair value of hedging derivatives and deferred charges of \$20,789 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position. At September 30, 2022, deferred credits of \$267,808 were included in accumulated increase in fair value of hedging derivatives and deferred charges of \$1,351 were included in accumulated decrease in fair value of hedging derivatives on the statement 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. There were realized gains offsetting fuel expense of \$21,893 and \$121,870 in fiscal years 2023 and 2022, respectively.

## JEA

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

#### 12. Pension Plans

Substantially all JEA employees participate in and contribute to the GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan (DB) with a defined contribution alternative (DC). The defined benefit pension plan portion of the GERP is closed to new members, with all new employees entering the defined contribution plan. Employees hired prior to September 30, 2017 can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation. GERP, based on laws outlined in the City's Ordinance Code and applicable Florida statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements, required supplementary information, and compositions of the nine member Board of Trustees and seven member Advisory Committee are included in the Comprehensive Annual Financial Report of the City. This report may be obtained at: <https://www.coj.net/departments/finance/accounting/comprehensive-annual-financial-reports.aspx> or by writing to the City of Jacksonville, Florida, Accounting Division, City Hall at St. James Building, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202-5725.

**Plan Benefits Provided** – Participation in the GERP is mandatory for all full-time employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and the City, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of GERP. Elected officials are members of the Florida Retirement System Elected Officer Class. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of 2.5% of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of 80% of final monthly compensation. A time service retirement benefit is payable bi-weekly, to commence upon the first payday coincident with or next payday following the member's actual retirement and will continue until death.

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed \$150 per month.

A member who has suffered an illness, injury, or disease, which renders the member permanently and totally incapacitated, physically or mentally, from regular and continuous duty as an employee is considered disabled under the terms of the GERP. The GERP provides two types of disability benefits: a service related disability benefit and a non-service related disability benefit. The service related disability benefit is 50% of the member's final monthly compensation at the time of the disability. Members are eligible for non-service related disability benefits after five years of service. The benefit is 25% of the member's final monthly compensation at the time of the disability, increasing 2.5% for each year of service in excess of five years to a maximum of 50%.

## JEA

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

#### 12. Pension Plans (continued)

**Contributions** – Florida law requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

JEA plan members of the DB plan were required to contribute 10.0% of their annual covered salary, which includes 0.3% to the DB disability plan. JEA's pension contribution for the DB plan was \$43,986 (30.69%) in fiscal year 2023 and \$43,825 (30.92%) in 2022.

#### ***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflow of Resources Related to Pensions***

**Net Pension Liability** – JEA's net pension liability at September 30, 2023 and September 30, 2022 were measured based on an actuarial valuation as of September 30, 2022 and September 30, 2021, respectively. JEA's allocated share of the net pension liability is \$950,267 (52.03%) as of September 30, 2023, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2022. JEA's allocated share of the net pension liability was \$643,001 (52.29%) as of September 30, 2022, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2021.

For the years ended September 30, 2023 and 2022, JEA's recognized pension expense is \$124,719 and \$74,455, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA

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

**12. Pension Plans (continued)**

JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Deferred outflows of resources</b>		
Net difference between projected and actual earnings on pension investments	\$ 135,885	\$ –
Contributions subsequent to the measurement date	43,986	43,825
Changes in assumptions	40,808	35,819
Differences between expected and actual experience	23,024	17,494
Changes in proportion	10,953	21,906
<b>Total</b>	<b>\$ 254,656</b>	<b>\$ 119,044</b>
<b>Deferred inflows of resources</b>		
Changes in proportion	\$ (5,039)	\$ (8,370)
Net difference between projected and actual earnings on pension investments	–	(87,658)
<b>Total</b>	<b>\$ (5,039)</b>	<b>\$ (96,028)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended September 30</b>	<b>Recognition of Deferred Outflows (Inflows)</b>
2024	\$ 119,303
2025	44,827
2026	33,511
2027	51,976
<b>Total</b>	<b>\$ 249,617</b>



JEA

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

**12. Pension Plans (continued)**

**Actuarial Assumptions** – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Inflation	2.50%
Salary increases assumption	3.00%-7.50%, of which 2.50% is the Plan's long-term payroll inflation
Investment rate of return	6.50% (2023) and 6.63% (2022), net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	FRS pre-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with scale MP2018.
Healthy post-retirement mortality rates	FRS healthy post-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with Scale MP2018.
Disabled mortality rates	FRS disabled mortality tables for personnel other than special risk, with no set forward, projected generationally from 2010 with Scale MP2018. The FRS tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, reasonably reflect the healthy annuitant mortality experience of the General Employees Retirement Plan as of the measurement date. The FRS disabled mortality tables for personnel other than special risk reasonably reflect the disabled annuitant mortality experience as of the measurement date.
Rationale for assumptions	The information and analysis used in selecting each demographic assumption that has a significant effect on this actuarial valuation is shown in the Experience Study Report for the five-year period ended September 30, 2017.

JEA

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

**12. Pension Plans (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Marco Advisors.

Asset Class	2023		2022	
	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Domestic equity	30.0%	6.40%	30.0%	6.40%
Fixed income	20.0%	0.40%	20.0%	0.40%
International equity	20.0%	6.80%	20.0%	6.80%
Real estate	15.0%	3.90%	15.0%	3.90%
Alternatives	7.5%	2.75%	7.5%	2.75%
Private equity	7.5%	10.40%	7.5%	10.40%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

**Discount Rate** – The discount rate used to measure the total pension liability is 6.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at their applicable contribution rates and that City contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

JEA

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

**12. Pension Plans (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 6.50% for 2023 and 6.63% for 2022, as well as what the Jacksonville GERP’s net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate used:

	<b>Net Pension Liability</b>	
	<b>2023</b>	<b>2022</b>
1% decrease	\$ 1,175,687	\$ 861,454
Current discount	<b>950,267</b>	643,001
1% increase	<b>762,102</b>	460,660

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is included in the Comprehensive Annual Financial Report of the City.

***Defined Contribution Plan***

The City has, by ordinance, a defined contribution (DC) plan within the Jacksonville Retirement System for GERP participants as an employee choice alternative to the defined benefit (DB) plans. Beginning in fiscal year 2011, employees had the option to participate in a DC plan. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees hired prior to September 30, 2017 can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation. All employees hired after September 30, 2017 now enter this plan.

In fiscal years 2023 and 2022, JEA plan members of the defined contribution plan were required to contribute 7.7% of their annual covered salary. JEA’s contribution for the members of the defined contribution plan was \$7,502 (11.70%) in fiscal year 2023 and \$5,792 (11.70%) in 2022.

***Defined Contribution Disability Program Fund***

The City of Jacksonville started in fiscal year 2022 to account for the defined contribution disability contributions separately from the disability contributions of the Defined Benefit plan and requested an actuarial valuation for the Defined Contribution Disability Program Fund as of September 30, 2021.

**Contributions** – In fiscal years 2023 and 2022, JEA plan members of the defined contribution plan were required to contribute 0.3% of their annual covered salary to the DC disability fund. JEA’s contribution to the defined contribution disability plan was \$955 (1.49%) in fiscal year 2023 and \$150 (0.30%) in fiscal year 2022.

JEA

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

12. Pension Plans (continued)

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflow of Resources Related to Pensions**

**Net Pension Liability** – JEA’s Defined Contribution Disability net pension liability at September 30, 2023 was measured based on an actuarial valuation as of September 30, 2022. JEA’s allocated share of the net pension liability is \$3,471 (33.62%) as of September 30, 2023, and \$3,111 (37.01%) as of September 30, 2022.

For the year ended September 30, 2023, JEA’s recognized pension expense is \$635 and \$1,054 as of September 30, 2022. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA reported deferred outflows of resources and deferred inflows of resources related to the DC disability fund from the following sources:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Deferred outflows of resources</b>		
Differences between expected and actual experience	\$ 1,145	\$ 1,400
Contributions subsequent to the measurement date	955	150
Changes in proportion	948	942
Changes in assumptions	58	–
Net difference between projected and actual earnings on pension investments	54	15
<b>Total</b>	<b>\$ 3,160</b>	<b>\$ 2,507</b>
<b>Deferred inflows of resources</b>		
Changes in assumptions	\$ (2,494)	\$ (3,051)
Changes in proportion	(429)	–
Differences between expected and actual experience	(64)	–
<b>Total</b>	<b>\$ (2,987)</b>	<b>\$ (3,051)</b>

JEA

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

**12. Pension Plans (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2024	\$ 870
2025	(85)
2026	(85)
2027	(88)
2028	(99)
Thereafter	(440)
<b>Total</b>	<b>\$ 73</b>

**Actuarial Assumptions** – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Inflation	2.50%
Salary increases assumption	3.00%-7.50%, of which 2.50% is the Plan's long-term payroll inflation
Investment rate of return	6.50% (2023) and 6.63% (2022), net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	FRS pre-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with scale MP2018.
Spouse post-retirement mortality rates	FRS healthy post-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with Scale MP2018.
Disabled mortality rates	FRS disabled mortality tables for personnel other than special risk, with no set forward, projected generationally from 2010 with Scale MP2018. The FRS tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, reasonably reflect the healthy annuitant mortality experience of the General Employees Retirement Plan as of the measurement date. The FRS disabled mortality tables for personnel other than special risk reasonably reflect the disabled annuitant mortality experience as of the measurement date.

JEA

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

**12. Pension Plans (continued)**

**Discount Rate** – The discount rate used to measure the total pension liability is 6.50% (2023) and 6.63% (2022). The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at their applicable contribution rates and that City contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

The Plan’s assets are not currently invested but are planned to be invested under the same investment policy as that employed by the General Employee’s Retirement Plan, and thus the same investment return assumption as that used for the valuation of the Retirement Plan is used to measure TPL

**Sensitivity of the Net DC Disability Fund Liability to Changes in the Discount Rate** – The following presents the net pension liability of the Jacksonville DC disability plan, calculated using the discount rate of 6.50% for 2023 and 6.63% for 2022, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate used:

	<b>Net Pension Liability</b>	
	<b>2023</b>	<b>2022</b>
1% decrease	\$ 4,042	\$ 3,626
Current discount	3,471	3,111
1% increase	2,999	2,685

***St. Johns River Power Park Plan Description***

**Plan Description** – The SJRPP Plan is a single employer contributory defined benefit plan that covers former employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan was 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 three-member pension committee (Pension Committee). As part of the Asset Transfer Agreement with FPL related to the shutdown of SJRPP, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited in SJRPP Pension Fund.

The SJRPP Plan periodically issues stand-alone financial statements, with the most recent report issued for the year ended September 30, 2022. This report may be obtained at [https://www.jea.com/About/Investor\\_Relations/Financial\\_Reports/SJRPP\\_Pension](https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension).

JEA

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

**12. Pension Plans (continued)**

Pursuant to the February 25, 2013 amendment, the SJRPP Plan consists of two tiers: Tier One is the Defined Benefits Tier and Tier Two is the Cash Balance Tier. Tier One participants will remain in the traditional defined benefit plan and Tier Two employees (defined as employees with less than 20 years of experience) will participate in a modified defined benefit plan, or "cash balance" plan, with an employer match provided for any Tier Two employee who contributes to the 457 Plan. Participants hired after February 25, 2013 are only eligible to accrue Tier Two benefits.

**Plan Benefits Provided** – Members of the SJRPP Plan are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member in Tier One is entitled to a retirement benefit of:

- 2.0% of final average earnings (FAE) multiplied by the number of years of credited service, not to exceed 15 years
- plus 2.4% of FAE multiplied by the number of years of credited service in excess of 15 years, but not to exceed 30 years
- plus .65% of the excess FAE over the Social Security Average Wages multiplied by years of credited service, not to exceed 35 years

FAE is the annual average of a participant's earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination. Retirement benefits are payable bi-weekly beginning on the first day of the month following or coincident with the participant's Earliest Retirement Age.

As of February 25, 2013, the accrued benefits in Tier One of newly classified Tier Two participants were frozen. Distribution of frozen Tier One Benefits is governed by the provisions applicable to Tier One. Tier Two Benefits employees receive annual pay credits to their Cash Balance accounts in the amount of 6.0% of earnings between February 25, 2013 and September 30, 2015 and 8.5% of earnings on or after October 1, 2015. Cash Balance Accounts are credited with interest at the rate of 4% per year. Benefits may be distributed as a lump sum, by rollover in accordance with the Internal Revenue Service Code or as an annuity, at the election of the participant.

For participants retired on or after October 1, 2003, each member and survivor of Tier One is entitled to a COLA. The COLA consists of a 1% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

JEA

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

**12. Pension Plans (continued)**

**Employees Covered by Benefit Terms** – At September 30, 2023 and September 30, 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive plan members or beneficiaries currently receiving benefits	386	387
Inactive plan members entitled to but not yet receiving benefits	66	68
Active plan members	3	3
<b>Total plan members</b>	<u>455</u>	<u>458</u>

**Contributions** – The SJRPP Plan’s funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. In fiscal years 2023 and 2022, SJRPP plan members were required to contribute 4% of their annual covered salary. SJRPP didn’t make employer contributions in fiscal year 2023, for fiscal year 2022 SJRPP made an employer contribution of \$6,900 (2,323.23%).

**Net Pension Liability** – SJRPP’s net pension liability (asset) at September 30, 2023 and September 30, 2022 was measured based on an actuarial valuation as of September 30, 2022 and September 30, 2021, respectively.

**Actuarial Assumptions** – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	6.00% per year compounded annually, net of investment expenses
Retirement Age	Experience-based table of rates based on year of eligibility.
Mortality rates	Mortality tables used by the Florida Retirement System for classes other than K-12 School Instructional Personnel described as follows:  <i>Healthy pre-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; <i>Healthy post-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; <i>Disabled mortality rates</i> : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Notes:	A new formal written funding policy was adopted on December 14, 2022 and implemented in the October 1, 2022 valuation. The new policy (i) amended the Asset Method for determining the actuarial value of assets by incorporating five-year smoothing of investment returns on assets and (ii) amended the Amortization Method by incorporating a five-year amortization schedule for changes in unfunded actuarial accrued liability. Other significant actuarial assumptions used in the October 1, 2022 valuation were based on the results of an actuarial experience study for the period October 1, 2003-September 30, 2012.



JEA

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

**12. Pension Plans (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

Asset Class	2023		2022	
	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Domestic equity	47%	6.02%	47%	6.19%
Fixed income	45%	1.40%	45%	1.54%
International equity	8%	4.80%	8%	4.94%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

**Discount Rate** – The discount rate used to measure the total pension liability is 6%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of SJRPP, calculated using a discount rate of 6%, as well as what the net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	2023	2022
1% decrease	\$ 20,230	\$ (10,261)
Current discount rate	4,796	(26,412)
1% increase	(8,377)	(40,153)

JEA

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

**12. Pension Plans (continued)**

Changes in the net pension liability/(asset) are detailed below.

	<b>2023</b>	<b>2022</b>
<b>Total pension liability</b>		
Beginning balance	\$ 163,682	\$ 167,697
Service cost	10	22
Interest on the total pension liability	9,414	9,656
Difference between expected and actual experience	912	(153)
Benefit payments	(13,579)	(13,540)
Ending balance	<u>160,439</u>	<u>163,682</u>
<b>Plan fiduciary net position</b>		
Beginning balance	190,094	169,982
Employer contributions	6,900	–
Employee contributions	12	15
Pension plan net investment income	(27,684)	33,731
Benefit payments	(13,579)	(13,540)
Administrative expense	(100)	(94)
Ending balance	<u>155,643</u>	<u>190,094</u>
Net pension liability/(asset)	<u>\$ 4,796</u>	<u>\$ (26,412)</u>

**Plan Assets** – Cash balances are amounts on deposit with the SJRPP Plan’s trust bank, as well as amounts held in various money market funds as authorized in the Investment Policy Statement (Policy). All investments shall comply with the Policy as approved by the Pension Committee, and with the fiduciary standards set forth by the Employee Retirement Income Security Act and requirements set forth by the Florida Statutes. The trust bank balances are collateralized and subject to the Florida Security for Public Deposits Act of Chapter 280, Florida Statutes.

The Plan follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual fund is a 2a-7 fund registered with the SEC and, therefore is presented at actual pooled share price, which approximates fair value.

At September 30, 2023 and September 30, 2022, the SJRPP Plan’s cash and cash equivalents consisted of the following:

	<b>2023</b>	<b>2022</b>
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account	\$ 4,869	\$ 3,469
<b>Total cash and cash equivalents</b>	<u>\$ 4,869</u>	<u>\$ 3,469</u>

JEA

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

**12. Pension Plans (continued)**

The Policy specifies investment objectives and guidelines for the SJRPP Plan's investment portfolio and provides asset allocation targets for various asset classes.

Investments controlled by the SJRPP Plan that represent 5% or more of the SJRPP Plan's net position were the Alliance Domestic Passive Collective Trust. At September 30, 2023, the investment had a basis of \$8,391, a fair market value of \$39,859, and represented 25% of the fiduciary net position available for benefits. At September 30, 2022, the investment had a basis of \$11,761, a fair market value of \$45,965, and represented 30% of the fiduciary net position available for benefits.

*Risk*

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

*Interest Rate Risk*

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the SJRPP Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. The average modified duration of the managed fixed securities portfolio was 4.7 years as of September 30, 2023 and 4.6 years as of September 30, 2022.

*Credit risk*

Credit risk is the risk that a security or a portfolio will lose some or all its value due to real or perceived changes in the ability of the issuer to repay its debt. The SJRPP Plan's rated debt instruments as of September 30, 2023 and 2022 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization.

The fixed income managers limit their investments to securities with an investment grade rating (BBB or equivalent) and the overall weighted average composite quality rating of the managed fixed income portfolio was Aa3.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the SJRPP Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the SJRPP Plan's investments are held by the SJRPP Plan's directed trustee and custodian in the SJRPP Plan's name, or by an agent in the SJRPP Plan's name.

JEA

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

**12. Pension Plans (continued)**

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Policy specifies an overall target allocation of 55% equities and 45% fixed income, including cash. The Policy further specifies target allocations for the equity investments among several asset classes.

The fair value of the asset classes and portfolio and specific target allocations are as follows:

	September 30, 2023			September 30, 2022		
	Fair Value	Percent		Fair Value	Percent	
		Actual	Target		Actual	Target
U.S. Government Securities and Agencies	\$ 39,460	25%	N/A	\$ 30,525	20%	N/A
Corporate bonds - non-convertible	29,581	18%	N/A	28,916	18%	N/A
Money Market/ Cash	4,869	3%	N/A	3,469	2%	N/A
Total fixed income	73,910	46%	45%	62,910	40%	45%
S&P 500 Index Fund	39,859	25%	28%	45,965	30%	28%
S&P 400 Mid-Cap Index Fund	17,742	11%	11%	18,794	12%	11%
Small and Mid-Cap Value Fund	13,618	9%	8%	15,281	10%	8%
International equities	14,812	9%	8%	12,565	8%	8%
Total equities	86,031	54%	55%	92,605	60%	55%
Total	\$ 159,941	100%	100%	\$ 155,515	100%	100%

The Policy allows the percentage allocation to each asset class to vary by plus or minus 5% depending upon market conditions.

The annual money-weighted rate of return on pension plan investments was -14.83% for the year ended September 30, 2023 and 20.67% for the year ended September 30, 2022. This reflects the changing amounts actually invested.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through its investments in an international equity mutual fund. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 9% of total investments as of September 30, 2023 and 8% as of September 30, 2022.

JEA

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

**12. Pension Plans (continued)**

*Fair Value Disclosures*

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The SJRPP Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. The table below summarizes the SJRPP Plan's investments.

	September 30, 2023			September 30, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Government Securities and Agencies	\$ 26,392	\$ 13,068	\$ 39,460	\$ 21,042	\$ 9,483	\$ 30,525
Corporate bonds - non-convertible	–	29,581	29,581	–	28,916	28,916
Money Market/ Cash	4,869	–	4,869	3,469	–	3,469
Total fixed income	31,261	42,649	73,910	24,511	38,399	62,910
S&P 500 Index Fund	–	39,859	39,859	–	45,965	45,965
S&P 400 Mid-Cap Index Fund	17,041	701	17,742	18,241	553	18,794
Small and Mid-Cap Value Fund	12,041	1,577	13,618	13,931	1,350	15,281
International equities	102	14,710	14,812	92	12,473	12,565
Total equities	29,184	56,847	86,031	32,264	60,341	92,605
Total	\$ 60,445	\$ 99,496	\$ 159,941	\$ 56,775	\$ 98,740	\$ 155,515

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued SJRPP Pension Plan financial report.

JEA

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

12. Pension Plans (continued)

**Pension Liabilities/Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the Pension**

**Net Pension Asset** – SJRPP’s net pension liability at September 30, 2023 and net pension asset at September 30, 2022 was measured based on an actuarial valuation as of September 30, 2022 and September 30, 2021, respectively. SJRPP’s net pension liability is \$4,796 as of September 30, 2023 and is included in other noncurrent assets on the statement of net position. SJRPP’s net pension asset is \$26,412 as of September 30, 2022.

For the year ended September 30, 2023 and 2022, SJRPP recognized pension expense is \$3,198 and \$4,937, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30	
	2023	2022
<b>Deferred outflows of resources</b>		
Contributions subsequent to the measurement date	\$ —	\$ 6,900
Net difference between projected and actual earnings on pension plan investments	<b>32,894</b>	3,200
Total	<b>\$ 32,894</b>	\$ 10,100
<b>Deferred inflows of resources</b>		
Net difference between projected and actual earnings on pension plan investments	<b>\$ (14,365)</b>	\$ (19,581)
Total	<b>\$ (14,365)</b>	\$ (19,581)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2024	\$ 4,405
2025	3,358
2026	2,989
2027	7,777
<b>Total</b>	<b>\$ 18,529</b>

JEA

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

**13. Other Postemployment Benefits**

**Plan Description**

**Plan administration** – JEA maintains a medical benefits plan (OPEB Plan) that it makes available to its retirees. The medical plan is an agent multiple-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries.

JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue separate financial statements for each participating employer's share of the plan.

**Plan membership** – As of September 30, 2023 and September 30, 2022, the OPEB Plan membership consisted of the following:

	<u>2023</u>	<u>2022</u>
Inactive plan members or beneficiaries currently receiving benefits	347	371
Active plan members	1,904	1,877
<b>Total plan members</b>	<u>2,251</u>	<u>2,248</u>

**Benefits provided** – The OPEB Plan refers to the benefits applicable to current and future retirees and their beneficiaries. These benefits consist of continued access to medical, dental, and vision benefits as well as life insurance coverage upon retirement through the plan sponsored by JEA. Premiums for the first \$5,000 of coverage are being subsidized by JEA and, as such, are considered as other postemployment benefits for purposes of GASB Statement No. 75.

**Contributions** – Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage and the member is responsible for payment of the applicable premiums.

Florida law prohibits JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups blended-rate premiums.

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

JEA

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

**13. Other Postemployment Benefits (continued)**

**Actuarial assumptions** – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Discount Rate	6.00%
Salary increases	2.5% to 12.5%, including inflation; varies by years of service
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows: <i>Healthy pre-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; <i>Healthy post-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; <i>Disabled mortality rates</i> : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.50% (2023) and 6.00% (2022) and gradually decreasing to an ultimate trend rate of 4.00% (2023) and 3.75% (2022).
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
Expenses	Investment returns are net of the investment expenses; and, Administrative expenses related to the operation of the health plan are included in the premium costs.



JEA

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

**13. Other Postemployment Benefits (continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table.

Asset Class	2023		2022	
	Target Allocation	Long-term Expected Nominal Rate of Return	Target Allocation	Long-term Expected Nominal Rate of Return
Large cap domestic equity	25%	9.9%	25%	9.8%
Global fixed income	15%	5.6%	15%	5.6%
International equity	21%	11.0%	21%	10.9%
Domestic fixed income	15%	5.3%	15%	5.3%
Small cap domestic equity	14%	11.3%	14%	11.2%
Real estate	10%	9.4%	10%	9.4%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

**Discount Rate** – GASB Statement No. 75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As the assets are projected to be sufficient to meet benefit payments, the assumed valuation discount rate of 6.00% was used.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the net OPEB liability, calculated using a discount rate of 6.00% as well as what the net OPEB liability would be if it were calculated using a rate that is 1% lower or 1% higher than the current rate:

	2023	2022
1% decrease	\$ 12,595	\$ 6,785
Current discount rate	7,971	1,642
1% increase	4,047	(2,613)

**Healthcare Cost Trend Rate** – JEA followed the Getzen model with trend rates for costs and premiums declining from 7.50% to 4.00% assumed for the year 2023 and 6.00% to the ultimate level of 3.75% for the year 2022.

JEA

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

**13. Other Postemployment Benefits (continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** – The following presents the net OPEB liability, calculated using a healthcare cost trend rate of 7.50% for 2023 and 6.00% for 2022, down to 4.00% for 2023 and 3.75% for 2022, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current trend rate:

	<u>2023</u>	<u>2022</u>
1% decrease	\$ 3,795	\$ (2,873)
Current healthcare cost trend rate	7,971	1,642
1% increase	12,905	7,098

Changes in the net OPEB liability are detailed below.

	<u>2023</u>	<u>2022</u>
<b>Total OPEB liability</b>		
Beginning balance	\$ 42,338	\$ 39,135
Service cost	528	432
Interest on the total OPEB liability	2,489	2,291
Difference between expected and actual experience	670	(2,934)
Change of assumptions	(1,135)	6,202
Benefit payments	(2,773)	(2,788)
Ending balance	<u>42,117</u>	<u>42,338</u>

**Plan fiduciary net position**

Beginning balance	40,696	33,999
Employer contributions	1,714	2,946
Net investment income	(5,463)	6,552
Reimbursements to employer	(2,773)	(2,774)
OPEB plan administrative expense	(28)	(27)
Ending balance	<u>34,146</u>	<u>40,696</u>
Net OPEB liability	<u>\$ 7,971</u>	<u>\$ 1,642</u>

**Plan fiduciary net position as a percentage of the total OPEB liability**

	81.07%	96.12%
Covered payroll	\$173,502	\$169,291
Net OPEB liability as a percentage of covered payroll	4.59%	0.97%

JEA

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

**13. Other Postemployment Benefits (continued)**

**Plan Assets** – The assets of the plan consist of shares held in the Florida Municipal Investment Trust (FMIT), which is administered by the Florida League of Cities. The FMIT is an interlocal governmental entity created under the laws of the State of Florida and an Authorized Investment under Sec. 163.01 Florida Statutes. It is considered an external investment pool for reporting purposes. JEA owns shares in the OPEB Fund A as directed in the Master Trust Agreement. OPEB Fund A target asset allocation is 60% equities, 30% fixed income, and 10% real estate.

At September 30, 2023 and September 30, 2022, the OPEB Plan’s cash and money market balance within the OPEB Fund A was (\$137) and \$122, respectively.

*Risk*

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

*Interest Rate Risk*

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The table below details the interest rate risk in years for investments in the trust.

	September 30, 2023		September 30, 2022	
	Modified Duration	Weighted Average Maturity	Modified Duration	Weighted Average Maturity
<b>Fixed Income Fund</b>				
FMIT Broad Market High Quality Bond Fund	5.46	6.70	5.39	6.30
FMIT Core Plus Fixed Income Fund	6.02	8.92	3.98	8.21

*Credit risk*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The FMIT Broad Market High Quality Bond Fund was rated by Fitch as Aa1/S4 as of September 30, 2023 and September 30, 2022. The remaining funds of the trust are unrated.

*Money-Weighted rates of return*

The money-weighted rates of return for the fiscal years ended September 30, 2023 and September 30, 2022 were -13.56% and 19.13%, respectively.

JEA

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

**13. Other Postemployment Benefits (continued)**

*Fair Value Disclosures*

The table below summarizes the OPEB Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. The disclosure below is based on the asset allocation provided by the FMIT of those investments held by OPEB Fund A.

	September 30, 2023			September 30, 2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
FMIT Core Plus Fixed Income Fund	\$ –	\$ 4,644	\$ 4,644	\$ –	\$ 6,227	\$ 6,227
FMIT Broad Market High Quality Bond Fund	5,088	–	5,088	6,674	–	6,674
Total fixed income	5,088	4,644	9,732	6,674	6,227	12,901
FMIT Large Cap Diversified Value Portfolio	8,058	–	8,058	10,337	–	10,337
FMIT International Equity Portfolio	6,010	–	6,010	8,505	–	8,505
FMIT Diversified Small to Mid Cap Equity Portfolio	5,054	–	5,054	5,657	–	5,657
FMIT Core Real Estate Portfolio	–	5,429	5,429	–	3,174	3,174
Total equities	19,122	5,429	24,551	24,499	3,174	27,673
Total	\$ 24,210	\$ 10,073	\$ 34,283	\$ 31,173	\$ 9,401	\$ 40,574

***OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the OPEB***

**Net OPEB Liability** – JEA's net OPEB liability at September 30, 2023 and September 30, 2022 was measured based on an actuarial valuation as of and with the measurement dates of September 30, 2022 and September 30, 2021, respectively. JEA's net OPEB liability is \$7,971 as of September 30, 2023 and \$1,642 as of September 30, 2022.

For the year ended September 30, 2023 and 2022, JEA's recognized OPEB expense is \$121 and \$(1,621), respectively. As JEA has implemented regulatory accounting for OPEB, the difference between the recognized OPEB expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA

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

**13. Other Postemployment Benefits (continued)**

The JEA Plan recorded deferred outflows of resources and deferred inflows of resources related to OPEB as detailed in the table below.

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Deferred outflows of resources</b>		
Change of assumptions	\$ 7,839	\$ 9,022
Contributions subsequent to the measurement date	961	1,714
Differences between expected and actual experience	823	249
Net difference between projected and actual earnings on OPEB plan investments	6,320	44
Total	<u>\$ 15,943</u>	<u>\$ 11,029</u>
<b>Deferred inflows of resources</b>		
Differences between expected and actual experience	\$ 7,948	\$ (9,490)
Change of assumptions	5,596	(5,329)
Net difference between projected and actual earnings on OPEB plan investments	2,799	(3,780)
Total	<u>\$ 16,343</u>	<u>\$ (18,599)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended September 30</b>	<b>Recognition of Deferred (Inflows)</b>
2024	\$ 479
2025	(504)
2026	(457)
2027	444
2028	(394)
Thereafter	32
Total	<u>\$ (400)</u>

JEA

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

**14. Fair Value Measurements**

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For JEA, this statement applies to certain investments, interest rate swap agreements, and natural gas cash flow hedges.

JEA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

**Investments**

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). The local government investment pools transact with participants at a stable NAV and are recorded at NAV. Certain U.S. Treasury and government agency securities and commercial paper are measured at cost.

	2023		
	Total	Level 1	Level 2
<b>Investments by fair value level</b>			
State and local government securities	\$ 63,917	\$ –	\$ 63,917
U.S. Treasury and government agency securities	272,528	34,722	237,806
Total investments by fair value level	<u>336,445</u>	<u>34,722</u>	<u>301,723</u>
<b>Investments measured at NAV</b>			
Money market mutual funds	74,502		
Local government investment pools	119,545		
Total investments measured at NAV	<u>194,047</u>		
<b>Investments measured at cost</b>			
Commercial paper	72,873		
Total investments measured at cost	<u>72,873</u>		
Total investments	<u>\$ 603,365</u>		

JEA

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

**14. Fair Value Measurements (continued)**

	<b>2022</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Investments by fair value level</b>			
State and local government securities	\$ 92,400	\$ -	\$ 92,400
U.S. Treasury and government agency securities	153,707	19,420	134,287
Total investments by fair value level	<u>246,107</u>	<u>19,420</u>	<u>226,687</u>
<b>Investments measured at NAV</b>			
Money market mutual funds	122,525		
Local government investment pools	126,076		
Total investments measured at NAV	<u>248,601</u>		
<b>Investments measured at cost</b>			
Commercial paper	97,301		
Total investments measured at cost	<u>97,301</u>		
Total investments	<u>\$ 592,009</u>		

***Interest Rate Swap Agreements***

JEA's interest rate swap agreements are valued using market rates as of September 30, 2023 and 2022 and standard cash flow present valuing techniques, which places them at Level 2 in the fair value hierarchy. The agreements are recorded at fair value as part of long-term debt in the statements of net position. The fair value of the interest rate swap agreements is detailed below.

	<b>2023</b>	<b>2022</b>
Electric	\$ (15,736)	\$ (31,504)
Water and Sewer	(2,632)	(6,727)
Total	<u>\$ (18,368)</u>	<u>\$ (38,231)</u>

## JEA

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

#### 14. Fair Value Measurements (continued)

##### **Natural Gas Cash Flow Hedges**

JEA's natural gas cash flow hedges consisted of swap agreements, covering calendar years 2023 through 2031. These hedges were valued using prices observed on commodities exchanges and/or using industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which placed them at Level 3 in the fair value hierarchy. At September 30, 2023, deferred credits of \$93,218 were included in accumulated increase in fair value of hedging derivatives and deferred charges of \$20,789 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position. At September 30, 2022, deferred credits of \$267,807 were included in accumulated increase in fair value of hedging derivatives and deferred charges of \$1,351 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position.

#### 15. Commitments and Contingent Liabilities

##### **Grants**

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

##### **Regulatory Initiatives**

The electric industry and water and wastewater industry have been and will continue to be affected by a number of legislative and regulatory initiatives. The following summarizes the key regulations affecting JEA:

**Electric Enterprise System** – On August 3, 2015, the Environmental Protection Agency (EPA) issued the first-ever limits on carbon pollution from U.S. power plants with the Clean Power Plan (CPP) applicable to existing fossil fuel-fired electric generating units (EGUs). The Best System of Emissions Reduction (BSER) called for by the CPP was challenged by several states.



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

**15. Commitments and Contingent Liabilities (continued)**

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. On March 28, 2017, President Trump issued an Executive Order establishing a national policy “in favor of energy independence, economic growth, and the rule of law”. The President has directed agencies to review existing regulations that potentially burden the development of domestic energy resources, and appropriately suspend, revise, or rescind regulations that unduly burden the development of U.S. energy resources beyond what is necessary to protect the public interest or otherwise comply with the law. The Executive Order specifically directed EPA to review and, if appropriate, initiate reconsideration proceedings to suspend, revise or rescind the new EPA Final Rules pertaining to CO<sub>2</sub> emissions. EPA initially obtained temporary court orders to hold the court challenge of the CPP and the CPS in abeyance, pending the completion of EPA’s review of the rules. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

On October 16, 2017, EPA published a proposal to repeal the Clean Power Plan (CPP). On August 31, 2018, EPA published a proposal to replace the CPP, called the Affordable Clean Energy (ACE) Rule. On July 8, 2019, EPA published the final ACE rule. The compliance requirements of the ACE rule are significantly less stringent than those of the CPP. Rule will establish a CO<sub>2</sub> emission limit for Northside Generating Units 1 and 2. The CO<sub>2</sub> emission limit will be set using a baseline of previous CO<sub>2</sub> emissions and what potential reductions can be completed by heat rate improvements (HRI). Units 1 and 2 are currently being assessed on what HRI projects could be implemented. These studies were completed in November 2020. On January 19, 2021, the D.C. Circuit vacated the ACE rule and remanded to the EPA for further proceedings consistent with its opinion. EPA is in process of developing a new rule.

On October 29, 2021, the Supreme Court accepted appeal of ACE vacatur (CPP Replacement) from West Virginia and 18 states, North Dakota, Westmoreland Mining and North American Coal Corp. On June 30, 2022, the Supreme Court reversed and remanded the January 19, 2021 DC Circuit Court decision, with a vote of 6-3. SCOTUS stated that Section 111(d) does not allow generating shifting, and the DC Circuit Court was wrong to interpret that the CAA gives the EPA expansive power to curb carbon emissions. On May 23, 2023, the EPA issued a proposal titled New Source Performance Standards for Greenhouse Gas Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the ACE Rule. This rule is expected to be finalized in April 2024.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act, because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter (PM<sub>2.5</sub>), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO<sub>2</sub> and NO<sub>x</sub> emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of PM<sub>2.5</sub> and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NO<sub>x</sub> emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule.

On December 21, 2011, the EPA issued its Mercury and Air Toxics Standards (MATS) rule, setting forth maximum achievable control technology (MACT) standards for coal and oil generating stations. The new standards regulate four categories of hazardous air pollutants (HAPS) emitted by coal- or oil-fired EGUs, namely mercury, HAP metals, acid gases, and organic HAP.

The compliance deadline for affected sources to have all necessary pollution controls installed was April 2015. JEA's units that are regulated under MATS comply with all rule requirements.

In April 2015, the EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015 and established technical requirements for surface impoundments and landfills. The rule requires protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, is enforced only by citizen-initiated lawsuits, rather than by the EPA. However, with passage of the WIIN Act in 2016, the rule can now be reformed to provide the following: 1) conversion from a "self-implementing" program to a permit program the states or EPA would have primary responsibility to administer and enforce; and, 2) flexibility for state programs to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements. Multiple federal rulemaking proceedings are underway, many of which are subject to litigation. Florida has started the process to incorporate the rule and regulations and is seeking approval from EPA of a state program.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of byproducts at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. SJRPP has no regulated surface impoundments. The recently closed cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule. Area B is currently in post-closure care management with a natural attenuation remedy in place for the groundwater monitoring program. SJRPP's two closed Area A byproduct storage areas (Areas A-I and A-II) are not currently affected by this rule. However, the EPA promulgated a proposed rule on May 18, 2023, that covers legacy surface impoundments and CCR management units (CCRMUs). The comment period closed on July 17, 2023, and the rule revision is expected to be finalized in May 2024. As drafted, the rule will require SJRPP to assess its CCRMUs on a site-wide basis and determine if they require additional action. It is likely that areas A-I and A-II will be brought under the CCR regulatory program at some point. The measures that will need to be implemented to bring these two closed landfill cells into compliance with the rule will need to be determined after completion of the site-wide assessment. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities is currently projected to run through 2030.

