Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

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

Ernst & Young LLP

Building a better working world

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2023 and 2022

Contents

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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.

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
		(In millions)	
Assets and deferred outflows of resources			
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	**$ 8,572**	$ 8,229	$ 8,282
Liabilities and deferred inflows of resources			
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
Net position			
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	**$ 8,572**	$ 8,229	$ 8,282

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

	2023	2022	2021
		(In millions)	
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	**$ 3,561**	$ 3,585	$ 3,467

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)		
September 2022 operating revenues	**$**	**1,535**
Stabilization funds		(177)
Territorial sales		(31)
Other		(3)
September 2023 operating revenues	**$**	**1,324**

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

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).

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.

	2023	2022
Natural gas	58%	58%
Purchased power	30%	29%
Coal	3%	6%
Petroleum coke	9%	7%
Total	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)		
September 2022 operating revenues	**$**	**510**
Stabilization funds		22
Sewer		5
Water		4
Bad debt		(3)
September 2023 operating revenues	**$**	**538**

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

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

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.

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.

	FY 2022	FY 2021
Natural gas	**58%**	62%
Purchases	**29%**	15%
Coal	**6%**	15%
Petroleum coke	**7%**	8%
Total	**100%**	100%

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.

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

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.

	Total Investment		**Additions**	
(Dollars in millions)	**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
Total	$ 5,889	$ 5,464	$ 738	$ 481

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 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**
JEA Electric System						
Senior	A1	stable	A+	stable	AA	stable
Subordinated	A2	stable	A	stable	AA	stable
Scherer	A1	stable	A+	stable	AA	stable
SJRPP	A1	stable	A+	stable	AA	stable
W&S						
Senior	Aa2	stable	AA+	stable	AA+	stable
Subordinated	Aa2	stable	AA	stable	AA+	stable
DES	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**
JEA Electric System						
Senior	A1	stable	A+	negative	AA	stable
Subordinated	A2	stable	A	negative	AA	stable
Scherer	A1	stable	A+	negative	AA	stable
SJRPP	A1	stable	A+	negative	AA	stable
W&S						
Senior	Aa2	stable	AA+	stable	AA	positive
Subordinated	Aa2	stable	AA	stable	AA	positive
DES	Aa3	stable	AA	stable	AA	positive

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
		(in thousands)	
Condensed Statement of Fiduciary Net Position			
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
Condensed Statement of Changes in Fiduciary Net Position			
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

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

See accompanying notes to financial statements.

JEA

Statements of Net Position (continued)

(In Thousands)

	September 2023	September 2022
Liabilities		
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	**244,057**	267,364
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	**280,053**	217,899
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	**2,873,381**	2,869,869
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	**4,053,553**	3,611,727
Total liabilities	**4,577,663**	4,096,990
Deferred inflows of resources		
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	**432,407**	546,788
Net position		
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	**3,561,489**	3,584,892
Total liabilities, deferred inflows of resources, and net position	**$ 8,571,559**	$ 8,228,670

See accompanying notes to financial statements.

JEA

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

	September 2023	September 2022
Operating revenue		
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
Operating expense		
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
Nonoperating revenue (expense)		
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
Contributions (to) from		
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)
Special item	**11,135**	100,000
Change in net position	**(23,403)**	117,438
Net position, beginning of year	**3,584,892**	3,467,454
Net position, end of year	**$ 3,561,489**	$ 3,584,892

See accompanying notes to financial statements.

