JEA
BOARD AGENDA

DATE: January 19, 2016

TIME: 12:00 PM

PLACE: JEA
21 West Church Street
8th Floor

I. WELCOME

A. Call to Order
B. Time of Reflection
C. Pledge to Flag
D. Adoption of the Agenda
E. Safety Briefing

Meeting participants are asked to turn their cell phones completely off

II. PRESENTATIONS AND COMMENTS

A. Comments from the Public
B. Council Liaison's Comments – The Honorable Bill Gulliford
C. Office of the Mayor Liaison's Comments – Dr. Johnny Gaffney
D. Sunshine Law/Public Records Statement – Office of General Counsel (OGC)
E. J. D. Power Business Customer Satisfaction Results – Monica Whiting, Chief Customer Officer – presentation/information

III. FOR BOARD CONSIDERATION

A. Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature, or have been discussed during previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation, and are approved by one motion and vote.

1. Approval of Board Meeting Minutes December 15, 2015 – action

2. Electric System and Water and Sewer System Reserve Fund Quarterly Report – information
3. Fitch 2016 Outlook: U.S. Public Power and Electric Cooperative Sector – information
4. JEA Energy Market Risk Management Policy Report – information
5. Monthly JEA Financial Review & Statements – information
6. Monthly FY16 Communications & Engagement Calendar and Plan Update – information
7. Real Estate Acquisition Status Report – information
8. Sole Source & Emergency Procurement/Procurement Appeals Board Report – information

B. Strategic Discussions/Action

1. JEA's Role in Economic Development – Melissa Dykes, Chief Financial Officer – presentation/information
2. Fuel Charge Reduction Recommendation – Melissa Dykes, Chief Financial Officer – presentation/information
3. Ernst & Young FY2015 Annual Financial Audit Plan, External Audit Report and Management Letter – Mike Pattillo, Ernst & Young – presentation/action
4. External Auditors Evaluation 2015 – Melissa Dykes, Chief Financial Officer – presentation/action
5. St. John's River Power Park (SJRPP) System Employees' Retirement Plan Restatement & Letter of Determination – Angie Hiers, Chief Human Resources Officer – presentation/action
6. Bi-Monthly Operations Presentation – Brian Roche, Vice President/General Manager, Water/Wastewater Systems, Mike Brost, Vice President/General Manager, Electric Systems, and Monica Whiting, Chief Customer Officer – presentation/information

C. Other New Business

D. Old Business – none

IV. <u>REPORTS</u>

A. Compensation Committee Report – Delores Kesler, Committee Chair

1. Minutes from December 15, 2015 – information
2. Compensation Committee Charter – action
3. Market Definition – information

4. FY2016 Pay for Performance Plan: Goals and Compensation – action (Angie Hiers)
5. FY2016 CEO Goals – action (Paul McElroy)
6. Announcements
   a. Schedule Next Meeting as Appropriate

B. Managing Director/CEO's Report

C. Chair's Report

V. CLOSING CONSIDERATIONS

A. Announcements – Next Board Meeting – February 16, 2016

B. Adjournment

A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call **665-7550** by **8:30 AM** the day before the meeting and we will provide reasonable assistance for you.

B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.

Building Community

INTER-OFFICE CORRESPONDENCE
January 13, 2016

SUBJECT:	**BOARD MEETING AGENDA**
FROM:	Melissa Charleroy and Cheryl Mock, JEA Executive Assistants
TO:	All Members, JEA Board of Directors

Scheduled times and locations for JEA meetings to be held ***Tuesday, January 19, 2016,*** are as follows:

12:00 PM	**Board Meeting** **8th Floor, JEA Tower**

We are looking forward to seeing you on the **19th**. Please call Melissa Charleroy at 665-7313 or Cheryl Mock at 665-4202 if you require additional information.

/mmc

Cc:

P. McElroy	T. Hobson	S. Tuten	W. Stanford	J. Bryant
M. Brost	B. Roche	M. Charleroy	M. Evans	V. Wright
P. Cosgrave	M. Whiting	S. Kluszewski	J. Brooks, OGC	
M. Dykes	J. Upton	C. Mock	J. Gabriel, OGC	
A. Hiers	G. Boyce	N. NesSmith	C. Edgar	
M. Hightower	J. Gutos	M. Ruiz-Adams	B. Fore	

e-copy:
Patrick Maginnis
Security Desk
Security Office
Brandi Sneed
Russell Park
Ted Delay

Customer Correspondence Received for JEA Board Members

CUSTOMER	*DATED*	*DATE RECEIVED*	*ISSUE*	*STATUS*
Mr. Marc Berkow	December 18, 2015	December 23, 2015	Mr. Berkow wrote to relay his dissatisfaction of JEA's practice of billing all customers a base monthly charge for both water and sewer service, regardless of their usage. Mr. Berkow believes this methodology of billing is unfair to JEA customers and results in overcharging to low water users and he believes this must change. Mr. Berkow requests a response from the Board on its position to determine his next steps.	Mrs. Whiting responded, via mailed letter, to Mr. Berkow on 12/28/15 thanking him for taking his time to write and provide JEA feedback regarding his concerns about JEA's water and sewer rate methodology. She advised his correspondence was forwarded to JEA's Finance staff who will review and provide background information to both him and the JEA BOD. ***Attached explanation of how rates are structured and calculated.***

Current: January 12, 2016
Provided to Board: Jan 19, 2016 Board Meeting
NN

JEA Rate Making Objectives

JEA's rate policy, consistent with utility best practices, requires our rates to adequately recover the costs to provide electric, water and wastewater services. Our rates are structured through an allocation of these costs to appropriate customer classes based on common customer characteristics such as residential, commercial or industrial. These principles are referred to as "Cost of Service Principles" within the utility industry and attempt to provide a fair and equitable price structure for the use of each service.

With regard to water and wastewater rate design, there are two key objectives:

- Provide a stable and dependable funding source with a rate structure that aligns with the cost structure of the system
- Encourage the most efficient use of utility plant and facilities and discourage unnecessary or wasteful use of water by consumers

Water and Wastewater Rates

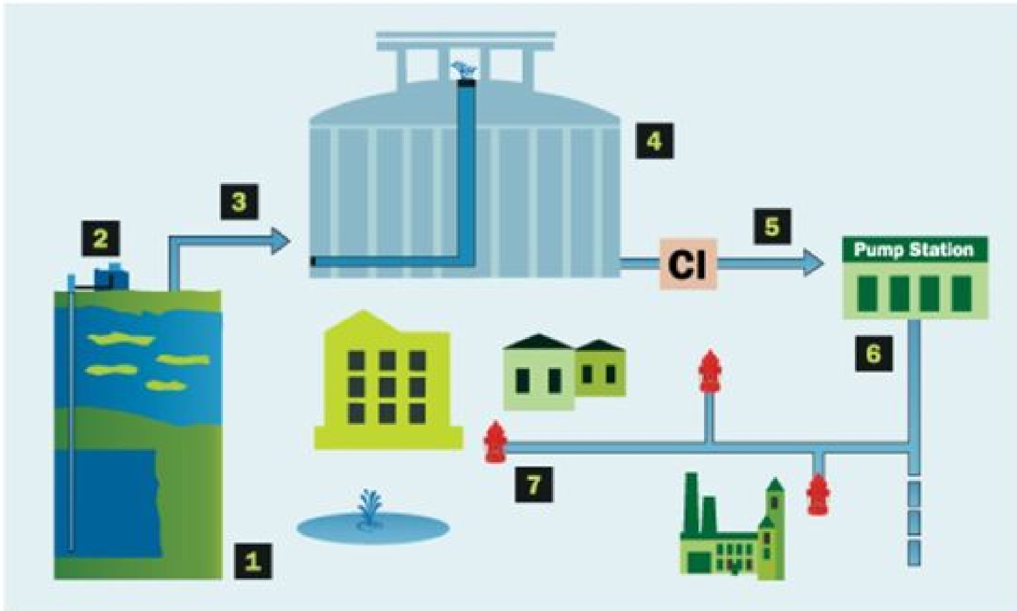
In order to accomplish these objectives, JEA water rates include two separate rate structure components. The rate structure components are: i) a fixed Basic Monthly Charge that does not vary by level of use and ii) a commodity or usage charge based on metered water use. The Basic Monthly Charge is based on the service and meter size and is intended to recover a portion of the fixed costs of the total water and/or sewer system. This type of rate structure is very common in Florida and nationally.