The EPA left in place the Beville exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard, and other contained applications that should not involve any exposure by the public to unsafe contaminants.

On November 22, 2010, the EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for the EPA to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. The EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems.

With few changes to the proposed rule, the EPA published the final rule in the Federal Register in August 2015. The new standards will not affect any JEA facilities other than NGS. NGS is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries, or oceans to cool their plants. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA) to improvements to the existing screening facilities or installation of cooling towers. A full two-year biological study is required to evaluate site-specific conditions and form a basis for assessing BTA and was completed in 2020. Study results are currently being evaluated. Estimated final compliance deadlines are not expected until after 2025 and will depend on the level of upgrade ultimately required. Accordingly, costs of compliance have not been determined for NGS and are not included in JEA's capital program for the Electric System.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

On September 30, 2016, the EPA issued the Effluent Limitation Guidelines for Steam Electric Power Plants. In setting the new and more stringent standards, the EPA evaluated the technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in as soon as possible on or after November 1, 2018, but no later than December 31, 2023. The costs of compliance at NGS and Scherer have been evaluated and are anticipated in operating budgets and in JEA's five-year capital program for the Electric System.

**Water Supply System Regulatory Initiatives** – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida, the Suwannee River Water Management District (SRWMD), Florida Department of Environmental Protection (FDEP), and the SJRWMD have set or are setting/revising Minimum Flows and Levels (MFLs) for water bodies in the region. MFLs are intended to assess the potential for ecological resource risks from water withdrawals and ensure sustainable supplies. In 2015, MFLs were adopted in the SRWMD and a determination required a recovery strategy. By permit, JEA will participate to the extent of its proportionate impact in prevention and recovery strategies that may be developed to ensure the groundwater resource remains sustainable. The SRWMD is re-evaluating the 2015 MFLs and a draft MFL has been released and is still in recovery status. In 2020, the SJRWMD released draft MFLs for Lakes Brooklyn and Geneva in the Keystone Heights area. The draft MFL indicates the lakes will require a prevention and recovery strategy. In 2021, JEA along with other northeast Florida water utilities entered into an MOA with SJRWMD to provide financial assistance with a proposed pipeline from Black Creek to assist in providing additional water resource for recharging of the lakes. In addition, JEA completed and submitted the CUP 10-year compliance report in May 2021 and the report was accepted by SJRWMD.

**Wastewater Treatment System Regulatory Initiatives** – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities. By virtue of exceeding its own regulatory obligation, JEA has generated nutrient reduction credits and has assisted the City in meeting a portion of their Municipal Separate Storm System nutrient requirements by transferring 33.44 short tons per year. This was recognized in JEA's annual contribution agreement negotiated in 2016. In 2013, both the FDEP and EPA reaffirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

The Florida Legislature passed statutory changes in 2021 to eliminate the disposal of effluent from wastewater treatment facilities (WWTF) via surface water discharge by 2032. This change would require the WWTF effluent be used for aquifer recharge, potable reuse, conventional reuse, or ecological restoration. The bill also declares potable reuse to be an alternative water supply and prohibits exclusion of use of potable reuse water from regional water supply planning. Per the requirements of the legislation, JEA submitted plans to eliminate its surface water discharges on October 29, 2021. The plans were reviewed and accepted by FDEP in July 2022. The initial phases of the plan are underway with the completed drilling of an exploratory deep injection well in Nassau County and permitting underway for a 1 million gallon per day indirect potable reuse demonstration facility to be constructed in Duval County.

#### ***Pollution Remediation Obligations***

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities, the liability is estimated to be \$42,888 at September 30, 2023. The accrual is related to the following environmental matters: Kennedy Generating Station (KGS) RCRA Corrective Action for former wood preserving site; Northside Generating Station RCRA Corrective Action for former chemical waste pond site; SJRPP post-closure; Pearl Street Electric Shop remedial activities; Sans Souci Substation remedial activities; KGS Bulkhead remedial activities; Westside Service Center PCB remedial activities, and remediation at a number of miscellaneous petroleum sites. Of the \$42,888 that JEA has accrued as environmental liabilities, approximately \$18,641 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility and approximately \$18,619 is associated with remediating the former chemical waste ponds at the Northside Generating Station. 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: Southside Generating Station brownfield, Pickettville Road Landfill CERCLA site post-closure activities and the Ellis Road CERCLA site. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity. Costs associated with these obligations that were expensed prior to the approval of regulatory accounting for environmental projects and after the discontinuation of the separate environmental charge are recorded in other noncurrent liabilities and total \$28,283. The remaining liability is recognized as part of revenues to be used for future costs.

## JEA

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

#### 15. Commitments and Contingent Liabilities (continued)

##### ***Northside Generating Station Byproduct***

JEA Northside Generating Station (NGS) Units 1 and 2 produce byproducts that consist of fly ash and bed ash. JEA has obtained a permit from FDEP to beneficially use the processed byproduct material in the State of Florida, subject to certain restrictions. These ash products are processed into materials marketed as EZBase and EZSorb. The expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of railcars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb is currently being transported by truck and rail to leachate solidification and environmental remediation/stabilization projects in several southeastern states.

The Byproducts Storage Area is an FDEP permitted, Class I lined storage facility at NGS. JEA received a new 20-year permit effective May 4, 2015.

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff sued multiple defendants seeking damages allegedly resulting from construction defects at The Promenade, a retail shopping mall in D'Iberville, Mississippi. Plaintiff amended the complaint in April 2010 to add JEA as a defendant on various product liability theories, claiming that JEA's ash byproduct was allegedly incorporated as a component of the product of another party defendant and used by other party defendants at the subject project. Plaintiff seeks injunctive relief, to remediate the site, and damages. Multiple third party claims and cross claims were raised and remain pending. JEA believes it has good and meritorious defenses in this action and will vigorously defend the case. The plaintiff is seeking approximately \$100,000 in damages from JEA; however, the trial court ruled that JEA is entitled to a sovereign immunity cap of \$500. The issue was argued in the Mississippi Supreme Court in January 2019. In June 2019, the U.S. Supreme Court reversed a long-standing precedent with respect to the ability of one state's courts to exercise jurisdiction over another state. The same week, the Mississippi Supreme Court dismissed Promenade's damages cap appeal and remanded the case to the trial court for consideration of JEA's jurisdiction defense in light of the U.S. Supreme Court's 2019 decision. JEA has filed a Re-Urged Motion to Dismiss, which was originally set for hearing in 2020, but was cancelled and rescheduled multiple times due to COVID-19. The Motion was finally heard on August 10, 2023 and the court entered a Final Judgment of Dismissal in favor of JEA on October 11, 2023. Plaintiff filed a notice of appeal on November 9, 2023.

##### ***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.

## JEA

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

#### 16. Disaster Costs

##### *Storm Costs*

Hurricane Matthew tracked parallel along the coast of Florida on October 7, 2016 and Hurricane Irma passed to the west of Jacksonville as a tropical storm on September 11, 2017, causing extensive damage within the JEA service territory. Damage to JEA property was primarily to the transmission and distribution systems. Because of the extensive damage, Jacksonville was declared a federal major disaster area, making JEA eligible to receive reimbursement from FEMA. Requests for Public Assistance for both declared disasters were filed and accepted.

JEA is in the midst of the cost reimbursement process through FEMA, which allows cost share of 87.5% of eligible cost (75.0% from FEMA and 12.5% from the State of Florida) of those costs not covered by insurance. As a result, \$42,111 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with \$4,000, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2017. Through September 30, 2023, JEA has received \$38,455, which reduced the deferred costs to be recovered from future revenues. Of the \$38,455 received, \$18,500 was from insurance and \$19,955 from FEMA. JEA believes it is probable that reimbursement from FEMA will be received for the eligible cost incurred that is remaining.

##### *COVID-19 Pandemic*

JEA incurred \$1,977 of expenditures for personal protective equipment as well as cleaning supplies in response to the COVID-19 pandemic that were eligible for recovery from FEMA. JEA is in the midst of the cost reimbursement process through FEMA, which allows cost share of 87.5% of eligible cost (75.0% from FEMA and 12.5% from the State of Florida). As a result, \$1,700 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with \$277, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2022. JEA believes it is probable that reimbursement from FEMA will be received for the eligible cost incurred.

#### 17. Segment Information

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and DES represent separate identifiable activities. These systems have debt outstanding with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA's Electric System and Bulk Power Supply System segment consists of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA's SJRPP System segment consists of a generation facility that is 100% owned by JEA as of August 2022, previously 80% owned by JEA and 20% owned by FPL. The facility was decommissioned as discussed in note 3, Asset Retirement Obligations. JEA's Water and Sewer System segment consists of water collection, distribution, and wastewater treatment in Northeast Florida. The DES segment consists of chilled water activities.

JEA

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

**17. Segment Information (Continued)**

Intercompany billing is employed between the Electric System, the Water and Sewer System, and DES and includes purchases of electricity, water, sewer, and chilled water services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the financial statements. See intercompany charges detailed below.

	2023			2022		
	Electric	W&S	DES	Electric	W&S	DES
Electricity services	N/A	\$ 18,775	\$ 4,056	N/A	\$ 16,602	\$ 3,672
Water and sewer services	368	N/A	174	200	N/A	116
Chilled water services	–	827	N/A	–	473	N/A

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was \$76,443 for fiscal year 2023 and \$61,677 for 2022.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System for \$32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were \$3,492 for fiscal year 2023 and \$499 for 2022.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of \$22,940 and \$6,284, respectively, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was \$2,456 for fiscal year 2023 and \$2,251 for 2022.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement per account. Deposits are allocated to the Electric System or Water and Sewer System based on revenues. When the deposits are credited to customer accounts, they are allocated between the service agreements.



JEA

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

17. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2023 and 2022 was as follows:

	Electric System and Bulk Power Supply System		SJPPP System		Water and Sewer		DES	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Condensed statements of net position</b>								
Total current assets	\$ 649,180	\$ 535,598	\$ 4,011	\$ 3,313	\$ 188,754	\$ 194,076	\$ 2,036	\$ 1,670
Total noncurrent assets	816,208	1,078,285	100,243	142,830	467,094	504,333	3,891	3,640
Net capital assets	2,584,379	2,471,231	8,095	8,505	3,253,201	2,947,535	43,285	37,226
Deferred outflows of resources	272,658	199,666	33,891	11,379	148,737	94,375	133	145
Total assets and deferred outflows of resources	\$ 4,322,425	\$ 4,284,780	\$ 146,240	\$ 166,027	\$ 4,057,786	\$ 3,740,319	\$ 49,345	\$ 42,681
Total current liabilities	\$ 189,007	\$ 212,802	\$ 114	\$ 335	\$ 54,579	\$ 54,126	\$ 471	\$ 101
Total current liabilities payable from restricted assets	69,440	86,407	22,509	23,236	185,215	103,224	3,200	5,404
Total long-term debt	1,425,668	1,470,557	76,809	92,838	1,333,959	1,275,664	36,945	30,810
Total other noncurrent liabilities	759,935	466,278	8,608	4,765	415,372	275,486	69	94
Total liabilities	2,444,050	2,236,044	108,040	121,174	1,989,125	1,708,500	40,685	36,409
Deferred inflows of resources	394,074	435,934	28,098	36,512	10,235	74,342	-	-
Net investment in (divestment of) capital assets	1,167,090	1,110,851	(9,943)	(10,215)	1,881,290	1,727,842	4,229	1,933
Restricted net position	155,196	279,515	16,148	15,524	54,831	125,762	2,935	2,864
Unrestricted net position	162,015	222,436	3,897	3,032	122,305	103,873	1,496	1,475
Total net position	1,484,301	1,612,802	10,102	8,341	2,058,426	1,957,477	8,660	6,272
Total liabilities, deferred inflows of resources, and net position	\$ 4,322,425	\$ 4,284,780	\$ 146,240	\$ 166,027	\$ 4,057,786	\$ 3,740,319	\$ 49,345	\$ 42,681
<b>Condensed statements of revenues, expenses, and changes in net position information</b>								
Total operating revenues	\$ 1,324,028	\$ 1,534,588	\$ 21,023	\$ 53,450	\$ 538,308	\$ 509,862	\$ 12,761	\$ 8,997
Depreciation	225,098	323,596	410	410	203,742	173,644	2,897	2,607
Other operating expenses	1,130,799	1,080,820	15,829	118,505	254,747	222,868	6,071	5,239
Operating income (loss)	(31,869)	130,172	4,784	(65,465)	79,819	113,350	3,793	1,151
Total nonoperating expenses, net	(12,276)	(32,501)	(3,023)	(10,423)	(16,472)	(31,242)	(1,405)	(1,102)
Total contributions, net	(95,491)	(94,546)	-	-	37,602	8,044	-	-
Special item	11,135	100,000	-	-	-	-	-	-
Changes in net position	(128,501)	103,125	1,761	(75,888)	100,949	90,152	2,388	49
Net position, beginning of year	1,612,802	1,509,677	8,341	84,229	1,957,477	1,867,325	6,272	6,223
Net position, end of year	\$ 1,484,301	\$ 1,612,802	\$ 10,102	\$ 8,341	\$ 2,058,426	\$ 1,957,477	\$ 8,660	\$ 6,272
<b>Condensed statements of cash flow information</b>								
Net cash provided by operating activities	\$ 470,428	\$ 410,856	\$ 19,217	\$ 35,673	\$ 226,127	\$ 310,931	\$ 7,246	\$ 3,887
Net cash used in noncapital and related financing activities	(95,412)	(94,468)	-	-	(26,911)	(39,145)	-	-
Net cash used in capital and related financing activities	(349,267)	(358,106)	(18,920)	(155,106)	(327,382)	(276,226)	(6,678)	(3,347)
Net cash provided by (used in) investing activities	(96,682)	(17,323)	470	10,344	55,586	(20,414)	100	21
Net change in cash and cash equivalents	(70,933)	(59,041)	767	(109,089)	(72,580)	(24,854)	668	561
Cash and cash equivalents at beginning of year	327,733	386,774	24,864	133,953	163,282	188,136	4,811	4,250
Cash and cash equivalents at end of year	\$ 256,800	\$ 327,733	\$ 25,631	\$ 24,864	\$ 90,702	\$ 163,282	\$ 5,479	\$ 4,811

## JEA

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

#### 18. Leases

JEA financial statements reflect the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to establish a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, unless the lease is a short-term lease or ownership is transferred at the end of the contract.

Lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset, the underlying asset, as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is the period during which a lessee has a noncancellable right to use an underlying asset plus periods covered by the option to extend if it is reasonably certain the lessee will extend, and the option to terminate if it is reasonably certain the lessee will not terminate. Lease assets are amortized on a straight-line basis over the shorter of the contract term or the useful life of the underlying asset.

JEA is party to a multitude of leases, as either lessee or lessor, and applies a materiality threshold of one million dollars in net assets based on the present value of expected receipts or payments over the term of the contract. JEA had no material leases in FY22 and one material lease that began in FY23. On November 3, 2022, JEA entered into an agreement with Ryan Companies to lease a new building and parking garage, located at 225 N Pearl St., Jacksonville, FL 32202, as JEA corporate headquarters. As the lessee party, JEA recognizes a right-to-use capital asset (known as the lease asset) and a lease liability.

At September 30, 2023, the lease asset is \$93,313, with accumulated amortization of \$4,217, included in net capital assets on the Statement of Net Position. At September 30, 2023, the lease liability is \$89,463. The lease expires December 31, 2042 and the payments are discounted using an estimated incremental borrowing rate.

JEA

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

**18. Leases (continued)**

Future principal and interest payments as of September 30, 2023 are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2024	\$ 1,937	\$ 3,726	\$ 5,663
2025	2,163	3,642	5,805
2026	2,401	3,549	5,950
2027	2,654	3,445	6,099
2028	2,920	3,331	6,251
2029-2033	19,156	14,525	33,681
2034-2038	28,336	9,689	38,025
2039-2043	31,833	2,946	34,779
<b>Total Minimum Lease Payments</b>	<b>\$ 91,400</b>	<b>\$ 44,853</b>	<b>\$ 136,253</b>

**19. Subsequent Events**

On October 25, 2023, the revolving credit agreement was drawn upon by the Water and Sewer System for \$50,000 leaving \$312,000 available to be drawn.

JEA expects to issue up to \$353 million dollars of new Water and Sewer System senior lien bonds during February 2024 to pay down the outstanding balance of Water and Sewer System draws of the revolving line of credit and fund capital projects.

## REQUIRED SUPPLEMENTARY INFORMATION

JEA

Required Supplementary Information – Pension  
(Dollars in Thousands)

City of Jacksonville General Employees Retirement Plan

Schedule of JEA's Proportionate Share of the Net Pension Liability<sup>(a)</sup>

Fiscal Year	Proportional Share	Net Pension Liability		Net Pension Liability as a Percentage of Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	Percentage		Covered Payroll			
2014	48.85%	\$ 386,789	\$ 129,922	297.71%	68.64%	
2015	48.85%	404,466	128,084	315.78%	69.06%	
2016	49.15%	480,353	127,440	376.92%	64.03%	
2017	50.37%	541,025	126,808	426.65%	63.00%	
2018	51.68%	527,680	134,443	392.49%	63.71%	
2019	50.59%	562,371	135,709	414.40%	65.23%	
2020	48.84%	633,292	134,549	470.68%	60.54%	
2021	52.71%	729,569	133,714	545.62%	59.16%	
2022	52.29%	643,001	130,400	493.10%	65.16%	
2023	52.00%	950,267	130,164	730.05%	50.01%	

Schedule of JEA Contributions<sup>(a)</sup>

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2014	\$ 34,149	\$ 34,149	\$ -	\$ 129,922	26.28%
2015	40,179	40,179	-	128,084	31.37%
2016	43,156	43,156	-	127,440	33.86%
2017	48,942	48,942	-	126,808	38.60%
2018	35,459	35,929	(470)	134,443	26.72%
2019	33,856	34,352	(496)	135,709	25.31%
2020	37,592	38,095	(503)	134,549	28.31%
2021	40,401	40,401	-	133,714	30.21%
2022	43,825	43,825	-	130,400	33.61%
2023	43,986	43,986	-	130,164	33.79%

<sup>(a)</sup> All information is on measurement year basis.

JEA

Required Supplementary Information – Pension (continued)  
(Dollars in Thousands)

**Notes to Schedule of Contributions**

Valuation date: Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll, using 1.50% annual increases*
Remaining amortization period	As of October 1, 2020, the effective amortization period is 26 years
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.

**Actual assumptions:**

Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Inflation rate	2.50%*
Projected salary increases	3.00% – 7.50%, of which 2.50% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	Plan provisions contain a 3.00% COLA.

\* The Fund's payroll inflation assumption is 2.50% as of October 1, 2020. Per Part VII, Chapter 112.64(5)(a) of *Florida Statutes*, the payroll growth assumption used for amortization of the unfunded liability is not allowed to exceed the average annual payroll growth for the proceeding ten years. However, pursuant to Chapter 112.64(5)(b), and after adjusting this analysis to account for bargained pay level increases and inclusion of DC plan participants in the total payroll, the assumption was set at 1.50%.

JEA

Required Supplementary Information – Pension (continued)  
(Dollars in Thousands)

City of Jacksonville Defined Contribution Disability Fund

Schedule of JEA's Proportionate Share of the Net Pension Liability<sup>(a)</sup>

Fiscal Year	Proportional Share Percentage	Net Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	37.01%	\$ 3,111	\$ 50,609	6.15%	22.07%
2023	33.62%	3,471	51,427	6.75%	19.66%

Schedule of JEA Contributions<sup>(a)</sup>

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2022	N/A	\$ 150	N/A	\$ 50,609	0.30%
2023	\$ 955	955	\$ -	51,427	1.86%

<sup>(a)</sup> These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contribution Rates:

Valuation date	Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method.
Amortization method	Level Percentage of Payroll, using 1.50% annual increases.
Remaining amortization period	As of October 1, 2020 the effective amortization period is 27 years.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.

JEA

Required Supplementary Information – Pension  
(Dollars in Thousands)

**SJRPP Plan – Schedule of Changes in Net Pension (Asset) Liability and Related Ratios<sup>(a)</sup>**

	2022 <sup>(d)</sup>	2021 <sup>(c)</sup>	2020	2019 <sup>(b)</sup>	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Beginning balance	\$ 163,682	\$ 167,697	\$ 169,807	\$ 174,666	\$ 169,321	\$ 158,926	\$ 155,143	\$ 148,508	\$ 146,521
Service cost	10	22	21	35	112	1,032	1,210	1,275	1,470
Interest	9,414	9,656	9,795	10,086	11,163	10,768	10,514	10,271	10,026
Changes in benefit terms	-	-	-	-	-	-	(59)	-	-
Difference between actual and expected experience	912	(153)	1,222	1,193	(1,784)	10,826	714	2,121	-
Changes in assumptions	-	-	-	(2,975)	15,782	26	3,730	3,316	-
Benefit payments	(13,579)	(13,540)	(13,148)	(13,198)	(19,928)	(12,257)	(12,326)	(10,348)	(9,509)
Total pension liability – ending	<u>\$ 160,439</u>	<u>\$ 163,682</u>	<u>\$ 167,697</u>	<u>\$ 169,807</u>	<u>\$ 174,666</u>	<u>\$ 169,321</u>	<u>\$ 158,926</u>	<u>\$ 155,143</u>	<u>\$ 148,508</u>
<b>Plan Fiduciary Net Position</b>									
Beginning balance	\$ 190,094	\$ 169,982	\$ 162,013	\$ 170,665	\$ 152,798	\$ 142,286	\$ 138,902	\$ 145,425	\$ 135,019
Contributions – employer	6,900	-	13,307	-	26,409	8,039	2,142	3,509	5,559
Contributions – employee	12	15	19	90	232	625	629	648	655
Net investment income (loss)	(27,684)	33,731	7,877	4,610	11,499	14,571	13,379	(266)	13,763
Benefit payments	(13,579)	(13,540)	(13,148)	(13,198)	(19,928)	(12,257)	(12,326)	(10,348)	(9,509)
Administrative expense	(100)	(94)	(86)	(154)	(345)	(466)	(440)	(66)	(62)
Plan fiduciary net position – ending	<u>\$ 155,643</u>	<u>\$ 190,094</u>	<u>\$ 169,982</u>	<u>\$ 162,013</u>	<u>\$ 170,665</u>	<u>\$ 152,798</u>	<u>\$ 142,286</u>	<u>\$ 138,902</u>	<u>\$ 145,425</u>
<b>Net Pension Liability (Asset) – Ending</b>	<u>\$ 4,796</u>	<u>\$ (26,412)</u>	<u>\$ (2,285)</u>	<u>\$ 7,794</u>	<u>\$ 4,001</u>	<u>\$ 16,523</u>	<u>\$ 16,640</u>	<u>\$ 16,241</u>	<u>\$ 3,083</u>
Plan Fiduciary Net Position as a Percentage of									
Total Pension Liability	97.01%	116.14%	101.36%	95.41%	97.71%	90.24%	89.53%	89.53%	97.92%
Covered Payroll	\$ 297	\$ 373	\$ 468	\$ 452	\$ 3,992	\$ 15,621	\$ 15,730	\$ 16,665	\$ 21,304
Net Pension Liability (Asset) as a Percentage of									
Covered Payroll	1616.38%	-7078.62%	-488.67%	1723.50%	100.24%	105.78%	105.79%	97.46%	14.47%

<sup>(a)</sup> These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

<sup>(b)</sup> The mortality tables and improvement scales used by FRS were updated in their July 1, 2019 valuation. The new FRS mortality assumptions were adopted for this measurement.

<sup>(c)</sup> The mortality tables and improvement scales used by FRS were updated in their July 1, 2021 valuation. The new FRS mortality assumptions were adopted for this measurement.

<sup>(d)</sup> The new funding policy adopted for the Plan on December 14, 2022 implemented five-year smoothing for the actuarial value of assets and five-year amortization of the unfunded accrued actuarial liability. The changed methods were adopted for this measurement.



JEA

Required Supplementary Information – Pension (continued)  
(Dollars in Thousands)

**SJRPP Plan – Investment Returns<sup>(a)</sup>**

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
12.64%	10.32%	-0.19%	9.99%	10.39%	7.37%	2.48%	4.78%	21.33%	1.92%

**SJRPP Plan – Schedule of Contributions<sup>(a)</sup>**

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 5,397	\$ 5,559	\$ (162)	\$ 21,304	26.09%
2015	3,414	3,509	(95)	16,665	21.06%
2016	2,050	2,142	(92)	15,730	13.62%
2017	7,967	8,039	(72)	15,621	51.46%
2018	7,727	26,409	(18,682)	3,992	661.57%
2019	-	-	-	452	0.00%
2020	4,582	13,307	(8,725)	468	2845.69%
2021	-	-	-	373	0.00%
2022	-	6,900	(6,900)	297	2323.23%
2023	-	-	-	339	0.00%

(a) All information is on measurement year basis

**Notes to Schedule of Contributions**

Valuation date: Actuarially determined contributions are calculated in a valuation performed as of the beginning of the year prior to the fiscal year in which contributions are made and reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	4 years
Asset valuation method	Market value of assets, with 5-year smoothing, less Credit Balance Account
Inflation	2.25%
Salary increases	2.5% - 12.5% per year, including inflation
Investment rate of return	6.00% per year, compounded annually, net of investment expenses.
Retirement Rates	Experience-based table of rates based on year of eligibility.
Mortality	Mortality rates used by the Florida Retirement System for Non-K12 Instructional Regular Class members, described as follows:  <i>Healthy pre-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; <i>Healthy post-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; <i>Disabled mortality rates</i> : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.

JEA

Required Supplementary Information – OPEB  
(Dollars in Thousands)

**OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios<sup>(a)</sup>**

	2022	2021 <sup>(b)</sup>	2020 <sup>(c)</sup>	2019 <sup>(d)</sup>	2018	2017	2016
<b>Total OPEB Liability</b>							
Beginning balance	\$ 42,338	\$ 39,135	\$ 40,794	\$ 46,705	\$ 44,547	\$ 60,949	\$ 62,554
Service cost	528	432	453	539	499	811	781
Interest on the total OPEB liability	2,489	2,291	2,392	2,740	3,044	4,253	4,203
Changes in benefit terms	-	-	-	-	-	(11,556)	-
Difference between actual and expected experience	670	(2,934)	(620)	362	(4,057)	(7,891)	-
Change of assumptions	(1,135)	6,202	(1,131)	(6,387)	5,794	-	-
Benefit payments	(2,773)	(2,788)	(2,753)	(3,165)	(3,122)	(2,019)	(6,589)
Total OPEB liability – ending	<u>\$ 42,117</u>	<u>\$ 42,338</u>	<u>\$ 39,135</u>	<u>\$ 40,794</u>	<u>\$ 46,705</u>	<u>\$ 44,547</u>	<u>\$ 60,949</u>
<b>Plan Fiduciary Net Position</b>							
Beginning balance	\$ 40,696	\$ 33,999	\$ 30,703	\$ 28,449	\$ 25,712	\$ 21,441	\$ 18,156
Employer contributions	1,714	2,946	4,394	3,903	4,078	5,240	5,061
Net investment income	(5,463)	6,552	2,112	1,617	1,989	2,942	2,135
Reimbursements to employer	(2,773)	(2,774)	(3,187)	(3,244)	(3,308)	(3,911)	(3,911)
OPEB plan administrative expense	(28)	(27)	(23)	(22)	(22)	-	-
Plan fiduciary net position – ending	<u>\$ 34,146</u>	<u>\$ 40,696</u>	<u>\$ 33,999</u>	<u>\$ 30,703</u>	<u>\$ 28,449</u>	<u>\$ 25,712</u>	<u>\$ 21,441</u>
<b>Net OPEB Liability – Ending</b>	<u>\$ 7,971</u>	<u>\$ 1,642</u>	<u>\$ 5,136</u>	<u>\$ 10,091</u>	<u>\$ 18,256</u>	<u>\$ 18,835</u>	<u>\$ 39,508</u>
Plan Fiduciary Net Position as a Percentage of							
Total OPEB Liability	81.07%	96.12%	86.88%	75.26%	60.91%	57.72%	35.18%
Covered Payroll	\$ 173,502	\$ 169,291	\$ 162,138	\$ 157,415	\$ 156,042	\$ 155,326	\$ 150,073
Net OPEB Liability as a Percentage of							
Covered Payroll	4.59%	0.97%	3.17%	6.41%	11.70%	12.13%	26.33%

(a) This schedule is presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

(b) The expected claims costs and premiums were updated to reflect recent information provided for this valuation. Long-term trend rates of healthcare increases were lowered from 3.99% to 3.75%, and the year for reaching the ultimate value was revised from 2040 to 2050.

(c) A load for modeling the excise tax was removed following the repeal of the Cadillac tax.

(d) First year trend on premiums was reduced from 6.50% to 2.06%. Assumed initial cost of coverage was reduced from previously projected \$1,090 per subscriber per month to \$1,016 per subscriber per month, partially offset by a modest change in the first year average premium to \$699 per month from expected \$695 per month. Assumed mortality rates were updated to PUB-2020 tables. These are the same rates used by the Florida Retirement System in their July 1, 2019 Actuarial Valuation for non K-12 Instructional Regular Class Members. Demographic assumptions for GERP members were updated following an experience study by the plan actuary for the GERP. Updated assumptions include salary increase assumptions, rates of disability, rates of withdrawal, and rates of retirement. The ultimate inflation assumption was changed from 2.5% to 2.25% with healthcare cost trend assumption revised accordingly.

JEA

Required Supplementary Information – OPEB  
(Dollars in Thousands)

OPEB Plan – Investment Returns<sup>(a)</sup>

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
11.93%	8.22%	-0.46%	7.90%	13.35%	7.54%	5.55%	6.69%	19.13%	-13.56%

OPEB Plan – Schedule of Contributions<sup>(a)</sup>

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	\$ 5,433	\$ 6,185	\$ (752)	N/A	N/A
2014	4,819	4,382	437	\$ 148,617	2.95%
2015	5,011	7,255	(2,244)	N/A	N/A
2016	5,061	7,739	(2,678)	150,073	5.16%
2017	4,138	5,240	(1,102)	155,326	3.37%
2018	4,078	4,078	-	156,042	2.61%
2019	3,903	3,903	-	157,415	2.48%
2020	4,394	4,394	-	162,138	2.71%
2021	2,946	2,946	-	169,291	1.74%
2022	1,714	1,714	-	173,502	0.99%

(a) All information is on measurement year basis.

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	5 years
Asset valuation method	Market value
Inflation	2.25%
Salary increases	2.5% – 12.5% per year, including inflation; varies by years of service
Investment rate of return	6.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows:  <i>Healthy pre-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, setback 1 year for males;  <i>Healthy post-retirement mortality rates</i> : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, setback 1 year for males;  <i>Disabled mortality rates</i> : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.00% (2022) and 6.25% (2021) and gradually decreasing to an ultimate trend rate of 3.75% in 2050.
Aging factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Investment returns are net of the investment expenses; and, administrative expenses related to operation of the health plan are included in the premium costs.

JEA

Combining Statement of Net Position  
(In Thousands)

September 30, 2023

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 256,800	\$ 2,972	\$ –	\$ 259,772	\$ 16,802	\$ 1,909	\$ 278,483
Investments	105,855	846	–	106,701	–	–	106,701
Customer accounts receivable, net of allowance (\$2,242)	194,282	–	–	194,282	58,458	121	252,861
Inventories:							
Materials and supplies	2,292	–	–	2,292	100,765	–	103,057
Fuel	56,131	–	–	56,131	–	–	56,131
Prepaid assets	23,348	6	–	23,354	487	6	23,847
Other current assets	10,472	187	(425)	10,234	12,242	–	22,476
<b>Total current assets</b>	<b>649,180</b>	<b>4,011</b>	<b>(425)</b>	<b>652,766</b>	<b>188,754</b>	<b>2,036</b>	<b>843,556</b>
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	–	22,659	–	22,659	73,900	3,570	100,129
Investments	225,063	3,159	–	228,222	59,910	–	288,132
Other restricted assets	958	33	–	991	–	–	991
<b>Total restricted assets</b>	<b>226,021</b>	<b>25,851</b>	<b>–</b>	<b>251,872</b>	<b>133,810</b>	<b>3,570</b>	<b>389,252</b>
Costs to be recovered from future revenues	460,923	70,580	–	531,503	333,259	321	865,083
Hedging derivative instruments	93,219	–	–	93,219	–	–	93,219
Other assets	36,045	3,812	(3,812)	36,045	25	–	36,070
<b>Total noncurrent assets</b>	<b>816,208</b>	<b>100,243</b>	<b>(3,812)</b>	<b>912,639</b>	<b>467,094</b>	<b>3,891</b>	<b>1,383,624</b>
<b>Net capital assets</b>	<b>2,584,379</b>	<b>8,095</b>	<b>–</b>	<b>2,592,474</b>	<b>3,253,201</b>	<b>43,285</b>	<b>5,888,960</b>
<b>Total assets</b>	<b>4,049,767</b>	<b>112,349</b>	<b>(4,237)</b>	<b>4,157,879</b>	<b>3,909,049</b>	<b>49,212</b>	<b>8,116,140</b>
<b>Deferred outflows of resources</b>							
Unrealized pension contributions and losses	149,475	32,894	–	182,369	108,241	–	290,610
Unamortized deferred losses on refundings	36,525	–	–	36,525	2,632	–	39,157
Unrealized asset retirement obligation	41,135	997	–	42,132	31,168	133	73,433
Accumulated decrease in fair value of hedging derivatives	36,276	–	–	36,276	–	–	36,276
Unrealized OPEB contributions and losses	9,247	–	–	9,247	6,696	–	15,943
<b>Total deferred outflows of resources</b>	<b>272,658</b>	<b>33,891</b>	<b>–</b>	<b>306,549</b>	<b>148,737</b>	<b>133</b>	<b>455,419</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,322,425</b>	<b>\$ 146,240</b>	<b>\$ (4,237)</b>	<b>\$ 4,464,428</b>	<b>\$ 4,057,786</b>	<b>\$ 49,345</b>	<b>\$ 8,571,559</b>

JEA  
Combining Statement of Net Position (continued)  
(In Thousands)

September 30, 2023

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
<b>Liabilities</b>							
Current liabilities:							
Accounts and accrued expense payable	\$ 82,995	\$ 114	\$ (114)	\$ 82,995	\$ 17,211	\$ 439	\$ 100,645
Customer deposits and prepayments	58,791	—	—	58,791	26,860	—	85,651
Billings on behalf of state and local governments	24,496	—	—	24,496	4,039	—	28,535
Compensation and benefits payable	12,006	—	—	12,006	4,199	32	16,237
City of Jacksonville payable	8,096	—	—	8,096	2,270	—	10,366
Asset retirement obligation	2,623	—	—	2,623	—	—	2,623
<b>Total current liabilities</b>	<b>189,007</b>	<b>114</b>	<b>(114)</b>	<b>189,007</b>	<b>54,579</b>	<b>471</b>	<b>244,057</b>
Current liabilities payable from restricted assets:							
Debt due within one year	19,275	15,865	—	35,140	52,365	1,870	89,375
Interest payable	22,820	1,720	—	24,540	23,129	635	48,304
Construction contracts and accounts payable	27,345	343	(311)	27,377	109,721	695	137,793
Renewal and replacement reserve	—	4,581	—	4,581	—	—	4,581
<b>Total current liabilities payable from restricted assets</b>	<b>69,440</b>	<b>22,509</b>	<b>(311)</b>	<b>91,638</b>	<b>185,215</b>	<b>3,200</b>	<b>280,053</b>
Noncurrent liabilities:							
Long-term debt							
Debt payable, less current portion	1,330,015	76,850	—	1,406,865	1,261,690	36,955	2,705,510
Unamortized premium (discount), net	79,917	(41)	—	79,876	69,637	(10)	149,503
Fair value of debt management strategy instruments	15,736	—	—	15,736	2,632	—	18,368
<b>Total long-term debt</b>	<b>1,425,668</b>	<b>76,809</b>	<b>—</b>	<b>1,502,477</b>	<b>1,333,959</b>	<b>36,945</b>	<b>2,873,381</b>
Net pension liability	553,168	4,796	—	557,964	400,570	—	958,534
Lease liability	89,463	—	—	89,463	—	—	89,463
Asset retirement obligations	33,653	—	—	33,653	—	—	33,653
Compensation and benefits payable	28,619	—	—	28,619	11,454	69	40,142
Net OPEB liability	4,623	—	—	4,623	3,348	—	7,971
Other liabilities	50,409	3,812	(3,812)	50,409	—	—	50,409
<b>Total noncurrent liabilities</b>	<b>2,185,603</b>	<b>85,417</b>	<b>(3,812)</b>	<b>2,267,208</b>	<b>1,749,331</b>	<b>37,014</b>	<b>4,053,553</b>
<b>Total liabilities</b>	<b>2,444,050</b>	<b>108,040</b>	<b>(4,237)</b>	<b>2,547,853</b>	<b>1,989,125</b>	<b>40,685</b>	<b>4,577,663</b>
<b>Deferred inflows of resources</b>							
Revenues to be used for future costs	286,722	13,733	—	300,455	—	—	300,455
Accumulated increase in fair value of hedging derivatives	93,218	—	—	93,218	—	—	93,218
Unrealized OPEB gains	9,479	—	—	9,479	6,864	—	16,343
Unrealized pension gains	4,655	14,365	—	19,020	3,371	—	22,391
<b>Total deferred inflows of resources</b>	<b>394,074</b>	<b>28,098</b>	<b>—</b>	<b>422,172</b>	<b>10,235</b>	<b>—</b>	<b>432,407</b>
<b>Net position</b>							
Net investment in (divestment of) capital assets	1,167,090	(9,943)	—	1,157,147	1,881,290	4,229	3,042,666
Restricted for:							
Capital projects	135,992	—	—	135,992	1,188	1,065	138,245
Debt service	19,204	15,865	—	35,069	53,643	1,870	90,582
Other purposes	—	283	311	594	—	—	594
Unrestricted	162,015	3,897	(311)	165,601	122,305	1,496	289,402
<b>Total net position</b>	<b>1,484,301</b>	<b>10,102</b>	<b>—</b>	<b>1,494,403</b>	<b>2,058,426</b>	<b>8,660</b>	<b>3,561,489</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 4,322,425</b>	<b>\$ 146,240</b>	<b>\$ (4,237)</b>	<b>\$ 4,464,428</b>	<b>\$ 4,057,786</b>	<b>\$ 49,345</b>	<b>\$ 8,571,559</b>