JEA

Statements of Cash Flows
(In Thousands)

	September			
		2023		2022
Operating activities				
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		**723,018**		761,347
Noncapital and related financing activities				
Contribution to General Fund, City of Jacksonville, Florida		**(122,323)**		(133,613)
Net cash used in noncapital and related financing activities		**(122,323)**		(133,613)
Capital and related financing activities				
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		**(702,247)**		(792,785)
Investing activities				
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		**(40,526)**		(27,372)
Net change in cash and cash equivalents		**(142,078)**		(192,423)
Cash and cash equivalents at beginning of year		**520,690**		713,113
Cash and cash equivalents at end of year	**$**	**378,612**	$	520,690
Reconciliation of operating income to net cash provided by operating activities				
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
Net cash provided by operating activities	**$**	**723,018**	$	761,347
Non-cash activity				
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	September 2022
Assets		
Cash and cash equivalents	**$ 4,869**	$ 3,469
Receivables:		
Interest and dividends	**634**	437
Sale of investments	**142**	191
Employer	**13**	5
Total receivables	**789**	633
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	**155,072**	152,046
Total assets	**$ 160,730**	$ 156,148
Liabilities		
Accounts payable and other liabilities	**$ 124**	$ 505
Net position		
Restricted for pensions	**160,606**	155,643
Total liabilities and net position	**$ 160,730**	$ 156,148

See accompanying notes to financial statements.

JEA

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

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

See accompanying notes to financial statements.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA is currently organized into three enterprise funds – 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:

	2023	2022
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.

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.

(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.

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

(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.

Average Depreciable Life *(Years)*	**2023**	**2022**
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.

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.

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.

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.

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.

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.

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.

(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:

Regulatory Assets	2023	2022
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.

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.

(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.

(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:

	2023	2022
Beginning balance	**$ 14,145**	$ 14,272
Contributions	**32,744**	31,504
Incurred claims	**(26,755)**	(31,631)
Ending balance	**$ 20,134**	$ 14,145

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:

Environmental	2023	2022
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	**$ 14,612**	$ 46,822

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.

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.

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.

(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	**$ 226,021**	**$ 25,851**	**$ 133,810**	**$ 3,570**	**$ 389,252**

	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	$ 348,310	$ 25,684	$ 204,754	$ 3,470	$ 582,218

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.

(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:

	2023	2022
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	**$ 603,365**	$ 592,009

These securities are held in the following accounts:

	2023	2022
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	**773,445**	827,618
Less: cash on deposit	**(172,185)**	(236,546)
Plus: interest due on securities	**2,105**	937
Total securities, at fair value	**$ 603,365**	$ 592,009

(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.

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.

(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
Electric Enterprise Fund:					
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
Water and Sewer Fund:					
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
District Energy System:					
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
Total	$ 5,464,497	$ 420,335	$ (54)	$ 4,182	$ 5,888,960

(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
Electric Enterprise Fund:					
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
Water and Sewer Fund:					
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
District Energy System:					
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

(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.

	Unaudited	
	2023	**2022**
Condensed statement of net position:		
Current assets	**$ 355,758**	$ 699,272
Noncurrent assets	**41,039**	34,897
Total assets	**$ 396,797**	$ 734,169
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	**$ 417,717**	$ 767,949
Condensed statement of operations:		
Operating revenues	**$ 3,132,281**	$ 3,912,598
Operating expenses	**3,026,014**	3,638,084
Operating income	**$ 106,267**	$ 274,514
Net income	**$ 110,154**	$ 275,020

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.

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.

(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[1]	Payment Dates	September 30 2023	September 30 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[2]	Variable	2027-2036	**51,680**	51,680
Series Three 2008B-1[3]	Variable	2023-2040	**53,945**	56,395
Series Three 2008B-2[2]	Variable	2025-2040	**41,900**	41,900
Series Three 2008B-3[2]	Variable	2024-2036	**37,000**	37,000
Series Three 2008B-4[3]	Variable	2023-2036	**38,735**	42,110
Series Three 2008C-1[2]	Variable	2024-2034	**44,145**	44,145
Series Three 2008C-2[2]	Variable	2024-2034	**43,900**	43,900
Series Three 2008C-3[2]	Variable	2030-2038	**25,000**	25,000
Series Three 2008D-1[3]	Variable	2023-2036	**94,605**	97,705
Series Three 2009D[4]	6.056%	2033-2044	**45,955**	45,955
Series Three 2010E[4]	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			**854,340**	880,460