Fixed Costs vs. Variable Costs

JEA's water system consists of 134 wells, 37 treatment plants, 330,000 meters and more than 4,300 miles of pipes --enough to stretch from Jacksonville to Paris, France. Similarly, JEA's wastewater system consists of 1,300 pump stations, 11 wastewater treatment plants and over 3,800 miles of pipe -- enough to stretch from Jacksonville to Anchorage. This water and wastewater infrastructure is critical to our ability to provide the necessary services to our customers and community. The related costs to pay for their debt and maintenance are generally fixed costs, regardless of customer use.

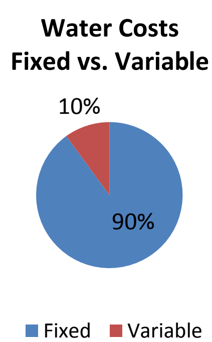
In addition to the fixed costs, there are variable costs such as chemical treatment costs, samples for water quality, electricity for pumping, and other costs which increase or decrease based on volume and customer consumption. The commodity or usage charge generally consists of these variable-related expenses of the utility in addition to a portion of the fixed costs.

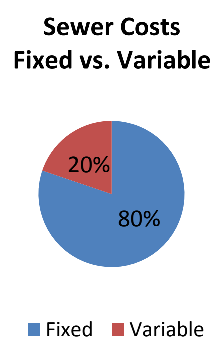
As part of our second objective to incentivize conservation of our valuable water resources, the residential water rates consist of a tiered rate structure, which charges people a higher rate the more they consume. The low usage charge in the first tier of the water and sewer residential rates result in a benefit to customers who are committed environmental stewards in our community.



1. The Floridan Aquifer is an underground river that courses through limestone formations many hundreds of feet underground. 2. Deep Well Turbine Pumps are used to draw the water from the aquifer and deliver it through 3. Well Headers. At the 4. Water Treatment Plant, the water is aerated, stored, and eventually chlorinated as needed. 5. Transmission Mains carry the potable water throughout the many miles of service area and ultimately deliver the water through 6. Distribution Mains, service connections, and water meters to our 7. Customers.

To illustrate this fixed and variable concept, think in terms of installing a well at your property. The cost to install the well and pay on the loan is the same month to month, regardless of how much water you draw out of the well. Likewise, there are certain maintenance costs that are fixed and do not vary by volume – such as regulatory testing, annual service calls, etc. Similarly, the Basic Monthly Charge is recovering JEA's cost to install and maintain the infrastructure necessary to bring water/transport wastewater to and from your residence.





As you can see in the chart (at right), JEA's fixed costs are approximately 90% of the total costs of the Water system and 80% of the total costs of the Sewer system.

BALANCING DISTRIBUTION OF COSTS

There are various ways to distribute or allocate costs within a customer class. One end of the spectrum would be direct correlation to fixed and variable costs, meaning the fixed or Basic Monthly Charge would nearly double and the variable rate would be minimal. The other end of the spectrum is to move to all or mostly volume, with minimal or no fixed charges.

The goal of JEA's rate structure is to collect an "appropriate" amount of fixed costs from all customers, regardless of use, and the remaining amount of fixed and variable costs based on the volumetric charge. We work to balance the needs of the community with fair and equitable pricing for all customers, maintaining a cost of service approach by customer class to minimize subsidization, and to support efficient use of water.

JEA's approach is common in the industry and considered a best practice.

In Summary

As a non-profit, JEA is only collecting what it costs to run and operate the system in total. This includes paying for past debt/infrastructure, current operations and maintenance, and investment for the future. JEA is a not for profit and is not making profits for shareholders. JEA rates recover a mix of fixed and variable costs with fixed and variable rate components to customers with a goal of balance in distribution of costs. Every several years, JEA reasseses its cost of service and rate methodology, making appropriate structure adjustments. JEA will continue to do so.

As a community owned organization, JEA is always striving to be a premier service provider, valued asset and vital partner in advancing our community. Dialogue with customers on these complex issues is a vital piece of our mission. We will continue to balance customer input in our future analysis and decisions regarding rate structure changes.

II. A.
1/19/2016

21 West Church Street
Jacksonville, Florida 32202-3139

December 28, 2015

JEA

Mr. Marc Berkow
8539 Little Swift Circle
Jacksonville, FL 32256

ELECTRIC

WATER

SEWER

Dear Mr. Berkow:

Thank you for taking the time to write and provide JEA feedback regarding your concerns about JEA's water and sewer rate methodology. We certainly understand that utility rates can be complex and there can be various opinions on the preferred approach to rate design. I am sorry we were not able to adequately address your concerns when you called.

Your letter was received December 23, 2015, and was forwarded on to our Finance staff. Staff will review and provide background information to the Board and to you on JEA's current rate methodology, as well as industry standards in the upcoming weeks. Your letter will also be provided to the Board directly.

Thank you again for taking the time to write JEA. Wishing you a happy 2016!

Sincerely,

Monica Whiting

Monica Whiting
Chief Customer Officer

c: Paul McElroy
Melissa Dykes
Brian Roche
Ryan Wannemacher

II.A.
1/19/2016

RECEIVED
DEC 23 2015
JEA Managing Director/CEO

CC:
Monica Whiting
Mike Hightower

8539 Little Swift Circle

Jacksonville, Florida 32256

December 18, 2015

JEA Board of Directors
21 West Church Street
Jacksonville, Florida 32202

To Whom It May Concern,

I am writing you to request that you immediately change the grossly unfair and environmentally unfriendly way in which you bill thousands of JEA customers every month. The portion of the your billing that must be changed is JEA's base monthly charge for both sewer and water service. The billing is grossly unfair because it is not based on a customer's usage. Having spoken to representatives from your company I found out that this basic monthly charge that appears on all JEA customers monthly bill is for infrastructure replacement and repair for such things as pipes and water meters etc.. I also was told by your representatives that all residential customers were charged the same flat charges that I am charged which is: $35.25 for sewer service and $31.50 for water. This is grossly unfair because as I stated this charge has no relationship to a customer's usage. This is resulting in thousands of customers like myself who are being grossly overcharged for our use of the equipment and infrastructure which make up the basic monthly service charges. This is wrong and must be changed immediately. Your unfair billing is discriminating against many large groups of low use water and sewer service customers such as: senior citizens, single people,two couple households, low income households as well as those people who try to conserve water among others. This is just another example of how inequality is so pervasive in our country as those who have less are forced to pay more. I am not talking about charity here. I am stating that this is a grossly unfair way to bill your customers. To ask,for example, a person who lets say uses 10 gallons of water a month to pay the same basic monthly charge as someone who uses 10,000 gallons is just wrong. The depreciation, repair and replacement on the existing pipes, water meters or whatever you include in that basic service charge must be proportionally charged based on the water and sewer usage of each customer.

Your current billing method for your basic monthly charges for sewer and water service is also extremely environmentally unfriendly and goes against JEA's policies encouraging conservation of water. Your company should be looking in the mirror before you send out literature to all your customers each month with your billing statements with suggestions on how to save water. By not basing your basic monthly charges for water and sewer service on a customer's usage you have enabled those customers who use a lot of water to keep using more and more water because customers who do conserve water like me are subsidizing those customers through your unfair billing practices. Few people would argue that financial leverage through fair billing based on a customer's usage results in the best incentive for customers to conserve water. Your current billing method causes the exact opposite result to be realized. God knows how much JEA has overcharged customers who like me use very little water and how much water could have been conserved if a fair billing method had been in place over the years. Well it is time for JEA to change this horribly unfair billing practice now!