JEA

Combining Statement of Net Position  
(In Thousands)

September 30, 2022

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 173,076	\$ 3,031	\$ –	\$ 176,107	\$ 67,889	\$ 1,341	\$ 245,337
Investments	–	278	–	278	–	–	278
Customer accounts receivable, net of allowance (\$3,155)	257,894	–	–	257,894	56,145	323	314,362
Inventories:							
Materials and supplies	2,342	–	–	2,342	64,722	–	67,064
Fuel	52,483	–	–	52,483	–	–	52,483
Prepaid assets	31,385	1	–	31,386	382	6	31,774
Other current assets	18,418	3	(372)	18,049	4,938	–	22,987
<b>Total current assets</b>	<b>535,598</b>	<b>3,313</b>	<b>(372)</b>	<b>538,539</b>	<b>194,076</b>	<b>1,670</b>	<b>734,285</b>
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	154,657	21,833	–	176,490	95,393	3,470	275,353
Investments	193,653	3,811	–	197,464	109,186	–	306,650
Other restricted assets	–	40	–	40	175	–	215
<b>Total restricted assets</b>	<b>348,310</b>	<b>25,684</b>	<b>–</b>	<b>373,994</b>	<b>204,754</b>	<b>3,470</b>	<b>582,218</b>
Costs to be recovered from future revenues	428,479	85,968	–	514,447	299,544	170	814,161
Hedging derivative instruments	267,807	–	–	267,807	–	–	267,807
Other assets	33,689	31,178	(4,765)	60,102	35	–	60,137
<b>Total noncurrent assets</b>	<b>1,078,285</b>	<b>142,830</b>	<b>(4,765)</b>	<b>1,216,350</b>	<b>504,333</b>	<b>3,640</b>	<b>1,724,323</b>
<b>Net capital assets</b>	<b>2,471,231</b>	<b>8,505</b>	<b>–</b>	<b>2,479,736</b>	<b>2,947,535</b>	<b>37,226</b>	<b>5,464,497</b>
<b>Total assets</b>	<b>4,433,424</b>	<b>180,332</b>	<b>(5,137)</b>	<b>4,608,619</b>	<b>3,850,698</b>	<b>46,006</b>	<b>8,505,323</b>
<b>Deferred outflows of resources</b>							
Unrealized pension contributions and losses	71,715	10,100	–	81,815	49,836	–	131,651
Unamortized deferred losses on refundings	45,710	1,227	–	46,937	33,290	145	80,372
Unrealized asset retirement obligation	42,879	52	–	42,931	–	–	42,931
Accumulated decrease in fair value of hedging derivatives	32,855	–	–	32,855	6,727	–	39,582
Unrealized OPEB contributions and losses	6,507	–	–	6,507	4,522	–	11,029
<b>Total deferred outflows of resources</b>	<b>199,666</b>	<b>11,379</b>	<b>–</b>	<b>211,045</b>	<b>94,375</b>	<b>145</b>	<b>305,565</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,633,090</b>	<b>\$ 191,711</b>	<b>\$ (5,137)</b>	<b>\$ 4,819,664</b>	<b>\$ 3,945,073</b>	<b>\$ 46,151</b>	<b>\$ 8,810,888</b>

JEA  
Combining Statement of Net Position (continued)  
(In Thousands)

September 30, 2022

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
<b>Liabilities</b>							
Current liabilities:							
Accounts and accrued expense payable	\$ 105,033	\$ 281	\$ –	\$ 105,314	\$ 11,717	\$ 74	\$ 117,105
Customer deposits and prepayments	57,113	–	–	57,113	32,577	–	89,690
Billings on behalf of state and local governments	29,873	2	–	29,875	3,889	–	33,764
Compensation and benefits payable	10,573	–	–	10,573	3,706	27	14,306
City of Jacksonville payable	8,008	–	–	8,008	2,237	–	10,245
Asset retirement obligation	2,202	52	–	2,254	–	–	2,254
<b>Total current liabilities</b>	<b>212,802</b>	<b>335</b>	<b>–</b>	<b>213,137</b>	<b>54,126</b>	<b>101</b>	<b>267,364</b>
Current liabilities payable from restricted assets:							
Debt due within one year	47,120	15,285	–	62,405	9,850	1,815	74,070
Interest payable	23,504	2,029	–	25,533	22,811	606	48,950
Construction contracts and accounts payable	15,783	1,670	(372)	17,081	70,563	2,983	90,627
Renewal and replacement reserve	–	4,252	–	4,252	–	–	4,252
<b>Total current liabilities payable from restricted assets</b>	<b>86,407</b>	<b>23,236</b>	<b>(372)</b>	<b>109,271</b>	<b>103,224</b>	<b>5,404</b>	<b>217,899</b>
Noncurrent liabilities:							
Long-term debt							
Debt payable, less current portion	1,349,290	92,715	–	1,442,005	1,187,055	30,825	2,659,885
Unamortized premium (discount), net	89,763	123	–	89,886	81,882	(15)	171,753
Fair value of debt management strategy instruments	31,504	–	–	31,504	6,727	–	38,231
<b>Total long-term debt</b>	<b>1,470,557</b>	<b>92,838</b>	<b>–</b>	<b>1,563,395</b>	<b>1,275,664</b>	<b>30,810</b>	<b>2,869,869</b>
Net pension liability	381,206	–	–	381,206	264,906	–	646,112
Asset retirement obligations	40,677	–	–	40,677	–	–	40,677
Compensation and benefits payable	24,725	–	–	24,725	9,907	94	34,726
Net OPEB liability	969	–	–	969	673	–	1,642
Other liabilities	18,701	4,765	(4,765)	18,701	–	–	18,701
<b>Total noncurrent liabilities</b>	<b>1,936,835</b>	<b>97,603</b>	<b>(4,765)</b>	<b>2,029,673</b>	<b>1,551,150</b>	<b>30,904</b>	<b>3,611,727</b>
<b>Total liabilities</b>	<b>2,236,044</b>	<b>121,174</b>	<b>(5,137)</b>	<b>2,352,081</b>	<b>1,708,500</b>	<b>36,409</b>	<b>4,096,990</b>
<b>Deferred inflows of resources</b>							
Revenues to be used for future costs	98,697	16,931	–	115,628	26,094	–	141,722
Accumulated increase in fair value of hedging derivatives	267,807	–	–	267,807	–	–	267,807
Unrealized OPEB gains	10,973	–	–	10,973	7,626	–	18,599
Unrealized pension gains	58,457	19,581	–	78,038	40,622	–	118,660
<b>Total deferred inflows of resources</b>	<b>435,934</b>	<b>36,512</b>	<b>–</b>	<b>472,446</b>	<b>74,342</b>	<b>–</b>	<b>546,788</b>
<b>Net position</b>							
Net investment in (divestment of) capital assets	1,110,851	(10,215)	–	1,100,636	1,727,842	1,933	2,830,411
Restricted for:							
Capital projects	233,129	–	–	233,129	113,751	1,049	347,929
Debt service	46,386	15,321	–	61,707	10,113	1,815	73,635
Other purposes	–	203	372	575	1,898	–	2,473
Unrestricted	222,436	3,032	(372)	225,096	103,873	1,475	330,444
<b>Total net position</b>	<b>1,612,802</b>	<b>8,341</b>	<b>–</b>	<b>1,621,143</b>	<b>1,957,477</b>	<b>6,272</b>	<b>3,584,892</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 4,284,780</b>	<b>\$ 166,027</b>	<b>\$ (5,137)</b>	<b>\$ 4,445,670</b>	<b>\$ 3,740,319</b>	<b>\$ 42,681</b>	<b>\$ 8,228,670</b>

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

Year Ended September 30, 2023

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
<b>Operating revenue</b>								
Electric	\$ 1,299,546	\$ 21,023	\$ (21,023)	\$ 1,299,546	\$ -	\$ -	\$ (22,831)	\$ 1,276,715
Water and sewer	-	-	-	-	519,309	-	(542)	518,767
District energy system	-	-	-	-	-	12,761	(827)	11,934
Other operating revenue	24,482	-	-	24,482	18,999	-	(5,948)	37,533
Total operating revenue	1,324,028	21,023	(21,023)	1,324,028	538,308	12,761	(30,148)	1,844,949
<b>Operating expense</b>								
Operations and maintenance:								
Maintenance and other operating expense	313,557	571	-	314,128	231,632	6,064	(30,148)	521,676
Fuel	438,132	-	-	438,132	-	-	-	438,132
Purchased power	293,963	-	(21,023)	272,940	-	-	-	272,940
Depreciation and amortization	225,098	410	-	225,508	203,742	2,897	-	432,147
State utility and franchise taxes	72,490	-	-	72,490	11,319	-	-	83,809
Recognition of deferred costs and revenues, net	12,657	15,258	-	27,915	11,796	7	-	39,718
Total operating expense	1,355,897	16,239	(21,023)	1,351,113	458,489	8,968	(30,148)	1,788,422
Operating income (loss)	(31,869)	4,784	-	(27,085)	79,819	3,793	-	56,527
<b>Nonoperating revenue (expense)</b>								
Interest on debt	(59,019)	(3,637)	-	(62,656)	(44,955)	(1,664)	-	(109,275)
Earnings from The Energy Authority	23,603	-	-	23,603	-	-	-	23,603
Allowance for funds used during construction	5,581	-	-	5,581	20,113	159	-	25,853
Other nonoperating income, net	3,849	228	-	4,077	2,523	-	-	6,600
Investment income, net	20,942	386	-	21,328	6,359	100	-	27,787
Other interest, net	(7,232)	-	-	(7,232)	(512)	-	-	(7,744)
Total nonoperating expense, net	(12,276)	(3,023)	-	(15,299)	(16,472)	(1,405)	-	(33,176)
Income (loss) before contributions	(44,145)	1,761	-	(42,384)	63,347	2,388	-	23,351
<b>Contributions (to) from</b>								
General Fund, City of Jacksonville, Florida	(95,491)	-	-	(95,491)	(26,933)	-	-	(122,424)
Developers and other	7,664	-	-	7,664	169,107	-	-	176,771
Reduction of plant cost through contributions	(7,664)	-	-	(7,664)	(104,572)	-	-	(112,236)
Total contributions, net	(95,491)	-	-	(95,491)	37,602	-	-	(57,889)
<b>Special item</b>								
	11,135	-	-	11,135	-	-	-	11,135
Change in net position	(128,501)	1,761	-	(126,740)	100,949	2,388	-	(23,403)
Net position, beginning of year	1,612,802	8,341	-	1,621,143	1,957,477	6,272	-	3,584,892
<b>Net position, end of year</b>	<b>\$ 1,484,301</b>	<b>\$ 10,102</b>	<b>\$ -</b>	<b>\$ 1,494,403</b>	<b>\$ 2,058,426</b>	<b>\$ 8,660</b>	<b>\$ -</b>	<b>\$ 3,561,489</b>



JEA

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

Year Ended September 30, 2022

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
<b>Operating revenue</b>								
Electric	\$ 1,511,371	\$ 53,222	\$ (53,222)	\$ 1,511,371	\$ -	\$ -	\$ (20,274)	\$ 1,491,097
Water and sewer	-	-	-	-	490,130	-	(316)	489,814
District energy system	-	-	-	-	-	8,989	(473)	8,516
Other operating revenue	23,217	228	-	23,445	19,732	8	(2,750)	40,435
Total operating revenue	1,534,588	53,450	(53,222)	1,534,816	509,862	8,997	(23,813)	2,029,862
<b>Operating expense</b>								
Operations and maintenance:								
Maintenance and other operating expense	239,907	(14,699)	-	225,208	195,656	5,239	(23,813)	402,290
Fuel	487,776	-	-	487,776	-	-	-	487,776
Purchased power	337,400	-	(53,222)	284,178	-	-	-	284,178
Depreciation and amortization	323,596	410	-	324,006	173,644	2,607	-	500,257
State utility and franchise taxes	72,598	-	-	72,598	11,294	-	-	83,892
Recognition of deferred costs and revenues, net	(56,861)	133,204	-	76,343	15,918	-	-	92,261
Total operating expense	1,404,416	118,915	(53,222)	1,470,109	396,512	7,846	(23,813)	1,850,654
Operating income (loss)	130,172	(65,465)	-	64,707	113,350	1,151	-	179,208
<b>Nonoperating revenue (expense)</b>								
Interest on debt	(61,320)	(11,329)	-	(72,649)	(40,796)	(1,262)	-	(114,707)
Earnings from The Energy Authority	29,731	-	-	29,731	-	-	-	29,731
Allowance for funds used during construction	3,699	-	-	3,699	10,028	139	-	13,866
Other nonoperating income, net	3,846	259	-	4,105	2,748	-	-	6,853
Investment income, net	(7,324)	647	-	(6,677)	(3,012)	21	-	(9,668)
Other interest net	(1,133)	-	-	(1,133)	(210)	-	-	(1,343)
Total nonoperating expense, net	(32,501)	(10,423)	-	(42,924)	(31,242)	(1,102)	-	(75,268)
Income (loss) before contributions	97,671	(75,888)	-	21,783	82,108	49	-	103,940
<b>Contributions (to) from</b>								
General Fund, City of Jacksonville, Florida	(94,546)	-	-	(94,546)	(39,167)	-	-	(133,713)
Developers and other	5,387	-	-	5,387	115,840	-	-	121,227
Reduction of plant cost through contributions	(5,387)	-	-	(5,387)	(68,629)	-	-	(74,016)
Total contributions, net	(94,546)	-	-	(94,546)	8,044	-	-	(86,502)
<b>Special item</b>								
	100,000	-	-	100,000	-	-	-	100,000
Change in net position	103,125	(75,888)	-	27,237	90,152	49	-	117,438
Net position, beginning of year	1,509,677	84,229	-	1,593,906	1,867,325	6,223	-	3,467,454
<b>Net position, end of year</b>	<b>\$ 1,612,802</b>	<b>\$ 8,341</b>	<b>\$ -</b>	<b>\$ 1,621,143</b>	<b>\$ 1,957,477</b>	<b>\$ 6,272</b>	<b>\$ -</b>	<b>\$ 3,584,892</b>

JEA  
Combining Statement of Cash Flows  
(In Thousands)

Year Ended September 30, 2023

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
<b>Operating activities</b>								
Receipts from customers	\$ 1,544,875	\$ 21,023	\$ (21,076)	\$ 1,544,822	\$ 484,672	\$ 12,963	\$ (24,200)	\$ 2,018,257
Payments to suppliers	(899,702)	(1,856)	21,076	(880,482)	(186,560)	(4,907)	30,148	(1,041,801)
Payments for salaries and benefits	(209,585)	-	-	(209,585)	(84,845)	(810)	-	(295,240)
Other operating activities	34,840	50	-	34,890	12,860	-	(5,948)	41,802
Net cash provided by operating activities	470,428	19,217	-	489,645	226,127	7,246	-	723,018
<b>Noncapital and related financing activities</b>								
Contribution to General Fund, City of Jacksonville, Florida	(95,412)	-	-	(95,412)	(26,911)	-	-	(122,323)
Net cash used in noncapital and related financing activities	(95,412)	-	-	(95,412)	(26,911)	-	-	(122,323)
<b>Capital and related financing activities</b>								
Acquisition and construction of capital assets	(235,504)	-	-	(235,504)	(456,057)	(11,244)	-	(702,805)
Interest paid on debt	(64,716)	(3,749)	-	(68,465)	(54,455)	(1,619)	-	(124,539)
Repayment of debt principal	(47,120)	(15,285)	-	(62,405)	(9,850)	(1,815)	-	(74,070)
Capital contributions	-	-	-	-	64,536	-	-	64,536
Revolving credit agreement withdrawals	-	-	-	-	127,000	8,000	-	135,000
Other capital financing activities	(1,927)	114	-	(1,813)	1,444	-	-	(369)
Net cash used in capital and related financing activities	(349,267)	(18,920)	-	(368,187)	(327,382)	(6,678)	-	(702,247)
<b>Investing activities</b>								
Proceeds from sale and maturity of investments	347,271	586	-	347,857	134,875	-	-	482,732
Purchase of investments	(482,745)	(586)	-	(483,331)	(85,579)	-	-	(568,910)
Distributions from The Energy Authority	20,731	-	-	20,731	-	-	-	20,731
Investment income	18,061	470	-	18,531	6,290	100	-	24,921
Net cash provided by (used in) investing activities	(96,682)	470	-	(96,212)	55,586	100	-	(40,526)
Net change in cash and cash equivalents	(70,933)	767	-	(70,166)	(72,580)	668	-	(142,078)
Cash and cash equivalents at beginning of year	327,733	24,864	-	352,597	163,282	4,811	-	520,690
<b>Cash and cash equivalents at end of year</b>	<b>\$ 256,800</b>	<b>\$ 25,631</b>	<b>\$ -</b>	<b>\$ 282,431</b>	<b>\$ 90,702</b>	<b>\$ 5,479</b>	<b>\$ -</b>	<b>\$ 378,612</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>								
Operating income (loss)	\$ (31,869)	\$ 4,784	\$ -	\$ (27,085)	\$ 79,819	\$ 3,793	\$ -	\$ 56,527
Adjustments:								
Depreciation and amortization	225,098	410	-	225,508	203,742	2,897	-	432,147
Recognition of deferred costs and revenues, net	12,657	15,258	-	27,915	11,796	7	-	39,718
Other nonoperating income, net	7,329	-	-	7,329	(512)	-	-	6,817
Changes in noncash assets and noncash liabilities:								
Accounts receivable	63,612	-	-	63,612	(2,313)	202	-	61,501
Inventories	(3,598)	-	-	(3,598)	(36,044)	-	-	(39,642)
Other assets	19,479	885	-	20,364	(6,244)	1	-	14,121
Accounts and accrued expense payable	(26,468)	(168)	-	(26,636)	431	370	-	(25,835)
Current liabilities payable from restricted assets	-	(999)	-	(999)	-	-	-	(999)
Other noncurrent liabilities and deferred inflows	204,188	(953)	-	203,235	(24,548)	(24)	-	178,663
<b>Net cash provided by operating activities</b>	<b>\$ 470,428</b>	<b>\$ 19,217</b>	<b>\$ -</b>	<b>\$ 489,645</b>	<b>\$ 226,127</b>	<b>\$ 7,246</b>	<b>\$ -</b>	<b>\$ 723,018</b>
<b>Non-cash activity</b>								
Contribution of capital assets from developers	\$ 7,664	\$ -	\$ -	\$ 7,664	\$ 104,572	\$ -	\$ -	\$ 112,236
Unrealized investment fair market value changes, net	\$ 1,792	\$ (84)	\$ -	\$ 1,708	\$ 21	\$ -	\$ -	\$ 1,729

JEA  
Combining Statement of Cash Flows  
(In Thousands)

Year Ended September 30, 2022

	Electric System and Bulk Power		Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund		District Energy System Fund	Elimination of intercompany transactions	Total JEA
	Supply System	SJRPP System							
<b>Operating activities</b>									
Receipts from customers	\$ 1,423,152	\$ 53,444	\$ (49,349)	\$ 1,427,247	\$ 499,966	\$ 9,169	\$ (21,063)	\$ 1,915,319	
Payments to suppliers	(948,626)	(11,099)	49,349	(910,376)	(133,236)	(4,527)	23,813	(1,024,326)	
Payments for salaries and benefits	(190,202)	(6,900)	-	(197,102)	(76,239)	(763)	-	(274,104)	
Other operating activities	126,532	228	-	126,760	20,440	8	(2,750)	144,458	
Net cash provided by operating activities	410,856	35,673	-	446,529	310,931	3,887	-	761,347	
<b>Noncapital and related financing activities</b>									
Contribution to General Fund, City of Jacksonville, Florida	(94,468)	-	-	(94,468)	(39,145)	-	-	(133,613)	
Net cash used in noncapital and related financing activities	(94,468)	-	-	(94,468)	(39,145)	-	-	(133,613)	
<b>Capital and related financing activities</b>									
Acquisition and construction of capital assets	(183,372)	-	-	(183,372)	(268,078)	(3,311)	-	(454,761)	
Defeasance of debt	(47,630)	(129,590)	-	(177,220)	-	-	-	(177,220)	
Interest paid on debt	(66,420)	(11,374)	-	(77,794)	(49,001)	(1,266)	-	(128,061)	
Repayment of debt principal	(66,220)	(14,175)	-	(80,395)	(9,370)	(1,770)	-	(91,535)	
Capital contributions	-	-	-	-	47,211	-	-	47,211	
Revolving credit agreement withdrawals	-	-	-	-	-	3,000	-	3,000	
Other capital financing activities	5,536	33	-	5,569	3,012	-	-	8,581	
Net cash used in capital and related financing activities	(358,106)	(155,106)	-	(513,212)	(276,226)	(3,347)	-	(792,785)	
<b>Investing activities</b>									
Proceeds from sale and maturity of investments	304,542	51,035	-	355,577	164,476	-	-	520,053	
Purchase of investments	(340,927)	(41,377)	-	(382,304)	(188,511)	-	-	(570,815)	
Distributions from The Energy Authority	15,464	-	-	15,464	-	-	-	15,464	
Investment income	3,598	686	-	4,284	3,621	21	-	7,926	
Net cash provided by (used in) investing activities	(17,323)	10,344	-	(6,979)	(20,414)	21	-	(27,372)	
Net change in cash and cash equivalents	(59,041)	(109,089)	-	(168,130)	(24,854)	561	-	(192,423)	
Cash and cash equivalents at beginning of year	386,774	133,953	-	520,727	188,136	4,250	-	713,113	
<b>Cash and cash equivalents at end of year</b>	<b>\$ 327,733</b>	<b>\$ 24,864</b>	<b>\$ -</b>	<b>\$ 352,597</b>	<b>\$ 163,282</b>	<b>\$ 4,811</b>	<b>\$ -</b>	<b>\$ 520,690</b>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>									
Operating income (loss)	\$ 130,172	\$ (65,465)	\$ -	\$ 64,707	\$ 113,350	\$ 1,151	\$ -	\$ 179,208	
Adjustments:									
Depreciation and amortization	323,596	410	-	324,006	173,918	2,607	-	500,531	
Recognition of deferred costs and revenues, net	(56,861)	133,204	-	76,343	15,918	-	-	92,261	
Other nonoperating income, net	98,866	-	-	98,866	(210)	-	-	98,656	
Changes in noncash assets and noncash liabilities:									
Accounts receivable	(92,323)	222	-	(92,101)	(873)	180	-	(92,794)	
Inventories	(19,666)	-	-	(19,666)	(4,173)	-	-	(23,839)	
Other assets	(25,909)	122	-	(25,787)	580	(2)	-	(25,209)	
Accounts and accrued expense payable	48,003	(235)	-	47,768	15,937	(65)	-	63,640	
Current liabilities payable from restricted assets	-	(32,585)	-	(32,585)	-	-	-	(32,585)	
Other noncurrent liabilities and deferred inflows	4,978	-	-	4,978	(3,516)	16	-	1,478	
<b>Net cash provided by operating activities</b>	<b>\$ 410,856</b>	<b>\$ 35,673</b>	<b>\$ -</b>	<b>\$ 446,529</b>	<b>\$ 310,931</b>	<b>\$ 3,887</b>	<b>\$ -</b>	<b>\$ 761,347</b>	
<b>Non-cash activity</b>									
Contribution of capital assets from developers	\$ 5,387	\$ -	\$ -	\$ 5,387	\$ 68,629	\$ -	\$ -	\$ 74,016	
Unrealized investment fair market value changes, net	\$ (11,038)	\$ (70)	\$ -	\$ (11,108)	\$ (6,686)	\$ -	\$ -	\$ (17,794)	



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors  
JEA  
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activity of JEA, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise JEA's basic financial statements, and have issued our report thereon dated December 21, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered JEA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control. Accordingly, we do not express an opinion on the effectiveness of JEA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JEA’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

December 21, 2023



## BOND COMPLIANCE INFORMATION

# JEA Electric System

## Schedule of Debt Service Coverage (In Thousands)

	Year Ended September 30	
	2023	2022
<b>Revenues</b>		
Electric	\$ 1,481,583	\$ 1,516,654
Investment income <sup>(1)</sup>	17,919	2,547
Earnings from The Energy Authority	23,603	29,731
Other <sup>(2)</sup>	35,709	123,175
Plus: amounts paid from the Rate Stabilization Fund into the Revenue Fund	15,034	82,232
Less: amounts paid from the Revenue Fund into the Rate Stabilization Fund	(197,071)	(87,515)
<b>Total Revenues</b>	<b>1,376,777</b>	<b>1,666,824</b>
<b>Cost of Operation and Maintenance <sup>(3)</sup></b>		
Fuel	438,127	478,743
Purchased power <sup>(4)</sup>	306,647	408,317
Maintenance and other operating expense	304,327	227,313
State utility and franchise taxes	72,490	72,598
<b>Total Cost of Operation and Maintenance</b>	<b>1,121,591</b>	<b>1,186,971</b>
<b>Net Revenues</b>	<b>\$ 255,186</b>	<b>\$ 479,853</b>
<b>Debt Service Requirement on Electric System Bonds (prior to reduction of investment income on sinking fund and Build America Bonds subsidy)</b>	<b>\$ 42,012</b>	<b>\$ 50,560</b>
Less: investment income on sinking fund	(1,231)	(1,167)
Less: Build America Bonds subsidy	(1,535)	(1,535)
<b>Debt Service Requirement on Electric System Bonds</b>	<b>\$ 39,246</b>	<b>\$ 47,858</b>
<b>Debt service coverage on Electric System Bonds <sup>(5)</sup></b>	<b>6.50 x</b>	<b>10.03 x</b>
<b>Debt Service Requirement on Electric System Bonds (from above)</b>	<b>\$ 39,246</b>	<b>\$ 47,858</b>
Plus: Aggregate Subordinated Debt Service on Subordinated Electric System Bonds (prior to Build America Bonds subsidy)	31,179	40,500
Less: Build America Bonds subsidy	(1,775)	(1,843)
<b>Debt Service Requirement on Electric System Bonds and Aggregate Subordinated Debt Service on Subordinated Electric System Bonds</b>	<b>\$ 68,650</b>	<b>\$ 86,515</b>
<b>Debt service coverage on Electric System Bonds and Subordinated Electric System Bonds <sup>(6)</sup></b>	<b>3.72 x</b>	<b>5.55 x</b>

<sup>(1)</sup> Excludes investment income on sinking funds.

<sup>(2)</sup> Excludes the Build America Bonds subsidy.

<sup>(3)</sup> Excludes depreciation and recognition of deferred costs and revenues, net.

<sup>(4)</sup> In accordance with the requirements of the Electric System Resolution, all the contract debt payments from the Electric System to 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 revenue of 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.

<sup>(5)</sup> Net Revenues divided by Debt Service Requirement on Electric System Bonds. Minimum annual coverage is 1.20x.

<sup>(6)</sup> Net Revenues divided by Debt Service Requirement on Electric System Bonds and Aggregate Subordinated Debt Service on Subordinated Electric System Bonds. Minimum annual coverage is 1.15x.

JEA Bulk Power Supply System  
Schedule of Debt Service Coverage  
(In Thousands)

	Year ended September 30	
	2023	2022
<b>Revenues</b>		
Operating	\$ 12,683	\$ 70,918
Investment income	141	77
<b>Total Revenues</b>	<b>12,824</b>	<b>70,995</b>
<b>Operation and Maintenance Expenses <sup>(1)</sup></b>		
Fuel	5	9,033
Maintenance and other operating expense	5,408	9,173
<b>Total Operation and Maintenance Expenses</b>	<b>5,413</b>	<b>18,206</b>
<b>Net Revenues</b>	<b>\$ 7,411</b>	<b>\$ 52,789</b>
<b>Aggregate Debt Service (prior to reduction of Build America Bonds subsidy)</b>	<b>\$ 3,918</b>	<b>\$ 6,153</b>
Less: Build America Bonds subsidy	(470)	(511)
<b>Aggregate Debt Service</b>	<b>\$ 3,448</b>	<b>\$ 5,642</b>
<b>Debt service coverage <sup>(2)</sup></b>	<b>2.15 x</b>	<b>9.36 x</b>

<sup>(1)</sup> Excludes depreciation.

<sup>(2)</sup> Net Revenues divided by Aggregate Debt Service. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System, Second Resolution  
Schedule of Debt Service Coverage  
(In Thousands)

	Year Ended September 30	
	2023	2022
<b>Revenues</b>		
Operating	\$ 21,395	\$ 53,495
Investment income	470	717
<b>Total Revenues</b>	<b>21,865</b>	<b>54,212</b>
<b>Operation and Maintenance Expenses</b>	-	-
<b>Net Revenues</b>	<b>\$ 21,865</b>	<b>\$ 54,212</b>
<b>Aggregate Debt Service (prior to reduction of Build America Bonds subsidy)</b>	<b>\$ 19,305</b>	<b>\$ 23,741</b>
Less: Build America Bonds subsidy	(228)	(259)
<b>Aggregate Debt Service</b>	<b>\$ 19,077</b>	<b>\$ 23,482</b>
<b>Debt service coverage <sup>(1)</sup></b>	<b>1.15 x</b>	<b>2.31 x</b>

<sup>(1)</sup> Net Revenues divided by Aggregate Debt Service. Minimum annual coverage is 1.15x.



# JEA Water and Sewer System

## Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2023	2022
<b>Revenues</b>		
Water	\$ 217,572	\$ 214,073
Water Capacity Charges	18,845	17,046
Sewer	275,642	272,074
Sewer Capacity Charges	45,690	30,165
Investment income	6,338	3,674
Other <sup>(1)</sup>	18,999	19,732
Plus: amounts paid from the Rate Stabilization Fund into the Revenue Fund	48,387	30,609
Less: amounts paid from the Revenue Fund into the Rate Stabilization Fund	(22,292)	(26,626)
Total Revenues	609,181	560,747
<b>Operation and Maintenance Expenses</b>		
Maintenance and other operating expense <sup>(2)</sup>	231,632	195,656
State utility and franchise taxes	11,319	11,294
Total Operation and Maintenance Expenses	242,951	206,950
<b>Net Revenues</b>	\$ 366,230	\$ 353,797
<b>Aggregate Debt Service on Water and Sewer System Bonds (prior to reduction of Build America Bonds subsidy)</b>	\$ 86,676	\$ 48,341
Less: Build America Bonds subsidy	(2,435)	(2,443)
Aggregate Debt Service on Water and Sewer System Bonds	\$ 84,241	\$ 45,898
<b>Debt service coverage on Water and Sewer System Bonds <sup>(3)</sup></b>	4.35 x	7.71 x
<b>Aggregate Debt Service on Water and Sewer System Bonds (from above)</b>	\$ 84,241	\$ 45,898
Plus: Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds	16,899	7,302
Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds	\$ 101,140	\$ 53,200
<b>Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds excluding Capacity Charges <sup>(4)</sup></b>	2.98 x	5.76 x
<b>Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds including Capacity Charges <sup>(4)</sup></b>	3.62 x	6.65 x

<sup>(1)</sup> Excludes the Build America Bonds subsidy.

<sup>(2)</sup> Excludes depreciation and recognition of deferred costs and revenues, net.

<sup>(3)</sup> Net Revenues divided by Aggregate Debt Service on Water and Sewer System Bonds. Minimum annual coverage is 1.25x.

<sup>(4)</sup> Net Revenues divided by Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds. Minimum annual coverage is either 1.00x Aggregate Debt Service on Water and Sewer System Bonds and Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds (excluding Capacity Charges) or the sum of 1.00x Aggregate Debt Service on Water and Sewer System Bonds and 1.20x Aggregate Subordinated Debt Service on Subordinated Water and Sewer System Bonds (including Capacity Charges).

JEA District Energy System  
Schedule of Debt Service Coverage  
(In Thousands)

	Year Ended September 30	
	2023	2022
<b>Revenues</b>		
Service revenue	\$ 12,761	\$ 8,989
Investment income	100	21
Other	-	8
<b>Total Revenues</b>	<b>12,861</b>	<b>9,018</b>
<b>Operation and Maintenance Expenses <sup>(1)</sup></b>		
Maintenance and other operating expense	6,064	5,239
<b>Total Operation and Maintenance Expenses</b>	<b>6,064</b>	<b>5,239</b>
<b>Net Revenues</b>	<b>\$ 6,797</b>	<b>\$ 3,779</b>
<b>Aggregate Debt Service <sup>(2)</sup></b>	<b>\$ 3,022</b>	<b>\$ 3,021</b>
<b>Debt service coverage <sup>(3)</sup></b>	<b>2.25 x</b>	<b>1.25 x</b>

<sup>(1)</sup> Excludes depreciation.

<sup>(2)</sup> On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, 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.

<sup>(3)</sup> Net Revenues divided by Aggregate Debt Service.

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## SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER SYSTEM RESOLUTION

The following is a summary of certain provisions of the Water and Sewer System Resolution. Summaries of certain definitions contained in the Water and Sewer System Resolution are set forth below. Other terms defined in the Water and Sewer System Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Water and Sewer System Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

The Water and Sewer System Resolution, as heretofore amended, is available for viewing and downloading on JEA's website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the Water and Sewer System Resolution (as so amended) and the First Supplemental Resolution (as defined herein) may be obtained from JEA; provided that a reasonable charge may be imposed for the cost of reproduction. The term "Water and Sewer System Bonds" as used in this summary has the same meaning as the term "Water and Sewer System Bonds" as used in the Annual Disclosure Report to which this summary is attached.

### Definition of Terms

The following are summaries of certain definitions in the Water and Sewer System Resolution:

*Accreted Value* means, as of any date of computation with respect to any Water and Sewer System Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Water and Sewer System Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Water and Sewer System Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Water and Sewer System Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service* means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Water and Sewer System Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in

the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however,* that (i) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (ii) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Bonds or the Appreciated Value of Water and Sewer System Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in the Water and Sewer System Resolution and (iii) if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Water and Sewer System Bonds of the Series secured thereby.

*Additionally Secured Series* means a Series of Water and Sewer System Bonds for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, all or a portion of the Water and Sewer System Bonds of which shall be secured, in addition to the pledge of the Trust Estate created pursuant to the Water and Sewer System Resolution, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account. For all purposes of the Water and Sewer System Resolution relating to the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established with respect to all or any portion of the Water and Sewer System Bonds of any such Additionally Secured Series, any reference to such Additionally Secured Series shall be deemed to refer only to the Water and Sewer System Bonds of such maturities (or interest rate(s) within a maturity) of such series that are so secured by amounts on deposit in such separate subaccount.

*Adjusted Aggregate Debt Service* for any period means, as of any date of calculation, the Aggregate Debt Service for such period except that (a) if any Refundable Principal Installment for any Series of Water and Sewer System Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 30th anniversary of the issuance of such Series of Water and Sewer System Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (b) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Bonds or the Appreciated Value of Water and Sewer System Deferred Income Bonds shall be included in the calculation of Adjusted Aggregate Debt Service at the times and in the manner provided in the Water and Sewer System Resolution. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Water and Sewer System Bonds shall be calculated at such rate of interest as JEA, or a banking or financial institution selected by JEA, determines would be a reasonable estimate of the rate of interest that would be borne on Water and Sewer System Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

*Aggregate Debt Service* for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series; *provided, however,* that (a) for purposes of estimating Aggregate Debt Service for any future period (i) any Water and Sewer System Variable Rate Bonds Outstanding during such period shall be assumed to bear interest

during such period at the greater of (X) the actual rate of interest then borne by such Water and Sewer System Variable Rate Bonds or (Y) the Certified Interest Rate applicable thereto and (ii) any Water and Sewer System Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Bonds or the Appreciated Value of Water and Sewer System Deferred Income Bonds shall be included in the calculation of Aggregate Debt Service at the times and in the manner provided in the Water and Sewer System Resolution; and *provided, further*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Water and Sewer System Bonds of the Series secured thereby.

*Alternate Variable Rate Taxable Index* means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

*Alternate Variable Rate Tax-Exempt Index* means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

*Annual Net Revenues* means, with respect to any Fiscal Year, the Revenues during such Fiscal Year, determined on an accrual basis, minus the sum of (a) Operation and Maintenance Expenses during such Fiscal Year, determined on an accrual basis, to the extent paid or to be paid from Revenues, (b) the Aggregate Debt Service with respect to such Fiscal Year and (c) debt service payable during such Fiscal Year with respect to all other obligations issued by JEA (including, without limitation, Subordinated Indebtedness) in connection with the System, determined on an accrual basis.

*Appreciated Value* means, with respect to any Water and Sewer System Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Water and Sewer System Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Water and Sewer System Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Water and Sewer System Deferred Income Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of

twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

*BMA Municipal Swap Index* means the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Bond Market Association.

*Bond Anticipation Notes* means notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Water and Sewer System Bonds, the proceeds of which have been or are required to be applied to one or more of the purposes for which Water and Sewer System Bonds may be issued, the payment of which notes is to be made from the proceeds of the Water and Sewer System Bonds in anticipation of the issuance of which said notes are issued.

*Bond Year* means the 12-month period commencing on October 1 in any year and ending on September 30 of the following year.

*Build America Bonds* shall mean any Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code or any similar federal program creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Bonds.

*Capacity Charges* shall mean water and sewer capacity charges imposed by JEA with respect to the System.