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2023	2022
Electric System Subordinated Revenue Bonds:				
2000 Series A[2]	Variable	2023-2025	**$ 12,030**	$ 14,770
2008 Series D[2]	Variable	2024-2038	**39,455**	39,455
2009 Series F[4]	5.500-6.406%	2024-2034	**58,420**	58,420
2010 Series D[4]	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[4]	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[4]	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

Notes to Financial Statements (continued)

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2023	September 30 2022
Water and Sewer System Senior Revenue Bonds:				
2006 Series B[5]	Variable	N/A	**$ –**	$ 5,055
2008 Series A-2[2]	Variable	2028-2042	**51,820**	51,820
2008 Series B[2]	Variable	2023-2041	**85,290**	85,290
2010 Series A[4]	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[4]	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			**1,002,400**	1,009,675
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2023-2038	**39,325**	41,900
Subordinated 2008 Series A-2[2]	Variable	2030-2038	**25,600**	25,600
Subordinated 2008 Series B-1[2]	Variable	2030-2036	**30,885**	30,885
Subordinated 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			**184,655**	187,230
Water and Sewer System Other Subordinated Debt:				
Revolving Credit Agreement	Variable	2027	**127,000**	–
Water and Sewer System Other Subordinated Debt			**127,000**	–

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

(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.

(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

(Dollars in Thousands)

8. Long-Term Debt (continued)

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

System	Debt Payable September 30, 2021	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2022	Current Portion of Debt Payable September 30, 2022
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

(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.

	Electric System Revenue		Electric System Direct Purchase		Bulk Power Supply System	
Fiscal Year	Principal	Interest(1)(2)	Principal	Interest(2)	Principal	Interest(1)
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

	SJRPP		Water and Sewer System		District Energy System		Total Debt
Fiscal Year	Principal	Interest(1)	Principal	Interest(1)(2)	Principal	Interest	Service
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.

(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:

	Electric System	SJRPP	Water and Sewer System	District Energy System
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:

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System
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:

	New Money Authorization		Refunding Authorization		
System	Senior	Subordinated	Senior	Subordinated	Expiration
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

(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:

	New Money Authorization		Refunding Authorization		
System	**Senior**	**Subordinated**	**Senior**	**Subordinated**	**Expiration**
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.

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.

(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
		$ 732,790	**$ 481,425**				

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[(1)]
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[(1)]
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR[(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	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
		$ 771,520	**$ 489,855**				

(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.

(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.

	Changes in Fair Value		Fair Value at September 30, 2023		
System	**Classification**	**Amount**	**Classification**	**Amount[(1)]**	**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		**$ 19,863**		**$ (18,368)**	**$ 481,425**

	Changes in Fair Value		Fair Value at September 30, 2022		
System	**Classification**	**Amount**	**Classification**	**Amount[(1)]**	**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		$ (91,124)		$ (38,231)	$ 489,855

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

For fiscal years ended September 30, 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:

	2023	2022
68% of LIBOR fallback (based on SOFR Index) and LIBOR Index[1]:		
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)

(1) 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.

(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:

Electric System

Fiscal Year	Principal	Interest(1)	Net Swap Interest	Total
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
Total	$ 396,135	$ 121,861	$ 6,447	$ 524,443

Water and Sewer System

Fiscal Year	Principal	Interest(1)	Net Swap Interest	Total
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
Total	$ 85,290	$ 37,947	$ 1,972	$ 125,209

(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.

(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		$	481,425

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%.

(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:

	2023	2022
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.

(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:

		2023		2022
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:

		2023		2022
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.

(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:

	2023	2022
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.

	Workers' Compensation		**General Liability**	
	City of Jacksonville	**JEA Portion**	**City of Jacksonville**	**JEA Portion**
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	$ 139,440	$ 3,033	$ 18,206	$ 3,161

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.