I am sending a copy of this letter to the Mayor's Office of General Counsel so that they may oversee your actions to remediate this inequity immediately. I say immediately because this does not require any time consuming infrastructure improvement or long term capital project to fix this problem. It just takes someone with a brain at JEA to figure out a fair usage method. I am confident that if JEA can figure out how to give their CEO a raise of tens of thousands of dollars someone should be able to figure out how to bill their customers fairly. I am not in your business but perhaps you could apply the tier usage system your currently have in place for actual water and sewer customer use to the basic monthly charge. For example people in tier 1 like I am would get assigned a basic monthly charge that would then be multiplied by their water and sewer usage for the month while those in tier 2 would get a higher monthly charge and so on with higher tiers. I don't know how you want to approach this like I say I am not in your business and that is for you to figure out. But whatever method you come up with it must be based on a customer's usage to be fair so that some customers are not subsidizing others. I will give you my own example to show you how grossly unfair your current system is. Using my November JEA bill my Tier 1 usage charge for sewer which is the actual water I used was only $4.94. But JEA'S basic monthly sewer charge was $35.25. My basic monthly service charge was 7 times my usage charge. This is ridiculous and unfair. The citizens of Jacksonville and customers of JEA deserve to be billed fairly.

Having spoken to a number of JEA representatives already about this I surely hope that you will not insult my intelligence as they did by stating that this is the way it has always been therefore. I would hope that you don't subscribe to Einstein's definition of insanity.

Please respond to my request so that I know where your board stands on this matter so that I will know when to take my next step, if necessary, regarding this matter. I do have many avenues in which to pursue this matter both in the media as well as other government agencies, commissions, and authorities outside the City of Jacksonville even legal (class action) if necessary. There is potentially millions of dollars of overcharges to JEA customers accumulated over the years due to this unfair billing practice. I sincerely hope that this will not be necessary.

Thank you for your time, attention, and prompt response as to this matter.

Very truly yours,

Marc Berkow

Marc Berkow

Florida's Government in the Sunshine Law

Office of General Counsel

This meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times. Official acts of the JEA Board may be conducted at this meeting that will be considered binding on the JEA. Reasonable notice has been provided and minutes of this meeting shall be taken and promptly recorded.

II. E. J. D. Power Business Customer Satisfaction Results

The results of the J. D. Power Business Customer Satisfaction survey will be distributed at the Board meeting.

JEA
BOARD MINUTES
December 15, 2015

The JEA Board met in regular session on Tuesday, December 15, 2015, in the 8th Floor Board Meeting Room, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Delores Kesler, Ed Burr, Husein Cumber, Kelly Flanagan, and Warren Jones.

Agenda Item I – Welcome

A. The meeting was **called to order** at 12:03 PM by Chair Petway.

B. A **Moment of Reflection** was observed by all.

C. The **Pledge of Allegiance** was led by Chair Petway.

D. **Adoption of Agenda** – The agenda was approved on **motion** by Secretary Kesler and second by Mr. Jones.

E. The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.

Agenda Item II – Presentations and Comments

A. **Comments from the Public –**

1. Mr. Carnell Oliver, 8527 Oak Leaf Road, Jacksonville, FL 32208, addressed the Board regarding minority business opportunities.

B. **Council Liaison's Comments –** *Due to City Council business, comments from The Honorable Bill Gulliford were reordered within the agenda; however, the minutes reflect the original order of the agenda.* Council Member Bill Gulliford congratulated Board Member Jones on his confirmation to JEA's Board of Directors. He recognized Chair Petway for attending the December 8, 2015 JEA Agreement Special Committee. As the Committee Chair, Council Member Gulliford stated he feels a resolution will be reached in short order, and that it has been a good process. Lastly, Council Member addressed phase-out of septic tanks.

C. **Office of the Mayor Liaison's Comment** – Dr. Johnny Gaffney stated that on behalf of Mayor Curry, he wanted to convey that the Mayor thought the Rating Agency presentations in New York were successful and he is excited about the future.

Agenda Item III – For Board Consideration

A. **Consent Agenda –** used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Mr. Burr and second by Mr. Cumber, items 1 and 2 on the Consent Agenda were unanimously approved and items 3 through 7 were received for information.

1. Approval of Board Workshop Minutes November 17, 2015 – approved
2. Approval of Board Meeting Minutes November 30, 2015 – approved
3. Customer Escalation Summary – received for information
4. Real Estate Acquisition Report – received for information
5. Monthly JEA Operations Report – received for information
6. Monthly JEA Financial Statements – received for information

7. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information

B. Strategic Discussions/Action

1. Customer Engagement – Monica Whiting, Chief Customer Officer, provided a presentation on JEA's focus on customer engagement, which includes a two-way relationship of gathering the voice of the customer and communicating with the customer. JEA gathers input from customers through numerous channels and methods to develop a comprehensive view of its diverse customers' needs, and in turn to develop and implement strategic improvements. Ms. Whiting reviewed the various channels JEA utilizes to get input from customers and examples of how that input was used to develop new programs and drive improvements in processes and policies. Ms. Whiting also reviewed the many ways JEA communicates to its customers including: bill inserts, monthly e-newsletter, jea.com, YouTube videos, brochures and flyers, annual report and water quality report, community events, activities, and partnerships, social media, advertisements, weekly radio show, and community engagement through tours, speakers, and volunteering. This presentation was received for information.

2. St. John's River Power Park (SJRPP) System Employees' Retirement Plan – Restatement of Plan Document – Angie Hiers, Chief Human Resources Officer, presented the SJRPP System Employees' Retirement Plan ("Plan") was originally established in 1984 for the purpose of providing retirement benefits, on a tax-qualified basis, to eligible SJRPP employees after they retire. The Plan benefits have been, and currently are, bargained with the International Brotherhood of Electrical Workers (IBEW) Local Union 1618, and also provided to a small number of SJRPP non-bargaining unit employees. SJRPP and IBEW Local 1618 have entered into an approved and ratified Collective Bargaining Agreement (CBA) for the period October 1, 2015 through September 30, 2018. The CBA describes certain changes to the Plan and requires amendments to the Plan document to incorporate the terms of the CBA. In addition, a restatement of the Plan document has been undertaken to include previously approved amendments and technical amendments (changes in the law). The restated Plan will be submitted to the IRS for a Letter of Determination on the tax qualified status of the Plan in January 2016. This presentation was provided for information in preparation for a vote at the January 19, 2016 Board Meeting to adopt a resolution, which will approve the restated Plan document, effective October 1, 2015.

3. Bi-Monthly Finance Presentation – Melissa Dykes, Chief Financial Officer, provided a presentation highlighting key financial metrics and results of JEA's Electric and Water and Sewer systems ending November 30, 2015.

C. Other New Business – None

D. Old Business – None

<u>Agenda Item IV – Reports</u>

Chair Petway stated the Compensation Committee, chaired by Board Member Kesler, met on December 15, 2015, prior to the Board Meeting. Chair Petway provided Committee Chair Kesler an opportunity to provide a report on the Compensation Committee Meeting.

Committee Chair Kesler stated the Committee understands the charge. The Committee is reviewing all items related to compensation, as well as outstanding items from fiscal year 2015. Committee Chair Kesler recognized Angie Hiers, Chief Human Resources Officer, and her team for providing the Committee with detailed information. The next meeting is scheduled on January 5, 2016.

Chair Petway reviewed the current committee structure, which includes the Finance & Audit Committee and the Compensation Committee. All other committees will meet on an "as needed" basis. Chair Petway appointed Ms. Flanagan as the Finance and Audit Committee Chair, and requested Board Members to consider their interest and qualifications to join this committee. Board Members will advise Mr. McElroy of their interest in serving on the Finance and Audit Committee. The names of the Committee will be announced as soon as possible.

A. Managing Director/CEO's Report – Mr. McElroy reviewed the Rating Agency presentations provided to Fitch, Moody's, and Standard & Poor's on December 10 – 11, 2015. Mr. McElroy stated the objective of the presentations were to review the financial results of FY2015. Mr. McElroy added JEA has produced financials within a 60-day period for the last 25 years, which is a recognizable accomplishment. Mr. McElroy stated topics covered during the presentations included pension, regulatory accounting changes, and challenges including: Clean Power Plan, sales, distributed generation, water supply and waterwater discharge to the St. Johns River. Mr. McElroy thanked Chair Petway for leading a successful set of meetings and Mayor Curry for his involvement. Mr. McElroy stated the Mayor's attendance allowed direct communication to be heard by the rating agencies. Mayor Curry also presented on the unfunded liability of the City of Jacksonville Police and Fire Pension fund. City Council President Anderson attended the presentations and reviewed JEA's contribution agreement with the City of Jacksonville.