*Certified Interest Rate means, as of any date of determination:*

(i) with respect to any Water and Sewer System Variable Rate Bonds maturing on a particular date that were, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (2) the average rate of interest borne by Water and Sewer System Variable Rate Bonds for the 12 months preceding such date of determination; *provided, however*, if such Water and Sewer System Variable Rate Bonds are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (1);

(ii) with respect to any Water and Sewer System Variable Rate Bonds maturing on a particular date that were not, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (b) the average rate of interest borne by such Water and Sewer System Variable Rate Bonds, for the 12 months preceding such date of



determination; *provided, however*, if such Water and Sewer System Variable Rate Bonds are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (a); and

(iii) for purposes of calculating the Debt Service Reserve Requirement for any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund and with respect to any Water and Sewer System Variable Rate Bonds maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of JEA executed on or prior to the date of the initial issuance of such Water and Sewer System Variable Rate Bonds as determined as follows: a Certified Interest Rate shall be that rate of interest determined by JEA, or a banking or financial institution or financial advisory firm selected by JEA, as the rate of interest such Water and Sewer System Variable Rate Bonds would bear if, assuming the same maturity date, terms and provisions (other than interest rate) as such proposed Water and Sewer System Variable Rate Bonds, and on the basis of JEA's credit ratings with respect to the Water and Sewer System Bonds (other than Bonds for which credit enhancement is provided by a third party), such proposed Water and Sewer System Variable Rate Bonds were issued at a fixed interest rate.

*Code* means the Internal Revenue Code of 1986, or any successor, and the applicable regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury thereunder, including Treasury Regulations issued pursuant to Sections 103 and 141 through 150, inclusive, of said Internal Revenue Code of 1986.

*Contract Debts* means any obligations of JEA under a contract, lease, installment sale agreement, bulk purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received.

*Costs* means the costs, expenses and liabilities paid or incurred or to be paid or incurred by JEA in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, repairing, extending, improving, reconstructing, retiring and disposing of the System or any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto (including, for this purpose, any acquisition by JEA of an interest in an existing facility).

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

*Credit Enhancer* means any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for any Water and Sewer System Bonds.

*Current Interest Commencement Date* means, with respect to any particular Water and Sewer System Deferred Income Bonds, the date specified in the Supplemental Resolution authorizing such Water and Sewer System Deferred Income Bonds (which date must be prior to the maturity date for such Water and Sewer System Deferred Income Bonds) after which interest accruing on such Water and Sewer System Deferred Income Bonds shall be payable periodically on dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Debt Service* for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of:

(i) interest accruing during such period on Water and Sewer System Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account made from the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of the indebtedness of JEA; provided, that in the event that the Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on such Bonds, for purposes of the definition, the interest on the Bonds of such Series shall be calculated net of the amount of the cash subsidy payments due from the U.S. Treasury. If for whatever reason, JEA no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Bonds of such Series shall be calculated without regard to such subsidy, and

(ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Water and Sewer System Bonds other than Reimbursement Obligations, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the Date of Issuance of the Water and Sewer System Bonds of such Series, whichever date is later, and (y) in the case of Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA.

Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Water and Sewer System Bonds (except for Water and Sewer System Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (y) the principal amount of Water and Sewer System Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Bonds or the Appreciated

Value of Water and Sewer System Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the Water and Sewer System Resolution; *provided, however*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Water and Sewer System Bonds of the Series secured thereby.

Notwithstanding anything to the contrary contained in the Water and Sewer System Resolution, (a) if JEA has in connection with any Water and Sewer System Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Water and Sewer System Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating the Debt Service with respect to such Water and Sewer System Bonds for purposes of the "additional bonds test" and the "rate covenant" contained in clause (7) of subsection 1 of Section 203 and Section 711 of the Water and Sewer System Resolution and, it will be assumed that such Water and Sewer System Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the 12 months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for 12 months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Water and Sewer System Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Water and Sewer System Variable Rate Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Water and Sewer System Variable Rate Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating the Debt Service Requirement with respect to such Water and Sewer System Variable Rate Bonds for purposes of the "additional bonds test" and the "rate covenant" contained in clause (7) of subsection 1 of Section 203 and Section 711 of the Water and Sewer System Resolution, it will be assumed that such Water and Sewer System Variable Rate Bonds bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*Debt Service Reserve Requirement* means, with respect to each separate subaccount in the Debt Service Reserve Account, unless otherwise determined in the manner provided in the Water and Sewer System Resolution, as of any date of calculation, an amount equal to the maximum Aggregate Debt Service coming due on the Water and Sewer System Bonds of all Series secured thereby then Outstanding in the then current or any future Bond Year excluding interest on such Water and Sewer System Bonds to be paid from deposits in the Debt Service Account made from the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA.

For the purpose of the calculation of the Debt Service Reserve Requirement in the event that the Bonds of any Series shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), the interest on such Bonds shall be calculated net of the amount of such subsidy; provided, however, that if at any time the specified percentage of the interest payable on such Bonds represented by such subsidy shall be permanently reduced, then the amount of such Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period and provided, further, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury in respect of the interest payable on any such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Bonds, and such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period. Notwithstanding any other provision of this resolution, any one or more installments of any increase in the Debt Service Reserve Requirement with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund provided for in the

preceding sentence may be prepaid at any time in whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

*Defeasance Securities* shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds, U.S. Obligations which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

*Defeased Municipal Obligations* shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or U.S. Obligations which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this definition, as appropriate, (c) as to which the principal of and interest on the U.S. Obligations on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this definition, as appropriate and (d) which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's Ratings Group and, if rated by Moody's Investors Service, are rated "Aaa" by such agency.

*Designated Swap Obligation* means, to the extent from time to time permitted by law, any interest rate swap transaction (i) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Water and Sewer System Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Bonds) and (ii) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which certificate shall specify the Water and Sewer System Bonds with respect to which such Designated Swap Obligation is entered into).

*Designated Swap Obligation Provider* means any person with whom JEA enters into a Designated Swap Obligation.

*Federal Agency Securities* shall mean bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's Ratings Group and "Aaa" by Moody's Investors Service, if rated by both rating agencies, and, if

rated by one rating agency, shall have a rating of "AAA" or "Aaa" by Standard & Poor's Ratings Group or Moody's Investors Service, as the case may be.

*Investment Securities* shall mean and include any other securities, obligations or investments that, at the time, shall be permitted by Florida Law for the investment of JEA's funds.

*Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service* means, as of any date of calculation, the greatest Adjusted Aggregate Debt Service for the then current or any future Fiscal Year.

*Net Revenues* means, for any period, the Revenues during such period, determined on an accrual basis, minus Operation and Maintenance Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues.

*One-Month LIBOR Rate* means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Operation and Maintenance Expenses* means the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles, and shall include all Contract Debts. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include any reserve for renewals or replacements or any allowance for depreciation or amortization and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of JEA which are properly allocable to the System.

*Principal Installment* means, as of any date of calculation and with respect to any Series, so long as any Water and Sewer System Bonds thereof are Outstanding, (i) the principal amount of Water and Sewer System Bonds (including, in the case of any Water and Sewer System Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Water and Sewer System Resolution) of any Sinking Fund Installments due on a certain future date for Water and Sewer System Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Water and Sewer System Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Water and Sewer System Bonds of such Series, the sum of such principal amount of Water and Sewer System Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Refundable Principal Installment* means any Principal Installment for any Series of Water and Sewer System Bonds which JEA intends to pay with moneys which are not Revenues, if such intent was expressed in the Supplemental Resolution authorizing such Series. Any such Principal

Installment will be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Principal Installment with moneys which are not Revenues.

*Reimbursement Obligations* means all Water and Sewer System Bonds issued to evidence JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with any Credit Enhancement or liquidity support for the Water and Sewer System Bonds of a Series (or a maturity or maturities or interest rate within a maturity thereof).

*Renewal and Replacement Requirement* means, at any date of calculation, an amount equal to 10 percent of the sum of (a) the aggregate amount of Water and Sewer System Bonds Outstanding under the Water and Sewer System Resolution and (b) the aggregate amount of all other obligations issued by JEA in connection with the System (including, without limitation, Subordinated Indebtedness) outstanding and unpaid (or as to which provision for payment has not been made in accordance with the terms thereof).

*Revenues* means (i) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding (a) unless otherwise determined by the Governing Body, Capacity Charges, (b) customer deposits and any other deposits subject to refund unless such deposits have become property of JEA and (c) if and to the extent determined by the JEA Board, special assessments, if any, levied by JEA in connection with any facilities constituting a part of the System, (ii) the proceeds of any insurance covering business interruption loss relating to the System and (iii) interest received or to be received on any moneys or securities held pursuant to the Water and Sewer System Resolution and paid or required to be paid into the Revenue Fund. For any purpose of the Water and Sewer System Resolution that requires the computation of Revenues with respect to any period of time, "Revenues" shall include such amounts resulting, received or to be received, as the case may be, during such period, determined on an accrual basis, plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period, but only to the extent that such amounts originally were deposited to the Rate Stabilization Fund from Revenues (excluding from (x) amounts included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Water and Sewer System Resolution) and minus (y) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period. Notwithstanding the foregoing, all cash subsidy payments received by JEA from the U.S. Treasury in respect of interest payable on any Build America Bonds shall not constitute "Revenues" for any purpose of the Resolution.

*System or Water and Sewer System* means each and every part of the water system and sewer system owned and operated by JEA for water supply, transmission, treatment and distribution and for sewage collection, transmission, treatment and disposal or distribution now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of JEA in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said System; *provided, however,* that upon compliance with certain provisions of the Water and Sewer System Resolution

described under "Certain Other Covenants - *Additional Utility Functions*" below, the term System shall be deemed to include other utility functions added to the System such as the acquisition, distribution, and sale of natural gas, the production, distribution and sale of process steam, or other utility functions that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the System. Notwithstanding the foregoing definition of the term System, such term shall not include the existing electric system owned by JEA or any bulk power supply utilities or systems now owned or hereafter acquired by JEA, nor shall it include any properties or interests in properties of JEA (a) which JEA determines shall not constitute a part of the System for the purpose of the Water and Sewer System Resolution at the time of the acquisition thereof by JEA or (b) as to which there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of the rate covenant described under "Covenant as to Rates, Fees and Other Charges" below.

*Trust Estate* means (i) the proceeds of the sale of the Water and Sewer System Bonds, (ii) the Revenues, and (iii) all Funds and Accounts established by the Water and Sewer System Resolution (other than the Debt Service Reserve Account), including the investments and investment income, if any, thereof.

*U.S. Obligations* shall mean any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including Federal Agency Securities to the extent unconditionally guaranteed by the United States of America.

*U.S. Treasury* shall mean the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America Bonds.

*Variable Rate Taxable Index* means the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* means the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

*Water and Sewer System Bond or Bonds* means any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Water and Sewer System Resolution but shall not mean Subordinated Indebtedness or Bond Anticipation Notes.

*Water and Sewer System Capital Appreciation Bond or Bonds* means any Water and Sewer System Bonds issued under the Water and Sewer System Resolution as to which interest is (i) compounded periodically on dates that are specified in the Supplemental Resolution authorizing such Water and Sewer System Capital Appreciation Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Water and Sewer System Resolution or the Supplemental Resolution authorizing such Water and Sewer System Capital Appreciation Bonds.



*Water and Sewer System Deferred Income Bond or Bonds* means any Water and Sewer System Bonds issued under the Water and Sewer System Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Water and Sewer System Deferred Income Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Water and Sewer System Resolution or the Supplemental Resolution authorizing such Water and Sewer System Deferred Income Bonds.

*Water and Sewer System Option Bond or Bonds* means any Water and Sewer System Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Water and Sewer System Variable Rate Bond* means any Water and Sewer System Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of issuance of the Series of Water and Sewer System Bonds of which such Water and Sewer System Bond is one.

## **Pledge**

The Water and Sewer System Bonds are special obligations of JEA payable from and secured by the funds pledged therefor. Pursuant to the Water and Sewer System Resolution, there is pledged for the payment of the principal and Redemption Price of, and interest on, the Water and Sewer System Bonds in accordance with their terms and the provisions of the Water and Sewer System Resolution, subject only to the provisions of the Water and Sewer System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Water and Sewer System Resolution, the Trust Estate.

Pursuant to the Water and Sewer System Resolution, there also are pledged, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Water and Sewer System Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the Water and Sewer System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Water and Sewer System Resolution, amounts on deposit in any separate subaccount established in the Debt Service Reserve Account, including the investments and investment income, if any, thereof.

## **Application of Revenues**

Revenues are pledged by the Water and Sewer System Resolution to payment of principal of and interest and redemption premium on the Water and Sewer System Bonds of all series, subject to the provisions of the Water and Sewer System Resolution permitting application for other purposes. For the application of Revenues, the Water and Sewer System Resolution establishes a Revenue Fund, a Debt Service Fund, a Subordinated Indebtedness Fund, a Rate Stabilization Fund and a Renewal and Replacement Fund, all of which are held by JEA.

Pursuant to the Water and Sewer System Resolution, all Revenues are to be deposited promptly by JEA to the credit of the Revenue Fund. Notwithstanding anything to the contrary contained in the Water and Sewer System Resolution, in the event that any Revenues constitute

"impact fees" within the meaning of applicable Florida law, JEA may use and apply such Revenues only in the manner permitted or required by such applicable law, and JEA is to take such measures (including, without limitation, the establishment of such separate accounts or subaccounts or the implementation of such accounting procedures) as an Authorized Officer of JEA may determine are necessary or desirable to effect the foregoing. Each month JEA is to make transfers from the Rate Stabilization Fund to the Revenue Fund, in accordance with the then current Annual Budget or as otherwise determined by JEA. Each month JEA is to pay from the Revenue Fund amounts necessary to meet Operation and Maintenance Expenses as they become due and payable.

Following the payment of Operation and Maintenance Expenses, the Water and Sewer System Resolution provides that the moneys in the Revenue Fund shall be applied monthly, to the extent available, and subject to the limitation described in the preceding paragraph regarding "impact fees," in the following manner and in the following order of priority:

1. ***To the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund***, (a) an amount at least equal to the amount, if any, required so that the balance in the Debt Service Account (excluding capitalized interest on deposit therein in excess of the amount thereof to be applied to pay interest accrued and to accrue on all Water and Sewer System Bonds to the end of the then current calendar month) equals the Accrued Aggregate Debt Service as of the last day of the then current month and (b) the respective amounts, if any, required so that the balance in each separate subaccount in the Debt Service Reserve Account equals the Debt Service Reserve Requirement related thereto.

Amounts in the Debt Service Account are to be applied by JEA to pay the principal or Redemption Price of and interest on the Water and Sewer System Bonds. In addition, JEA may apply such amounts to the purchase or redemption of Water and Sewer System Bonds to satisfy sinking fund requirements.

Amounts in each separate subaccount in the Debt Service Reserve Account are to be applied by JEA to pay the principal or sinking fund Redemption Price of or interest on each Additionally Secured Series of Water and Sewer System Bonds secured thereby, if and to the extent necessary following the application of amounts on deposit in the Debt Service Account in accordance with the terms of the Water and Sewer System Resolution; *provided, however*, that the amount payable from the Initial Subaccount with respect to the Water and Sewer System Variable Rate Bonds of a particular series and maturity shall be limited to the amount on deposit therein allocable to the Water and Sewer System Variable Rate Bonds of such series and maturity, based upon the interest rate that such Water and Sewer System Variable Rate Bonds of such series and maturity are deemed to bear for purposes of computing the Debt Service Reserve Requirement for the Initial Subaccount, as described in the second paragraph under "Debt Service Reserve Account" herein.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Water and Sewer System Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account, and no further deposits will be required to be made to the Debt Service Fund.

In the event of the refunding or defeasance of any Water and Sewer System Bonds, JEA may withdraw from the Debt Service Account, and, if the Water and Sewer System Bonds being refunded or defeased are Water and Sewer System Bonds of an Additionally Secured Series, withdraw from the separate subaccount in the Debt Service Reserve Account securing such Water and Sewer System Bonds, all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Water and Sewer System Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on such Water and Sewer System Bonds; *provided* that such withdrawal shall not be made unless (i) immediately thereafter the Water and Sewer System Bonds being refunded or defeased shall be deemed to have been paid pursuant to the Water and Sewer System Resolution, and (ii) the amount remaining in the Debt Service Account and, if applicable, such separate subaccount in the Debt Service Reserve Account after such withdrawal, and after giving effect to the issuance of any obligations being issued to refund such Water and Sewer System Bonds and the disposition of the proceeds thereof and, in the case of any separate subaccount in the Debt Service Reserve Account, any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, shall not be less than the Accrued Aggregate Debt Service and the Debt Service Reserve Requirement relating thereto, respectively. In the event of such refunding or defeasance, JEA may also withdraw from the Debt Service Account or such separate subaccount in the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Water and Sewer System Resolution; *provided, however,* that such withdrawal cannot be made unless items (i) and (ii) hereinabove have been satisfied and, at the time of such withdrawal, there will exist no deficiency in any Fund or Account held under the Water and Sewer System Resolution.

Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement related thereto, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount, such excess will be deposited in the Revenue Fund.

See also "Debt Service Reserve Account" herein.

2. ***To the Subordinated Indebtedness Fund***, an amount at least equal to the amount, if any, required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness and reserves therefor as required by the Supplemental Resolution authorizing such Subordinated Indebtedness.

At any time and from time-to-time JEA may deposit in the Subordinated Indebtedness Fund for the payment of the principal or sinking fund installments of and interest and premium on each issue of Subordinated Indebtedness amounts received from the proceeds of additional issues of Subordinated Indebtedness or amounts received from any other source.

If at any time there is a deficiency in the Debt Service Account or any separate subaccount(s) in the Debt Service Reserve Account and the available funds in the Renewal and Replacement Fund are insufficient to cure such deficiency, there will be transferred from the Subordinated Indebtedness Fund to such Account or subaccount(s) the amount necessary to cure

such deficiency (or, if the amount in the Subordinated Indebtedness Fund is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in the Subordinated Indebtedness Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

3. ***To the Rate Stabilization Fund***, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by JEA to be credited to such Fund for the month.

4. ***To the Renewal and Replacement Fund***, an amount at least equal to the sum of (i) one-twelfth (1/12th) of ten percent of the Annual Net Revenues of the Water and Sewer System for the preceding Fiscal Year and (ii) such additional amount as will make the total annual payment into such Fund during the Fiscal Year of which such month is a part equal to at least five percent of the Revenues of the Water and Sewer System for the preceding Fiscal Year; *provided, however*, that so long as there shall be held in the Renewal and Replacement Fund an amount which is at least equal to the Renewal and Replacement Requirement, no deposits are required to be made into the Renewal and Replacement Fund; and *provided, further*, however, that the failure of JEA to make such payment into the Renewal and Replacement Fund in any month shall not constitute an Event of Default under the Water and Sewer System Resolution; *provided* that any deficiencies therefor shall have been restored prior to the end of the Fiscal Year of which such month is a part; and *provided, further*, that the full amount required to be deposited in said Renewal and Replacement Fund in such Fiscal Year has been deposited therein by the end of such Fiscal Year.

Amounts in the Renewal and Replacement Fund may be applied to the Costs of the Water and Sewer System, the payment of extraordinary operation and maintenance costs and contingencies and payments with respect to the prevention or correction of any unusual loss or damage in connection with all or part of the Water and Sewer System, in the manner provided in the Water and Sewer System Resolution. Amounts in the Renewal and Replacement Fund also may be applied to the purchase, redemption, payment or provision for payment of Water and Sewer System Bonds or interest thereon or, upon determination of the JEA Board, to the payment of the costs of enlargements, extensions, improvements and replacements of capital assets of any other utility system owned and operated by JEA and not constituting a part of the Water and Sewer System.

If at any time there is a deficiency in the Debt Service Account or any separate subaccount(s) in the Debt Service Reserve Account, there will be transferred from the Renewal and Replacement Fund to such Account or subaccount(s) the amount necessary to cure such deficiency (or, if the amount in the Renewal and Replacement Fund is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in the Renewal and Replacement Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount). If at any time there is a deficiency in the Subordinated Indebtedness Fund and

the amounts on deposit in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account shall equal the current requirements of such Account and subaccounts, respectively, and such amounts are not required for the payment of Operation and Maintenance Expenses, there will be transferred from the Renewal and Replacement Fund to the Subordinated Indebtedness Fund the amount necessary to cure such deficiency.

Notwithstanding anything to the contrary contained in the Water and Sewer System Resolution, in the event that any amounts on deposit in the Renewal and Replacement Fund constitute "impact fees" within the meaning of applicable Florida law, JEA will use and apply such amounts only in the manner permitted or required thereby, and JEA will take such measures (including, without limitation, the establishment of such separate accounts or subaccounts in the Renewal and Replacement Fund or the implementation of such accounting procedures) as an Authorized Officer of JEA may determine are necessary or desirable to effect the foregoing.

The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by JEA for any lawful purpose of JEA (including, but not limited to, (a) the purchase, redemption or provision for payment of any of the Water and Sewer System Bonds, (b) transfers to any utility system owned and/or operated by JEA currently or in the future and (c) the annual transfer by JEA to the City's General Fund not otherwise prohibited by the Water and Sewer System Resolution; *provided, however*, that none of the remaining moneys can be used for any purpose other than those specified above unless all current payments, including all deficiencies in prior payments, if any, have been made in full and unless JEA has complied fully with all the covenants and provisions of the Water and Sewer System Resolution.

"Available Water and Sewer System Revenues" are those monies remaining on deposit in the Revenue Fund established under the Water and Sewer System Resolution and available for use by JEA for any lawful purpose. In the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with clause (a) of subsection (1) of Section 506 of the District Energy System Resolution is less than Accrued Aggregate Debt Service with respect to the 2013 Series A Bonds of the District Energy System as of the last Business Day of the then current month, JEA shall deposit into the 2013 Series A Bonds Subaccount in the Debt Service Reserve Account in the Debt Service Fund under the District Energy System Resolution from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists. See "SUMMARY OF CERTAIN PROVISIONS OF THE DISTRICT ENERGY SYSTEM RESOLUTION - Debt Service Fund - Debt Service Reserve Account and 2013 Series A Bonds Subaccount - *2013 Series A Bonds Subaccount*".

During any period in which the Debt Service Requirement for any series of Bonds containing Build America Bonds shall be calculated in the manner provided in the *proviso* of clause (1) of the first paragraph of the definition thereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Debt Service Account in the Sinking Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date. Any cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but no such payment shall constitute Revenues for any purpose of the Electric System Resolution.

## Construction Fund

The Water and Sewer System Resolution establishes a Construction Fund, into which are paid amounts required by the provisions of the Water and Sewer System Resolution and any Supplemental Resolution and, at the option of JEA, any moneys received for or in connection with the System, unless required to be applied otherwise as provided in the Water and Sewer System Resolution. In addition, proceeds of insurance against physical loss of or damage to the System or of contractors' performance bonds, pertaining to the period of construction or acquisition, will be paid into the Construction Fund.

JEA may withdraw amounts from the Construction Fund for the payment of amounts due and owing on account of the Costs of the System upon determination of an Authorized Officer of JEA (or such officer's designee) that an obligation in the amount to be paid from the Construction Fund has been incurred by JEA and that each item thereof is a proper and reasonable charge against the Construction Fund, and that such amount has not been paid.

To the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Water and Sewer System Bonds when due.

Amounts credited to the Construction Fund which JEA at any time determines to be in excess of the amounts required for the purposes thereof shall be deposited in the Debt Service Reserve Account, if and to the extent necessary to make the amount in any separate subaccount therein equal to the Debt Service Reserve Requirement related thereto (or, if such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such excess shall be applied ratably, in proportion to the deficiency in each such subaccount), and any balance of such excess, upon written determination of an Authorized Officer of JEA, shall be deposited in the Revenue Fund and may be used by JEA for any lawful purpose of JEA, subject to the limitations contained in the Water and Sewer System Resolution; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Water and Sewer System Resolution.

JEA may discontinue the acquisition or construction of any portion of the System, the Costs of which are at the time being paid out of the Construction Fund, if the JEA Board determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of JEA and not disadvantageous to the Holders of the Water and Sewer System Bonds.

## Debt Service Reserve Account

JEA may establish a separate subaccount in the Debt Service Reserve Account with respect to any one or more maturities (or interest rate(s) within a maturity) of the Water and Sewer System Bonds of one or more series as provided in the Water and Sewer System Resolution. Amounts on deposit in any separate subaccount in the Debt Service Reserve Account will be applied to pay the principal or sinking fund Redemption Price of or interest on each Additionally Secured Series of Water and Sewer System Bonds secured thereby, if and to the extent necessary following the application of amounts on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Account for the payment of interest on Water and Sewer System Bonds on a future date) in accordance with the terms of the Water and Sewer System Resolution.

Pursuant to the First Supplemental Water and Sewer System Revenue Bond Resolution adopted by JEA on August 19, 1997 (the "First Supplemental Resolution"), authorizing, among others, JEA's Water and Sewer System Revenue Bonds, 1997 Series B (the "1997 Series B Bonds") JEA established a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund entitled the "Initial Subaccount". The 1997 Series B Bonds, which as of the date of the Annual Disclosure Report to which this Appendix is attached are no longer outstanding, were additionally secured by amounts on deposit in the Initial Subaccount, including the investments and investment income, if any, thereof, which amounts are pledged as additional security for the payment of the principal or sinking fund redemption price of, and interest on, the 1997 Series B Bonds, subject only to the provisions of the Water and Sewer System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Water and Sewer System Resolution. The Initial Subaccount in the Debt Service Reserve Account may, at the option of JEA, secure one or more maturities (or interest rate(s) within a maturity) of the additional Water and Sewer System Bonds of any series thereafter issued; *provided, however*, that for purposes of computing the Debt Service Reserve Requirement for the Initial Subaccount, the Water and Sewer System Variable Rate Bonds, if any, of each series and maturity secured thereby shall be deemed to bear interest at the Certified Interest Rate established with respect thereto at the time of the original issuance thereof *unless* the interest rate(s) on such Water and Sewer System Variable Rate Bonds of a particular series and maturity shall have been converted synthetically to a fixed interest rate pursuant to an interest rate swap transaction that has a term equal to, and the notional amount of which amortizes at the same times and in the same amounts as, such Water and Sewer System Variable Rate Bonds of such series and maturity, in which case, such Water and Sewer System Variable Rate Bonds shall be deemed to bear interest at the fixed rate payable by JEA under such interest rate swap transaction for so long as such interest rate swap transaction shall remain in effect (*provided, however*, that if, at the time of the original issuance thereof, the interest rate on the Water and Sewer System Variable Rate Bonds of a particular series and maturity shall have been converted synthetically to a fixed interest rate pursuant to such an interest rate swap transaction, but such interest rate swap transaction shall be terminated prior to the final maturity date of such Water and Sewer System Variable Rate Bonds, then the Debt Service Reserve Requirement for the Initial Subaccount shall be recalculated as of the date of termination of such interest rate swap transaction, based upon the Certified Interest Rate established for such Water and Sewer System Variable Rate Bonds at the time of the original issuance thereof, and any resulting deficiency in the amount on deposit in the Initial Subaccount shall be required to be funded with moneys and/or one or more additional surety bonds, insurance policies or letters of credit that may be credited to the Initial Subaccount in accordance with the provisions of the First

Supplemental Resolution). As of the date of the Annual Disclosure Report to which this Appendix is attached, the Initial Subaccount also secures JEA's Water and Sewer System Revenue Bonds, 2010 Series A, 2010 Series B, 2010 Series F, 2017 Series A, 2020 Series A, 2021 Series A, and 2024 Series A and JEA's Variable Rate Water and Sewer System Revenue Bonds, 2008 Series A-2 and 2008 Series B.

Pursuant to the Water and Sewer System Resolution, the Water and Sewer System Bonds of any series are not required to be additionally secured by amounts on deposit in any separate subaccount in the Debt Service Reserve Account. JEA currently intends to secure all long-term Water and Sewer System Bonds with the Initial Subaccount in the Debt Service Reserve Account. In the event that one or more maturities (or interest rate(s) within a maturity) of the Water and Sewer System Bonds of a series hereafter issued are to be additionally secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account, it will be a condition to the issuance of the Water and Sewer System Bonds of such series that the amount on deposit in the Initial Subaccount, after giving effect to the issuance of such Water and Sewer System Bonds, equals the Debt Service Reserve Requirement for such Subaccount.

The Water and Sewer System Resolution requires JEA to deposit and maintain in the Initial Subaccount in the Debt Service Reserve Account moneys, Investment Securities and/or reserve fund credit instruments (hereinafter defined) in an amount equal to the Debt Service Reserve Requirement for the Initial Subaccount. The Debt Service Reserve Requirement for the Initial Subaccount is defined in the First Supplemental Resolution, as of any date of calculation, as an amount equal to the lowest of (a) ten percent of the original principal amount of the Water and Sewer System Bonds of all issues (as defined for federal income tax purposes) secured thereby (or, if the Water and Sewer System Bonds of any such issue are issued at an issue price (as computed for federal income tax purposes) of greater than 102 percent or less than 98 percent of the principal amount thereof, ten percent of such issue price), (b) the maximum Aggregate Debt Service on the Water and Sewer System Bonds of all series secured thereby then outstanding for the current or any future Bond Year (excluding interest (other than accrued interest paid in connection with the initial issuance thereof) on such Water and Sewer System Bonds to be paid from deposits in the Debt Service Account in the Debt Service Fund made from the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA) or (c) 125 percent of the average annual Debt Service on the Water and Sewer System Bonds of all series secured thereby then outstanding for the then current and each future Bond Year (excluding interest (other than accrued interest paid in connection with the initial issuance thereof) on such Water and Sewer System Bonds to be paid from deposits in the Debt Service Account in the Debt Service Fund made from the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); *provided, however*, that in no event may an increase in the Debt Service Reserve Requirement for the Initial Subaccount resulting from the issuance of an additional issue (as defined for federal income tax purposes) of Water and Sewer System Bonds exceed ten percent of the original principal amount of the Water and Sewer System Bonds of such issue (or, if the Water and Sewer System Bonds of such issue are issued at an issue price (as computed for federal income tax purposes) of greater than 102 percent or less than 98 percent of the principal amount thereof, ten percent of such issue price).



Amounts in the Initial Subaccount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement for such Subaccount, after giving effect to any reserve fund credit instrument, will be credited to the Revenue Fund.

The First Supplemental Resolution provides that in lieu of maintaining moneys or investments in the Initial Subaccount in the Debt Service Reserve Account, JEA at any time may cause to be deposited therein for the benefit of the Holders of the Water and Sewer System Bonds secured thereby an irrevocable surety bond, an insurance policy or a letter of credit satisfying the conditions set forth therein (a "reserve fund credit instrument"), in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sums of money or value of Investment Securities then on deposit in the Initial Subaccount, if any. The following is a summary of the provisions of the First Supplemental Resolution, as amended by the applicable portion of the Resolution Amendments, relating to the deposit of reserve fund credit instruments to the Initial Subaccount:

(a) A surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Initial Subaccount Additionally Secured Bonds (a "municipal bond insurer") may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the claims paying ability of the issuer thereof shall be rated at least "AA-" or "Aa3" by any two of Standard & Poor's Ratings Group (hereinafter referred to as "S&P") or Moody's Investors Service (hereinafter referred to as "Moody's") or Fitch Ratings (hereinafter referred to as "Fitch").

(b) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the issuer thereof is rated at least "AA-" or "Aa3" by any two of S&P, Moody's or Fitch. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Initial Subaccount Additionally Secured Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(c) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in any of clauses (a) or (b) above. The letter

of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.

(d) The use of any reserve fund credit instrument pursuant to this subsection 4 shall be subject to receipt of an opinion of counsel as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against JEA.

(e) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Bonds. The right of the issuer of a reserve fund credit instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Initial Subaccount, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Initial Subaccount. The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the reserve fund credit instrument to reimbursement will be further subordinated to cash replenishment of the Initial Subaccount to an amount equal to the difference between the full original amount available under the reserve fund credit instrument and the amount then available for further draws or claims. If (i) the issuer of a reserve fund credit instrument becomes insolvent or (ii) the issuer of a reserve fund credit instrument defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below "AA-" or "Aa3" by any two of S&P, Moody's or Fitch or (iv) the rating of the issuer of the letter of credit falls below "AA-" or "Aa3" by any two of S&P, Moody's or Fitch, the obligation to reimburse the issuer of the reserve fund credit instrument shall be subordinate to the cash replenishment of the Initial Subaccount.

(f) If (i) the revolving reinstatement feature described in the preceding clause (e) is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below "AA-" or "Aa3" by any two of S&P, Moody's or Fitch or (iii) the rating of the issuer of the letter of credit falls below "AA-" or "Aa3" by any two of S&P, Moody's or Fitch, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash

or Investment Securities on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) or (b) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A-" or "A3" by any two of S&P, Moody's or Fitch or (2) the rating of the issuer of the letter of credit falls below "A-" or "A3" by any two of S&P, Moody's or Fitch or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (b) above within six months of such occurrence.

(g) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (f).

(h) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Resolution for purposes of clause (7) of subsection 1 of Section 203 and subsection 1 of Section 711 of the Resolution.

(i) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the reserve fund credit instrument) prior to each interest payment date for the Bonds of any Initial Subaccount Additionally Secured Series.

(j) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

On January 4, 2001, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2001 Series A, JEA caused FGIC to issue its Municipal Bond Debt Service Reserve Fund Policy (the "Initial FGIC Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Initial FGIC Reserve Policy is in a maximum amount of \$37,126,447.50, is non-cancellable, terminates on October 1, 2039 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

On April 11, 2002, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2002 Series A, JEA caused FGIC to issue an additional Municipal Bond Debt Service Reserve Fund Policy (the "Second FGIC Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Second FGIC Reserve Policy is in a maximum amount of \$8,503,298.05, is non-cancellable, terminates on October 1, 2041 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

On October 24, 2002, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2002 Series C, JEA caused FGIC to issue an additional Municipal Bond Debt Service Reserve Fund Policy (the "Third FGIC Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Third FGIC Reserve Policy is in a maximum amount of \$9,531,724.90, is non-cancellable, terminates on October 1, 2041 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

Because of a rating downgrade of FGIC, JEA funded the Initial Subaccount with cash and the Berkshire Reserve Policy (hereinafter defined) in the amount of the Initial FGIC Reserve Policy, the Second FGIC Reserve Policy and the Third FGIC Reserve Policy (collectively, the "FGIC Reserve Policies") thereby fulfilling the requirements of the First Supplemental Resolution with regard to the FGIC Reserve Policies.

On November 21, 2003, simultaneously with the issuance of JEA's Variable Rate Water and Sewer System Revenue Bonds, 2003 Series C (the "2003 Series C Bonds"), JEA caused XL Capital Assurance Inc. ("XLCA") to issue a debt service reserve insurance policy (the "Initial XLCA Reserve Policy") for deposit to the credit of a separate subaccount created in the Debt Service Reserve Account. The Initial XLCA Reserve Policy is in a maximum amount of \$3,750,000.00, is non-cancelable, terminates on October 1, 2038 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount. On April 8, 2004, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2004 Series A and B, JEA redeemed the 2003 Series C Bonds, and the Initial XLCA Reserve Policy was reissued by XLCA and deposited by JEA into the Initial Subaccount.

On September 22, 2004, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2004 Series C, JEA caused Assured Guaranty Municipal Corp., previously known as Financial Security Assurance Inc. ("FSA") to issue its Debt Service Reserve Insurance Policy (the "Initial FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Initial FSA Reserve Policy is in a maximum amount of \$3,702,459.05, is non-cancelable, terminates on October 1, 2039 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

On March 24, 2005, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2005 Series A (the "2005 Series A Bonds"), JEA caused MBIA Insurance Corporation ("MBIA") to issue its Debt Service Reserve Surety Bond (the "Initial MBIA Surety Bond") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Initial MBIA Surety Bond is in a maximum amount of \$9,003,471.86, is non-cancelable, terminates on October 1, 2041 (or the date on which JEA has made all payments required to be made on the Initial Subaccount Additionally Secured Bonds pursuant to the Water and Sewer System Resolution) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

On June 6, 2005, JEA caused MBIA to issue an additional Debt Service Reserve Surety Bond (the "Second MBIA Surety Bond") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Second MBIA Surety Bond is in a maximum amount of \$13,719,213.54, is non-cancelable, terminates on October 1, 2041 (or the date on which JEA has made all payments required to be made on the Initial Subaccount Additionally Secured Bonds pursuant to the Water and Sewer System Resolution) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

Effective as of January 1, 2009, MBIA Inc., parent company of MBIA, restructured MBIA; such restructuring involved the reinsurance and assignment of MBIA's obligations under the Initial MBIA Surety Bond and the Second MBIA Surety Bond (collectively, the "MBIA Surety Bonds") to National Public Finance Guarantee Corporation ("NPFGC") which is a subsidiary of MBIA Inc. Because of a rating downgrade of MBIA, JEA has made deposits to the Initial Subaccount in the amount of the MBIA Surety Bonds.

On March 8, 2007, simultaneously with the issuance of JEA's Variable Rate Water and Sewer System Revenue Bonds, 2007 Series A (the "2007 Series A Bonds"), JEA caused XLCA to issue a debt service reserve insurance policy (the "Second XLCA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Second XLCA Reserve Policy is in a maximum amount of \$5,275,233.64, is non-cancelable, terminates on October 1, 2041 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

Because of a rating downgrade of XLCA, JEA has made deposits to the Initial Subaccount in the amount of the Initial XLCA Reserve Policy and the Second XLCA Reserve Policy.

On July 26, 2007, simultaneously with the issuance of JEA's Water and Sewer System Revenue Bonds, 2007 Series C (the "2007 Series C Bonds"), JEA caused FSA to issue its Debt Service Reserve Insurance Policy (the "Second FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Second FSA Reserve Policy is in a maximum amount of \$468,627.91, is non-cancelable, terminates on October 1, 2037 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

On February 7, 2008, simultaneously with the issuance of JEA's Variable Rate Water and Sewer System Revenue Bonds, 2008 Series A (the "2008 Series A Bonds"), JEA caused FSA to issue its Debt Service Reserve Insurance Policy (the "Third FSA Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Third FSA Reserve Policy is in a maximum amount of \$15,000,000.00, is non-cancelable, terminates on October 1, 2042 (or upon the earlier retirement of all of the 2008 Series A Bonds) and satisfied the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution) at the time of its deposit to the Initial Subaccount.