(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	Coal and Pet Coke		Natural Gas		
Ending	Fuel	Transportation	Transportation	Transmission	Total
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

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.

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.

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.

(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	16,740
Total long-term bonds	2,576,005
DOE advances(1)	
2015 DOE advances	345,990
2019 DOE advances	229,748
2020 DOE advances	111,541
Total DOE advances	687,279
Estimated interest earnings and bond premiums	189,379
Total capital requirements(2)	$ 3,452,663

(1) Includes advances and related capitalized interest accretion.

(2) Represents estimated total construction costs and required reserve deposits, net of payments received.

(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:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
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
Total	$ 725,782	$ 2,721,502	$ 3,447,284	$ (433,437)	$ (14,119)	$ 2,999,728

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.

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.

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.

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.

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%.

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.

(Dollars in Thousands)

12. Pension Plans (continued)

JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30 2023	September 30 2022
Deferred outflows of resources		
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
Total	**$ 254,656**	$ 119,044
Deferred inflows of resources		
Changes in proportion	**$ (5,039)**	$ (8,370)
Net difference between projected and actual earnings on pension investments	**–**	(87,658)
Total	**$ (5,039)**	$ (96,028)

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	$ 119,303
2025	44,827
2026	33,511
2027	51,976
Total	$ 249,617

(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.

(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.

	2023		2022	
Asset Class	**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%
Total	**100%**		100%	

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.

(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:

	Net Pension Liability	
	2023	**2022**
1% decrease	**$ 1,175,687**	$ 861,454
Current discount	**950,267**	643,001
1% increase	**762,102**	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.

(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:

	September 30	
	2023	**2022**
Deferred outflows of resources		
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
Total	**$ 3,160**	$ 2,507
Deferred inflows of resources		
Changes in assumptions	**$ (2,494)**	$ (3,051)
Changes in proportion	**(429)**	–
Differences between expected and aactual experience	**(64)**	–
Total	**$ (2,987)**	$ (3,051)

(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)
Total	$ 73

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.

(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:

	Net Pension Liability	
	2023	**2022**
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.

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.

(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:

	2023	2022
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
Total plan members	**455**	458

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: *Healthy pre-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates* : 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; *Disabled mortality rates* : 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.

(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.

	2023		2022	
Asset Class	**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%
Total	**100%**		100%	

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)

(Dollars in Thousands)

12. Pension Plans (continued)

Changes in the net pension liability/(asset) are detailed below.

	2023	2022
Total pension liability		
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	**160,439**	163,682
Plan fiduciary net postion		
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	**155,643**	190,094
Net pension liability/(asset)	**$ 4,796**	$ (26,412)

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:

	2023	2022
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account	$ 4,869	$ 3,469
Total cash and cash equivalents	$ 4,869	$ 3,469

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.

(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		
		Percent			Percent	
	Fair Value	Actual	Target	Fair Value	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.

(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.

(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**
Deferred outflows of resources		
Contributions subsequent to the measurement date	**$ –**	$ 6,900
Net difference between projected and actual earnings on pension plan investments	**32,894**	3,200
Total	**$ 32,894**	$ 10,100
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ (14,365)**	$ (19,581)
Total	**$ (14,365)**	$ (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
Total	$ 18,529

(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:

	2023	**2022**
Inactive plan members or beneficiaries currently receiving benefits	**347**	371
Active plan members	**1,904**	1,877
Total plan members	**2,251**	2,248

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.

(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: *Healthy pre-retirement mortality rates*: PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates*: 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; *Disabled mortality rates*: 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.

(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.

	2023		2022	
Asset Class	**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%
Total	**100%**		100%	

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.

(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:

	2023	2022
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.