Mr. McElroy provided a handout to Board Members related to the status of JEA's agreement on the contribution to the City of Jacksonville. JEA's proposal includes a $114 million floor, equal to the FY16 City contribution, which escalates at 1% per year through the five-year agreement. The proposed contribution formula is the greater of the floor or the millage calculation.

Mr. McElroy reviewed the expansion of sewer lines and the treatment of wastewater outside of the centralized city system. JEA is proposing to include a $15 million total one-time contribution for water and sewer expansion and septic tank phase-out. The City will match this amount at $3 million per year for a total of 5 years, for an additional $15 million. These projects will continue to be governed by the Interagency Agreement held between JEA and the City of Jacksonville dated June 30, 2011. Mr. McElroy stated the City Council will take into consideration the requirements for sewer tie-in and the discontinuing of the expansion of septic tanks when centralized systems are available. Board Members held open discussions related to septic tank phase-outs. Mr. McElroy reviewed JEA's past project to reduce nitrogen and its effluent into the St. Johns River. Due to the success in reducing levels below permit requirements, JEA will share 33 tons of nitrogen reduction credits until 2023. Mr. McElroy shared the City of Jacksonville wishes for JEA to hold it harmless for any rate increases or charges for the duration of the Contribution Agreement. Various options are being considered, but this remains an open item.

Mr. McElroy provided an overview of the history related to the governing body for Collective Bargaining Unit labor agreements stating for the last 3-4 years, the JEA Board of Directors has been the governing body for Collective Bargaining Unit labor agreements. At the December 8, 2015 JEA Agreement Special Committee, Jason Gabriel, General Counsel, issued the opinion that City Council is the governing body for Collective Bargaining Unit labor agreements. Staff is currently reviewing processes and will keep the Board apprised. Mr. McElroy wished everyone Happy Holidays and thanked the Board for their contribution this year.

B. Chair's Report – Chair Petway provided an overview of the Rating Agency presentations and stated he was very proud of everyone at JEA. Chair Petway announced that Mr. G. Alan Howard has been appointed by Mayor Curry to the JEA Board and will be a great addition to the Board. Mr. Petway introduced Jason Gabriel, General Counsel and offered time for comments. Mr. Gabriel had no additional comments, but stated he was available to answer questions. Chair Petway wished everyone Happy Holidays and announced the next Board Meeting will be held on January 19, 2016.

Agenda Item V – Closing Considerations

A. Announcements – none

B. Adjournment

With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 1:09 PM.

APPROVED BY:

____

SECRETARY

DATE: ____________________________

Board Meeting recorded by:

____

Melissa M. Charleroy
Executive Assistant

Building Community

AGENDA ITEM SUMMARY

December 16, 2015

SUBJECT:	**ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of September 30, 2015.

Significance: Low

Effect: JEA Board

Cost or Benefit: None

Recommended Board action: No action required; provided for information only.

For additional information, contact: Melissa Dykes

Submitted by: PEM/MHD/JEO/BHG

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

JEA
Building Community

INTER-OFFICE MEMORANDUM
December 16, 2015

SUBJECT:	**ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
At the May 7, 2012 Finance and Audit Committee meeting, JEA staff presented schedules reflecting historical and projected activity in JEA's Electric System and Water and Sewer System unrestricted and restricted fund balances. Many of these reserves are required under the respective System's bond resolution or under Board approved policies such as Pricing Policy or Debt Management Policy. JEA staff also stated that these schedules would be provided to the JEA Board on a quarterly basis beginning in August 2012.

DISCUSSION:
Attached are the reserve fund schedules referenced above for the period ending September 30, 2015.

RECOMMENDATION:
No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

Ver 2.2 02/01/2014

Electric System and Water & Sewer System Reserve and Fund Balances (1)

For the Fiscal Quarter Ending September 30, 2015

(In Thousands of Dollars)

Electric System	Fiscal Year 2012	Fiscal Year FY 2013	Fiscal Year FY 2014	Fiscal Year FY 2015	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 49,749	$ 46,588	$ 43,178	$ 46,624	
Debt Management Strategy Reserve	12,257	-	-	-	3
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,440	15,914	10,749	10,937	5
Rate Stabilization					
• Fuel	92,362	108,289	105,457	150,742	6
• DSM/conservation	6,912	3,891	3,570	2,886	7
• Environmental	5,343	10,023		23,430	8
• Debt Management	41,611	42,126	42,126	42,126	9
• Non-Fuel Purchased Power	-	-	12,000	38,000	10
Environmental	18,359	18,662	18,662	18,662	11
Customer Deposits	43,454	44,882	42,688	42,389	12
Total Unrestricted	295,487	300,375	288,430	385,796	
Unrestricted Days of Cash on Hand	125	129	123	182	
Restricted					
Debt Service Funds (Sinking Funds)	107,754	101,305	120,458	134,927	13
Debt Service Reserve Funds	72,226	64,841	64,841	64,595	14
Renewal and Replacement Funds/OCO (2)	105,235	140,486	146,910	145,711	15
Construction Funds	40,034	5,184	42	4	16
Total Restricted	325,249	311,816	332,251	345,237	
Total Electric System	$ 620,736	$ 612,191	$ 620,681	$ 731,033	

Water and Sewer System	Fiscal Year 2012	Fiscal Year FY 2013	Fiscal Year FY 2014	Fiscal Year FY 2015	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 3,084	$ 5,886	$ 9,227	$ 22,588	
Debt Management Strategy Reserve	6,458	304	304	-	17
Rate Stabilization Fund – Debt Management	20,290	20,290	20,291	20,290	18
Customer Deposit	12,627	13,860	12,787	13,255	19
Total Unrestricted	42,459	40,340	42,609	56,133	
Unrestricted Days of Cash on Hand	113	110	118	149	
Restricted					
Debt Service Funds (Sinking Funds)	81,675	80,317	75,019	67,720	20
Debt Service Reserve Funds	119,131	119,915	116,829	108,849	21
Renewal and Replacement Funds					
• R&R/OCO (3)	64,260	78,689	59,295	37,337	22
• Capacity Fees/State Revolving Loans	45,454	60,360	76,887	90,912	23
• Environmental	(8,158)	(9,857)	5,299	19,245	24
Construction Funds	7,419	2,305	326	664	25
Total Restricted	309,781	331,729	333,655	324,727	
Total Water & Sewer System	$ 352,240	$ 372,069	$ 376,264	$ 380,860	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.

(2) Balance includes $47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.

(3) Balance includes $20,000 of Water & Sewer System Renewal and Replacement Reserve for MADS calculation.

Funds Established Per the Bond Resolutions

Fund/Account Description	Electric System	Water and Sewer System
Revenue Fund	Net Revenues (i.e. Revenues minus Cost of Operation and Maintenance), pledged to bondholders, balance available for any lawful purpose after other required payments under the bond resolution have been made.	Pledged to bondholders; balance available for any lawful purpose after other required payments under the bond resolution have been made, however, revenues representing impact fees may only be used to finance costs of expanding the system or on the debt service on bonds issued for such expansion purposes.
Rate Stabilization Fund	Not pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; able to transfer to any other fund or account established under the resolution or use to redeem Bonds.
Subordinated Rate Stabilization Fund	Pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; available for any lawful purpose.
Debt Service Account	Pledged to bondholders; used to pay debt service on bonds.	Pledged to bondholders; used to pay debt service on bonds.
Debt Service Reserve Account	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.
Renewal and Replacement Fund	Not pledged to bondholders but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions) .	Pledged to bondholders; but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions).
Construction Fund	Pledged to bondholders; applied to the payment of costs of the system.	Pledged to bondholders; applied to the payment of costs of the system.
Subordinated Construction Fund	Pledged to bondholders; applied to the payment of costs of the system	Pledged to bondholders; applied to the payment of costs of the system
Construction Fund - Construction Reserve Account	Pledged to bondholders; applied to fund downgraded reserve fund sureties.	Pledged to bondholders; applied to fund downgraded debt service reserve fund sureties.
General Reserve Fund	Not pledged to bondholders; available for any lawful purpose.	n/a

Regardless of whether the Funds/Accounts are designated as pledged, in the event that monies in the Debt Service Account are insufficient to pay debt service on the bonds, pursuant to the respective bond resolutions, amounts in the various Funds/Accounts are required to be transferred to the respective Debt Service Accounts and used to pay debt service.