The forms of the Initial FSA Reserve Policy, the Second FSA Reserve Policy and the Third FSA Reserve Policy (collectively, the "FSA Reserve Policies") are substantially identical, and a specimen thereof is attached to this APPENDIX B as Attachment 1. Because of a rating downgrade of FSA, JEA has made deposits to the Initial Subaccount equal to the aggregate amount of the FSA Reserve Policies.

On August 11, 2008, JEA caused Berkshire Hathaway Assurance Corporation ("Berkshire") to issue its Debt Service Reserve Fund Financial Guaranty Insurance Policy (the "Berkshire Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account. The Berkshire Reserve Policy is in a maximum amount of \$33,000,000.00, is non-cancelable, terminates on October 1, 2038 and otherwise satisfies the requirements with respect to a reserve fund credit instrument contained in the Water and Sewer System Resolution (including the First Supplemental Resolution). The form of the Berkshire Reserve Policy is attached hereto to this APPENDIX B as Attachment 2. Because of a rating downgrade of Berkshire, JEA made deposits to the Initial Subaccount equal to the amount of the Berkshire Reserve Policy.

On October 2, 2018, JEA transferred \$33,000,000 from the Initial Subaccount to the Construction Fund. JEA was able to make such a transfer as a result of amendments to the Water and Sewer System Resolution contained in Resolution No. 2013-10, adopted June 18, 2013, that lowered the minimum ratings requirement for the provider of a reserve fund credit instrument that is a surety bond or insurance policy to fund the Initial Subaccount. Upon the effectiveness of such amendments on May 2, 2018, the Berkshire Reserve Policy may be counted as satisfying the Debt Service Reserve Requirement.

## **Investment of Funds and Accounts**

The Water and Sewer System Resolution provides that moneys held in the Funds and Accounts established thereunder may be invested and reinvested in Investment Securities which will provide moneys when needed for payments from such Funds and Accounts. Investment Securities are to be valued as of September 30 in each year, at the amortized cost thereof. In the event that JEA causes to be deposited in any separate subaccount in the Debt Service Reserve Account an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, such surety bond, insurance policy, letter of credit or other obligation shall be valued at the lesser of the face amount thereof or the maximum amount available thereunder.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund, shall be paid into the Revenue Fund. Interest earned on any moneys or investments in the Construction Fund shall be held in such Fund for the purposes thereof or, upon written determination of an Authorized Officer of JEA, paid into the Revenue Fund.

## **Additional Water and Sewer System Bonds**

JEA may issue one or more series of additional Water and Sewer System Bonds for the purposes of (a) paying or providing for the payment of the Costs of the Water and Sewer System and (b) refunding any Water and Sewer System Bonds. All such Water and Sewer System Bonds will be payable from the Trust Estate pledged pursuant to the Water and Sewer System Resolution and secured thereby on a parity with all other Water and Sewer System Bonds. In addition, each series of Water and Sewer System Bonds may be additionally secured by amounts on deposit in a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established under the Water and Sewer System Resolution (which may be the Initial Subaccount therein). Set forth below are certain conditions applicable to the issuance of additional Water and Sewer System Bonds:

***Certificates of Authorized Officer of JEA.*** The issuance of each series of additional Water and Sewer System Bonds (other than Water and Sewer System Refunding Bonds and Reimbursement Obligations) is conditioned upon the filing with JEA of a certificate of an Authorized Officer of JEA: (1) setting forth the amounts of Net Revenues and Capacity Charges for any 12 consecutive month period within the 24 consecutive months immediately preceding the date of issuance of the additional Water and Sewer System Bonds of the series with respect to which such certificate is being given; and (2) stating that the difference between such Net Revenues and such Capacity Charges for such 12 consecutive month period is at least equal to the greater of (X) 125 percent of the Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service (calculating such Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service with respect to the Water and Sewer System Bonds of all series then Outstanding and the additional Water and Sewer System Bonds of the series with respect to which such certificate is given) or (Y) the sum of (i) the Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service (calculated as aforesaid) and (ii) the amount most recently determined to be required to be deposited in the Renewal and Replacement Fund for the then current, or a previous, Fiscal Year; *provided, however*, that the Net Revenues for such 12 month period may be adjusted for the purposes of such certificate (a) to reflect for such period revisions in the rates,

fees, rentals and other charges of JEA for the product and services of the Water and Sewer System made after the commencement of such period and preceding the date of issuance of such additional Water and Sewer System Bonds; (b) to reflect any increase in Net Revenues due to any new facilities of the Water and Sewer System having been placed into use and operation subsequent to the commencement of such period and prior to the date of issuance of such additional Water and Sewer System Bonds; and (c) to include an amount equal to the average annual contribution to Net Revenues for the first three full Fiscal Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the date of such certificate.

***Debt Service Reserve.*** If, at JEA's option, any series of additional Water and Sewer System Bonds is to be additionally secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund established under the Water and Sewer System Resolution, the issuance of the additional Water and Sewer System Bonds of such series is further conditioned upon the deposit to the Initial Subaccount of moneys or reserve fund credit instruments, or a combination thereof, in an amount such that the balance in such Subaccount equals the Debt Service Reserve Requirement for such Subaccount calculated immediately after the delivery of such Water and Sewer System Bonds.

***No Default.*** In addition, Water and Sewer System Bonds of any series other than Water and Sewer System Refunding Bonds may be issued only if JEA certifies that upon the issuance of such series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Water and Sewer System Resolution.

### **Subordinated Indebtedness**

JEA may issue Subordinated Indebtedness for any lawful purpose of JEA related to the System, which Subordinated Indebtedness shall be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor; *provided, however*, that any such pledge will be subordinate in all respects to the pledge of the Trust Estate created by the Water and Sewer System Resolution as security for the Water and Sewer System Bonds.

### **Issuance of Other Indebtedness**

The Water and Sewer System Resolution does not restrict the issuance by JEA of other indebtedness to finance facilities which are not a part of the System *provided* that such indebtedness shall not be payable out of or secured by the Revenues or any Fund or Account held under the Water and Sewer System Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund or Account.

### **Redemption**

In the case of any redemption of Water and Sewer System Bonds, JEA shall give written notice to the Bond Registrar(s) therefor and the Paying Agents of the redemption date, of the Series, and of the principal amounts of the Water and Sewer System Bonds of each maturity of such Series and of the Water and Sewer System Bonds of each interest rate within a maturity to be



redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Water and Sewer System Resolution or any Supplemental Resolution authorizing the Series of which such Water and Sewer System Bonds are a part). Such notice shall be filed with such Bond Registrars and the Paying Agents for the Water and Sewer System Bonds to be redeemed at least 40 days prior to the redemption date (or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Series of the Water and Sewer System Bonds to be redeemed or (b) as shall be acceptable to such Bond Registrars and Paying Agents). In the event notice of redemption shall have been given, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Water and Sewer System Bonds to be redeemed.

### **Covenant as to Rates, Fees and Other Charges**

Under the Water and Sewer System Resolution, JEA has covenanted that it will at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to provide an amount at least equal to the difference between (a) Net Revenues in each Bond Year and (b) Capacity Charges in such Bond Year which shall be the greater of (i) 125 percent of the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, and (ii) the amount which, together with other available funds, shall be sufficient for the payment of: (a) the amount to be paid during such Bond Year into the Debt Service Account (other than amounts required to be paid into such Account out of the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); (b) the amount, if any, to be paid during such Bond Year into each separate subaccount in the Debt Service Reserve Account (other than amounts required to be paid into any such subaccount out of the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); (c) the amount, if any, to be paid during such Bond Year into the Subordinated Indebtedness Fund (other than amounts required to be paid into such Fund out of the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); (d) the amount, if any, to be paid during such Bond Year into the Renewal and Replacement Fund (other than amounts required to be paid into such Fund out of the proceeds of Water and Sewer System Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); and (e) all other charges and liens whatsoever payable out of Revenues during such Bond Year. Nothing in the preceding sentence shall be deemed to prevent or preclude JEA, for purposes of financial reporting, from preparing and disseminating schedules of debt service coverage based upon Net Revenues without deduction therefrom of Capacity Charges, nor shall anything in the preceding sentence be deemed to require JEA, for purposes of financial reporting, to prepare schedules of debt service coverage based upon the difference between Net Revenues and Capacity Charges.

## Certain Other Covenants

***Creation of Liens.*** JEA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Water and Sewer System Bonds, payable out of or secured by a security interest in or pledge of the Trust Estate, any separate subaccount in the Debt Service Reserve Account or other moneys, securities or funds held or set aside by JEA or by the Fiduciaries under the Water and Sewer System Resolution and shall not create or cause to be created any lien or charge on the Trust Estate, any separate subaccount in the Debt Service Reserve Account or such moneys, securities or funds; *provided, however*, that nothing contained in the Water and Sewer System Resolution shall prevent JEA from issuing, if and to the extent permitted by law, (a) Bond Anticipation Notes or other evidences of indebtedness payable out of, and which may be secured by a pledge of (i) the proceeds of sale of Water and Sewer System Bonds or investment income therefrom, or (ii) amounts in the Construction Fund derived from the proceeds of sale of said Bond Anticipation Notes or investment income therefrom as may from time to time be available for payment of such Bond Anticipation Notes or other evidences of indebtedness (including redemption premiums, if any, and interest thereon) as part of the Costs of the System, or (iii) Revenues to be derived on and after such date as the pledge of the Revenues provided in the Water and Sewer System Resolution shall be discharged and satisfied as provided in the Water and Sewer System Resolution, or (b) Subordinated Indebtedness.

***Disposition of the System.*** Except as described in this paragraph, JEA may not sell, lease, mortgage or otherwise dispose of any part of the System. JEA may sell or exchange at any time and from time to time any property or facilities constituting part of the System only if (i) JEA shall determine that such property or facilities are not needed or useful in the operation of the System, or (ii) the net book value of the property or facilities sold or exchanged is not more than five percent of the net book value of the property and facilities of the System, or (iii) there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the sale or exchange of such property or facilities will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the rate covenant described under "Covenant as to Rates, Fees and Other Charges" above. The proceeds of any sale or exchange of any property or facilities constituting a part of the System not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall be deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Water and Sewer System Resolution. In addition to any agreement in effect as of the date on which JEA assumes ownership of the System to which JEA and/or the City is a party relating to the ownership or operation of any part of the System or the use of the output thereof, JEA also may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System; *provided* that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by JEA or its agents of the System and (ii) does not materially adversely affect the rights or security of the Holders of the Water and Sewer System Bonds under the Water and Sewer System Resolution. Any payments received by JEA under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System shall constitute Revenues. JEA also may enter into certain sale-leaseback and lease-leaseback transactions if certain conditions set forth in the Water and Sewer System Resolution are satisfied. The proceeds of any such transaction not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall be deposited in the

Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Water and Sewer System Resolution. JEA may permanently discontinue the acquisition or construction of any portion of the System as described in the final paragraph under "Construction Fund" above.

***Insurance.*** JEA shall at all times keep or cause to be kept the properties of the System which are of an insurable nature and of the character usually insured by those operating properties similar to such properties of the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. JEA shall at all times maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the System.

***Reconstruction of the System; Application of Insurance Proceeds; Condemnation Awards.*** If any useful portion of the System shall be damaged or destroyed or taken by any governmental authority under the power of eminent domain or otherwise ("Condemnation"), JEA shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless there shall be filed with the records of JEA a certificate of an Authorized Officer of JEA setting forth a determination by JEA that, taking into account all relevant facts and circumstances, including, if and to the extent JEA deems appropriate, the advice of the Consulting Engineer as to engineering matters, its attorneys as to legal matters and other consultants and advisors, such reconstruction or replacement is not in the interest of JEA and the Holders of the Water and Sewer System Bonds. Except as provided in the Water and Sewer System Resolution, the proceeds of any insurance paid or award received on account of such damage, destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Construction Fund pursuant to the Water and Sewer System Resolution) or Condemnation shall be held by JEA in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement.

***Additional Utility Functions.*** JEA may expand the utility functions of the System as they exist as of the date on which JEA assumes the ownership thereof as permitted in the definition of "System" only if JEA files with the books and records of JEA a certified copy of resolutions of the JEA Board to the effect that the addition of such utility functions (a) will not impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of the Water and Sewer System Resolution, including specifically the rate covenant described under "Covenant as to Rates, Fees and Other Charges" above and (b) will not materially adversely affect the rights of the Holders of the Water and Sewer System Bonds. In making the determinations to be set forth in such resolutions, the JEA Board may rely upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, bond counsel, financial advisors or other appropriate advisors as the JEA Board shall deem necessary or appropriate.

### **Amendment of Water and Sewer System Resolution**

The Water and Sewer System Resolution and the rights and obligations of JEA and of the Holders of the Water and Sewer System Bonds may be amended by a Supplemental Resolution with the written consent (i) of the Holders of not less than a majority in principal amount of the Water and Sewer System Bonds affected by such modification or amendment and (ii) in case the

modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Water and Sewer System Bonds of the particular Series and maturity entitled to such Sinking Fund Installment. No such modification or amendment may (A) permit a change in the terms of redemption or maturity of the principal of any Water and Sewer System Bond or any installment of interest or a reduction in the principal, Redemption Price or rate of interest thereon without consent of each affected Holder, or (B) reduce the percentages or otherwise affect the classes of Water and Sewer System Bonds the consent of the Holders of which is required to effect any such modification or amendment. For purposes of the foregoing, (a) a change in the terms of redemption of any Water and Sewer System Bond shall be deemed only to affect such Bond and (b) the Holders of Water and Sewer System Bonds may include the initial Holders thereof, regardless of whether such Water and Sewer System Bonds are being held for resale. The Water and Sewer System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Water and Sewer System Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, Water and Sewer System Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided will be deemed to be the Holder of such Water and Sewer System Bonds of any Series, or a maturity within a Series, at all times for the purpose of giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Water and Sewer System Resolution which requires the written approval or consent of Holders, except that the foregoing provisions will not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Water and Sewer System Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Water and Sewer System Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. See "Action by Credit Enhancer When Action by Holders of Water and Sewer System Bonds Required" herein.

The Supplemental Resolutions authorizing JEA's Variable Rate Water and Sewer System Revenue Bonds, 2008 Series A-2 and 2008 Series B (collectively, the "Prior Series Variable Rate Water and Sewer System Bonds") provide that in the event that JEA shall adopt any Supplemental Resolution making any amendment to the Water and Sewer System Resolution for which the consent of the Holders of the Prior Series Variable Rate Water and Sewer System Bonds of a particular Series shall be required (hereinafter in this paragraph referred to as an "Amending Resolution"), an authorized officer of JEA may deliver to the Tender Agent for the Prior Series Variable Rate Water and Sewer System Bonds of such Series a certificate requiring that the Prior Series Variable Rate Water and Sewer System Bonds of such Series be subject to mandatory tender for purchase at the time and in the manner provided in said Supplemental Resolutions. Following the date on which such mandatory tender shall occur, all subsequent Holders of the Prior Series Variable Rate Water and Sewer System Bonds of such Series shall be deemed to have consented to such Amending Resolution, notwithstanding anything to the contrary contained in the Water and Sewer System Resolution. JEA intends to include this provision in each Supplemental Resolution it may adopt in the future authorizing the issuance of any Series of additional Water and Sewer System Variable Rate Bonds.

The Water and Sewer System Resolution also may be amended, upon the delivery of a Counsel's Opinion to the effect that the provisions of such amendment will not have a material

adverse effect on the interests of the Holders of Outstanding Water and Sewer System Bonds, but without the consent of Holders of Water and Sewer System Bonds, (i) to cure any ambiguity, omission, defect or inconsistent provision in the Water and Sewer System Resolution; (ii) to insert provisions clarifying the Water and Sewer System Resolution; or (iii) to make any other modification or amendment of the Water and Sewer System Resolution which such counsel in its reasonable judgment determines will not have a material adverse effect on the interests of the Holders of the Water and Sewer System Bonds. Notwithstanding any other provision of the Water and Sewer System Resolution, in determining whether the interests of the Holders of Outstanding Water and Sewer System Bonds are materially adversely affected, such counsel shall consider the effect on the Holders of any Water and Sewer System Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement.

Without the consent of the Holders of Water and Sewer System Bonds, JEA may adopt a Supplemental Resolution which (i) closes the Water and Sewer System Resolution against, or provides additional conditions to, the issuance of Water and Sewer System Bonds or other evidences of indebtedness; (ii) adds covenants and agreements of JEA; (iii) adds limitations and restrictions to be observed by JEA; (iv) authorizes Water and Sewer System Bonds of an additional Series; (v) provides for the issuance of Water and Sewer System Bonds in coupon form payable to bearer or in uncertificated form; (vi) confirms any security interest or pledge of the Revenues or of any other moneys, securities or funds; (vii) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Water and Sewer System Bonds, specifies the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve Account securing the Water and Sewer System Bonds of such Additionally Secured Series; (viii) makes any modification which is to be effective only after all Water and Sewer System Bonds of each Series Outstanding as of the date of the adoption of such Supplemental Resolution cease to be Outstanding; and (ix) authorizes Subordinated Indebtedness.

## **Defeasance**

The pledge of the Trust Estate and each separate subaccount in the Debt Service Reserve Account created by the Water and Sewer System Resolution and all covenants, agreements and other obligations of JEA to the Holders of Water and Sewer System Bonds will cease, terminate and become void and be discharged and satisfied whenever all Water and Sewer System Bonds and interest due or to become due thereon are paid in full. If any Water and Sewer System Bonds are paid in full, such Water and Sewer System Bonds shall cease to be entitled to any lien, benefit or security under the Water and Sewer System Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Water and Sewer System Bonds will cease, terminate and become void and be discharged and satisfied. Water and Sewer System Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the Water and Sewer System Resolution whenever the following conditions (or such other conditions as may be set forth in the Supplemental Resolution authorizing such Water and Sewer System Bonds) are met: (i) in case any Water and Sewer System Bonds are to be redeemed prior to their maturity, JEA has given to the Escrow Agent therefor instructions to give notice of redemption therefor, (ii) there has been deposited with such Escrow Agent either moneys or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and

interest due and to become due on such Water and Sewer System Bonds, and (iii) in the event such Water and Sewer System Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA has given such Escrow Agent instructions to give a notice to the Holders of such Water and Sewer System Bonds that the above deposit has been made and that such Water and Sewer System Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Water and Sewer System Bonds.

### **Events of Default; Remedies**

Events of Default under the Water and Sewer System Resolution include (i) failure to pay the principal or Redemption Price of any Water and Sewer System Bond when due (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement); (ii) failure to pay any installment of interest on any Water and Sewer System Bond or the unsatisfied balance of any Sinking Fund Installment when due (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement) and continuance thereof for a period of 30 days; (iii) failure by JEA to perform or observe any other covenants, agreements, or conditions contained in the Water and Sewer System Resolution or the Water and Sewer System Bonds and continuance thereof for a period of 60 days after written notice; and (iv) certain events of bankruptcy or insolvency. Upon the happening of any such Event of Default the Holders of not less than 25 percent in principal amount of the Water and Sewer System Bonds Outstanding may declare the principal of all the Water and Sewer System Bonds then Outstanding, and the interest accrued thereon, due and payable (subject to a rescission of such declaration upon the curing of such default before the Water and Sewer System Bonds have matured); *provided, however*, that in the event that a Supplemental Resolution authorizing Water and Sewer System Bonds for which Credit Enhancement is being provided provides that the principal of such Water and Sewer System Bonds, and the accrued interest thereon, may not be declared due and payable immediately (nor such declaration be rescinded and annulled, as provided in the Water and Sewer System Resolution) without the consent in writing of the Credit Enhancer therefor, then such Water and Sewer System Bonds, and the interest accrued thereon, shall not become due and payable immediately as aforesaid (nor may such declaration be rescinded and annulled) without such written consent, and, in that event, the remedies available to the Holders of such Water and Sewer System Bonds (or such Credit Enhancer on behalf of such Holders) shall be limited to the other remedies set forth in the Water and Sewer System Resolution.

During the continuance of an Event of Default under the Water and Sewer System Resolution, JEA is to apply all moneys, securities, funds and Revenues held or received by JEA (other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account) as follows and in the following order: (i) for Operation and Maintenance Expenses and for the reasonable renewals, repairs, replacements of the System necessary in the judgment of JEA to prevent a loss of Revenues; (ii) to the interest and principal or Redemption Price due on the Water and Sewer System Bonds; and (iii) to the interest and principal or redemption price due on Subordinated Indebtedness. During the continuance of an Event of Default under the Water and Sewer System Resolution, JEA is to apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account to the interest and principal or sinking fund Redemption Price due on the Water and Sewer System Bonds of any Additionally Secured Series secured thereby.

The Water and Sewer System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Water and Sewer System Bonds, the Credit Enhancer for, and not the actual Holders of, Water and Sewer System Bonds for which such Credit Enhancement is being provided will be deemed to be the Holder of such Water and Sewer System Bonds at all times for the purposes of giving any approval or consent, exercising any remedies or taking any other actions in respect of the occurrence of an Event of Default. See "Action by Credit Enhancer When Action by Holders of Water and Sewer System Bonds Required" herein.

### **Action by Credit Enhancer When Action by Holders of Water and Sewer System Bonds Required**

Except as otherwise provided in a Supplemental Resolution authorizing Water and Sewer System Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Water and Sewer System Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Water and Sewer System Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Water and Sewer System Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Water and Sewer System Resolution which requires the written approval or consent of Holders; *provided, however*, that the foregoing shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Water and Sewer System Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Water and Sewer System Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action following the occurrence of an Event of Default under the Water and Sewer System Resolution.

### **Special Provisions Relating to Water and Sewer System Capital Appreciation Bonds, Water and Sewer System Deferred Income Bonds and Reimbursement Obligations**

The principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Bonds or the Appreciated Value of Water and Sewer System Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service, Adjusted Aggregate Debt Service and Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (i) receiving payment of the Redemption Price if a Water and Sewer System Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Water and Sewer System Capital Appreciation Bond if the principal of all Water and Sewer System Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Water and Sewer System Bonds held by the Holder of a Water and Sewer System Capital Appreciation Bond in giving to JEA any notice, consent, request, or demand pursuant to the Water and Sewer System Resolution for any purpose whatsoever, the principal amount of a Water and Sewer System Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

For the purposes of (i) receiving payment of the Redemption Price if a Water and Sewer System Deferred Income Bond is redeemed prior to maturity, or (ii) receiving payment of a Water and Sewer System Deferred Income Bond if the principal of all Water and Sewer System Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Water and Sewer System Bonds held by the Holder of a Water and Sewer System Deferred Income Bond in giving to JEA any notice, consent, request, or demand pursuant to the Water and Sewer System Resolution for any purpose whatsoever, the principal amount of a Water and Sewer System Deferred Income Bond shall be deemed to be its then current Appreciated Value.

Except as otherwise provided in a Supplemental Resolution authorizing a Series of Reimbursement Obligations, for the purposes of (i) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Water and Sewer System Bonds is declared immediately due and payable following an Event of Default or (ii) computing the principal amount of Water and Sewer System Bonds held by the Holder of a Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the Water and Sewer System Resolution for any purpose whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Water and Sewer System Bonds of the Series or maturity or interest rate within a maturity for which such Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Water and Sewer System Bonds, less any prior repayments thereof.

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Attachment 1



**FINANCIAL  
SECURITY  
ASSURANCE®**

**MUNICIPAL BOND DEBT SERVICE  
RESERVE INSURANCE POLICY**

ISSUER: JEA, Florida

Policy No.: 203510-R

BONDS: Water and Sewer System Revenue Bonds, 2004 Series C and other Additionally Secured Bonds secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Reserve Fund

Effective Date: September 22, 2004

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become due for payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes due for payment or the Business Day next following the Business Day on which Financial Security shall have received notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day, otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Bond Document. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond and all insurance policies in respect of the Bond, to the extent of any payment by Financial Security hereunder.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due

upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or teletyped notice, subsequently confirmed in a signed writing or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$3,702,499.05. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document. "Termination Date" means October 1, 2039.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud) whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 501B NY (8/96)



**FINANCIAL  
SECURITY  
ASSURANCE®**

**ENDORSEMENT NO. 2 TO  
MUNICIPAL BOND  
INSURANCE POLICY  
(Nonreduction Endorsement)**

ISSUER: JEA, Florida

Policy No.: 203510-R

BONDS: Water and Sewer System Revenue Bonds, 2004 Series C and other Additionally Secured Bonds secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Reserve Fund

Effective Date: September 22, 2004

Notwithstanding the terms and provisions contained in this Policy, the amount available under this Policy to pay principal of and interest on Bonds that are Due for Payment but are unpaid by reason of Nonpayment, at any time prior to the time the Policy terminates, shall be an amount equal to the Policy Limit reduced by the dollar amount of any payment under this Policy and increased by the dollar amount of any subsequent reimbursement to Financial Security for amounts so paid, up to the Policy Limit.

"Policy Limit" shall mean \$3,702,459.05.

Nothing herein shall be construed to waive, alter, reduce or amend coverage of the Policy in any other respect. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 632 NY (FL 5/04)

Attachment 2

**BERKSHIRE HATHAWAY  
ASSURANCE CORPORATION**  
*NEW YORK, NEW YORK*

**DEBT SERVICE RESERVE FUND  
FINANCIAL GUARANTY  
INSURANCE POLICY**

**DECLARATIONS**

<b>Policy No.:</b>	98SRD102446
<b>Issuer:</b>	JEA
<b>Issuer Address:</b>	Jacksonville, Florida
<b>Obligations:</b>	All Water and Sewer System Revenue Bonds which constitute an Additionally Secured Series secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Reserve Fund established pursuant to the First Supplemental Water and Sewer System Revenue Bond Resolution of August 19, 1997
<b>Effective Date:</b>	August 11, 2008
<b>Termination Date:</b>	October 1, 2038
<b>Insured Limit:</b>	\$33,000,000
<b>Percentage:</b>	Insured Limit of this Policy divided by the sum of the available limits of all surety bonds, insurance policies, letters of credit or any other reserve fund credit instruments outstanding on the Date of Demand as defined in this Policy that meet the requirements of the Initial Subaccount at the time of a demand under this Policy.
<hr/>	
<b>Premium:</b>	
<b>Endorsements:</b>	None

## **INSURANCE POLICY TERMS AND CONDITIONS**

BERKSHIRE HATHAWAY ASSURANCE CORPORATION ("BHAC"), in consideration of the payment of the premium received by BHAC and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to the Trustee for the benefit of the Holders the Insured Payments on the Payment Due Date but shall be unpaid by reason of Nonpayment by the Issuer. Payment will be made on the later to occur of (i) the Business Day following the day on which BHAC shall have Received a completed notice of Nonpayment in form attached as Exhibit A to the Policy, or (ii) the Payment Due Date with respect to the applicable principal or interest payment (the later of the dates referred to in clauses (i) and (ii) being the "Date of Demand"). If a notice of Nonpayment to BHAC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and BHAC shall promptly give notice to the Trustee that the purported notice of Nonpayment is not deemed Received. Upon receipt of such notice, the Trustee may submit an amended notice of Nonpayment. Payment by BHAC to the Trustee for the benefit of the Holders shall discharge the obligation of BHAC under this Policy to the extent of such payment.

Except as described below, this Policy is non-cancelable by BHAC for any reason. The Premium on this Policy is not refundable for any reason, including the payment prior to maturity of the Obligations. This Policy does not insure against loss of any premium on the Obligation paid by the Holder or any acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of BHAC, nor does this Policy insure against any risk other than Nonpayment.

Under no circumstance shall BHAC's obligations under this Policy exceed the Insured Limit. The amount available at any time to be paid to the Trustee under the terms of this Policy shall automatically be reduced by any payment under this Policy; provided that Issuer may reinstate the Insured Limit by payment of the amount paid by BHAC hereunder plus interest and expenses as provided herein. Issuer shall repay any draws under this Policy and pay all related reasonable expenses incurred by BHAC. Interest shall accrue and be payable on such draws and expenses from the date of payment by BHAC at the Late Payment Rate. Repayment of draws and payment of expenses and accrued interest there on at the Late Payment Rate (collectively "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Payment of such Policy Costs shall be payable in the manner provided in paragraph (f) of subsection 4 of Section 6.01 of the First Supplemental Water and Sewer System Revenue Bond Resolution of the Issuer adopted August 19, 1997.

Each reinstatement payment shall first be applied to payment of interest and expenses and any remainder deemed to be repayment of the principal paid by BHAC to reinstate the Insured Limit. BHAC shall provide the Trustee and the Issuer with notice of reinstatement of the Insured Limit in the form provided in Exhibit B to this Policy within three Business Days following Receipt of the full reinstatement payment due BHAC. Under no circumstances shall BHAC incur duplicate liability for the same amounts owing with respect to the Obligations that are covered under this Policy and any other insurance policy or surety bond that BHAC has issued.

Under no circumstances may the Insured Limit be increased from the amount stated in the Declarations other than by Endorsement to this Policy.

BHAC shall have no liability under this Policy with respect to any Obligation which is not subject to the Resolution. This Policy will not apply to any Obligation that is not pari passu in security to the Water and Sewer System Refunding Revenue Bonds, 2007 Series C whether or not such 2007 Series C Bonds remain outstanding; provided that, if the 2007 Series C Bonds are not outstanding, this Policy will not apply to any Obligation that would not have been pari passu in security to the Water and Sewer System Refunding Revenue Bonds, 2007 Series C if they had remained outstanding. BHAC shall have no liability under this Policy for any Nonpayment with respect to an Obligation that is not issued pursuant to the Resolution, without amendment of that Resolution.

This Policy excludes from coverage any Non-Payment occurring prior to the Effective Date or after the Termination Date.

If JEA shall fail to pay any Policy Costs in accordance with the requirement of this Policy, BHAC shall be entitled to exercise any and all legal and equitable remedies available to it, including (i) the bringing of an action for mandamus and (ii) those remedies provided under the Resolution other than (A) acceleration of the maturity of the Obligations or (B) remedies which would adversely affect owners of the Obligations. In furtherance of the foregoing, JEA hereby acknowledges and agrees that BHAC shall be a third-party beneficiary of the Resolution, and shall be entitled to bring suit on the Resolution based upon JEA's failure to pay any Policy Costs as aforesaid.

The Resolution shall not be discharged until all Policy Costs owing to BHAC shall have been paid in full. JEA's obligation to pay such amounts shall survive payment in full of the Obligations.

Except to the extent expressly modified by the Declarations to this Policy or any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Custodian are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York, New York.

"Holder" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is the registered owner of an Obligation pursuant to the applicable Resolution governing the Obligation entitled to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations.

"Initial Subaccount" means the initial subaccount in the Debt Service Reserve Account in the Debt Service Reserve Fund established pursuant to the First Supplemental Water and Sewer System Revenue Bond Resolution of the Issuer adopted August 19, 1997.

"Insured Payments" means the Percentage set forth in the Declarations multiplied by the principal of and interest for which payment is due on the Obligations on the applicable Payment Due Date, but only after any cash and investments in the Initial Subaccount on the Date of Demand under this Policy have been applied to amounts due under the Obligations on that Payment Due Date. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee by reason of such failure.

"Late Payment Rate" means, the lesser of (a) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus three percent interest plus fifty basis points per annum starting twelve months after any draw is made and increasing by fifty basis points per annum every twelve months any draw remains unpaid, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment rate shall be computed on the basis of the actual number of days elapsed over a year of 365 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as BHAC shall specify.

"Nonpayment" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee for payment in full of all principal and interest due on such Obligation on the applicable Payment Due Date.

"Obligations" mean the bonds described in the Declarations which are outstanding under the terms of the Resolution.

"Payment Due Date" means (i) when referring to the principal of an Obligation, the stated

maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BHAC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest.

"Receipt" or "Received" means actual receipt of notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to BHAC may be mailed by certified mail or may be delivered by telecopier to facsimile number 203 363 5221, attn: Bond Insurance Claims, or to such other address as shall be specified by BHAC to the Trustee in writing.

"Resolution" means the Water and Sewer System Revenue Bond Resolution of the Issuer adopted February 18, 1997, the First Supplemental Water and Sewer System Revenue Bond Resolution of the Issuer adopted August 19, 1997 and any further supplemental resolution issued subject to the foregoing resolutions.

"Trustee" means the trustee or paying agent, as set forth in the applicable Resolution of the Issuer governing the Obligations.

All capitalized terms used in this Policy and not otherwise defined in this Policy shall have the meaning given them in the applicable Resolution governing the Obligations.

To the fullest extent permitted by applicable law, BHAC hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to BHAC to deny or avoid payment of amounts due under this Policy in accordance with the express provisions hereof, and BHAC furthermore hereby expressly waives any claim for set-off or other counterclaim against payment hereunder. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and BHAC expressly reserves, BHAC's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee, in accordance with the express provisions hereof, and/or (ii) to require payment by BHAC of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of BHAC with respect to the subject matter hereof, and shall not be modified, altered or affected by any other agreement or instrument, including without limitation, any modification or amendment thereto, unless the modification or amendment is agreed to by the Custodian of the Obligations. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAWS OR THE FLORIDA INSURANCE GUARANTY ASSOCIATION SPECIFIED IN THE FLORIDA INSURANCE GUARANTY ASSOCIATION ACT. Payments under this Policy may not be accelerated except at the sole option of BHAC.

Premium is due from the Issuer not later than the Effective Date.

This Policy will be governed by, and shall be construed in accordance with, the laws of the State of Florida.

IN WITNESS WHEREOF, BHAC has caused this Policy to be executed on its behalf by its duly authorized officer, and to become effective and binding upon BHAC by virtue of such signature.

BERKSHIRE HATHAWAY ASSURANCE CORPORATION

Exhibit A

Policy No. \_\_\_\_\_

**NOTICE OF NONPAYMENT**

\_\_\_\_\_, 20\_\_

**BERKSHIRE HATHAWAY ASSURANCE CORPORATION**  
100 First Stamford Place  
Stamford, CT 06902

Attention:

Reference is made to the Policy No. \_\_\_\_\_ (the "Policy") issued by Berkshire Hathaway Assurance Corporation ("BHAC"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

The Paying Agent hereby certifies that:

1. On the Payment Due Date of \_\_\_\_\_, 20\_\_ \$\_\_\_\_\_ [became] [will become] due for payment on the following Obligations: [list of Obligations]\_\_\_\_\_.
2. The amount on deposit in the Debt Service Account of the Debt Service Fund and the Initial Subaccount of the Debt Service Reserve Account of the Debt Service Fund available to pay such amount is \$\_\_\_\_\_, which is \$\_\_\_\_\_ less than the amount due (the "Deficiency Amount");
3. The Paying Agent hereby demands payment of \$\_\_\_\_\_ which amount does not exceed the lesser of (i) the Percentage multiplied by the Deficiency Amount and (ii) the amount available to be drawn under the Policy which in no event shall exceed the Insured Limit;
4. The Paying Agent has not heretofore made demand under the Policy for the amount specified in 3. above or any portion thereof; and
5. The Paying Agent hereby requests that payment of the amount specified in 3. above be made by BHAC under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy: \_\_\_\_\_ [Paying Agent's Account].

[Paying Agent]

By: \_\_\_\_\_



Exhibit B

Policy No. \_\_\_\_\_

**NOTICE OF REINSTATEMENT**

\_\_\_\_\_, 20\_\_\_\_

[Paying Agent]

[Address]

Reference is made to the Policy No. \_\_\_\_\_ (the "Policy") issued by Berkshire Hathaway Assurance Corporation ("BHAC"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

BHAC hereby delivers notice that it is in receipt of payment from the Issuer pursuant to Article 2 of the Financial Guaranty Agreement relating to the Policy and as of the date hereof the Insured Limit is \$\_\_\_\_\_.

BERKSHIRE HATHAWAY ASSURANCE CORPORATION

\_\_\_\_\_

Authorized Officer

Attest: \_\_\_\_\_

Title:

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## SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATED WATER AND SEWER SYSTEM RESOLUTION

The following is a summary of certain provisions of the Subordinated Water and Sewer System Resolution. Summaries of certain definitions contained in the Subordinated Water and Sewer System Resolution are set forth below. Other terms defined in the Subordinated Water and Sewer System Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Subordinated Water and Sewer System Resolution and, accordingly, is qualified by reference thereto and subject to the full text thereof.

The Subordinated Water and Sewer System Resolution, as heretofore amended, is available for viewing and downloading on JEA's website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the Subordinated Water and Sewer System Resolution also may be obtained from JEA; provided that a reasonable charge may be imposed for the cost of reproduction. The term "Subordinated Bonds" as used in the Subordinated Water and Sewer System Resolution and in this summary, has the same meaning as the term "Subordinated Water and Sewer System Bonds" as used in the Annual Disclosure Report to which this summary is attached.

### Definitions

The following are summaries of certain definitions in the Subordinated Water and Sewer System Resolution:

*Accreted Value* means, as of any date of computation with respect to any Water and Sewer System Capital Appreciation Subordinated Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Capital Appreciation Subordinated Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Water and Sewer System Capital Appreciation Subordinated Bonds set forth in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Capital Appreciation Subordinated Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Additional Parity Subordinated Indebtedness* means any obligation incurred by JEA subsequent to the date of adoption of the Subordinated Water and Sewer System Resolution in respect of amounts payable by JEA in repayment of draws under any surety bond, insurance policy,

letter of credit or other similar obligation that is deposited, in lieu of a cash deposit thereto, to any subaccount in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Water and Sewer System Resolution, and all expenses with respect thereto and interest thereon, and that is designated as such by an Authorized Officer of JEA in a certificate filed with the records of JEA on the date of the deposit of such surety bond, insurance policy, letter of credit or other similar obligation to such subaccount.

*Adjusted Aggregate Debt Service* shall have the meaning assigned to such term in the Water and Sewer System Resolution.