	2023	2022
Total OPEB liability		
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	**42,117**	42,338
Plan fiduciary net postion		
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	**34,146**	40,696
Net OPEB liability	**$ 7,971**	$ 1,642
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%

(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	
Fixed Income Fund	Modified Duration	Weighted Average Maturity	Modified Duration	Weighted Average Maturity
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 AAf/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.

(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.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

The JEA Plan recorded deferred outflows of resources and deferred inflows of resources related to OPEB as detailed in the table below.

	September 30 2023	September 30 2022
Deferred outflows of resources		
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	**$ 15,943**	$ 11,029
Deferred inflows of resources		
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	**$ 16,343**	$ (18,599)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	Recognition of Deferred (Inflows)
2024	$ 479
2025	(504)
2026	(457)
2027	444
2028	(394)
Thereafter	32
Total	$ (400)

(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**
Investments by fair value level			
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	336,445	34,722	301,723
Investments measured at NAV			
Money market mutual funds	74,502		
Local government investment pools	119,545		
Total investments measured at NAV	194,047		
Investments measured at cost			
Commercial paper	72,873		
Total investments measured at cost	72,873		
Total investments	$ 603,365		

(Dollars in Thousands)

14. Fair Value Measurements (continued)

	2022		
	Total	**Level 1**	**Level 2**
Investments by fair value level			
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	**246,107**	**19,420**	**226,687**
Investments measured at NAV			
Money market mutual funds	**122,525**		
Local government investment pools	**126,076**		
Total investments measured at NAV	**248,601**		
Investments measured at cost			
Commercial paper	**97,301**		
Total investments measured at cost	**97,301**		
Total investments	**$ 592,009**		

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.

	2023	2022
Electric	**$ (15,736)**	$ (31,504)
Water and Sewer	**(2,632)**	(6,727)
Total	**$ (18,368)**	$ (38,231)

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.

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_2 emissions. EPA initially obtained temporary court orders to hold the court challenge of the CPP and the CPS in abeyance, pending the completion of EPA's review of the rules. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

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_2 emission limit for Northside Generating Units 1 and 2. The CO_2 emission limit will be set using a baseline of previous CO_2 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.

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 ($PM_{2.5}$), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO_2 and NOx emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of $PM_{2.5}$ and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NOx emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule.

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.

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 Bevill exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard, and other contained applications that should not involve any exposure by the public to unsafe contaminants.

On November 22, 2010, the EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for the EPA to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. The EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems.

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.

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.

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.

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.

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.

(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.

(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		SJRPP System		Water and Sewer		DES	
	2023	2022	2023	2022	2023	2022	2023	2022
Condensed statements of net position								
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
Condensed statements of revenues, expenses, and changes in net position information								
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
Condensed statements of cash flow information								
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

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.

(Dollars in Thousands)

18. Leases (continued)

Future principal and interest payments as of September 30, 2023 are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total Payment
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
Total Minimum Lease Payments	$ 91,400	$ 44,853	$ 136,253

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

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[a]

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
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[a]

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%

[a] All information is on measurement year basis.

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%.

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[a]

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[a]

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%

(a) 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, 20202 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.

Required Supplementary Information – Pension
(Dollars in Thousands)

SJRPP Plan – Schedule of Changes in Net Pension (Asset) Liability and Related Ratios[a]

	2022[d]	2021[c]	2020	2019[b]	2018	2017	2016	2015	2014
Total Pension Liability									
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	**$ 160,439**	$ 163,682	$ 167,697	$ 169,807	$ 174,666	$ 169,321	$ 158,926	$ 155,143	$ 148,508
Plan Fiduciary Net Position									
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	**$ 155,643**	$ 190,094	$ 169,982	$ 162,013	$ 170,665	$ 152,798	$ 142,286	$ 138,902	$ 145,425
Net Pension Liability (Asset) – Ending	**$ 4,796**	$ (26,412)	$ (2,285)	$ 7,794	$ 4,001	$ 16,523	$ 16,640	$ 16,241	$ 3,083
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%

[a] 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.