Electric System Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 12,257	$ 12,257	$ 12,257	$ 12,257	$ -	$ -	$ 12,257	$ 9,806	$ 12,257
Additions:									
Contributions	-	-	-	-		-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Withdrawals	-	-	-	12,257		-	-	3,064	12,257
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 12,257	$ -				
Ending balance	$ 12,257	$ 12,257	$ 12,257	$ -	$ -	$ -	$ 12,257	$ 7,354	$ 12,257

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- A portion of this reserve was used to pay on interest rate swap terminations in connection with a refunding of variable rate debt in February 2013, and the remainder was used in Sept 2013 for a defeasance.

Electric System Self Insurance - Property

For the Fiscal Quarter Ending September 30, 2015
Reserve/Fund Authorization: Budget Appropriation
Metric: Budgeted Deposit = $10 million

Definitions and Goals: JEA's self-insurance fund is for catastrophic damage to JEA's electric lines (transmission and distribution) caused by the perils of hurricanes, tornadoes, and ice storms. This fund was established in October, 1992, as an alternative to JEA's procurement of commercial property insurance.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Reserve Withdrawal								
				N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 3,500	$ 3,500	$ 10,000	$ 10,000	$ 10,000	$ 3,500	$ 10,000	$ 7,400	$ 10,000
Additions:									
Reserve Contribution		6,500				6,500	6,500	6,500	6,500
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 6,500	$ -	$ -	$ -				
Reserve Withdrawal						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 3,500	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 3,500	$ 10,000	$ 8,700	$ 10,000

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Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Florida Statute for self insured government plans

Metric: An actuary calculates amount annually

Definitions and Goals: This reserve fund is a requirement under Florida Statute 112.08 that requires self insured government plans to have enough money in a reserve fund to cover the Incurred But Not Reimbursed (IBNR) claims and a 60 day surplus of claims. The IBNR claims are claims that would still need to be paid if the company went back to a fully insured plan or dropped coverage all together. An actuary calculates this amount annually.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 7,763	$ 10,749	$ 10,749	N/A	$ 15,914	$ 10,937	$ 10,937	$ 10,937
Additions:								
Employee Contributions	1,573	5,447	5,447	N/A	4,573	6,083	6,570	7,095
Retiree & Other Contributions	2,051	5,141	5,141		5,188	7,152	7,724	8,342
Employer Contributions	9,024	22,220	22,220		14,252	25,384	27,415	29,608
Sub-total	$ 12,648	$ 32,808	$ 32,808	$ -	$ 24,013	$ 38,619	$ 41,709	$ 45,045
Deductions:								
Payments for Claims	8,993	30,408	30,408	N/A	27,157	36,230	39,128	42,259
Actuary & Other Payments	481	2,212	2,212		2,021	2,389	2,580	2,787
Sub-total	$ 9,474	$ 32,620	$ 32,620	$ -	$ 29,178	$ 38,619	$ 41,709	$ 45,045
Ending Balance	$ 10,937	$ 10,937	$ 10,937	N/A	$ 10,749	$ 10,937	$ 10,937	$ 10,937

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 4,095	$ 8,227	$ 12,505	$ 15,440	$ 15,914	$ 4,095	$ 12,505	$ 11,236	$ 15,914
Additions:									
Employee Contributions	5,804	5,926	6,147	5,893	4,573	4,573	5,893	5,669	6,147
Retiree & Other Contributions	4,653	4,725	6,910	5,701	5,188	4,653	5,188	5,435	6,910
Employer Contributions	22,186	20,484	21,155	20,629	14,252	14,252	20,629	19,741	22,186
Sub-total	$ 32,643	$ 31,135	$ 34,212	$ 32,223	$ 24,013				
Deductions:									
Payments for Claims	26,179	24,699	29,220	29,354	27,157	24,699	27,157	27,322	29,354
Actuary & Other Payments	2,332	2,158	2,057	2,395	2,021	2,021	2,158	2,193	2,395
Sub-total	$ 28,511	$ 26,857	$ 31,277	$ 31,749	$ 29,178				
Ending balance	$ 8,227	$ 12,505	$ 15,440	$ 15,914	$ 10,749	$ 8,227	$ 12,505	$ 12,567	$ 15,914

Observations:

- Self Insurance for Employee Health Insurance began in July 2009.
- Projections are using the 8% rate of increase based on information obtained from the Actuarial Memorandum and Report.
  Calendar year data is presented above in fiscal year format.

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Targeted 15% of total annual projected energy costs

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Established pursuant to the section VII and Section IX of the Pricing Policy, the Fuel Reserve target is 15% of the greater of (a) the maximum 12-month historical fuel cost or (b) the projected 12-month fuel cost. Withdrawals from the Rate Stabilization Fund for fuel stabilization are limited to the following purposes: (a) to reduce the variable fuel rate charge to the customers for a determined period of time; (b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues; (c) to be rebated back to the customers as a credit against the electric bill; and/or (d) to reimburse the costs associated with any energy risk management activities.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 116,451	$ 105,457	$ 105,457	N/A	$ 108,289	$ 150,742	$ 128,090	$ 128,090
Additions:								
Contributions	34,321	95,224	95,224	12,879	22,496	31,006		
Sub-total	$ 34,321	$ 95,224	$ 95,224	$ 12,879	$ 22,496	$ 31,006	$ -	$ -
Deductions:								
Withdrawals					-			
Customer Fuel Rebate Credit	30	49,939	49,939		25,328	53,658		
Sub-total	$ 30	$ 49,939	$ 49,939	$ -	$ 25,328	$ 53,658	$ -	$ -
Ending Balance	$ 150,742	$ 150,742	$ 150,742	N/A	$ 105,457	$ 128,090	$ 128,090	$ 128,090

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 84,781	$ 55,935	$ 24,990	$ 92,362	$ 108,289	$ 24,990	$ 84,781	$ 73,271	$ 108,289
Additions:									
Contributions	73,194	53,465	76,763	52,523	22,496	22,496	53,465	55,688	76,763
						-	-	-	-
						-	-	-	-
Sub-total	$ 73,194	$ 53,465	$ 76,763	$ 52,523	$ 22,496				
Deductions:									
Withdrawals	102,040	84,410	9,391			9,391	84,410	65,280	102,040
Customer Fuel Rebate Credit				36,596	25,328	25,328	30,962	30,962	36,596
						-	-	-	-
Sub-total	$ 102,040	$ 84,410	$ 9,391	$ 36,596	$ 25,328				
Ending balance	$ 55,935	$ 24,990	$ 92,362	$ 108,289	$ 105,457	$ 24,990	$ 92,362	$ 77,407	$ 108,289

Observations:

- Actual and historical numbers reflect fuel recovery contributions and withdrawls on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: $0.50 per 1,000 kWh plus $0.01 per kWh residential conservation charge for consumption greater than 2,750 KWh monthly

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Pursuant to section VII of the Pricing Policy, $0.50 per 1,000 kWh plus $0.01 per kWh residential conservation charge for consumption greater than 2,750 kWh monthly. These revenue sources are to fund demand side management and conservation programs.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 3,193	$ 3,570	$ 3,570	N/A	$ 3,891	$ 2,886	$ 2,062	$ 2,062
Additions:								
Contributions	2,252	7,059	7,059	6,942	6,929	6,850	6,850	6,850
Other								
Sub-total	$ 2,252	$ 7,059	$ 7,059	$ 6,942	$ 6,929	$ 6,850	$ 6,850	$ 6,850
Deductions:								
Withdrawals	2,559	7,743	7,743	9,021	7,250	7,674	6,850	6,850
Sub-total	$ 2,559	$ 7,743	$ 7,743	$ 9,021	$ 7,250	$ 7,674	$ 6,850	$ 6,850
Ending Balance	$ 2,886	$ 2,886	$ 2,886	N/A	$ 3,570	$ 2,062	$ 2,062	$ 2,062

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 6,058	$ 10,813	$ 10,703	$ 6,912	$ 3,891	$ 3,891	$ 6,912	$ 7,675	$ 10,813
Additions:									
Contributions	8,240	7,978	6,657	6,683	6,929	6,657	6,929	7,297	8,240
Transfer from Rev Fd						-	-	-	-
						-	-	-	-
Sub-total	$ 8,240	$ 7,978	$ 6,657	$ 6,683	$ 6,929				
Deductions:									
Withdrawals	3,485	8,088	10,448	9,704	7,250	3,485	8,088	7,795	10,448
						-	-	-	-
						-	-	-	-
Sub-total	$ 3,485	$ 8,088	$ 10,448	$ 9,704	$ 7,250				
Ending balance	$ 10,813	$ 10,703	$ 6,912	$ 3,891	$ 3,570	$ 3,570	$ 6,912	$ 7,178	$ 10,813

Observations:

- Rate Stabilization Fund for Demand Side Management began in April 2009.