*Adjusted Aggregate Subordinated Debt Service* for any period shall mean, as of any date of calculation, the Aggregate Subordinated Debt Service for such period except that (a) if any Refundable Subordinated Principal Installment for any Series of Subordinated Bonds is included in Aggregate Subordinated Debt Service for such period, Adjusted Aggregate Subordinated Debt Service shall mean Aggregate Subordinated Debt Service determined (i) in the case of Refundable Subordinated Principal Installments with respect to Subordinated Bonds other than Commercial Paper Notes and Medium-Term Notes, as if each such Refundable Subordinated Principal Installment had been payable, over a period extending from the due date of such Subordinated Principal Installment through the earlier of (x) the 40th anniversary of the issuance of such Series of Subordinated Bonds or (y) the 30th anniversary of the due date of such Refundable Subordinated Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Refundable Subordinated Principal Installments with respect to Commercial Paper Notes or Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto and (b) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Subordinated Bonds or the Appreciated Value of Water and Sewer System Deferred Income Subordinated Bonds shall be included in the calculation of Adjusted Aggregate Subordinated Debt Service at the times and in the manner provided in the provisions of the Subordinated Water and Sewer System Resolution. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Subordinated Principal Installment of any Series of Subordinated Bonds shall be calculated at such rate of interest as JEA, or a banking or financial institution or financial advisory firm selected by JEA, determines would be a reasonable estimate of the rate of interest that would be borne on Subordinated Bonds maturing at the times determined in accordance with the provisions of clause (a) of the preceding sentence, determined as of such date of calculation.

*Aggregate Subordinated Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Subordinated Debt Service for such period with respect to all Series; *provided, however,* that (a) for purposes of estimating Aggregate Subordinated Debt Service for any future period (i) any Variable Rate Subordinated Bonds, Commercial Paper Notes and Medium-Term Notes Outstanding during such period shall be assumed to bear interest during such period at the Stipulated Interest Rate applicable thereto, determined as of such date of calculation and (ii) any Option Subordinated Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Subordinated Bonds or the Appreciated Value of Water and Sewer System Deferred Income Subordinated Bonds shall be

included in the calculation of Aggregate Subordinated Debt Service at the times and in the manner provided in the Subordinated Water and Sewer System Resolution.

*Alternate Variable Rate Taxable Index* means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

*Alternate Variable Rate Tax-Exempt Index* means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

*Appreciated Value* means, with respect to any Water and Sewer System Deferred Income Subordinated Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Water and Sewer System Deferred Income Subordinated Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Deferred Income Subordinated Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Water and Sewer System Deferred Income Subordinated Bonds set forth in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Deferred Income Subordinated Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

*Average Annual Adjusted Aggregate Debt Service* means, as of any date of calculation, the arithmetic average of the Adjusted Aggregate Debt Service for the then current and each future Bond Year.

*Average Annual Adjusted Aggregate Subordinated Debt Service* means, as of any date of calculation, the arithmetic average of the Adjusted Aggregate Subordinated Debt Service for the then current and each future Bond Year.

*Bearer Commercial Paper Note* means any Commercial Paper Note that, in accordance with the Supplemental Subordinated Resolution authorizing the Series of which such Commercial Paper Note is a part, is issued in bearer form, not registrable as to principal or face amount.

*BMA Municipal Swap Index* means the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Bond Market Association.

*Build America Bonds* means any Subordinated Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code, or any similar federal program creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Subordinated Bonds.

*Code* means the Internal Revenue Code of 1986, or any successor, and the applicable regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury thereunder, including Treasury Regulations issued pursuant to Sections 103 and 141 through 150, inclusive, of said Internal Revenue Code of 1986.

*Commercial Paper Note* means any Subordinated Bond which (a) has a maturity date which is not more than 365 days after the date of issuance thereof and (b) is designated as a Commercial Paper Note in the Supplemental Subordinated Resolution authorizing such Subordinated Bond.

*Commercial Paper Payment Plan* means, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Commercial Paper Notes; *provided, however*, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Water and Sewer System Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Commercial Paper Notes shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the earlier of (x) the 40th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 30th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial Paper Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Notes in each other Fiscal Year in such period.

*Credit Enhancement* means, with respect to the Water and Sewer System Bonds of a Series, a maturity within a Series or an interest rate within a maturity or the Subordinated Bonds of a Series, a maturity within a Series or an interest rate within a maturity, the issuance of an insurance policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes unconditionally obligated to pay when due, to the extent not paid by JEA or otherwise, the principal of and interest on such Water and Sewer System Bonds or Subordinated Bonds, as the case may be.

*Credit Enhancer* means any person or entity which, pursuant to a Supplemental Subordinated Resolution, is designated as a Credit Enhancer and which provides Credit

Enhancement for the Water and Sewer System Bonds of a Series, a maturity within a Series or an interest rate within a maturity or the Subordinated Bonds of a Series, a maturity within a Series or an interest rate within a maturity.

*Current Interest Commencement Date* means, with respect to any particular Water and Sewer System Deferred Income Subordinated Bonds, the date specified in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Deferred Income Subordinated Bonds (which date must be prior to the maturity date for such Water and Sewer System Deferred Income Subordinated Bonds) after which interest accruing on such Water and Sewer System Deferred Income Subordinated Bonds shall be payable periodically on dates specified in such Supplemental Subordinated Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Defeasance Securities* have the meaning given to such term in the Water and Sewer Resolution except that (a) the references therein to "Bonds of a Series" and "the Supplemental Resolution authorizing such Bonds" shall be deemed to refer to "Subordinated Bonds of a Series" and "the Supplemental Subordinated Resolution authorizing such Subordinated Bonds," respectively and (b) the reference in clause (g) thereof to subsection 6 of Section 1201 of the Water and Sewer Resolution shall be deemed to refer to subsection 6 of Section 12.01 of the Subordinated Water and Sewer Resolution.

*Designated Swap Obligation* means, to the extent from time to time permitted by law, any interest rate swap transaction (i) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Water and Sewer System Bonds or Subordinated Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Water and Sewer System Bonds or Subordinated Bonds, as the case may be) and (ii) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which certificate shall specify the Water and Sewer System Bonds or Subordinated Bonds, as applicable, with respect to which such Designated Swap Obligation is entered into).

*Designated Swap Obligation Provider* means any person with whom JEA enters into a Designated Swap Obligation.

*Event of Default* when used with respect to the Subordinated Bonds, shall mean any event specified as such in the Water and Sewer System Resolution and any other event specified as such in the Subordinated Water and Sewer System Resolution.

*Existing Parity Subordinated Indebtedness* means (i) the Reimbursement Obligations of JEA under (and as defined in) the Debt Service Reserve Fund Policy Agreement, dated as of January 4, 2001, between JEA and Financial Guaranty Insurance Company ("FGIC"), (ii) the Reimbursement Obligations of JEA under (and as defined in) the Debt Service Reserve Fund Policy Agreement, dated as of April 11, 2002, between JEA and FGIC and (iii) the Reimbursement Obligations of JEA under (and as defined in) the Debt Service Reserve Fund Policy Agreement, dated as of October 24, 2002, between JEA and FGIC.

*Initial Subordinated Debt Service Reserve Fund* means the Fund by that name that is established in the Third Supplemental Subordinated Water and Sewer System Resolution.

*Medium-Term Note* means any Subordinated Bond which (a) has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance thereof and (b) is designated as a Medium-Term Note in the Supplemental Subordinated Resolution authorizing such Subordinated Bond.

*Medium-Term Note Payment Plan* means, with respect to any Series of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Medium-Term Notes; *provided, however*, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Water and Sewer System Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Medium-Term Notes shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the earlier of (x) the 40th anniversary of the first issuance of Medium-Term Notes of such Series or (y) the 30th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Notes in each other Fiscal Year in such period.

*One-Month LIBOR Rate* means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Option Subordinated Bonds* means Subordinated Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Refundable Subordinated Principal Installment* means any Subordinated Principal Installment for any Series of Subordinated Bonds which JEA intends to pay with moneys which are not Revenues; *provided, however*, that (i) in the case of Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Subordinated Resolution authorizing such Series of Subordinated Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and *provided, further*, that such Subordinated Principal Installment shall be a Refundable Subordinated Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Subordinated Principal Installment with moneys which are not Revenues.



*Stipulated Interest Rate* means, as of any date of determination:

(i) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Subordinated Bonds maturing on a particular date, in either of the foregoing cases, that were, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (2) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes, Variable Rate Subordinated Bonds or Water and Sewer System Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes, Variable Rate Subordinated Bonds or Water and Sewer System Variable Rate Bonds, as the case may be, are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (1) and

(ii) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Subordinated Bonds maturing on a particular date, in either of the foregoing cases, that were not, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (b) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes, Variable Rate Subordinated Bonds or Water and Sewer System Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes, Variable Rate Subordinated Bonds or Water and Sewer System Variable Rate Bonds, as the case may be, are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (a).

*Subordinated Bonds* means any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Subordinated Water and Sewer System Resolution, which shall constitute "Subordinated Indebtedness," and shall not constitute "Water and Sewer System Bonds," for purposes of the Water and Sewer System Resolution.

*Subordinated Debt Service* for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of:

(i) interest accruing during such period on the Subordinated Bonds of such Series, except to the extent that such interest is to be paid from the proceeds of Water and

Sewer System Bonds, Subordinated Bonds or other evidences of indebtedness of JEA, provided, that in the event that the Subordinated Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on such Subordinated Bonds, for purposes of this definition, the interest on the Subordinated Bonds of such Series shall be calculated net of the amount of cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Subordinated Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Subordinated Bonds of such Series shall be calculated without regard to such subsidy, and

(ii) that portion of each Subordinated Principal Installment for such Series which would accrue during such period if such Subordinated Principal Installment were deemed to accrue daily in equal amounts from the next preceding Subordinated Principal Installment due date for such Series (or, (x) in the case of Subordinated Bonds other than Subordinated Reimbursement Obligations, if (1) there shall be no such preceding Subordinated Principal Installment due date or (2) such preceding Subordinated Principal Installment due date is more than one year prior to the due date of such Subordinated Principal Installment, then, from a date one year preceding the due date of such Subordinated Principal Installment or from the date of issuance of the Subordinated Bonds of such Series, whichever date is later, and (y) in the case of Subordinated Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Subordinated Resolution authorizing such Subordinated Reimbursement Obligations), except to the extent that such Subordinated Principal Installment is paid or to be paid from the proceeds of Water and Sewer System Bonds, Subordinated Bonds or other evidences of indebtedness of JEA.

Such interest and Subordinated Principal Installments for such Series shall be calculated on the assumption that (x) no Subordinated Bonds (except for Option Subordinated Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Subordinated Principal Installment on the due date thereof, (y) the principal amount of Option Subordinated Bonds tendered for payment before the stated maturity thereof, and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Subordinated Bonds or the Appreciated Value of Water and Sewer System Deferred Income Subordinated Bonds shall be included in the calculation of Subordinated Debt Service at the times and in the manner provided in the Subordinated Water and Sewer System Resolution.

Notwithstanding anything to the contrary contained in the Subordinated Water and Sewer System Resolution, (a) if JEA has in connection with any Subordinated Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Subordinated Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating Subordinated Debt Service with respect to such Subordinated Bonds for the purposes of the rates, fees and charges covenant of JEA in the

Subordinated Water and Sewer System Resolution and the issuance of additional Subordinated Bonds, it will be assumed that such Subordinated Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the 12 months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for 12 months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Subordinated Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating Subordinated Debt Service with respect to such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, it will be assumed that such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as applicable, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*Subordinated Debt Service Reserve Requirement* as of any date of calculation and with respect to the Initial Subordinated Debt Service Reserve Fund, shall have the meaning assigned to such term in the Third Supplemental Subordinated Water and Sewer System Resolution hereinafter referred to (see "Initial Subordinated Debt Service Reserve Fund" discussion below).

For the purpose of the calculation of the Subordinated Debt Service Reserve Requirement in the event that the Subordinated Bonds of any Series shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Subordinated Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), the interest on such Subordinated Bonds shall be calculated net of the amount of such subsidy; provided, however, that if at any time the specified percentage of the interest payable on such Subordinated Bonds represented by such subsidy shall be permanently reduced, then the amount of such Subordinated Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Subordinated Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Subordinated Bonds shall cease to be Outstanding or (y) the amount of such Subordinated Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Subordinated Bonds that remain Outstanding and

the amount (if any) of such reduction in such Subordinated Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period and provided, further, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury in respect of the interest payable on any such Subordinated Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Subordinated Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Subordinated Bonds, and such increase shall be required to be funded in equal semiannual installments over a five (5)-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six (6) months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Subordinated Bonds shall cease to be Outstanding or (y) the amount of such Subordinated Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Subordinated Bonds that remain Outstanding and the amount (if any) of such reduction in such Subordinated Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount shall be evenly apportioned over the remainder of such five (5)-year period. Notwithstanding any other provision of this resolution, any one or more installments of any increase in the Subordinated Debt Service Reserve Requirement with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund provided for in the preceding sentence may be prepaid at any time in whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

*Subordinated Principal Installment* means, as of any date of calculation and with respect to any Series, so long as any Subordinated Bonds thereof are Outstanding, (i) the principal amount of Subordinated Bonds (including, in the case of any Option Subordinated Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Subordinated Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Subordinated Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Subordinated Bonds of such Series, the sum of such principal amount of Subordinated Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Subordinated Reimbursement Obligations* means all Subordinated Bonds issued pursuant to the Subordinated Water and Sewer System Resolution, concurrently with (a) the issuance of the Water and Sewer System Bonds of a Series authorized pursuant to the provisions of the Water and Sewer System Resolution for which Credit Enhancement or liquidity support is being provided with respect to such Water and Sewer System Bonds (or a maturity or maturities or interest rate within a maturity thereof) by a third-party or (b) the issuance of the Subordinated Bonds of a Series authorized pursuant to the provisions of the Subordinated Water and Sewer System Resolution for which Credit Enhancement or liquidity support is being provided with respect to such

Subordinated Bonds (or a maturity or maturities or interest rate within a maturity thereof) by a third-party, for the purpose of evidencing JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with such Credit Enhancement or liquidity support, and any Subordinated Bonds thereafter authenticated and delivered in lieu of or in substitution for such Subordinated Bonds.

*Subordinated Water and Sewer System Resolution* means the Water and Sewer System Subordinated Revenue Bond Resolution, supplemental to the Water and Sewer System Resolution, as from time to time amended or supplemented by Supplemental Subordinated Resolutions in accordance with the terms of the Water and Sewer System Resolution and the terms of the Water and Sewer System Subordinated Revenue Bond Resolution. The Water and Sewer System Subordinated Revenue Bond Resolution shall constitute a "Supplemental Resolution" within the meaning of the Water and Sewer System Resolution.

*Supplemental Subordinated Resolution* means any resolution supplemental to the Subordinated Water and Sewer System Resolution adopted by JEA in accordance with the Water and Sewer System Resolution and the Subordinated Water and Sewer System Resolution.

*U.S. Treasury* means the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America Bonds.

*Variable Rate Subordinated Bond* means any Subordinated Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of initial issuance of the Series of Subordinated Bonds of which such Subordinated Bond is one.

*Variable Rate Taxable Index* means the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* means the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

*Water and Sewer System Capital Appreciation Subordinated Bonds* means any Subordinated Bonds issued under the Subordinated Water and Sewer System Resolution as to which interest is (i) compounded periodically on dates that are specified in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Capital Appreciation Subordinated Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Subordinated Water and Sewer System Resolution or the Supplemental Subordinated Resolution authorizing such Water and Sewer System Capital Appreciation Subordinated Bonds.

*Water and Sewer System Deferred Income Subordinated Bonds* means any Subordinated Bonds issued under the Subordinated Water and Sewer System Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the Supplemental Subordinated Resolution authorizing such Water and Sewer System Deferred Income Subordinated Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Subordinated Water and Sewer System Resolution or the

Supplemental Subordinated Resolution authorizing such Water and Sewer System Deferred Income Subordinated Bonds.

### **Pledge**

The Subordinated Bonds are special obligations of JEA payable from and secured as to the payment of the principal or Redemption Price, if any, thereof, and interest thereon, in accordance with their terms and the provisions of the Subordinated Water and Sewer System Resolution by (i) the amounts on deposit in the Subordinated Indebtedness Fund established pursuant to the Water and Sewer System Resolution as may from time to time be available therefor, *subject, however,* to the pledge of the Trust Estate created by the Water and Sewer System Resolution as security for the Water and Sewer System Bonds and (ii) amounts on deposit in the Funds established under the Subordinated Water and Sewer System Resolution, subject only to the provisions of the Water and Sewer System Resolution and the Subordinated Water and Sewer System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Water and Sewer System Resolution and the Subordinated Water and Sewer System Resolution. The Subordinated Bonds shall be "Subordinated Indebtedness" within the meaning of such term contained in the Water and Sewer System Resolution.

### **Deposit of Revenues**

Pursuant to the Subordinated Water and Sewer System Resolution, as soon as practicable in each month following the payment of the Cost of Operation and Maintenance of the Water and Sewer System and the making of all required deposits pursuant to the Water and Sewer System Resolution in respect of debt service on, and required reserves for, the Water and Sewer System Bonds, JEA is to pay out of the Revenue Fund established under the Water and Sewer System Resolution to the extent permitted by the Water and Sewer System Resolution and to the extent that the amount in the Revenue Fund is available therefor and deposit in the Subordinated Indebtedness Fund established pursuant to the Water and Sewer System Resolution (a) in each month such amounts as shall be provided (i) in the then current annual budget or as otherwise determined by JEA to be deposited in the Subordinated Indebtedness Fund for the payment of the principal or sinking fund redemption price, if any, of, and interest on, the Subordinated Bonds and other Subordinated Indebtedness on the next succeeding payment date with respect to such bonds and indebtedness and (ii) in any event, on any date that any principal or sinking fund redemption price, if any, of, and interest on, any Subordinated Bonds or other Subordinated Indebtedness shall become due and payable, an amount which, together with (A) other amounts then on deposit in such Subordinated Indebtedness Fund, including the proceeds of the sale of the Subordinated Bonds or Subordinated Indebtedness (exclusive of amounts, if any, set aside in said Fund for the payment of interest on Subordinated Indebtedness on a future date or as a reserve for the payment of the principal or redemption price, if any, of, and interest on, Subordinated Indebtedness), (B) in the case of Subordinated Bonds of any Series for which a separate fund or account has been established pursuant to the Subordinated Water and Sewer System Resolution, the amounts then on deposit in such separate account (exclusive of amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Bonds of such Series on a future date) and (C) in the case of any other issue of Subordinated Indebtedness for which a separate fund or account has been established as a source of moneys for the payment of the Subordinated Indebtedness of such issue, the amounts available in such fund or account (exclusive of amounts, if any, set aside in said

fund or account for the payment of interest on the Subordinated Indebtedness of such issue on a future date or as a reserve for the payment of the principal or redemption price, if any, of, and interest on, the Subordinated Indebtedness of such issue), will be sufficient and available to make such payment in full on such payment date.

During any period in which the Subordinated Debt Service with respect to any Series of Subordinated Bonds containing Build America Bonds shall be calculated in the manner provided in the proviso of the first paragraph of the definition thereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Subordinated Bond Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date, without regard to any reduction thereto made by the U.S. Treasury for the purpose of offsetting any amount due from JEA to it. Any cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but not such payment shall constitute Revenues for any purpose of the Electric System Resolution or this Subordinated Resolution.

### **Subordinated Indebtedness Fund**

Subject to the provisions of the Water and Sewer System Resolution, amounts in the Subordinated Indebtedness Fund shall be applied to the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Subordinated Bonds. In addition, JEA may apply such amounts to the purchase or redemption of Subordinated Bonds to satisfy sinking fund requirements.

The Subordinated Water and Sewer System Resolution also provides that, in the event of the refunding or defeasance of any Subordinated Bonds, JEA may withdraw from the Subordinated Indebtedness Fund all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Subordinated Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the Subordinated Bonds being refunded or defeased shall be deemed to have been paid pursuant to the provisions of the Subordinated Water and Sewer System Resolution, and (b) the amount remaining in the Subordinated Indebtedness Fund, after giving effect to the issuance of any obligations being issued to refund any Subordinated Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the requirement of such Account. In the event of such refunding or defeasance, JEA may also withdraw from the Subordinated Indebtedness Fund all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Water and Sewer System Resolution or any fund or account established thereunder; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; and *provided, further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Water and Sewer System Resolution or any fund or account held under the Subordinated Water and Sewer System Resolution.

### **Subordinated Bond Construction Fund**

The Subordinated Water and Sewer System Resolution establishes a Subordinated Bond Construction Fund into which shall be deposited the amount required to be paid by the provisions of any Supplemental Subordinated Resolution and as may be paid into the Subordinated Bond Construction Fund, at the option of JEA, any moneys received for or in connection with the Water and Sewer System by JEA from any other source, unless required to be otherwise applied as provided by the Water and Sewer System Resolution or the Subordinated Water and Sewer System Resolution. Amounts on deposit in the Subordinated Bond Construction Fund shall be withdrawn, used and applied by JEA solely for the payment of costs of the Water and Sewer System or any other lawful purpose of JEA relating to the Water and Sewer System.

### **Subordinated Bond Rate Stabilization Fund**

The Subordinated Water and Sewer System Resolution establishes a Subordinated Bond Stabilization Fund. As soon as practicable in each month following the application of Revenues to make the deposits required by the Water and Sewer System Resolution, but in any case not later than the last day of such month, JEA shall pay out of the amounts remaining in the Revenue Fund to the extent permitted by the Water and Sewer System Resolution, and to the extent that the amount in the Revenue Fund is available therefor, for deposit into the Subordinated Bond Rate Stabilization Fund, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current annual budget, or the amount otherwise determined by JEA to be deposited to such Fund for the month.

Each month JEA shall transfer from the Subordinated Bond Rate Stabilization Fund to the Subordinated Indebtedness Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current annual budget, or the amount otherwise determined by JEA to be deposited into such Fund for the month. JEA may also from time to time withdraw amounts currently on deposit in the Subordinated Bond Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Water and Sewer System Resolution or any fund or account established under the Subordinated Water and Sewer System Resolution, (ii) use such amounts to purchase or redeem Water and Sewer System Bonds or Subordinated Bonds, (iii) use such amounts to otherwise provide for the payment of Water and Sewer System Bonds or Subordinated Bonds or (iv) use such amounts for any lawful purpose of JEA relating to the Water and Sewer System. If JEA determines that amounts on deposit in the Subordinated Bond Rate Stabilization Fund are to be used to pay the principal or Redemption Price of, or interest on, or to otherwise provide for the payment of, Water and Sewer System Bonds or Subordinated Bonds, JEA may designate the particular Water and Sewer System Bonds or Subordinated Bonds for which such amounts are to be so used, and such amounts shall, subject only to the other provisions of the Subordinated Water and Sewer System Resolution permitting or requiring the application thereof, be used for such purpose.

At any time and from time-to-time JEA may transfer for deposit in the Subordinated Bond Rate Stabilization Fund from any source such amounts as JEA deems necessary or desirable; such amounts shall be applied for purposes of the Subordinated Bond Rate Stabilization Fund in accordance with the preceding paragraph.



Notwithstanding anything to the contrary contained in the Subordinated Water and Sewer System Resolution, whenever the amounts available therefor under the Water and Sewer System Resolution shall not be sufficient to pay the principal or Redemption Price of, or interest on, the Water and Sewer System Bonds then due, JEA shall withdraw from the Subordinated Bond Rate Stabilization Fund an amount equal to the amount of such deficiency (or the entire amount on deposit therein, if less than the amount of such deficiency), and shall deposit such amount in the Debt Service Fund established under the Water and Sewer System Resolution.

### **Establishment of Additional Funds**

If and to the extent provided in a Supplemental Subordinated Resolution, JEA may establish one or more additional funds or accounts with respect to the Subordinated Bonds of one or more Series as shall be specified in such Supplemental Subordinated Resolution and, if and to the extent provided in any such Supplemental Subordinated Resolution, amounts on deposit in any such fund or account, including the investments, if any, thereof may be pledged for the payment of the principal or Redemption Price, if any, of, and interest on, any or all of such Subordinated Bonds. In such event, deposits to and withdrawals from any such fund or account shall be governed by the provisions of such Supplemental Subordinated Resolution; *provided, however*, that in the event that any such Supplemental Subordinated Resolution shall provide for the deposit of Revenues into any such fund or account, such deposit shall not be made in any month until after the deposits required pursuant to the provisions of the Water and Sewer System Resolution shall have been made for such month, and such deposits shall be made pro rata with the deposits of Revenues to the Subordinated Bond Rate Stabilization Fund provided for in the provisions of the Subordinated Water and Sewer System Resolution; and *provided, further*, that if the amount on deposit in the Revenue Fund shall not be sufficient to make all such deposits so required to be made with respect to all such funds and accounts in any month, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such fund and account.

### **Initial Subordinated Debt Service Reserve Fund**

Pursuant to the Third Supplemental Water and Sewer System Revenue Subordinated Bond Resolution adopted by JEA on July 15, 2003 (the "Third Supplemental Subordinated Water and Sewer System Resolution"), authorizing JEA's Water and Sewer System Subordinated Revenue Bonds, 2003 Series C (the "2003 Series C Subordinated Bonds") JEA established an additional fund under the Subordinated Water and Sewer System Resolution, the "Initial Subordinated Debt Service Reserve Fund." The 2003 Series C Subordinated Bonds were additionally secured by amounts on deposit in the Initial Subordinated Debt Service Reserve Fund, including the investments and investment income, if any, thereof, which amounts were pledged as additional security for the payment of the principal or sinking fund redemption price of, and interest on, the 2003 Series C Subordinated Bonds, subject only to the provisions of the Water and Sewer System Resolution and the Subordinated Water and Sewer System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Water and Sewer System Resolution and the Subordinated Water and Sewer System Resolution. The Initial Subordinated Debt Service Reserve Fund may, at the option of JEA, secure additional Subordinated Bonds of any series thereafter issued. As of the date of the Annual Disclosure Report to which this Appendix

is attached, the Initial Subordinated Debt Service Reserve Fund also secures JEA's Water and Sewer System Subordinated Revenue Bonds, 2017 Series A and 2020 Series A.

Pursuant to the Subordinated Water and Sewer System Resolution, the Subordinated Bonds of any series are not required to be additionally secured by amounts on deposit in the Initial Subordinated Debt Service Reserve Fund. However, JEA may provide, at its option, in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of any series that the Subordinated Bonds of such series will be additionally secured by amounts on deposit in any Initial Subordinated Debt Service Reserve Fund. In the event that the Subordinated Bonds of a series hereafter issued are to be additionally secured by amounts on deposit in the Initial Subordinated Debt Service Reserve Fund, it will be a condition to the issuance of such Subordinated Bonds that the amount on deposit in the Initial Subordinated Debt Service Reserve Fund, after giving effect to the issuance of such Subordinated Bonds, equals the Subordinated Debt Service Reserve Requirement.

The Subordinated Water and Sewer System Resolution requires JEA to deposit and maintain in the Initial Subordinated Debt Service Reserve Fund moneys, Investment Securities and/or reserve fund credit instruments (hereinafter defined) in an amount equal to the Subordinated Debt Service Reserve Requirement. The Subordinated Debt Service Reserve Requirement for the Initial Subordinated Debt Service Reserve Fund is defined in the Third Supplemental Subordinated Water and Sewer System Resolution, as of any date of calculation, as an amount equal to the lowest of (a) ten percent of the original principal amount of the Subordinated Bonds of all issues (as defined for federal income tax purposes) secured thereby (or, if the Subordinated Bonds of any such issue are issued at an issue price (as computed for federal income tax purposes) of greater than 102 percent or less than 98 percent of the principal amount thereof, ten percent of such issue price), (b) the maximum Aggregate Subordinated Debt Service on the Subordinated Bonds of all series secured thereby then outstanding for the current or any future Bond Year (excluding interest (other than accrued interest paid in connection with the initial issuance thereof) on such Subordinated Bonds to be paid from deposits in the Subordinated Indebtedness Fund made from the proceeds of Subordinated Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA) or (c) 125 percent of the average annual Subordinated Debt Service on the Subordinated Bonds of all series secured thereby then outstanding for the then current and each future Bond Year (excluding interest (other than accrued interest paid in connection with the initial issuance thereof) on such Subordinated Bonds to be paid from deposits in the Subordinated Indebtedness Fund made from the proceeds of Subordinated Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); *provided, however*, that in no event may an increase in the Subordinated Debt Service Reserve Requirement for the Initial Subordinated Debt Service Reserve Fund resulting from the issuance of an additional issue (as defined for federal income tax purposes) of Subordinated Bonds exceed ten percent of the original principal amount of the Subordinated Bonds of such issue (or, if the Subordinated Bonds of such issue are issued at an issue price (as computed for federal income tax purposes) of greater than 102 percent or less than 98 percent of the principal amount thereof, ten percent of such issue price).

Amounts in the Initial Subordinated Debt Service Reserve Fund in excess of the Subordinated Debt Service Reserve Requirement, after giving effect to any reserve fund credit instrument, will be credited to the Revenue Fund.

The Third Supplemental Subordinated Water and Sewer System Resolution provides that in lieu of maintaining moneys or investments in the Initial Subordinated Debt Service Reserve Fund, JEA at any time may cause to be deposited therein for the benefit of the Holders of the Subordinated Bonds secured thereby an irrevocable surety bond, an insurance policy or a letter of credit satisfying the conditions set forth therein (a "reserve fund credit instrument"), in an amount equal to the difference between the Subordinated Debt Service Reserve Requirement and the sums of money or value of Investment Securities then on deposit in the Initial Subordinated Debt Service Reserve Fund, if any. The following is a summary of the provisions of the Third Supplemental Subordinated Water and Sewer System Resolution relating to the deposit of reserve fund credit instruments to the Initial Subordinated Debt Service Reserve Fund:

(a) A surety bond or insurance policy issued by a company (a "municipal bond insurer") licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Subordinated Bonds that are additionally secured by the Initial Subordinated Debt Service Reserve Fund (the "Initial Subordinated Debt Service Reserve Fund Additionally Secured Bonds") may be deposited in the Initial Subordinated Debt Service Reserve Fund to meet the Subordinated Debt Service Reserve Requirement or if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa" by Standard & Poor's Credit Market Services, a business of Standard & Poor's Financial Services LLC, a limited liability company, organized and existing under the laws of the State of Delaware ("S&P"), or Moody's Investors Service ("Moody's"), respectively.

(b) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subordinated Debt Service Reserve Fund if the issuer thereof is rated at least "AA" by S&P and if such letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Subordinated Bonds secured by the Initial Subordinated Debt Service Reserve Fund. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(c) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subordinated Debt Service Reserve Fund an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subordinated Debt Service Reserve Fund, together with any other qualifying reserve fund credit instruments, to equal the Subordinated Debt Service Reserve Requirement, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in either of clauses (a) or (b) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter

of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subordinated Debt Service Reserve Fund is fully funded in its required amount.

(d) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Subordinated Bonds. Subject to the second and third succeeding sentences, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be on a parity with the cash replenishment of the Initial Subordinated Debt Service Reserve Fund. The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the reserve fund credit instrument to reimbursement will be subordinated to cash replenishment of the Initial Subordinated Debt Service Reserve Fund to an amount equal to the difference between the full original amount available under the reserve fund credit instrument and the amount then available for further draws or claims. If (i) the issuer of a reserve fund credit instrument becomes insolvent or (ii) the issuer of a reserve fund credit instrument defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AAA" or a Moody's "Aaa" or (iv) the rating of the issuer of the letter of credit falls below a S&P "AA", the obligation to reimburse the issuer of the reserve fund credit instrument shall be subordinate to the cash replenishment of the Initial Subordinated Debt Service Reserve Fund.

(e) If (i) the revolving reinstatement feature described in the preceding clause (d) is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AAA" or a Moody's "Aaa" or (iii) the rating of the issuer of the letter of credit falls below a S&P "AA", JEA shall either (X) deposit into the Initial Subordinated Debt Service Reserve Fund an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subordinated Debt Service Reserve Fund to equal the Subordinated Debt Service Reserve Requirement, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (2) the rating of the issuer of the letter of credit falls below "A" or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subordinated Debt Service Reserve Fund an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subordinated Debt Service Reserve Fund to equal to Subordinated Debt Service Reserve Requirement, such amount to

be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence. Where applicable, the amount for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in the Initial Subordinated Debt Service Reserve Fund pursuant to clause (X) of the penultimate sentence of this clause (e).

(f) In the event that a reserve fund credit instrument shall be deposited into the Initial Subordinated Debt Service Reserve Fund as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Subordinated Water and Sewer System Resolution for purposes of the additional bonds test and rate covenant contained in the Subordinated Water and Sewer System Resolution.

(g) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the reserve fund credit instrument) prior to each interest payment date for the Subordinated Bonds of any Series additionally secured by the Initial Subordinated Debt Service Reserve Fund.

(h) Cash on deposit in the Initial Subordinated Debt Service Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subordinated Debt Service Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

On April 8, 2004, simultaneously with the issuance of JEA's Water and Sewer System Subordinated Revenue Bonds, 2004 Series A, JEA caused FGIC to issue its Municipal Bond Debt Service Reserve Fund Policy (the "FGIC Subordinated Reserve Policy") for deposit to the credit of the Initial Subordinated Debt Service Reserve Fund. The FGIC Subordinated Reserve Policy is in the amount of \$2,292,670.54, is non-cancelable, terminates on October 1, 2034 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Third Supplemental Subordinated Water and Sewer System Resolution at the time of its deposit to the Initial Subordinated Debt Service Reserve Fund. Because of a rating downgrade of FGIC, JEA has made deposits to the Initial Subordinated Debt Service Reserve Fund in the amount of the FGIC Subordinated Reserve Policy.

On September 22, 2004, simultaneously with the issuance of JEA's Water and Sewer System Subordinated Revenue Bonds, 2004 Series B, JEA caused Assured Guaranty Municipal Corp., previously known as Financial Security Assurance Inc. ("FSA") to issue its Debt Service Reserve Insurance Policy (the "FSA Subordinated Reserve Policy") for deposit to the credit of the Initial Subordinated Debt Service Reserve Fund. The FSA Subordinated Reserve Policy is in the amount of \$1,076,155.73, is non-cancelable, terminates on October 1, 2025 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Third Supplemental Subordinated Water and Sewer System Resolution at the time of its deposit to the Initial Subordinated Debt Service Reserve Fund. Because of a rating downgrade of FSA, JEA has made deposits to the Initial Subordinated Debt Service Reserve Fund in the amount of the FSA Subordinated Reserve Policy.

On June 6, 2005, JEA caused MBIA Insurance Corporation ("MBIA") to issue its Debt Service Reserve Surety Bond (the "MBIA Subordinated Surety Bond") for deposit to the credit of the Initial Subordinated Debt Service Reserve Fund. The MBIA Subordinated Surety Bond is in the amount of \$3,957,054.21, is non-cancelable, terminates on October 1, 2043 and satisfied the requirements with respect to a reserve fund credit instrument contained in the Third Supplemental Subordinated Water and Sewer System Resolution at the time of its deposit to the Initial Subordinated Debt Service Reserve Fund.

Effective as of January 1, 2009, MBIA Inc., parent company of MBIA, restructured MBIA; such restructuring involved the reinsurance and assignment of MBIA's obligations under the MBIA Subordinated Surety Bond to National Public Finance Guarantee Corporation ("NPFGC") which is a subsidiary of MBIA Inc. Because of a rating downgrade of MBIA, JEA has made deposits to the Initial Subordinated Debt Service Reserve Fund in the amount of the MBIA Subordinated Surety Bond.

### **Additional Subordinated Bonds; Conditions to Issuance**

JEA may issue additional Subordinated Bonds for any lawful purpose of the Water and Sewer System, including providing funds for the refunding of Outstanding Water and Sewer System Bonds or Outstanding Subordinated Bonds and evidencing JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with Credit Enhancement or liquidity support. All such additional Subordinated Bonds will be payable from amounts on deposit in the Subordinated Indebtedness Fund and secured thereby on a parity with all other Subordinated Bonds. Set forth below are certain conditions applicable to the issuance of additional Subordinated Bonds. The Subordinated Water and Sewer System Resolution provides that a Series of Subordinated Bonds may be issued at one time or from time to time. If the Subordinated Bonds of a Series are to be issued from time to time, the Subordinated Water and Sewer System Resolution requires that the conditions set forth below be satisfied only prior to the issuance of the first Subordinated Bonds of such Series to be issued.

***Debt Service Coverage Test:*** The issuance of any Series of additional Subordinated Bonds (except for Refunding Subordinated Bonds and Subordinated Reimbursement Obligations) is conditioned upon the delivery by an Authorized Officer of JEA of a certificate to the effect that either (a) the difference between Net Revenues and Capacity Charges for each of the three full Bond Years succeeding the date of issuance of the Subordinated Bonds of the Series with respect

to which such certificate is being given, as such Net Revenues and Capacity Charges are estimated in accordance with the Subordinated Water and Sewer System Resolution, are at least equal to the sum of (i) the Adjusted Aggregate Debt Service for each such Bond Year, (ii) 120 percent of the Adjusted Aggregate Subordinated Debt Service for each such Bond Year and (iii) all amounts payable by JEA for each such Bond Year with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness, or (b) the Net Revenues for any 12 consecutive month period within the 24 consecutive months immediately preceding the date of issuance of the Subordinated Bonds of the Series with respect to which such certificate is being given is at least equal to the greater of (X) the sum of (i) the Average Annual Adjusted Aggregate Debt Service, (ii) 110 percent of the Average Annual Adjusted Aggregate Subordinated Debt Service and (iii) all amounts payable by JEA during such 12 month period with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness and (Y) the sum of (i) the Average Annual Adjusted Aggregate Debt Service, (ii) the Average Annual Adjusted Aggregate Subordinated Debt Service, (iii) all amounts payable by JEA during such 12 month period with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness and (iv) the amount most recently determined to be required to be deposited in the Renewal and Replacement Fund for the then current, or a previous, Fiscal Year.

**No Default:** In addition, additional Subordinated Bonds (except for Refunding Subordinated Bonds and Subordinated Reimbursement Obligations) may be issued only if an Authorized Officer of JEA certifies that upon the issuance of such Series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Water and Sewer System Resolution or in the Subordinated Water and Sewer System Resolution.