[b] 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.

[c] 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.

[d] 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.

Required Supplementary Information – Pension (continued)
(Dollars in Thousands)

SJRPP Plan – Investment Returns[a]

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[a]

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:
	Healthy pre-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Healthy post-retirement mortality rates : 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;
	Disabled mortality rates : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.

Required Supplementary Information – OPEB
(Dollars in Thousands)

OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios[a]

	2022	2021[b]	2020[c]	2019[d]	2018	2017	2016
Total OPEB Liability							
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	**$ 42,117**	$ 42,338	$ 39,135	$ 40,794	$ 46,705	$ 44,547	$ 60,949
Plan Fiduciary Net Position							
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	**$ 34,146**	$ 40,696	$ 33,999	$ 30,703	$ 28,449	$ 25,712	$ 21,441
Net OPEB Liability – Ending	**$ 7,971**	$ 1,642	$ 5,136	$ 10,091	$ 18,256	$ 18,835	$ 39,508
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.

Required Supplementary Information – OPEB
(Dollars in Thousands)

OPEB Plan – Investment Returns[(a)]

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[(a)]

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:
	Healthy pre-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Healthy post-retirement mortality rates : 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;
	Disabled mortality rates : 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
Assets							
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
Total current assets	649,180	4,011	(425)	652,766	188,754	2,036	843,556
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
Total restricted assets	226,021	25,851	–	251,872	133,810	3,570	389,252
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
Total noncurrent assets	816,208	100,243	(3,812)	912,639	467,094	3,891	1,383,624
Net capital assets	2,584,379	8,095	–	2,592,474	3,253,201	43,285	5,888,960
Total assets	4,049,767	112,349	(4,237)	4,157,879	3,909,049	49,212	8,116,140
Deferred outflows of resources							
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
Total deferred outflows of resources	272,658	33,891	–	306,549	148,737	133	455,419
Total assets and deferred outflows of resources	$ 4,322,425	$ 146,240	$ (4,237)	$ 4,464,428	$ 4,057,786	$ 49,345	$ 8,571,559

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
Liabilities							
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
Total current liabilities	189,007	114	(114)	189,007	54,579	471	244,057
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
Total current liabilities payable from restricted assets	69,440	22,509	(311)	91,638	185,215	3,200	280,053
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
Total long-term debt	1,425,668	76,809	–	1,502,477	1,333,959	36,945	2,873,381
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
Total noncurrent liabilities	2,185,603	85,417	(3,812)	2,267,208	1,749,331	37,014	4,053,553
Total liabilities	2,444,050	108,040	(4,237)	2,547,853	1,989,125	40,685	4,577,663
Deferred inflows of resources							
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
Total deferred inflows of resources	394,074	28,098	–	422,172	10,235	–	432,407
Net position							
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
Total net position	1,484,301	10,102	–	1,494,403	2,058,426	8,660	3,561,489
Total liabilities, deferred inflows of resources, and net position	$ 4,322,425	$ 146,240	$ (4,237)	$ 4,464,428	$ 4,057,786	$ 49,345	$ 8,571,559

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
Assets							
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
Total current assets	535,598	3,313	(372)	538,539	194,076	1,670	734,285
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
Total restricted assets	348,310	25,684	–	373,994	204,754	3,470	582,218
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
Total noncurrent assets	1,078,285	142,830	(4,765)	1,216,350	504,333	3,640	1,724,323
Net capital assets	2,471,231	8,505	–	2,479,736	2,947,535	37,226	5,464,497
Total assets	4,433,424	180,332	(5,137)	4,608,619	3,850,698	46,006	8,505,323
Deferred outflows of resources							
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
Total deferred outflows of resources	199,666	11,379	–	211,045	94,375	145	305,565
Total assets and deferred outflows of resources	$ 4,633,090	$ 191,711	$ (5,137)	$ 4,819,664	$ 3,945,073	$ 46,151	$ 8,810,888