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2015
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: $0.62 per 1,000 kWh

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to this fund began in fiscal year 2010 for amounts representing the Electric System Environmental Charge ($0.62 per 1000 kWh). Withdrawals from this reserve will represent payments for regulatory initiatives such as the premium cost of renewable energy generation which is considered available for JEA's capacity plans.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 21,645	$ 16,639	$ 16,639	N/A	$ 10,023	$ 23,430	$ 28,308	$ 31,308
Additions:								
Contributions	2,169	7,586	7,586	7,320	7,395	4,878	3,000	3,000
Sub-total	$ 2,169	$ 7,586	$ 7,586	$ 7,320	$ 7,395	$ 4,878	$ 3,000	$ 3,000
Deductions:								
Withdrawals	384	795	795	2,229	779			
Sub-total	$ 384	$ 795	$ 795	$ 2,229	$ 779	$ -	$ -	$ -
Ending Balance	$ 23,430	$ 23,430	$ 23,430	N/A	$ 16,639	$ 28,308	$ 31,308	$ 34,308

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ -	$ 2,467	$ 4,232	$ 5,343	$ 10,023	$ -	$ 4,232	$ 4,413	$ 10,023
Additions:									
Contributions	2,467	6,583	2,436	5,650	7,395	2,436	5,650	4,906	7,395
						-	-	-	-
						-	-	-	-
Sub-total	$ 2,467	$ 6,583	$ 2,436	$ 5,650	$ 7,395				
Deductions:									
Withdrawals		4,818	1,325	970	779	779	1,148	1,973	4,818
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 4,818	$ 1,325	$ 970	$ 779				
Ending balance	$ 2,467	$ 4,232	$ 5,343	$ 10,023	$ 16,639	$ 2,467	$ 5,343	$ 7,741	$ 16,639

Observations:
- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals					-			
			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 4,026	$ 19,213	$ 35,930	$ 41,611	$ 42,126	$ 4,026	$ 35,930	$ 28,581	$ 42,126
Additions:									
Contributions	15,187	16,717	5,681	6,581		5,681	10,884	11,042	16,717
						-	-	-	-
						-	-	-	-
Sub-total	$ 15,187	$ 16,717	$ 5,681	$ 6,581	$ -				
Deductions:									
Withdrawals	-	-	-	6,066		-	-	1,517	6,066
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 6,066	$ -				
Ending balance	$ 19,213	$ 35,930	$ 41,611	$ 42,126	$ 42,126	$ 19,213	$ 41,611	$ 36,201	$ 42,126

Observations:

- Rate Stabilization Fund for Debt Management began in May 2009.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to the Rate Stabilization Fund for Non-Fuel Purchased Power Stabilization during the fiscal year are made with the approval of the CEO or CFO, provided such deposits are not in excess of JEA's total operating budget for the current fiscal year. Withdrawals from the Rate Stabilization Fund for Non-Fuel Purchased Power are to reimburse the costs associated with any non-fuel purchased power activities. Withdrawals can be made as necessary during the fiscal year and requires the approval of the CEO or the CFO.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 12,000	$ 12,000	$ 12,000	N/A	$ -	$ 38,000	$ 34,398	$ 25,166
Additions:								
Contributions	26,000	26,000	26,000	N/A	12,000			
Sub-total	$ 26,000	$ 26,000	$ 26,000	$ -	$ 12,000	$ -	$ -	$ -
Deductions:								
Withdrawals					-	3,602	9,232	11,745
			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ 3,602	$ 9,232	$ 11,745
Ending Balance	$ 38,000	$ 38,000	$ 38,000	N/A	$ 12,000	$ 34,398	$ 25,166	$ 13,421

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions:						-	-	-	-
Contributions					12,000	12,000	12,000	12,000	12,000
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ 12,000				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ -	$ -	$ -	$ -	$ 12,000	$ -	$ -	$ 2,400	$ 12,000

Observations:

- The Non-Fuel Purchased Power Rate Stabiliation Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Pricing Policy

Metric: Target equals the balance in the environmental liability account

Definitions and Goals: This reserve represents the initial amounts collected from the Electric System Environmental Charge and will be deposited until the balance in this reserve equals the balance in the environmental liability account. Withdrawals from this account will represent payments for these liabilities.

(In Thousands)	Actual as of 09/30/2015 Current Quarter	Actual as of 09/30/2015 Year -to-Date	Full Year 2015 Forecast	Full Year 2015 Budget	Full Year Prior Year Actual	Projection 2016	Projection 2017	Projection 2018
Opening Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662
Additions:								
Contributions			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662

	Historical 2010	Historical 2011	Historical 2012	Historical 2013	Historical 2014	Statistical Low	Statistical Median	Statistical Mean	Statistical High
Opening Balance	$ 12,523	$ 16,946	$ 20,899	$ 18,359	$ 18,662	$ 12,523	$ 18,359	$ 17,478	$ 20,899
Additions:									
Contributions	4,423	3,953		970	-	-	2,462	2,337	4,423
						-	-	-	-
						-	-	-	-
Sub-total	$ 4,423	$ 3,953	$ -	$ 970	$ -				
Deductions:									
Withdrawals			2,540	667	-	-	667	1,069	2,540
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 2,540	$ 667	$ -				
Ending balance	$ 16,946	$ 20,899	$ 18,359	$ 18,662	$ 18,662	$ 16,946	$ 18,662	$ 18,706	$ 20,899

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 42,246	$ 42,688	$ 42,688	N/A	$ 44,882	$ 42,389	$ 42,389	$ 42,389
Additions:								
Net Customer Activity	143		-	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	$ 143	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Net Customer Activity		299	299		2,194			
Loan to ES Revenue Fund				N/A	-			
Sub-total	$ -	$ 299	$ 299	$ -	$ 2,194	$ -	$ -	$ -
Ending Balance	$ 42,389	$ 42,389	$ 42,389	N/A	$ 42,688	$ 42,389	$ 42,389	$ 42,389

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 37,390	$ 38,801	$ 42,767	$ 43,454	$ 44,882	$ 37,390	$ 42,767	$ 41,459	$ 44,882
Additions:									
Net Customer Activity	4,032	5,011	905	1,430		905	2,731	2,845	5,011
Loan Repayment to ES Revenue Fund	17,500	16,000				16,000	16,750	16,750	17,500
						-	-	-	-
Sub-total	$ 21,532	$ 21,011	$ 905	$ 1,430	$ -				
Deductions:									
Net Customer Activity	2,621	1,045	218	2	2,194	2	1,045	1,216	2,621
Loan to ES Revenue Fund	17,500	16,000				16,000	16,750	16,750	17,500
Sub-total	$ 20,121	$ 17,045	$ 218	$ 2	$ 2,194				
Ending balance	$ 38,801	$ 42,767	$ 43,454	$ 44,882	$ 42,688	$ 38,801	$ 42,767	$ 42,518	$ 44,882

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits starting in Fiscal Year 2014.