## **Redemption**

In the case of any redemption of Subordinated Bonds, JEA shall give written notice to the Subordinated Bond Registrar(s) therefor and the Subordinated Bond Paying Agents of the redemption date, of the Series, and of the principal amounts of the Subordinated Bonds of each maturity of such Series and of the Subordinated Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Subordinated Water and Sewer System Resolution or any Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part). Such notice shall be filed with such Subordinated Bond Registrars and the Subordinated Bond Paying Agents for the Subordinated Bonds to be redeemed at least 35 days prior to the redemption date (or such shorter period (a) as may be specified in the Supplemental Subordinated Resolution authorizing the Series of the Subordinated Bonds to be redeemed or (b) as shall be acceptable to such Subordinated Bond Registrars and Subordinated Bond Paying Agents). In the event notice of redemption shall have been given, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Subordinated Bond Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Subordinated Bond Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Subordinated Bonds to be redeemed.

## Rate Covenant

Under the Subordinated Water and Sewer System Resolution, JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the Water and Sewer System which shall be sufficient to provide Revenues in each Bond Year in an amount at least equal to the amount required to satisfy either clause (i) or clause (ii) below:

(i) the difference between (a) Net Revenues in each Bond Year and (b) Capacity Charges in such Bond Year shall be at least equal to the sum of (X) the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, (Y) the Aggregate Subordinated Debt Service for such Bond Year; *provided, however*, that any Subordinated Principal Installment which is a Refundable Subordinated Principal Installment may be excluded from Aggregate Subordinated Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Subordinated Principal Installment from sources other than Revenues and (Z) all amounts payable by JEA during such Bond Year with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness; or

(ii) Net Revenues in each Bond Year shall be at least equal to the sum of (X) the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, (Y) 120 percent of the Aggregate Subordinated Debt Service for such Bond Year; *provided, however*, that any Subordinated Principal Installment which is a Refundable Subordinated Principal Installment may be excluded from Aggregate Subordinated Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Subordinated Principal Installment from sources other than Revenues and (Z) all amounts payable by JEA during such Bond Year with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness.

## Creations of Liens

JEA will not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Water and Sewer System Bonds and the Subordinated Bonds, payable out of or secured by a security interest in or pledge of the Subordinated Indebtedness Fund, including the funds, moneys and securities contained therein; *provided, however*, that nothing contained in the Subordinated Water and Sewer System Resolution shall prevent JEA from issuing or incurring, if and to the extent permitted by law and the Water and Sewer System Resolution, (a) Additional Parity Subordinated Indebtedness and (b) Subordinated Indebtedness that is expressly made subordinate in right of payment to the Subordinated Bonds and for which any



pledge of such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor shall be, and shall be expressed to be, subordinate in all respects to the pledge and lien created under the Subordinated Water and Sewer System Resolution as security for the Subordinated Bonds.

### **Amendment of Subordinated Water and Sewer System Resolution**

The Subordinated Water and Sewer System Resolution and the rights and obligations of JEA and of the Holders of the Subordinated Bonds may be amended by a Supplemental Subordinated Resolution, with the written consent (i) of the Holders of not less than a majority in principal amount of the Subordinated Bonds affected by such modification or amendment and (ii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Subordinated Bonds of the particular Series and maturity entitled to such Sinking Fund Installment. No such modification or amendment may (A) permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount, Redemption Price or rate of interest thereon without the consent of each affected Holder, or (B) reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment. For purposes of the foregoing, (a) a change in the terms of redemption of any Outstanding Subordinated Bond shall be deemed only to affect such Subordinated Bond, and shall be deemed not to affect any other Subordinated Bond and (b) the Holders of Subordinated Bonds may include the initial Holders thereof, regardless of whether such Subordinated Bonds are being held for resale.

The Subordinated Water and Sewer System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Subordinated Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, Subordinated Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provide will be deemed to be the Holder of such Subordinated Water and Sewer System Bonds of any Series, or a maturity within a Series, at all times for the purpose of giving any approval or consent to the effectiveness of any Supplemental Subordinated Resolution or any amendment, change or modification of the Subordinated Water and Sewer System Resolution which requires the written approval or consent of Holders, except that the foregoing provisions will not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. See "Action by Credit Enhancer When Action by Holders of Subordinated Bonds Required" herein.

The Supplemental Subordinated Resolutions authorizing JEA's Variable Rate Water and Sewer System Subordinated Revenue Bonds, 2008 Series A and 2008 Series B (collectively, the "Prior Series Variable Rate Water and Sewer System Subordinated Bonds") provide that in the event that JEA shall adopt any Supplemental Subordinated Resolution making any amendment to

the Subordinated Water and Sewer System Resolution for which the consent of the Holders of the Prior Series Variable Rate Water and Sewer System Subordinated Bonds of a particular Series shall be required (hereinafter in this paragraph referred to as an "Amending Resolution"), an authorized officer of JEA may deliver to the Tender Agent for the Prior Series Variable Rate Water and Sewer System Subordinated Bonds of such Series a certificate requiring that the Prior Series Variable Rate Water and Sewer System Subordinated Bonds of such Series be subject to mandatory tender for purchase at the time and in the manner provided in said Supplemental Subordinated Resolutions. Following the date on which such mandatory tender shall occur, all subsequent Holders of the Prior Series Variable Rate Water and Sewer System Subordinated Bonds of such Series shall be deemed to have consented to such Amending Resolution, notwithstanding anything to the contrary contained in the Subordinated Water and Sewer System Resolution. JEA intends to include this provision in each Supplemental Subordinated Resolution it may adopt in the future authorizing the issuance of any Series of additional Variable Rate Subordinated Bonds.

Without the consent of the Holders of the Subordinated Bonds, JEA may adopt a Supplemental Subordinated Resolution which (i) closes the Subordinated Water and Sewer System Resolution against, or provides additional conditions to, the issuance of Subordinated Bonds or other evidences of indebtedness; (ii) adds covenants and agreements of JEA; (iii) adds limitations and restrictions to be observed by JEA; (iv) authorizes Subordinated Bonds of an additional Series; (v) provides for the issuance of Subordinated Bonds in coupon form payable to bearer or in uncertificated form; and makes any modification which is to be effective only after all Subordinated Bonds of each Series Outstanding as of the date of the adoption of such Supplemental Subordinated Resolution cease to be Outstanding.

## **Defeasance**

The pledge of moneys and securities created by the Subordinated Water and Sewer System Resolution and all covenants, agreements and other obligations of JEA to the Holders of Subordinated Bonds will cease, terminate and become void and be discharged and satisfied whenever all Subordinated Bonds and interest due or to become due thereon are paid in full. If any Subordinated Bonds are paid in full, such Subordinated Bonds shall cease to be entitled to any lien, benefit or security under the Subordinated Water and Sewer System Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Subordinated Bonds will cease, terminate and become void and be discharged and satisfied. Subordinated Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the Subordinated Water and Sewer System Resolution whenever the following conditions (or such other conditions as may be set forth in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds) are met: (i) in case any Subordinated Bonds are to be redeemed prior to their maturity, JEA has given to the Escrow Agent therefor instructions to give notice of redemption therefor, (ii) there has been deposited with such Escrow Agent either moneys or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Subordinated Bonds, and (iii) in the event such Subordinated Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA has given such Escrow Agent instructions to give a notice to the Holders of such Subordinated Bonds that the above deposit has been made and that such Subordinated

Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Subordinated Bonds.

In addition, any Outstanding Subordinated Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid if (a) there shall have been deposited with the Escrow Agent therefor, Water and Sewer System Bonds issued pursuant to Article II of the Water and Sewer System Resolution of the type described in Section 12.01, subsection 1 of the Subordinated Water and Sewer System Resolution (hereinafter, "Senior Bonds"), (b) in the event said Subordinated Bonds do not by their terms mature within the next succeeding 60 days, JEA shall have given such Escrow Agent in form satisfactory to it instructions to give, as soon as practicable, by first-class mail, postage paid, to the Holders of such Subordinated Bonds at their last addresses appearing on the books of JEA kept at the office of the Subordinated Bond Registrar(s) therefor a notice that the deposit required by clause (a) above has been made with such Escrow Agent and that said Subordinated Bonds are deemed to have been paid and (c) JEA and such Escrow Agent shall have entered into an agreement in writing whereby such Escrow Agent agrees, among other things, to perform the duties required to be performed by it set forth in the Water and Sewer System Resolution. Senior Bonds deposited for purposes of clause (a) above (i) shall be payable to such Escrow Agent as the registered owner thereof, (ii) shall provide, with respect to the giving of any notice by or on behalf of JEA, for the giving of such notice to such Escrow Agent no later than 2 business days prior to the earliest date required or permitted under the Subordinated Water and Sewer System Resolution for the giving of notice of the corresponding event with respect to the Subordinated Bonds, (iii) shall be payable in immediately available funds and (iv) shall be identical (except as provided in clauses (ii) and (iii) above), as to aggregate principal amount, maturity dates, interest rates and redemption features, to the Subordinated Bonds deemed to have been paid by reason of the deposit of such Senior Bonds.

### **Events of Default; Remedies**

Events of default under the Subordinated Water and Sewer System Resolution include (i) failure to pay the principal or Redemption Price of any Subordinated Bond when due; (ii) failure to pay any installment of interest on any Subordinated Bond on the unsatisfied balance of any Sinking Fund Installment when due; (iii) failure by JEA to perform or observe any other covenants, agreements or conditions contained in the Subordinated Water and Sewer System Resolution or the Subordinated Bonds and continuation thereof for a period of 60 days after written notice thereof; (iv) certain events of bankruptcy or insolvency or (v) an Event of Default pursuant to the provisions of the Water and Sewer System Resolution. Upon the happening of any such Event of Default the Holders of not less than 25 percent in principal amount of the Subordinated Bonds then Outstanding may declare the principal of all the Subordinated Bonds then Outstanding, and the interest accrued thereon, due and payable (subject to a rescission of such declaration upon the curing of such default before the Subordinated Bonds have matured).

The Subordinated Water and Sewer System Resolution provides that, if not in default in respect of any of its obligations with respect to Credit Enhancement for Subordinated Bonds, the Credit Enhancer for, and not the actual Holders of, Subordinated Bonds for which such Credit Enhancement is being provided will be deemed to be the Holder of such Subordinated Bonds at all times for the purposes of giving any approval or consent, exercising any remedies or taking any

other actions in respect of the occurrence of an Event of Default. See "Action by Credit Enhancer When Action by Holders of Subordinated Bonds Required" herein.

During the continuance of an Event of Default under the Subordinated Water and Sewer System Resolution, JEA is to apply all moneys, securities and funds held or received by JEA with respect to the Subordinated Bonds as follows and in the following order: (i) to the extent required in the Water and Sewer System Resolution, to the payment of the interest and principal or redemption price due on the Water and Sewer System Bonds and (ii) to the interest and principal or Redemption Price due on the Subordinated Bonds.

### **Subordinated Bond Paying Agents**

The Subordinated Water and Sewer System Resolution requires the appointment by JEA of one or more Subordinated Bond Paying Agent(s) for the Subordinated Bonds of each Series. Any Subordinated Bond Paying Agent may resign on 60 days' notice and may at any time be removed with or without cause by JEA. Successor Subordinated Bond Paying Agents will be appointed by JEA, and will be an officer of JEA, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended, or a bank, trust company or national banking association having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 if there be such an entity willing to accept appointment.

### **Action by Credit Enhancer When Action by Holders of Subordinated Bonds Required**

Except as otherwise provided in a Supplemental Subordinated Resolution authorizing Subordinated Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Subordinated Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Subordinated Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Subordinated Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Subordinated Resolution or any amendment, change or modification of the Subordinated Water and Sewer System Resolution which requires the written approval or consent of Holders; *provided, however*, that the foregoing shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Subordinated Bond Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action following the occurrence of an Event of Default under the Subordinated Water and Sewer System Resolution.

## **Special Provisions Relating to Water and Sewer System Capital Appreciation Subordinated Bonds, Water and Sewer System Deferred Income Subordinated Bonds and Subordinated Reimbursement Obligations**

The principal and interest portions of the Accreted Value of Water and Sewer System Capital Appreciation Subordinated Bonds or the Appreciated Value of Water and Sewer System Deferred Income Subordinated Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Subordinated Debt Service, Aggregate Subordinated Debt Service, Adjusted Aggregate Subordinated Debt Service and Average Annual Adjusted Aggregate Subordinated Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (i) receiving payment of the Redemption Price if a Water and Sewer System Capital Appreciation Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Water and Sewer System Capital Appreciation Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Subordinated Bonds held by the Holder of a Water and Sewer System Capital Appreciation Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Water and Sewer System Resolution for any purpose whatsoever, the principal amount of a Water and Sewer System Capital Appreciation Subordinated Bond shall be deemed to be its then current Accreted Value.

For the purposes of (i) receiving payment of the Redemption Price if a Water and Sewer System Deferred Income Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Water and Sewer System Deferred Income Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Subordinated Bonds held by the Holder of a Water and Sewer System Deferred Income Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Water and Sewer System Resolution for any purpose whatsoever, the principal amount of a Water and Sewer System Deferred Income Subordinated Bond shall be deemed to be its then current Appreciated Value.

Notwithstanding anything to the contrary contained in the Subordinated Water and Sewer System Resolution, in the event that any Variable Rate Subordinated Bonds contain provisions that allow the principal amount thereof to be repaid on an accelerated basis in the event that such Subordinated Bonds are purchased by the Credit Enhancer therefor or the provider of liquidity support therefor and, in either such case, are not remarketed, for purposes of the additional bonds test contained in the Subordinated Water and Sewer System Resolution, such accelerated repayment shall not be taken into account, and compliance with such test shall be determined based upon the scheduled due date(s) of the Subordinated Principal Installments for such Subordinated Bonds, irrespective of any such accelerated repayment.

Except as otherwise provided in the Supplemental Subordinated Resolution authorizing a Series of Subordinated Reimbursement Obligations, for the purposes of (i) receiving payment of a Subordinated Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default or (ii) computing the principal amount of Subordinated Bonds held by the Holder of a Subordinated Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Water and Sewer System Resolution for any purpose whatsoever, the principal amount of a Subordinated Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Water and Sewer System Bonds or Subordinated Bonds, as the case may be, of the Series or maturity or interest rate within a maturity for which such Subordinated Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Water and Sewer System Bonds or Subordinated Bonds, as the case may be, less any prior repayments thereof.

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## SUMMARY OF CERTAIN PROVISIONS OF THE DISTRICT ENERGY SYSTEM RESOLUTION

The following is a summary of certain provisions of the District Energy System Resolution. Summaries of certain definitions contained in the District Energy System Resolution are set forth below. Other terms defined in the District Energy System Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the District Energy System Resolution and, accordingly, is qualified by reference thereto and subject to the full text thereof.

The District Energy System Resolution, as heretofore amended, is available for viewing and downloading on JEA's website at [https://www.jea.com/About/Investor\\_Relations/Bonds/](https://www.jea.com/About/Investor_Relations/Bonds/). Copies of the District Energy System Resolution also may be obtained from JEA; provided that a reasonable charge may be imposed for the cost of reproduction. The term "Bonds" as used in the District Energy System Resolution and in this summary, has the same meaning as the term "District Energy System Bonds" as used in the Annual Disclosure Report to which this summary is attached.

### Excluded Provisions

The Third Supplemental Resolution provides that solely with respect to the rate covenant set forth in Section 710 of the District Energy System Resolution (summarized below under the caption "Covenant as to Rates, Fees and Charges"), clause (iii) of Section 801, Events of Default, of the District Energy System Resolution shall not be applicable to the 2013 Series A Bonds and shall not be enforceable by the Holders of the 2013 Series A Bonds so long as JEA remains in compliance with its obligations to make deposits to the 2013 Series A Bonds Subaccount in the Debt Service Reserve Account in the Debt Service Reserve Fund from Available Water and Sewer System Revenues as provided in the Third Supplemental Resolution and described below under "Debt Service Fund - Debt Service Reserve Account and 2013 Series A Bonds Subaccount - 2013 Series A Bonds Subaccount".

### Definition of Terms

The following are summaries of certain definitions in the District Energy System Resolution:

*Accreted Value* shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original

issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service* shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however,* that (i) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in the District Energy System Resolution and (iii) if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

*Additionally Secured Series* shall mean a Series of Bonds for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge created pursuant to the District Energy System Resolution in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account in the Debt Service Fund.

*Adjusted Aggregate Debt Service* for any period shall mean, as of any date of calculation, the Aggregate Debt Service for such period except that (a) if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined (i) in the case of Refundable Principal Installments with respect to Bonds other than Commercial Paper Notes and Medium-Term Notes, as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 30th anniversary of the issuance of such Series of Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Refundable Principal Installments with respect to Commercial Paper Notes or Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto, and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Adjusted Aggregate Debt Service at the times and in the manner provided in the District Energy System Resolution. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at such rate of interest as JEA, or a banking or financial institution or financial advisory firm selected by JEA, determines would be a reasonable estimate of the rate of interest that would



be borne on Bonds maturing at the times determined in accordance with the provisions of the preceding sentence, determined as of the date of such calculation.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series; *provided, however*, that (a) for purposes of estimating Aggregate Debt Service for any future period (i) any Variable Rate Bonds, Commercial Paper Notes and Medium-Term Notes Outstanding during such period shall be assumed to bear interest during such period at the greater of (X) the actual rate of interest then borne by such Variable Rate Bonds or (Y) the Certified Interest Rate applicable thereto and (ii) any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Aggregate Debt Service at the times and in the manner provided in the District Energy System Resolution; and *provided, further*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

*Annual Net Revenues* shall mean, with respect to any Fiscal Year, the Revenues during such Fiscal Year, determined on an accrual basis, minus the sum of (a) Operation and Maintenance Expenses during such Fiscal Year, determined on an accrual basis, to the extent paid or to be paid from Revenues, (b) the Aggregate Debt Service with respect to such Fiscal Year, and (c) debt service payable during such Fiscal Year with respect to all other obligations issued by JEA (including, without limitation, Subordinated Indebtedness) in connection with the System, determined on an accrual basis.

*Appreciated Value* shall mean, with respect to any Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

*Average Annual Adjusted Aggregate Debt Service* shall mean, as of any date of calculation, the arithmetic average of the Adjusted Aggregate Debt Service for the then current and each future Bond Year.

*Bond* or *Bonds* shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the District Energy System Resolution but shall not mean Subordinated Indebtedness or Bond Anticipation Notes.

*Bond Anticipation Notes* shall mean notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Bonds, the proceeds of which have been or are required to be applied to one or more of the purposes for which Bonds may be issued, the payment of which notes is to be made from the proceeds of the Bonds in anticipation of the issuance of which said notes are issued.

*Bond Year* shall mean the 12 month period commencing on October 1 in any year and ending on September 30 of the following year.

*Capital Lease Obligations* shall mean all Bonds issued pursuant to the District Energy System Resolution as capital lease obligations and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the District Energy System Resolution and the Supplemental Resolution authorizing such Capital Lease Obligations.

*Certified Interest Rate* shall mean, as of any date of determination:

(i) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date that were, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five years preceding such date of determination and (2) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the 12 months preceding such date of determination; *provided, however*, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (1),

(ii) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date that were not, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five years preceding such date of determination and (b) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as

the case may be, for the 12 months preceding such date of determination; *provided, however,* if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, are then being issued or shall not have been Outstanding for 12 months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (a); and

(iii) for purposes of calculating the Debt Service Reserve Requirement for any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund and with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of JEA executed on or prior to the date of the initial issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may, as determined as follows: a Certified Interest Rate shall be that rate of interest determined by JEA, or a banking or financial institution or financial advisory firm selected by JEA, as the rate of interest such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, would bear if, assuming the same maturity date, terms and provisions (other than interest rate) as such proposed Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, and on the basis of JEA's credit ratings with respect to the Bonds (other than Bonds for which credit enhancement is provided by a third party), such proposed Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, were issued at a fixed interest rate.

*Commercial Paper Payment Plan* shall mean, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Commercial Paper Notes; *provided, however,* that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of Bonds other than Commercial Paper Notes or Medium-Term Notes that JEA intends to pay from Revenues, the principal of such Commercial Paper Notes shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the earlier of (x) the 40th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 30th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial Paper Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Notes in each other Fiscal Year in such period.

*Contract Debts* shall mean any obligations of JEA under a contract, lease, installment sale agreement, bulk purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received.

*Costs* shall mean, the costs, expenses and liabilities paid or incurred or to be paid or incurred by JEA in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, repairing, extending, improving, reconstructing, retiring and disposing of the System or any part thereof and the obtaining of all governmental approvals, certificates,

permits and licenses with respect thereto (including, for this purpose, any acquisition by JEA of an interest in an existing facility), including, but not limited to, any good faith or other similar payment or deposits required in connection with the acquisition or construction of such part of the System, the cost of acquisition by or for JEA of real and personal property or any interests therein, costs of physical construction or acquisition of such part of the System, and costs of JEA incidental to such construction or acquisition, all costs relating to injury and damage claims relating to such part of the System, all costs relating to the settlement or renegotiation of any contract entered into in connection with any such part of the System, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees, bond insurance and indemnity premiums, discounts to the underwriters or other purchasers thereof, if any, amounts required to be paid under any interest rate exchanges or swaps, cash flow exchanges, options, caps, floors or collars, in each case made in connection with the issuance of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA relating to the System, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the District Energy System Resolution, amounts, if any, required by the District Energy System Resolution to be paid into the Debt Service Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Revenue Fund or the Renewal and Replacement Fund for any of the respective purposes thereof, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of JEA, including Bonds, Bond Anticipation Notes and Subordinated Indebtedness, issued to finance or refinance any of the foregoing, and all federal, state and local taxes and payments in lieu of taxes in connection with the System, or any part thereof, and working capital and reserves for any of the foregoing and shall include reimbursements to JEA for any of the above items theretofore paid by or on behalf of JEA. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of JEA related to the System which on the date of the District Energy System Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Florida law.

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

*Credit Enhancer* shall mean any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for the Bonds of a Series, a maturity within a Series or an interest rate within a maturity.

*Current Interest Commencement Date* shall mean, with respect to any particular Deferred Income Bonds, the date specified in the Supplemental Resolution authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on

dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

*Debt Service* for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Bonds other than Reimbursement Obligations, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later, and (y) in the case of Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the District Energy System Resolution; *provided, however*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

Notwithstanding anything to the contrary contained in the District Energy System Resolution, (a) if JEA has in connection with any Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount corresponding to the principal amount or issue price of such Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating Debt Service with respect to such Bonds for purposes of the additional bonds test and the rate covenant contained in the District Energy System Resolution, it will be assumed that such Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the 12 months preceding such date of determination; *provided, however*, if such Designated Swap Obligation

shall not have been in effect for 12 months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes entered into a Designated Swap Obligation which provides that, in respect of a notional amount of such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating Debt Service with respect to such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of the additional bonds test and the rate covenant contained in the District Energy System Resolution, it will be assumed that such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

*Debt Service Reserve Requirement* shall mean, with respect to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, unless otherwise specified in the Supplemental Resolution establishing such subaccount, as of any date of calculation, an amount equal to the lesser of (a) 10 percent of the original principal amount of the Bonds of all issues (as defined for federal income tax purposes) secured thereby (or, if the Bonds of any such issue are issued at an issue price (as computed for federal income tax purposes) of greater than 102 percent or less than 98 percent of the principal amount thereof, ten percent of such issue price), and (b) the maximum amount of interest included in Aggregate Debt Service on the Bonds of all Series secured thereby then Outstanding for the current or any future Bond Year (excluding interest (other than accrued interest paid in connection with the initial issuance thereof) on such Bonds to be paid from deposits in the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); *provided, however*, that in no event may an increase in the Debt Service Reserve Requirement for any subaccount resulting from the issuance of an additional issue (as defined for federal income tax purposes) of Bonds exceed ten percent of the original principal amount of the Bonds of such issue (or, if the Bonds of such issue are issued at an issue price (as computed for federal income tax purposes) of greater than 102 percent or less than 98 percent of the principal amount thereof, ten percent of such issue price).

*Defeasance Securities* shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds, (a) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (c) below to the extent unconditionally guaranteed by the United States of America, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given

to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate and (iv) which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's Credit Market Services, a business of Standard & Poor's Financial Services LLC, a limited liability company, organized and existing under the laws of the State of Delaware ("S&P"), and, if rated by Moody's Investors Service ("Moody's"), are rated "Aaa" by such agency, (c) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall also be specified in such instructions, and which shall be rated in the highest whole rating category by two nationally recognized rating agencies, (d) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (a) and (c) of this definition provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, or territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000, or obligations described in the foregoing clause (c), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such obligations on a specified redemption date has been given and such obligations are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (e) deposits in interest-bearing time deposits or certificates of deposit which shall not be subject to redemption or repayment prior to their maturity or due date other than at the option of the depositor or holder thereof or as to which an irrevocable notice of redemption or repayment of such time deposits or certificates of deposit on a specified redemption or repayment date has been given and such time deposits or certificates of deposit are not otherwise subject to redemption or repayment prior to such specified date other than at the option of the depositor or holder thereof, and which are fully secured by obligations described in clause (a) or clause (b) of the definition to the extent not insured by the Federal Deposit Insurance Corporation, (f) agreements or contracts with insurance companies or other financial institutions, or subsidiaries or affiliates thereof (hereinafter in this paragraph referred to as "Providers"), (i) whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations or (ii) whose obligations under such agreements or contracts shall

be unconditionally guaranteed by another insurance company or other financial institution, or subsidiary or affiliate thereof, whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a "financial programs rating" or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations, pursuant to which agreements or contracts the Provider shall be absolutely, unconditionally and irrevocably obligated to repay the moneys invested by JEA and interest thereon at a guaranteed rate, without any right of recoupment, counterclaim or set off. The Provider may have the right to assign its obligations under any Investment Agreement to any other insurance company or other financial institution, or subsidiary or affiliate thereof; *provided, however,* that such assignee also shall be an insurance company or other financial institution, or subsidiary or affiliate thereof, satisfying the requirements set forth in either clause (i) or clause (ii) of the preceding sentence, and (g) upon compliance with the applicable provisions of the District Energy System Resolution, such securities (I) as are described in clause (a) of this definition and (II) as are described in clause (d) of this definition so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clause (a) of such definition; in each case *provided* that, notwithstanding such clauses, such securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

*Deferred Income Bonds* shall mean any Bonds issued under the District Energy System Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Deferred Income Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the District Energy System Resolution or the Supplemental Resolution authorizing such Deferred Income Bonds.

*Designated Swap Obligation* shall mean, to the extent from time to time permitted by law, any interest rate swap transaction (i) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Bonds) and (ii) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which certificate shall specify the Bonds with respect to which such Designated Swap Obligation is entered into).

*Highest Rating Category* shall mean (i) if the Bonds are rated by a Rating Agency, that each Rating Agency has assigned a rating in the highest rating given by that Rating Agency for that general category of security or obligation, and (ii) if the Bonds are not rated (and, consequently, there is no Rating Agency), that Standard and Poor's or Moody Ratings Service has assigned a rating in the highest rating given by that rating agency for that general category of security or obligation.

*Investment Securities* shall mean and include any securities, obligations or investments that, at the time, shall be permitted by Florida law for investment of JEA's funds.

*Medium-Term Note Payment Plan* shall mean, with respect to any Series of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to the District Energy



Resolution and setting forth the sources of funds expected to be utilized by JEA to pay the principal of and interest on such Medium-Term Notes; *provided, however*, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of Bonds other than Commercial Paper Notes or Medium-Term Notes, that JEA intends to pay from Revenues, the principal of such Medium-Term Notes shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the earlier of (x) the 40th anniversary of the first issuance of Medium-Term Notes of such Series or (y) the 30th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Notes in each other Fiscal Year in such period.

*Net Revenues* shall mean, for any period, the Revenues during such period, determined on an accrual basis, minus the Operation and Maintenance Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues.

*One-Month LIBOR Rate* shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Operation and Maintenance Expenses* shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles, and shall include all Contract Debts. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include any reserve for renewals or replacements or any allowance for depreciation or amortization and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of JEA which are properly allocable to the System.

*Option Bonds* shall mean Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Principal Installment* shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the District Energy System Resolution) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Refundable Principal Installment* shall mean any Principal Installment for any Series of Bonds which JEA intends to pay with moneys which are not Revenues; *provided* that (i) in the case of Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and *provided, further*, that such Principal Installment shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Principal Installment with moneys which are not Revenues.

*Reimbursement Obligations* shall mean all Bonds issued to evidence JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with any Credit Enhancement or liquidity support for the Bonds of a Series (or a maturity or maturities or interest rate within a maturity thereof).

*Renewal and Replacement Requirement* shall mean, at any date of calculation, either (i) an amount equal to 10 percent of the sum of (a) the aggregate amount of Bonds Outstanding under the District Energy System Resolution, and (b) the aggregate amount of all other obligations issued by JEA in connection with the System (including, without limitation, Subordinated Indebtedness) outstanding and unpaid (or as to which provision for payment has not been made in accordance with the terms thereof) or (ii) such greater or lesser amount as the Consulting Engineer shall certify as reasonable and necessary for the purposes of the Renewal and Replacement Fund.

*Revenues* shall mean (i) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding customer deposits and any other deposits subject to refund unless such deposits have become property of JEA, (ii) the proceeds of any insurance covering business interruption loss relating to the System and (iii) interest received or to be received on any moneys or securities held pursuant to the District Energy System Resolution and paid or required to be paid into the Revenue Fund. For any purpose of the District Energy System Resolution that requires the computation of Revenues with respect to any period of time, "Revenues" shall include such amounts resulting, received or to be received, as the case may be, during such period, determined on an accrual basis, plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period, but only to the extent provided that such amounts originally were deposited to the Rate Stabilization Fund from Revenues (excluding from (x) amounts included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the District Energy System Resolution and minus (y) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period.

*Second Highest Rating Category* shall mean (i) if the Bonds are rated by a Rating Agency, that each Rating Agency has assigned a rating not lower than the second highest rating category given by that Rating Agency for that general category of security or obligation and (ii) if the Bonds are not rated (and, consequently, there is no Rating Agency), that Standard and Poor's or Moody Ratings Service has assigned a rating not lower than the second highest rating given by that rating agency for that general category of security or obligation.

*System* shall mean each and every part of the district energy facilities owned and operated by JEA for supply, transmission and distribution of chilled water, process steam or similar thermal energy, now existing or hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of JEA in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said System; *provided, however,* that upon compliance with the provisions of the District Energy System Resolution, the term System shall be deemed to include other utility functions added to the System that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the System. Notwithstanding the foregoing definition of the term System, such term shall not include the existing electric system or water and sewer system owned by JEA or any bulk power supply utilities or systems now owned or hereafter acquired by JEA (other than facilities transferred from the existing system upon establishment of the district energy system as provided by District Energy System Resolution of JEA), nor shall it include any properties or interests in properties of JEA (a) which JEA determines shall not constitute a part of the System for the purpose of the District Energy System Resolution at the time of the acquisition thereof by JEA or (b) as to which there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of Section 710.

*Trust Estate* shall mean (i) the proceeds of the sale of the Bonds, (ii) the Revenues, and (iii) all Funds and Accounts established by the District Energy System Resolution (other than the Debt Service Reserve Account in the Debt Service Fund and the Renewal and Replacement Fund), including the investments and investment income, if any, thereof.

*Variable Rate Bond* shall mean any Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of issuance of the Series of Bonds of which such Bond is one.

*Variable Rate Taxable Index* shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

*Variable Rate Tax-Exempt Index* shall mean the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

## **Pledge**

The Bonds are special obligations of JEA payable from and secured by the funds pledged therefor. Pursuant to the District Energy System Resolution, there is pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the District Energy System Resolution, subject only to the provisions of the District Energy System Resolution permitting or requiring the application thereof for the purposes

and on the terms and conditions set forth in the District Energy System Resolution, the Trust Estate.

Pursuant to the District Energy System Resolution, there are also pledged, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the District Energy System Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the District Energy System Resolution, amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund, including the investments and investment income, if any, thereof.

### **Application of Revenues**

Revenues are pledged by the District Energy System Resolution to payment of principal of and interest and redemption premium on the Bonds of all series, subject to the provisions of the District Energy System Resolution permitting application for other purposes. For application of the Revenues, the District Energy System Resolution establishes a Revenue Fund; Debt Service Fund, which shall consist of a Debt Service Account and a Debt Service Reserve Account, and within such Debt Service Reserve Account an Initial Subaccount; Subordinated Indebtedness Fund; Rate Stabilization Fund; and Renewal and Replacement Fund; all of such funds are held by JEA; *provided* that if and to the extent provided in a Supplemental Resolution authorizing Subordinated Indebtedness, the Subordinated Indebtedness Fund shall be held by the entity specified in such Supplemental Resolution.

***Revenues and Revenue Fund.*** Pursuant to the District Energy System Resolution, Revenues are to be deposited promptly by JEA to the credit of the Revenue Fund.

After payment of Operation and Maintenance Expenses, the District Energy System Resolution provides that the Revenue Fund should be applied monthly to the extent available in the following order:

(a) in the Debt Service Fund, (i) for credit to the Debt Service Account, an amount at least equal to the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; provided that (A) for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance in said Account the amount, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the District Energy System Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; and (B) any amount deposited into said Account during any month that is in excess of the minimum amount required to be deposited therein during such month may, upon written determination of an Authorized Officer of JEA, be deemed to be accumulated therein with respect to (1) any Sinking Fund Installment or (2) any principal amount of Bonds (including, in the case of any

Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established or (3) some combination of (1) and (2), and interest thereon; and (ii) thereafter, for deposit in each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount);

(b) in the Subordinated Indebtedness Fund, an amount at least equal to the amount, if any, as shall be required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness coming due in such month, whether as a result of maturity or prior call for redemption, and to provide reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness;

(c) in the Rate Stabilization Fund, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current Annual Budget or the amount otherwise determined by JEA to be credited to such Fund for the month; and

(d) in the Renewal and Replacement Fund, an amount at least equal to the sum of (i) one-twelfth (1/12th) of 10 percent of the Annual Net Revenues of the System for the preceding Fiscal Year and (ii) such additional amount as shall make the total annual payment into such Fund during the Fiscal Year of which such month shall be a part equal to at least five percent of the Revenues of the System for the preceding Fiscal Year; *provided, however*, that so long as there shall be held in the Renewal and Replacement Fund an amount which shall be at least equal to the Renewal and Replacement Requirement, no deposits shall be required to be made into the Renewal and Replacement Fund; and *provided, further*, however, that the failure of JEA to make such payment into the Renewal and Replacement Fund in any month shall not constitute an Event of Default under the District Energy System Resolution; *provided* that any deficiencies therefor shall have been restored prior to the end of the Fiscal Year of which such month shall be a part; and *provided, further*, that the full amount required to be deposited in said Renewal and Replacement Fund in such Fiscal Year shall have been deposited therein by the end of such Fiscal Year.

The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by JEA for any lawful purpose of JEA (including, but not limited to, (a) the purchase, redemption or provision for payment of any of the Bonds and (b) transfers to any utility system owned and/or operated by JEA currently or in the future) not

otherwise prohibited by the District Energy System Resolution; *provided, however*, that none of the remaining moneys shall be used for any purpose other than those specified above unless all current payments, including all deficiencies in prior payments, if any, have been made in full and unless JEA shall have complied fully with all the covenants and provisions of the District Energy System Resolution.

Notwithstanding the provisions above, so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), no deposits shall be required to be made into the Debt Service Fund.

**Construction Fund.** There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of any Supplemental Resolution and there may be paid into the Construction Fund, at the option of JEA, any moneys received for or in connection with the System by JEA from any other source, unless required to be otherwise applied as provided by the District Energy System Resolution. Amounts in the Construction Fund shall be applied to the payment of the Costs of the System in the manner provided in the District Energy System Resolution or for any other lawful purpose of JEA relating to the System.

The proceeds of insurance maintained pursuant to the District Energy System Resolution against physical loss of or damage to the System or of contractors' performance bonds or other assurances of completion with respect thereto, pertaining to the period of construction or acquisition thereof, shall, upon receipt by JEA, be paid into the Construction Fund.

JEA shall withdraw amounts from the Construction Fund for the payment of amounts due and owing on account of the Costs of the System upon determination of an Authorized Officer of JEA (or such officer's designee) that an obligation in the amount to be paid from the Construction Fund has been incurred by JEA and that each item thereof is a proper and reasonable charge against the Construction Fund, and that such amount has not been paid theretofore.

To the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of the principal of and interest on the Bonds when due.

Amounts credited to the Construction Fund which JEA determines at any time to be in excess of the amounts required for the purposes thereof shall be deposited in the Debt Service Reserve Account in the Debt Service Fund, if and to the extent necessary to make the amount in any separate subaccount therein equal to the Debt Service Reserve Requirement related thereto (or, if such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such excess shall be applied ratably, in proportion to the deficiency in each such subaccount), and any balance of such excess, upon written determination of an Authorized Officer of JEA, shall be deposited in the Revenue Fund and may be used by JEA for any lawful purpose of JEA, subject to the limitations contained in the District Energy System Resolution; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the District Energy System Resolution.

JEA may permanently discontinue the acquisition or construction of any portion of the System, the Costs of which are at the time being paid out of the Construction Fund, if the Governing Body determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of JEA and not disadvantageous to the Holders of the Bonds.

### **Debt Service Fund - Debt Service Reserve Account and 2013 Series A Bonds Subaccount**

#### *Debt Service Reserve Account*

There shall be established in the Debt Service Reserve Account in the Debt Service Fund one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of Bonds, in the manner and to the extent provided in the District Energy System Resolution or the Supplemental Resolution establishing such subaccount, as the case may be.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due the amount on deposit in the Debt Service Account in the Debt Service Fund (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency that exists with respect to the Additionally Secured Series of the Bonds secured thereby.

Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement related thereto, and after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount or the District Energy System Resolution, as the case may be, such excess shall be deposited in the Revenue Fund and applied for any lawful purpose of JEA, subject to the limitations contained in the District Energy System Resolution; *provided, however,* that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the District Energy System Resolution.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price, if applicable, and interest on the Bonds.