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
Liabilities							
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
Total current liabilities	212,802	335	–	213,137	54,126	101	267,364
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
Total current liabilities payable from restricted assets	86,407	23,236	(372)	109,271	103,224	5,404	217,899
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
Total long-term debt	1,470,557	92,838	–	1,563,395	1,275,664	30,810	2,869,869
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
Total noncurrent liabilities	1,936,835	97,603	(4,765)	2,029,673	1,551,150	30,904	3,611,727
Total liabilities	2,236,044	121,174	(5,137)	2,352,081	1,708,500	36,409	4,096,990
Deferred inflows of resources							
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
Total deferred inflows of resources	435,934	36,512	–	472,446	74,342	–	546,788
Net position							
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
Total net position	1,612,802	8,341	–	1,621,143	1,957,477	6,272	3,584,892
Total liabilities, deferred inflows of resources, and net position	$ 4,284,780	$ 166,027	$ (5,137)	$ 4,445,670	$ 3,740,319	$ 42,681	$ 8,228,670

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
Operating revenue								
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
Operating expense								
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
Nonoperating revenue (expense)								
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
Contributions (to) from								
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)
Special item	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
Net position, end of year	$ 1,484,301	$ 10,102	$ -	$ 1,494,403	$ 2,058,426	$ 8,660	$ -	$ 3,561,489

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
Operating revenue								
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
Operating expense								
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
Nonoperating revenue (expense)								
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
Contributions (to) from								
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)
Special item	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
Net position, end of year	$ 1,612,802	$ 8,341	$ -	$ 1,621,143	$ 1,957,477	$ 6,272	$ -	$ 3,584,892

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
Operating activities								
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
Noncapital and related financing activities								
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)
Capital and related financing activities								
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)
Investing activities								
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
Cash and cash equivalents at end of year	$ 256,800	$ 25,631	$ –	$ 282,431	$ 90,702	$ 5,479	$ –	$ 378,612
Reconciliation of operating income (loss) to net cash provided by operating activities								
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
Net cash provided by operating activities	$ 470,428	$ 19,217	$ –	$ 489,645	$ 226,127	$ 7,246	$ –	$ 723,018
Non-cash activity								
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 Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,423,152	$ 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
Noncapital and related financing activities								
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)
Capital and related financing activities								
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)
Investing activities								
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
Cash and cash equivalents at end of year	$ 327,733	$ 24,864	$ –	$ 352,597	$ 163,282	$ 4,811	$ –	$ 520,690
Reconciliation of operating income (loss) to net cash provided by operating activities								
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
Net cash provided by operating activities	$ 410,856	$ 35,673	$ –	$ 446,529	$ 310,931	$ 3,887	$ –	$ 761,347
Non-cash activity								
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
Revenues		
Electric	**$ 1,481,583**	$ 1,516,654
Investment income [1]	**17,919**	2,547
Earnings from The Energy Authority	**23,603**	29,731
Other [2]	**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)
Total Revenues	**1,376,777**	1,666,824
Cost of Operation and Maintenance [3]		
Fuel	**438,127**	478,743
Purchased power [4]	**306,647**	408,317
Maintenance and other operating expense	**304,327**	227,313
State utility and franchise taxes	**72,490**	72,598
Total Cost of Operation and Maintenance	**1,121,591**	1,186,971
Net Revenues	**$ 255,186**	$ 479,853
Debt Service Requirement on Electric System Bonds (prior to reduction of investment income on sinking fund and Build America Bonds subsidy)	**$ 42,012**	$ 50,560
Less: investment income on sinking fund	**(1,231)**	(1,167)
Less: Build America Bonds subsidy	**(1,535)**	(1,535)
Debt Service Requirement on Electric System Bonds	**$ 39,246**	$ 47,858
Debt service coverage on Electric System Bonds [5]	**6.50 x**	10.03 x
Debt Service Requirement on Electric System Bonds (from above)	**$ 39,246**	$ 47,858
Plus: Aggregate Subordinated Debt Service on Subordinated Electric System Bonds (prior to Build America Bonds subdsidy)	**31,179**	40,500
Less: Build America Bonds subsidy	**(1,775)**	(1,843)
Debt Service Requirement on Electric System Bonds and Aggregate Subordinated Debt Service on Subordinated Electric System Bonds	**$ 68,650**	$ 86,515
Debt service coverage on Electric System Bonds and Subordinated Electric System Bonds [6]	**3.72 x**	5.55 x