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 91,210	$ 120,458	$ 120,458	N/A	$ 101,305	$ 134,927	$ 137,332	$ 129,647
Additions:								
Revenue Fund Deposits	44,951	181,006	181,006	200,470	167,340	192,339	183,257	189,153
Bond funded interest					-			
Sub-total	$ 44,951	$ 181,006	$ 181,006	$ 200,470	$ 167,340	$ 192,339	$ 183,257	$ 189,153
Deductions:								
Principal and Int Payments	1,234	166,537	166,537	N/A	148,187	189,934	190,942	186,772
Sub-total	$ 1,234	$ 166,537	$ 166,537	$ -	$ 148,187	$ 189,934	$ 190,942	$ 186,772
Ending Balance	$ 134,927	$ 134,927	$ 134,927	N/A	$ 120,458	$ 137,332	$ 129,647	$ 132,028

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 80,683	$ 86,769	$ 125,988	$ 107,754	$ 101,305	$ 80,683	$ 101,305	$ 100,500	$ 125,988
Additions:									
Revenue Fund Deposits	126,621	187,629	159,724	159,072	167,340	126,621	159,724	160,077	187,629
Bond funded interest	7,263	1,726				1,726	4,495	4,495	7,263
						-	-	-	-
Sub-total	$ 133,884	$ 189,355	$ 159,724	$ 159,072	$ 167,340				
Deductions:									
Principal and Int Payments	127,798	150,136	177,958	165,521	148,187	127,798	150,136	153,920	177,958
						-	-	-	-
						-	-	-	-
Sub-total	$ 127,798	$ 150,136	$ 177,958	$ 165,521	$ 148,187				
Ending balance	$ 86,769	$ 125,988	$ 107,754	$ 101,305	$ 120,458	$ 86,769	$ 107,754	$ 108,455	$ 125,988

Observations:

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Maximum interest payable on outstanding senior Electric System bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 09/30/2015		Full Year Budget Amounts			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 64,595	$ 64,841	$ 64,841	N/A	$ 64,841	$ 64,595	$ 64,595	$ 64,595
Additions:								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Release to Revenue Fund		246	246	N/A	-			
Sub-total	$ -	$ 246	$ 246	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 64,595	$ 64,595	$ 64,595	N/A	$ 64,841	$ 64,595	$ 64,595	$ 64,595

	Historical Actuals					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 55,551	$ 72,226	$ 72,226	$ 72,226	$ 64,841	$ 55,551	$ 72,226	$ 67,414	$ 72,226
Additions:									
Proceeds from Bonds	16,675	-	-	-	-	-	-	3,335	16,675
						-	-	-	-
						-	-	-	-
Sub-total	$ 16,675	$ -	$ -	$ -	$ -				
Deductions:									
Defeasance				7,385		7,385	7,385	7,385	7,385
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 7,385	$ -				
Ending balance	$ 72,226	$ 72,226	$ 72,226	$ 64,841	$ 64,841	64,841	72,226	69,272	72,226

Observations:

- In FY 2007, the debt service reserve requirement was satisfied 100% by the use of debt service reserve surety policies. In accordance with the bond resolution, beginning in FY 2008, cash/investments replaced the downgraded sureties due to their downgrade by the rating agencies. Sureties of $67.6 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.
- The debt service reserve account balance is currently in excess of the the debt service reserve requirement under the bond resolution by $3.0 million. The excess will be used, if needed, to (1) fund an increase in the reserve requirement caused by a future issuance of new money bonds and/or variable to fixed refunding bonds, (2) help satisfy cash reserve targets instituted by the rating agencies, and/or (3) redeem bonds, in accordance with applicable tax laws.

Electric Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually 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 per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Electric System bond resolution and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit and may be allocated for use between capacity or non-capacity related expenditures based on the most beneficial economic and tax related financing structure incorporating the use of internal and bond funding.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 206,288	$ 146,910	$ 146,910	N/A	$ 140,486	$ 145,711	$ 142,913	$ 104,556
Additions:								
R&R/OCO Contribution	16,381	148,237	148,237	130,818	85,639	138,473	130,481	116,484
Loans betw Capital Fds				-	-			
Other	474	970	970	-	4,014	18,590		
Sub-total	$ 16,855	$ 149,207	$ 149,207	$ 130,818	$ 89,653	$ 157,063	$ 130,481	$ 116,484
Deductions:								
Capital Expenditures	39,509	112,483	112,483	118,996	82,889	159,861	168,838	140,869
Transfers betw Capital Fds	37	37	37	-	340		-	-
R&R/OCO Contribution	37,886	37,886	37,886					
Transfer to Scherer				-	-			
Sub-total	$ 77,432	$ 150,406	$ 150,406	$ 118,996	$ 83,229	$ 159,861	$ 168,838	$ 140,869
Ending Balance	$ 145,711	$ 145,711	$ 145,711	N/A	$ 146,910	$ 142,913	$ 104,556	$ 80,171

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 67,697	$ 48,626	$ 73,727	$ 105,235	$ 140,486	$ 48,626	$ 73,727	$ 87,154	$ 140,486
Additions:									
R&R/OCO Contribution	128,214	156,406	142,822	124,630	85,639	85,639	128,214	127,542	156,406
Loans betw Capital Fds	2,000	-	-	-	-	-	-	400	2,000
Other	2,467	2,876	943	2,423	4,014	943	2,467	2,545	4,014
Sub-total	$ 132,681	$ 159,282	$ 143,765	$ 127,053	$ 89,653				
Deductions:									
Capital Expenditures	117,752	115,181	112,257	91,802	82,889	82,889	112,257	103,976	117,752
Bond Buy Back	34,000	-	-			-	-	11,333	34,000
Transfer to Scherer		19,000							
Loans betw Capital Fds					340				
Other		-		-		-	-	-	-
Sub-total	$ 151,752	$ 134,181	$ 112,257	$ 91,802	$ 83,229				
Ending balance	$ 48,626	$ 73,727	$ 105,235	$ 140,486	$ 146,910	$ 48,626	$ 105,235	$ 102,997	$ 146,910

Observations:
- Other includes the Oracle Financing and Sale of Property.
- Includes $47 million for Maximum Annual Debt Service calculation.

Electric Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Target = Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Electric System. The senior construction fund is limited to the costs of additions, extension and improvements relating to non-generation capital expenditures. The subordinated construction fund is used for capital projects relating to all categories of capital expenditures but primarily targeted to fund generation capital expenditures.

	Actual as of 09/30/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 7	$ 42	$ 42	N/A	$ 5,184	$ 4	$ -	$ -
Additions:								
Bond Proceeds				-	-			
Line of Credit				-	-			
Transfers b/w Capital Fds		37	37	-	3,091			
Other				-	340			
Sub-total	$ -	$ 37	$ 37	$ -	$ 3,431	$ -	$ -	$ -
Deductions:								
Capital Expenditures	3	75	75	40	4,821	4		
Bond Funded Interest				-	-			
Transfers betw Capital Fds			-		3,091			
Other			-	-	661			
Sub-total	$ 3	$ 75	$ 75	$ 40	$ 8,573	$ 4	$ -	$ -
Ending Balance	$ 4	$ 4	$ 4	N/A	$ 42	$ -	$ -	$ -

	Historical					**Statistical**			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 33,084	$ 36,981	$ 63,915	$ 40,034	$ 5,184	$ 4	$ 35,033	$ 29,867	$ 63,915
Additions:									
Bond Proceeds	100,306	91,545		1,550		1,550	91,545	64,467	100,306
Line of Credit						-	-	-	-
Transfers b/w Capital Fds					3,091	3,091	3,091	3,091	3,091
Other		562		34	340	34	340	312	562
Sub-total	$ 100,306	$ 92,107	$ -	$ 1,584	$ 3,431				
Deductions:									
Capital Expenditures	86,869	63,371	23,385	35,253	4,821	4,821	35,253	42,740	86,869
Bond Funded Interest	7,263	1,802				1,802	4,533	4,533	7,263
Line of Credit									
Transfers b/w Capital Fds	2,000			35	3,091	35	2,000	1,709	3,091
Other	277		496	1,146	661	277	579	645	1,146
Sub-total	$ 96,409	$ 65,173	$ 23,881	$ 36,434	$ 8,573				
Ending balance	$ 36,981	$ 63,915	$ 40,034	$ 5,184	$ 42	$ 42	$ 36,981	$ 29,231	$ 63,915

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2013 - 2015 projection period.