In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, JEA may withdraw from the separate subaccount in the Debt Service Reserve Account established for the benefit of the Bonds of such Additionally Secured Series all or any portion of the amounts

accumulated therein and deposit such amounts with the Escrow Agent for the Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided* that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid pursuant to the District Energy System Resolution, and (b) the amount remaining in such separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, JEA may also withdraw from such separate subaccount in the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the District Energy System Resolution; *provided* that such withdrawal shall not be made unless items (a) and (b) referred to above have been satisfied; and *provided, further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the District Energy System Resolution.

In addition to or in lieu of maintaining moneys or investments in a subaccount in the Debt Service Reserve Account JEA, in the Supplemental Resolution or Supplemental Resolutions authorizing the Series of Bonds additionally secured by such subaccount, may provide for the deposit into such subaccount of other available monies of JEA, from the sources and otherwise subject to such limitations as shall be provided in such Supplemental Resolution or Supplemental Resolutions.

#### *2013 Series A Bonds Subaccount*

The payment of the principal of and interest on the 2013 Series A Bonds is additionally payable from amounts on deposit in the 2013 Series A Bonds Subaccount established in the Debt Service Reserve Account. Amounts on deposit in the 2013 Series A Bonds Subaccount shall be pledged solely for the benefit of the 2013 Series A Bonds. The 2013 Series A Bonds Subaccount will be funded under the circumstances described below solely from amounts on deposit in the Revenue Fund established under the Water and Sewer System Resolution and available for use by JEA pursuant to the provisions of the Water and Sewer System Resolution from the amounts remaining in the Revenue Fund (as defined in the Water and Sewer System Resolution) (collectively, "Available Water and Sewer System Revenues").

JEA has 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. "Aggregate DES Debt Service Deficiency" is defined under the Third Supplemental Resolution to mean an amount equal to Accrued Aggregate Debt Service for the 2013 Series A Bonds less the sum of (a) the amount on deposit in the Debt Service Account in the Debt Service Fund to be applied to the payment of Debt Service on the 2013 Series A Bonds



and (b) the amount on deposit in the 2013 Series A Bonds Subaccount in the Debt Service Reserve Account in the Debt Service Fund.

If on the last Business Day of the month preceding any date on which principal or Sinking Fund Installments of and Redemption Price, including premium, if any, and interest on 2013 Series A Bonds is due and payable the amount on deposit in the Debt Service Account in the Debt Service Fund shall be less than Accrued Aggregate Debt Service with respect to the 2013 Series A Bonds, JEA shall withdraw from the 2013 Series A Bonds Subaccount for transfer to the Debt Service Account in the Debt Service Fund monies in an amount sufficient to make the balance in said Debt Service Account equal the Accrued Aggregate Debt Service as of the last day of the then current month.

The Third Supplemental Resolution provides that Section 710 of the District Energy System Resolution (summarized below under the caption "Covenant as to Rates, Fees and Charges") is not applicable to the 2013 Series A Bonds so long as JEA is obligated under the Third Supplemental Resolution and remains in compliance with its obligations to make deposits of Available Water and Sewer System Revenues to the 2013 Series A Bonds Subaccount in the Debt Service Reserve Account of the Debt Service Fund.

There is no Debt Service Reserve Requirement with respect to the 2013 Series A Bonds, and the 2013 Series A Bonds do not constitute an Additionally Secured Series under the District Energy System Resolution.

#### **Establishment of Initial Subaccount in the Debt Service Reserve Account and Application Thereof**

The District Energy System Resolution establishes an Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund. Amounts held by JEA in the Initial Subaccount shall constitute a trust fund for the benefit of the Holders of the Bonds of any Series, if and to the extent that the Supplemental Resolution authorizing such Bonds provides that such Bonds shall be additionally secured by amounts on deposit in the Initial Subaccount; *provided, however,* that if the Bonds of any Series hereafter issued are to be additionally secured by amounts on deposit in the Initial Subaccount, then it shall be a condition precedent to the authentication and delivery of such Bonds that the amount on deposit in the Initial Subaccount, after giving effect to any surety bond, insurance policy or letter of credit that may be credited to the Initial Subaccount in accordance with the provisions of paragraph 3 of this Section, and after giving effect to the issuance of such Bonds, shall not be less than the Debt Service Reserve Requirement for the Initial Subaccount. The Bonds of any Series that are additionally secured by amounts on deposit in the Initial Subaccount as aforesaid are referred to collectively as the "Initial Subaccount Additionally Secured Bonds."

The 2013 Series A Bonds are not additionally secured by amounts on deposit in the Initial Subaccount.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due the amount on deposit in the Debt Service Account in the Debt Service Fund (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds,

Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from the Initial Subaccount to the extent necessary to cure the deficiency that exists with respect to the Initial Subaccount Additionally Secured Bonds.

In lieu of maintaining moneys or investments in the Initial Subaccount, JEA at any time may cause to be deposited into the Initial Subaccount for the benefit of the Holders of the Initial Subaccount Additionally Secured Bonds an irrevocable surety bond, an insurance policy or a letter of credit (referred to in the District Energy System Resolution as a "reserve fund credit instrument") satisfying the requirements set forth below in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sums of moneys or value of Investment Securities then on deposit in the Initial Subaccount, if any.

(a) A surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Initial Subaccount Additionally Secured Bonds (a "municipal bond insurer") may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the claims paying ability of the issuer thereof shall be rated in the Highest Rating Category by each Rating Agency.

(b) A surety bond or insurance policy issued by an entity other than a municipal bond insurer may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount.

(c) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the issuer thereof is rated at least the Second Highest Rating Category by each Rating Agency. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Initial Subaccount Additionally Secured Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(d) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in any of clauses (a) through (c) above. The

letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.

(e) The use of any reserve fund credit instrument pursuant to this paragraph 3 shall be subject to receipt of an opinion of counsel to JEA as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to JEA and the Credit Enhancer, if any, for the Bonds Additionally Secured by the Initial Subaccount and in form and substance satisfactory to JEA and the Credit Enhancer, if any, for the Bonds Additionally Secured by the Initial Subaccount to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against JEA.

(f) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Bonds. Subject to the second and third succeeding sentences, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be on a parity with the cash replenishment of the Initial Subaccount. The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the reserve fund credit instrument to reimbursement will be subordinated to cash replenishment of the Initial Subaccount to an amount equal to the difference between the full original amount available under the reserve fund credit instrument and the amount then available for further draws or claims. If (i) the issuer of a reserve fund credit instrument becomes insolvent or (ii) the issuer of a reserve fund credit instrument defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below the Highest Rating Category (as rated by any Rating Agency) or (iv) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), the obligation to reimburse the issuer of the reserve fund credit instrument shall be subordinate to the cash replenishment of the Initial Subaccount.

(g) If (i) the revolving reinstatement feature described in the preceding clause (f) is suspended or terminated or (ii) the rating of the claims paying ability

of the issuer of the surety bond or insurance policy falls below the Highest Rating Category (as rated by any Rating Agency) or (iii) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (c) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (2) the rating of the issuer of the letter of credit falls below "A" or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (a) through (c) above within six months of such occurrence.

(h) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (g).

(i) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the District Energy System Resolution for purposes of the additional bonds test and the rate covenant contained in the District Energy System Resolution.

(j) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms prior to each interest payment date for the Bonds of any Initial Subaccount Additionally Secured Bonds.

(k) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated

therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

### **Rate Stabilization Fund**

Each month JEA shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current Annual Budget or the amount otherwise determined by JEA to be deposited into such Fund for the month.

At any time and from time to time JEA may transfer for deposit in the Rate Stabilization Fund from any source such amounts as JEA deems necessary or desirable; such amounts to be applied for purposes of the Rate Stabilization Fund in accordance with the District Energy System Resolution; *provided, however*, any such amounts deposited into the Rate Stabilization Fund pursuant to this paragraph shall not constitute or be deemed to constitute Revenues for any purpose of the District Energy System Resolution.

JEA may, from time to time, withdraw amounts on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the District Energy System Resolution, (ii) use such amounts to purchase or redeem Bonds, or (iii) use such amounts to otherwise provide for the payment of Bonds or interest thereon.

### **Renewal and Replacement Fund**

Amounts in the Renewal and Replacement Fund shall be applied to the Costs of the System, the payment of extraordinary operation and maintenance costs and contingencies and payments with respect to the prevention or correction of any unusual loss or damage in connection with all or part of the System, all to the extent not paid as Operation and Maintenance Expenses or from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Amounts in the Renewal and Replacement Fund also may be applied (a) to the purchase, redemption, payment or provision for payment of Bonds or interest thereon or (b) upon determination of the Governing Body, to the payment of the costs of enlargements, extensions, improvements and replacements of capital assets of any other utility system owned and operated by JEA and not constituting a part of the System.

If and to the extent provided in the Supplemental Resolution Authorizing Bonds of a Series or Subordinated Indebtedness, amounts from the proceeds of such Bonds or Subordinated Indebtedness may be deposited in the Renewal and Replacement Fund for any purpose of such Fund.

No payments shall be made from the Renewal and Replacement Fund if and to the extent that the proceeds of insurance or other moneys recoverable as the result of damage, if any, are available to pay the costs otherwise payable from such Fund.

If at any time the amounts in the Debt Service Account or any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall be less than the current requirements of such Account or subaccount, respectively, then JEA shall transfer from the Renewal and Replacement Fund for deposit in the Debt Service Account or such separate subaccount(s) in the

Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

If at any time the amounts in the Subordinated Indebtedness Fund shall be less than the current requirement of such Fund and the amounts on deposit in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall equal the current requirements of such Account and subaccounts, respectively, and such amounts are not required for the payment of Operation and Maintenance Expenses, then JEA shall transfer from the Renewal and Replacement Fund for deposit in the Subordinated Indebtedness Fund the amount necessary (or all the moneys in the Renewal and Replacement Fund if less than the amount necessary) to make up such deficiency.

### **Additional Bonds**

JEA may issue one or more series of additional Bonds for any lawful purpose of JEA relating to the System. All such Bonds will be payable from the Trust Estate pledged pursuant to the District Energy System Resolution and secured thereby on a parity with all other Bonds. In addition, each series of Bonds may be additionally secured by amounts on deposit in a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established under the District Energy System Resolution (which may be the Initial Subaccount therein). Set forth below are certain conditions applicable to the issuance of additional Bonds:

***Certificates of Authorized Officers.*** The issuance of each series of additional Bonds (other than Refunding Bonds and Reimbursement Obligations) is conditioned upon the execution by an Authorized Officer of JEA of a certificate: (1) setting forth the amounts of Net Revenues for any 12 consecutive month period within the 24 consecutive months immediately preceding the date of issuance of the additional Bonds of the series with respect to which such certificate is being given; and (2) stating that such Net Revenues for such 12 consecutive month period is at least equal to the greater of (X) 115 percent of the Average Annual Aggregate Adjusted System Debt Service (calculating such Average Annual Aggregate Adjusted System Debt Service with respect to the Bonds of all series then Outstanding and the additional Bonds of the series with respect to which such certificate is given) or (Y) the sum of (i) the Average Annual Aggregate Adjusted Debt Service (calculated as aforesaid) and (ii) the amount most recently determined to be required to be deposited in the Renewal and Replacement Fund for the then current, or a previous, Fiscal Year; *provided, however*, that the Net Revenues for such 12 month period may be adjusted for the purposes of such certificate (a) to reflect for such period revisions in the rates, fees, rentals and other charges of JEA for the product and services of the System made after the commencement of such period and preceding the date of issuance of such additional Bonds; (b) to reflect any increase in Net Revenues due to any new facilities of the System having been placed into use and operation subsequent to the commencement of such period and prior to the date of issuance of such additional Bonds; and (c) to include an amount equal to the average annual contribution to Net Revenues for the first three full Fiscal Years commencing after the date of

acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the date of such certificate.

***Debt Service Reserve.*** If, at JEA's option, any series of additional Bonds is to be additionally secured by amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund established under the District Energy System Resolution, the issuance of the additional Bonds of such series is further conditioned upon the deposit to the Initial Subaccount of moneys or reserve fund credit instruments, or a combination thereof, in an amount such that the balance in such Subaccount equals the Debt Service Reserve Requirement for such Subaccount calculated immediately after the delivery of such Bonds.

***No Default.*** In addition, Bonds of any series other than Refunding Bonds may be issued only if JEA certifies that upon the issuance of such series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the District Energy System Resolution.

### **Subordinated Indebtedness**

JEA may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose of JEA related to the System, which Subordinated Indebtedness shall be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof; *provided, however*, that any pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Trust Estate created by the District Energy System Resolution as security for the Bonds.

### **Investment of Certain Funds**

Unless further limited as to maturity by the provisions of a Supplemental Resolution, moneys held in the Funds and Accounts established under the District Energy System Resolution may be invested and reinvested by JEA in Investment Securities which will provide moneys not later than such times as shall be needed for payments to be made from such Funds and Accounts. In making any investment in any Investment Securities with moneys in any Fund or Account established under the District Energy System Resolution and held by JEA, JEA may combine such moneys with moneys in any other Fund or Account held by JEA, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund, shall be paid into the Revenue Fund. Interest earned on any moneys or investments in the Construction Fund shall be held in such Fund for the purposes thereof or, upon written determination of an Authorized Officer of JEA, paid into the Revenue Fund.

Nothing contained in the District Energy System Resolution shall prevent JEA, to the extent permitted by law, from entering into securities lending agreements or bonds borrowed agreements ("lending agreements") with banks which are members of the Federal Deposit Insurance Corporation, having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 and government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, secured by securities, which are obligations described in the definition of

Investment Securities; *provided* that each such lending agreement (i) is in commercially reasonable form and is for a commercially reasonable period, and (ii) results in a transfer to JEA of legal title to, or a grant to JEA of a prior perfected security interest in, identified securities which are obligations described in the definition of Investment Securities and which are free and clear of any claims by third parties and are segregated in a custodial or trust account held by a third party (other than the borrower) as the agent solely of, or in trust solely for the benefit of, JEA; *provided* that such securities acquired or pledged pursuant to such lending agreements shall have a current market value not less than 102 percent of the market value of the securities loaned by JEA under such agreement. Any Investment Securities loaned by JEA under any such agreement shall be released from the lien of the pledge of the Trust Estate created under the District Energy System Resolution, but only if all rights of JEA under the lending agreement (including, but not limited to, the monetary obligations to JEA of the bank and/or government bond dealer party to such agreement) and any related collateral agreement and all rights of JEA to the identified securities transferred or pledged to JEA in connection therewith are substituted for the securities loaned, and such rights of JEA are declared to be subject to the lien of the pledge of the Trust Estate created under the District Energy System Resolution to the same extent that the loaned Investment Securities formerly were subject.

### **Redemption**

In the case of any redemption of Bonds, JEA shall give written notice to the Bond Registrar(s) therefor and the Paying Agents of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series and of the Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the District Energy System Resolution or any Supplemental Resolution authorizing the Series of which such Bonds are a part). Such notice shall be filed with such Bond Registrars and the Paying Agents for the Bonds to be redeemed at least 40 days prior to the redemption date (or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Series of the Bonds to be redeemed or (b) as shall be acceptable to such Bond Registrars and Paying Agents). In the event notice of redemption shall have been given, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

### **Covenant as to Rates, Fees and Other Charges**

JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to provide Net Revenues in each Bond Year which shall be at least equal to the greater of (i) 115 percent of the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, and (ii) the amount which, together with other



available funds, shall be sufficient for the payment of: (a) the amount to be paid during such Bond Year into the Debt Service Account in the Debt Service Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); (b) the amount, if any, to be paid during such Bond Year into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into any such subaccount out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); (c) the amount, if any, to be paid during such Bond Year into the Subordinated Indebtedness Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); (d) the amount, if any, to be paid during such Bond Year into the Renewal and Replacement Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA); and (e) all other charges and liens whatsoever payable out of Revenues during such Bond Year.

JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the System, free of charge to any person, firm or corporation, public or private. However, JEA shall not be required to charge the City, including its departments, agencies or instrumentalities, for any use, output, capacity or service of the System to the extent (and only to the extent) that the cost of such use, output, capacity or service is included in the rates, fees or charges imposed by JEA on all customers of the System or a specified class or classes or category or categories thereof. Except as provided in the preceding sentence, whenever the City, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the City and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the City shall transfer to JEA sufficient sums to pay such charges. Such charges shall be paid as they accrue, and the City shall transfer to JEA sufficient sums to pay such charges. Whenever JEA shall avail itself of the product, facilities or services provided by the System, or any part thereof, for the use or benefit of another of JEA's utility systems JEA shall fairly allocate the costs of such product, facilities or services and charge to such other utility system such costs. The revenues so received from the City or charged by JEA to such other utility system shall be deemed to be Revenues derived from the operation of the System, and shall be applied, deposited and accounted for in the same manner as other Revenues derived from operation of the System.

The rate covenant provision of the District Energy System Resolution described above will not apply to the 2013 Series A Bonds prior to certain events. See "Excluded Provisions" herein.

### **Certain Other Covenants**

***Creation of Liens and Sales and Lease of Property.*** JEA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a security interest in or pledge of the Trust Estate or any portion thereof, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or other moneys, securities or funds held or set aside by JEA or by the Fiduciaries under the District Energy System Resolution and shall not create or cause to be created any lien or charge on the Trust Estate or any portion thereof, any separate subaccount in the Debt Service Reserve Account in the Debt

Service Fund or such moneys, securities or funds; *provided, however*, that nothing contained in the District Energy System Resolution shall prevent JEA from issuing, if and to the extent permitted by law, (a) Bond Anticipation Notes or other evidences of indebtedness payable out of, and which may be secured by a pledge of (i) the proceeds of sale of Bonds or investment income therefrom, or (ii) amounts in the Construction Fund derived from the proceeds of sale of said Bond Anticipation Notes or investment income therefrom as may from time to time be available for payment of such Bond Anticipation Notes or other evidences of indebtedness (including redemption premiums, if any, and interest thereon) as part of the Costs of the System, or (iii) Revenues to be derived on and after such date as the pledge of the Revenues provided in the District Energy System Resolution shall be discharged and satisfied as provided in the District Energy System Resolution, or (b) Subordinated Indebtedness.

No part of the System shall be sold, mortgaged, leased or otherwise disposed of, except as follows:

(a) JEA may dispose of, sell or exchange at any time and from time to time any property or facilities constituting part of the System only if (i) JEA shall determine that such property or facilities are not needed or useful in the operation of the System, or (ii) the net book value of the property or facilities disposed of, sold or exchanged is not more than 15 percent of the net book value of the property and facilities of the System, or (iii) there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the disposal, sale or exchange of such property or facilities will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the rate covenant described under "Covenant as to Rates, Fees and Other Charges." The proceeds of any sale or exchange of any property or facilities constituting a part of the System not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the District Energy System Resolution;

(b) JEA may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System; *provided* that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by JEA or its agents of the System and (ii) does not materially adversely affect the rights or security of the Holders of the Bonds under the District Energy System Resolution. Any payments received by JEA under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues.

(c) The limitations imposed upon JEA by clauses (a) and (b) above shall not apply to any disposition of property by JEA where: (i) such property is leased back to JEA under a lease having a term of years (including renewal options) (X) of not less than 75 percent of the remaining useful life of the property as estimated by JEA computed from the date of disposition and lease if such property is disposed

of by sale or a lease for more than 90 percent of the remaining estimated useful life or any other means of disposition except as set forth in the following clause (Y), or (Y) 75 percent of the term of the lease out by JEA if such property is disposed of by a lease for less than 90 percent of the useful life of the property so estimated, (ii) fair value to JEA (as determined by JEA) is received by JEA for the property subject to such transaction, and (iii) there shall have been delivered to the Governing Body a Counsel's Opinion to the effect that the disposition and lease will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (a) any banking or financial institution serving as financial advisor to JEA, as to financial and economic matters, (b) the Consulting Engineer, as to matters within its field of expertise and (c) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate). The proceeds of any such transaction not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the District Energy System Resolution;

(d) JEA may permanently discontinue the acquisition or construction of any portion of the System as provided in the District Energy System Resolution; and

(e) JEA may acquire by lease or lease purchase additions and improvements to the System. The agreement pursuant to which such lease or lease purchase is made may provide that upon termination of such lease or lease purchase JEA shall be obligated to return the property subject to such lease or lease purchase, or such portion thereof as has not been fully paid for, to the lessor or its designee.

***Insurance.*** JEA shall at all times keep or cause to be kept the properties of the System which are of an insurable nature and of the character usually insured by those operating properties similar to such properties of the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. JEA shall at all times maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the System. JEA shall also use its best efforts to maintain or cause to be maintained any additional or other insurance which it shall deem necessary or advisable to protect its interests and those of the Holders of the Bonds. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to JEA.

***Reconstruction; Application of Insurance Proceeds; Condemnation Awards.*** If any useful portion of the System shall be damaged or destroyed or taken by any governmental authority under the power of eminent domain or otherwise ("Condemnation"), JEA shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless there shall be filed with the records of JEA a certificate of an Authorized Officer of JEA setting forth a determination by JEA that, taking into account all relevant facts and

circumstances, including, if and to the extent JEA deems appropriate, the advice of the Consulting Engineer as to engineering matters, its attorneys as to legal matters and other consultants and advisors, such reconstruction or replacement is not in the interest of JEA and the Holders of the Bonds. Except as provided in the District Energy System Resolution, the proceeds of any insurance paid or award received on account of such damage, destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Construction Fund pursuant to the District Energy System Resolution) or Condemnation shall be held by JEA in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by JEA in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such account or investments shall be deposited in the Revenue Fund. Any such proceeds not applied within 36 months after receipt thereof by JEA to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been filed with the records of JEA within such 36 months, or which JEA shall at any time determine are not to be so applied, unless otherwise applied, shall, upon written determination of an Authorized Officer of JEA, be deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the District Energy System Resolution. Notwithstanding the foregoing, in the event that payments for any such repairing or replacing of property damaged, destroyed or taken prior to the availability of proceeds of insurance or Condemnation therefor are made from the Renewal and Replacement Fund, or from other funds of JEA not held in any Fund or Account established pursuant to the District Energy System Resolution, such proceeds when received shall be deposited in the Renewal and Replacement Fund to the extent of such payments therefrom, or shall be paid over to JEA, free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the District Energy System Resolution, as appropriate.

If the proceeds of insurance or Condemnation authorized by this Section to be applied to the reconstruction or replacement of any portion of the System are insufficient for such purpose, the deficiency may be supplied out of moneys in the Renewal and Replacement Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

***Additional Utility Functions.*** JEA may expand the utility functions of the System as permitted by the proviso contained in the definition of "System," only if JEA files with the books and records of JEA a certified copy of resolutions of the Governing Body to the effect that the addition of such utility functions (a) will not impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of the District Energy System Resolution, including specifically the rate covenant described under "Covenant as to Rates, Fees and other Charges" above and (b) will not materially adversely affect the rights of the Holders of the Bonds. In making the determinations to be set forth in such resolutions, the Governing Body may rely upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, bond counsel, financial advisors or other appropriate advisors as the Governing Body shall deem necessary or appropriate.

## Events of Defaults; Remedies

If one or more of the following Events of Default shall happen: (i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement); (ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement) and such default shall continue for a period of 30 days; (iii) if default shall be made by JEA in the performance or observance of any other of the covenants, agreements or conditions on its part in the District Energy System Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to JEA by the Holders of not less than 10 percent in principal amount of the Bonds Outstanding; (iv) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of JEA or the filing by JEA of a voluntary petition in bankruptcy, or adjudication of JEA as a bankrupt, or assignment by JEA for the benefit of its creditors, or the entry by JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to JEA in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or (v) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof; then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Holders of not less than 25 percent in principal amount of the Bonds Outstanding (by notice in writing to JEA), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the District Energy System Resolution or in any of the Bonds notwithstanding; *provided, however*, that in the event that a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided provides that the principal of such Bonds, and the accrued interest thereon, may not be declared due and payable immediately (nor such declaration be rescinded and annulled, as provided in the following sentence) without the consent in writing of the Credit Enhancer therefor, then such Bonds, and the interest accrued thereon, shall not become due and payable immediately as aforesaid (nor may such declaration be rescinded and annulled, as provided in the following sentence) without such written consent, and, in that event, the remedies available to the Holders of such Bonds (or such Credit Enhancer, on behalf of such Holders) shall be limited to those set forth in the District Energy System Resolution. The right of the Holders of not less than 25 percent in principal amount of the Bonds to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then

payable by JEA under the District Energy System Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of JEA or provision shall be made for such payment, and all defaults under the Bonds or under the District Energy System Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or adequate provision shall be made therefor, then and in every such case the Holders of 25 percent in principal amount of the Bonds Outstanding, by written notice to JEA, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. See "Action by Credit Enhancer When Action by Holders of Bonds Required" herein.

During the continuance of an Event of Default, JEA, shall apply all moneys, securities, funds and Revenues held or received by JEA under the District Energy System Resolution (other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund) as follows and in the following order: (i) to the payment of the amounts required for Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the System necessary in the judgment of JEA to prevent a loss of Revenues; (ii) to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows: (a) unless the principal of all the Bonds shall have become or have been declared due and payable (1) first to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and (2) second to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or (b) if the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and (iii) to the payment of principal, redemption price and interest then due on Subordinated Indebtedness in accordance with the Supplemental Resolution(s) authorizing such Subordinated Indebtedness.

During the continuance of an Event of Default, JEA shall apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund as follows and in the following order: (a) unless the principal of all of the Bonds shall have become or have been declared due and payable, (1) first to the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate subaccount in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for

redemption, and, if the amount available shall not be sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and (2) second to the payment to the persons entitled thereto of the unpaid principal or sinking fund Redemption Price of any Bonds of such Additionally Secured Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or sinking fund Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or (b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate subaccount without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries, and all other sums payable by JEA under the District Energy System Resolution including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of JEA, and all defaults under the District Energy System Resolution or the Bonds shall be made good, JEA and the Holders shall be restored, respectively, to their former positions and rights under the District Energy System Resolution. No such restoration of JEA and the Holders to their former positions and rights shall extend to or affect any subsequent default under the District Energy System Resolution or impair any right consequent thereon.

### **Powers of Amendment**

Any modification or amendment of the District Energy System Resolution and of the rights and obligations of JEA and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the District Energy System Resolution (i) of the Holders of not less than a majority in principal amount of the Bonds affected by such modification or amendment Outstanding at the time such consent is given, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes

of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of the District Energy System Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity or any particular Commercial Paper Notes or Medium-Term Notes would be affected by any modification or amendment of the District Energy System Resolution and any such determination shall, absent manifest error, be binding and conclusive on JEA and all Holders of Bonds. For the purpose of this Section, a change in the terms of redemption of any Outstanding Bond shall be deemed only to affect such Bond and shall be deemed not to affect any other Bond. For the purpose of this Section, the Holders of any Bonds may include the initial Holders thereof, regardless of whether such Bonds are being held for resale. See "Action by Credit Enhancer When Action by Holders of Bonds Required" herein.

### **Amendment to District Energy System Resolution**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of JEA may be adopted, which, upon its adoption and compliance with the applicable provisions of the District Energy System Resolution, shall be fully effective in accordance with its terms: (a) to close the District Energy System Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the District Energy System Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (b) to add to the covenants and agreements of JEA in the District Energy System Resolution other covenants and agreements to be observed by JEA which are not contrary to or inconsistent with the District Energy System Resolution as theretofore in effect; (c) to add to the limitations and restrictions in the District Energy System Resolution other limitations and restrictions to be observed by JEA which are not contrary to or inconsistent with the District Energy System Resolution as theretofore in effect; (d) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the District Energy System Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds; (e) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in coupon form payable to bearer or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto; (f) to confirm, as further assurance, any security interest or pledge under, and the subjection to any security interest or pledge created or to be created by, the District Energy System Resolution of the Revenues or of any other moneys, securities or funds; (g) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series; (h) to modify any of the provisions of the District Energy System Resolution in any other respect whatever; *provided* that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of



all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; and (j) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the District Energy System Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness.

### **Supplemental Resolutions Effective Upon Delivery of Counsel's Opinion as to No Material Adverse Effect**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) delivery of a Counsel's Opinion to the effect that the provisions of such Supplemental Resolution will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (a) any banking or financial institution serving as financial advisor to JEA, as to financial and economic matters, (b) the Consulting Engineer, as to matters within its field of expertise and (c) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate) and (ii) compliance with the applicable provision of the District Energy System Resolution, shall be fully effective in accordance with its terms: to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the District Energy System Resolution; to insert such provisions clarifying matters or questions arising under the District Energy System Resolution as are necessary or desirable and are not contrary to or inconsistent with the District Energy System Resolution as theretofore in effect; or to make any other modification to or amendment of the District Energy System Resolution which such counsel in its reasonable judgment shall determine will not have a material adverse effect on the interests of Holders of the Bonds.

Notwithstanding any other provision of the District Energy System Resolution, in determining whether the interests of the Holders of Outstanding Bonds are materially adversely affected, such counsel shall consider the effect on the Holders of any Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement.

### **Defeasance**

The pledge of moneys and securities created by the District Energy System Resolution and all covenants, agreements and other obligations of JEA to the Holders will cease, terminate and become void and be discharged and satisfied whenever all Bonds and interest due or to become due thereon are paid in full. If any Bonds are paid in full, such Bonds shall cease to be entitled to any lien, benefit or security under the District Energy System Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Bonds will cease, terminate and become void and be discharged and satisfied. Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the District Energy System Resolution whenever the following conditions (or such other conditions as may be set forth in the Supplemental Subordinated Resolution authorizing such Bonds) are met: (i) in case any Bonds are to be redeemed prior to their maturity, JEA has given to the Escrow Agent therefor instructions to give notice of redemption therefor, (ii) there has been deposited with such Escrow Agent either moneys or Defeasance Securities the principal of and interest on which when due will provide

moneys which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds, and (iii) in the event such Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA has given such Escrow Agent instructions to give a notice to the Holders of such Bonds that the above deposit has been made and that such Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the provisions of the District Energy System Resolution, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Variable Rate Bonds in order to satisfy the provisions of the District Energy System Resolution, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the provisions of the District Energy System Resolution.

Option Bonds shall be deemed to have been paid in accordance with the provisions of the District Energy System Resolution only if, in addition to satisfying the requirements described in clauses (i) and (ii) of the first paragraph hereof, there shall have been deposited with the Escrow Agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; *provided, however*, that if, at the time a deposit is made with the Escrow Agent pursuant to provisions of the District Energy System Resolution, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Escrow Agent for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Subordinated Electric System.

#### **Action by Credit Enhancer When Action by Holders of Bonds Required**

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series or an interest rate within a maturity, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series or an interest rate within a maturity, as to which it is the Credit Enhancer at all times for the purpose of (i) giving

any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the District Energy System Resolution, which requires the written approval or consent of Holders; *provided, however*, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action following the occurrence of an Event of Default under the District Energy System Resolution.

### **Special Provisions Relating to Capital Appreciation Bonds, Deferred Income Bonds and Reimbursement Obligations**

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service, Adjusted Aggregate Debt Service and Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to JEA any notice, consent, request, or demand pursuant to the District Energy System Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to JEA any notice, consent, request, or demand pursuant to the District Energy System Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

Except as otherwise provided in a Supplemental Resolution authorizing a Series of Reimbursement Obligations, for the purposes of (i) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Bonds is declared immediately due and payable following an Event of Default or (ii) computing the principal amount of Bonds held by the Holder of a Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the District Energy System Resolution for any purpose

whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Bonds of the Series or maturity or interest rate within a maturity for which such Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Bonds, less any prior repayments thereof.

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**JEA WATER AND SEWER SYSTEM AND DISTRICT ENERGY SYSTEM BONDS  
SUBJECT TO CONTINUING DISCLOSURE UNDERTAKINGS\***

JEA has entered into continue disclosure undertakings with respect to the following bonds to provide certain information to the Municipal Securities Rulemaking Board not later than the June 1 following the end of each Fiscal Year.

**WATER AND SEWER SYSTEM REVENUE BONDS**

**Water and Sewer System Revenue Bonds, 2010 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2033	\$27,550,000	6.210%	46613P XS0
2044	55,565,000	6.310	46613P XT8

**Water and Sewer System Revenue Bonds, 2010 Series B**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$1,730,000	5.650%	46613P YG5
2025	1,730,000	5.700	46613P YH3

**Water and Sewer System Revenue Bonds, 2010 Series F**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$ 500,000	4.700%	46613P C95
2025	1,385,000	5.000	46613P D29
2026	2,975,000	5.287	46613P D60
2027	3,070,000	5.487	46613P D78
2030	5,360,000	5.637	46613P D52
2040	24,305,000	5.887	46613P D37

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\* Note: The CUSIP numbers listed in this APPENDIX E are provided for the convenience of bondholders. JEA is not responsible for the accuracy or completeness of such numbers.

**Water and Sewer System Revenue Bonds, 2017 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$15,480,000	5.000%	46613P 3D6	2034	\$ 9,000,000	4.000%	46613P 3Q7
2025	23,215,000	5.000	46613P 3E4	2035	8,940,000	3.250	46613P 3R5
2026	23,490,000	5.000	46613P 3F1	2035	10,545,000	4.000	46613P 3S3
2027	24,780,000	5.000	46613P 3G9	2036	23,235,000	3.250	46613P 3T1
2028	24,665,000	5.000	46613P 3H7	2037	16,160,000	3.375	46613P 3U8
2029	26,025,000	5.000	46613P 3J3	2037	1,625,000	4.000	46613P 3V6
2030	11,435,000	5.000	46613P 3K0	2039	29,305,000	4.000	46613P 3W4
2031	17,455,000	5.000	46613P 3L8	2041	15,000,000	3.500	46613P 4P8
2032	16,175,000	5.000	46613P 3M6	2041	13,205,000	3.375	46613P 3X2
2033	11,230,000	4.000	46613P 3N4				

**Water and Sewer System Revenue Bonds, 2020 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$ 3,880,000	5.000%	46615S CZ9
2025	1,625,000	5.000	46615S DA3
2026	2,505,000	5.000	46615S DB1
2027	630,000	5.000	46615S DC9
2028	565,000	5.000	46615S DD7
2029	390,000	5.000	46615S DE5
2033	7,375,000	5.000	46615S DF2
2034	10,605,000	5.000	46615S DG0
2035	13,165,000	5.000	46615S DH8
2036	14,895,000	3.000	46615S DJ4
2037	15,520,000	3.000	46615S DK1
2038	10,665,000	4.000	46615S DL9
2039	11,125,000	4.000	46615S DM7
2040	7,265,000	4.000	46615S DN5

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**Water and Sewer System Revenue Bonds, 2021 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>	<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$ 5,475,000	5.000%	46615S EB0	2033	\$ 2,610,000	5.000%	46615S EL8
2025	1,265,000	5.000	46615S EC8	2034	1,445,000	5.000	46615S EM6
2026	2,075,000	5.000	46615S ED6	2035	3,825,000	4.000	46615S EN4
2027	3,665,000	5.000	46615S EE4	2036	6,490,000	4.000	46615S EP9
2028	4,045,000	5.000	46615S EF1	2037	9,815,000	4.000	46615S EQ7
2029	4,380,000	5.000	46615S EG9	2038	10,060,000	4.000	46615S ER5
2030	3,705,000	5.000	46615S EH7	2039	9,565,000	4.000	46615S ES3
2031	9,785,000	5.000	46615S EJ3	2040	19,495,000	3.000	46615S ET1
2032	10,600,000	5.000	46615S EK0	2041	10,295,000	3.000	46615S EU8

**Water and Sewer System Revenue Bonds, 2024 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$ 15,725,000	5.000%	46615S EV6
2026	11,075,000	5.000	46615S EW4
2027	11,185,000	5.000	46615S EX2
2028	10,910,000	5.000	46615S EY0
2029	11,685,000	5.000	46615S EZ7
2030	18,380,000	5.000	46615S FA1
2031	7,120,000	5.000	46615S FB9
2032	10,430,000	5.000	46615S FC7
2033	10,975,000	5.000	46615S FD5
2034	16,155,000	5.000	46615S FE3
2035	9,810,000	5.000	46615S FF0
2038	5,540,000	5.000	46615S FG8
2039	5,840,000	5.000	46615S FH6
2040	6,005,000	5.000	46615S FJ2
2042	9,240,000	5.000	46615S FK9
2043	16,275,000	5.000	46615S FL7
2044	17,090,000	5.000	46615S FM5
2049	135,075,000	5.250	46615S FN3
2054	175,320,000	5.500	46615S FP8

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**WATER AND SEWER SYSTEM SUBORDINATED REVENUE BONDS**

**Water and Sewer System Subordinated Revenue Bonds, 2017 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$5,500,000	5.000%	46613P 4B9
2025	3,500,000	2.750	46613P 4D5
2025	8,050,000	5.000	46613P 4C7
2026	1,920,000	5.000	46613P 4E3
2027	3,705,000	5.000	46613P 4F0
2028	3,770,000	5.000	46613P 4G8
2029	5,930,000	5.000	46613P 4H6
2030	2,125,000	5.000	46613P 4J2
2031	1,745,000	5.000	46613P 4K9
2032	3,595,000	5.000	46613P 4L7
2033	5,815,000	5.000	46613P 4M5

**Water and Sewer System Subordinated Revenue Bonds, 2020 Series A**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$ 955,000	5.000%	46615S DP0
2025	3,085,000	5.000	46615S DQ8
2026	540,000	5.000	46615S DR6
2027	1,170,000	5.000	46615S DS4
2034	5,430,000	5.000	46615S DT2
2035	2,525,000	5.000	46615S DU9
2036	2,355,000	4.000	46615S DV7
2037	2,480,000	4.000	46615S DW5
2038	2,580,000	4.000	46615S DX3
2039	2,685,000	4.000	46615S DY1
2040	2,785,000	4.000	46615S DZ8

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## DISTRICT ENERGY SYSTEM BONDS

### District Energy System Refunding Revenue Bonds, 2013 Series A (Federally Taxable)

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP Number</b>
2024	\$ 1,930,000	3.394%	46615M AP6
2025	1,995,000	3.544	46615M AQ4
2026	2,065,000	3.694	46615M AR2
2030	9,135,000	4.238	46615M AS0
2034	10,830,000	4.538	46615M AT8

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