[1] Excludes investment income on sinking funds.

[2] Excludes the Build America Bonds subsidy.

[3] Excludes depreciation and recognition of deferred costs and revenues, net.

[4] In accordance with the requirements of the Electric System Resolution, all the contract debt payments from the Electric System to 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.

[5] Net Revenues divided by Debt Service Requirement on Electric System Bonds. Minimum annual coverage is 1.20x.

[6] 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
Revenues				
Operating	**$**	**12,683**	$	70,918
Investment income		**141**		77
Total Revenues		**12,824**		70,995
Operation and Maintenance Expenses [1]				
Fuel		**5**		9,033
Maintenance and other operating expense		**5,408**		9,173
Total Operation and Maintenance Expenses		**5,413**		18,206
Net Revenues	**$**	**7,411**	$	52,789
Aggregate Debt Service (prior to reduction of Build America Bonds subsidy)	**$**	**3,918**	$	6,153
Less: Build America Bonds subsidy		**(470)**		(511)
Aggregate Debt Service	**$**	**3,448**	$	5,642
Debt service coverage [2]		**2.15 x**		9.36 x

[1] Excludes depreciation.

[2] Net Revenues divided by Aggregate Debt Service. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System, Second Resolution

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30			
		2023		2022
Revenues				
Operating	**$**	**21,395**	$	53,495
Investment income		**470**		717
Total Revenues		**21,865**		54,212
Operation and Maintenance Expenses		**–**		–
Net Revenues	**$**	**21,865**	$	54,212
Aggregate Debt Service (prior to reduction of Build America Bonds subsidy)	**$**	**19,305**	$	23,741
Less: Build America Bonds subsidy		**(228)**		(259)
Aggregate Debt Service	**$**	**19,077**	$	23,482
Debt service coverage [1]		**1.15 x**		2.31 x

[1] 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	Year Ended September 30 2022
Revenues		
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 (1)	**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
Operation and Maintenance Expenses		
Maintenance and other operating expense (2)	**231,632**	195,656
State utility and franchise taxes	**11,319**	11,294
Total Operation and Maintenance Expenses	**242,951**	206,950
Net Revenues	**$ 366,230**	$ 353,797
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	**$ 84,241**	$ 45,898
Debt service coverage on Water and Sewer System Bonds (3)	**4.35 x**	7.71 x
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	**$ 101,140**	$ 53,200
Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds excluding Capacity Charges (4)	**2.98 x**	5.76 x
Debt service coverage on Water and Sewer System Bonds and Subordinated Water and Sewer System Bonds including Capacity Charges (4)	**3.62 x**	6.65 x

(1) Excludes the Build America Bonds subsidy.

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

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

(4) 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
Revenues		
Service revenue	**$ 12,761**	$ 8,989
Investment income	**100**	21
Other	**-**	8
Total Revenues	**12,861**	9,018
Operation and Maintenance Expenses [1]		
Maintenance and other operating expense	**6,064**	5,239
Total Operation and Maintenance Expenses	**6,064**	5,239
Net Revenues	**$ 6,797**	$ 3,779
Aggregate Debt Service [2]	**$ 3,022**	$ 3,021
Debt service coverage [3]	**2.25 x**	1.25 x

[1] Excludes depreciation.

[2] 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.

[3] Net Revenues divided by Aggregrate Debt Service.

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