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt.

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ -	$ 304	$ 304	N/A	$ 304	$ -	$ -	$ -
Additions:								
Contributions					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals		304	304		-			
Sub-total	$ -	$ 304	$ 304	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ 304	$ -	$ -	$ -

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 6,458	$ 6,458	$ 6,458	$ 6,458	$ 304	$ 304	$ 6,458	$ 5,227	$ 6,458
Additions:									
Contributions		#				#REF!	-	-	#REF!
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals				6,154		6,154	6,154	6,154	6,154
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 6,154	$ -				
Ending balance	$ 6,458	$ 6,458	$ 6,458	$ 304	$ 304	$ 304	$ 6,458	$ 3,996	$ 6,458

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- $6 million was used in Sept 2013 for a defeasance.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt.

Definitions and Goals: TheWater & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 1,524	$ 9,514	$ 17,560	$ 20,290	$ 20,290	$ 1,524	$ 17,560	$ 13,836	$ 20,290
Additions:									
Contributions	7,990	8,046	2,730			2,730	2,730	2,730	2,730
						-	-	-	-
						-	-	-	-
Sub-total	$ 7,990	$ 8,046	$ 2,730	$ -	$ -				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 9,514	$ 17,560	$ 20,290	$ 20,290	$ 20,290	$ 9,514	$ 20,290	$ 17,589	$ 20,290

Observations:

- Contributions began in June 2009.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

(In Thousands)	Actual as of 09/30/2015 Current Quarter	Actual as of 09/30/2015 Year -to-Date	Full Year 2015 Forecast	Full Year 2015 Budget	Full Year Prior Year Actual	Projection 2016	Projection 2017	Projection 2018
Opening Balance	$ 13,434	$ 12,787	$ 12,787	N/A	$ 13,860	$ 13,255	$ 13,255	$ 13,255
Additions:								
Allocated from Electric		468	468	N/A	-			
Loan Repayment			-					
Sub-total	$ -	$ 468	$ 468	$ -	$ -	$ -	$ -	$ -
Deductions:								
Allocated from Electric	179		-		1,073			
Loan to W&S Operations			-	N/A				
Sub-total	$ 179	$ -	$ -	$ -	$ 1,073	$ -	$ -	$ -
Ending Balance	$ 13,255	$ 13,255	$ 13,255	N/A	$ 12,787	$ 13,255	$ 13,255	$ 13,255

	Historical 2010	Historical 2011	Historical 2012	Historical 2013	Historical 2014	Statistical Low	Statistical Median	Statistical Mean	Statistical High
Opening Balance	$ 6,598	$ 8,517	$ 9,727	$ 12,627	$ 13,860	$ 6,598	$ 9,727	$ 10,266	$ 13,860
Additions:									
Allocated from Electric	2,458	1,210	2,900	1,233		1,233	2,067	2,067	2,900
Loan Repayment			1,000			1,000	1,000	1,000	1,000
						-	-	-	-
Sub-total	$ 2,458	$ 1,210	$ 3,900	$ 1,233	$ -				
Deductions:									
Allocated from Electric	539				1,073	1,073	1,073	1,073	1,073
Loan to W&S Operations			1,000			1,000	1,000	1,000	1,000
						-	-	-	-
Sub-total	$ 539	$ -	$ 1,000	$ -	$ 1,073				
Ending balance	$ 8,517	$ 9,727	$ 12,627	$ 13,860	$ 12,787	$ 8,517	$ 12,627	$ 11,504	$ 13,860

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits at some future date.

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 43,755	$ 75,019	$ 75,019	N/A	$ 80,317	$ 67,720	$ 66,208	$ 83,075
Additions:								
Revenue fund deposits	25,347	102,789	102,789	128,232	117,444	104,719	120,883	121,878
Sub-total	$ 25,347	$ 102,789	$ 102,789	$ 128,232	$ 117,444	$ 104,719	$ 120,883	$ 121,878
Deductions:								
Principal and interest payments	1,382	110,088	110,088	N/A	122,742	106,231	104,016	122,024
Sub-total	$ 1,382	$ 110,088	$ 110,088	$ -	$ 122,742	$ 106,231	$ 104,016	$ 122,024
Ending Balance	$ 67,720	$ 67,720	$ 67,720	N/A	$ 75,019	$ 66,208	$ 83,075	$ 82,929

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 60,696	$ 71,496	$ 80,936	$ 81,675	$ 80,317	$ 4	$ 75,907	$ 62,521	$ 81,675
Additions:		#							
Revenue fund deposits	108,867	120,846	125,160	119,535	117,444	108,867	119,535	118,370	125,160
Bond funded interest						-	-	-	-
						-	-	-	-
Sub-total	$ 108,867	$ 120,846	$ 125,160	$ 119,535	$ 117,444				
Deductions:									
Principal and interest payments	98,067	111,406	124,421	120,893	122,742	98,067	120,893	115,506	124,421
						-	-	-	-
						-	-	-	-
Sub-total	$ 98,067	$ 111,406	$ 124,421	$ 120,893	$ 122,742				
Ending balance	$ 71,496	$ 80,936	$ 81,675	$ 80,317	$ 75,019	$ 71,496	$ 80,317	$ 77,889	$ 81,675

Observations:

- September 30th ending balances are used to pay Oct 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on Oct 1st of the following fiscal year).

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution

Metric: 125% of average annual debt service on outstanding senior fixed and variable rate bonds plus subordinated fixed rate bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 114,182	$ 116,829	$ 116,829	N/A	$ 119,915	$ 108,849	$ 108,849	$ 108,849
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Revenue fund	5,333	7,980	7,980		3,086			
Sub-total	$ 5,333	$ 7,980	$ 7,980	$ -	$ 3,086	$ -	$ -	$ -
Ending Balance	$ 108,849	$ 108,849	$ 108,849	N/A	$ 116,829	$ 108,849	$ 108,849	$ 108,849

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 54,356	$ 91,239	$ 102,214	$ 119,131	$ 119,915	$ 54,356	$ 102,214	$ 97,371	$ 119,915
Additions:									
Construction reserve fund/bond issues	24,316	10,975	10,917	784		784	10,946	11,748	24,316
Revenue fund	12,567	-	6,000	3,821		-	4,911	5,597	12,567
						-	-	-	-
Sub-total	$ 36,883	$ 10,975	$ 16,917	$ 4,605	$ -				
Deductions:									
Revenue fund				3,821	3,086	3,086	3,454	3,454	3,821
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 3,821	$ 3,086				
Ending balance	$ 91,239	$ 102,214	$ 119,131	$ 119,915	$ 116,829	$ 91,239	$ 116,829	$ 109,866	$ 119,915

Observations:

- In 2008, debt service reserve sureties downgraded and JEA began replacing those downgraded sureties with cash/investments as required by the bond resolutions. Sureties of $149.8 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.

Water and Sewer Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually 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 per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Water and Sewer System bond resolutions and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit. In accordance with the Pricing Policy, by 2013, the objective is to fund an amount equal to all non-capacity capital expenditures with current year internally generated funds.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 99,654	$ 59,295	$ 59,295	N/A	$ 78,689	$ 37,337	$ 27,440	$ 608
Additions:								
R&R/OCO Contribution	5,168	102,828	102,828	-	48,373	118,482	100,460	104,970
Loans betw Capital Fds	22	22	22	-	-	471		
Other	394	653	653	-	1,614	8,800	3,312	
Sub-total	$ 5,584	$ 103,503	$ 103,503	$ -	$ 49,987	$ 127,753	$ 103,772	$ 104,970
Deductions:								
Capital Expenditures	27,866	85,426	85,426	-	67,488	137,650	130,604	113,079
Transfer to Capacity Fund				-	-			
Transfer to Construction Fund								
R&R/OCO Contribution	40,035	40,035	40,035	-	1,893	-		
Sub-total	$ 67,901	$ 125,461	$ 125,461	$ -	$ 69,381	$ 137,650	$ 130,604	$ 113,079
Ending Balance	$ 37,337	$ 37,337	$ 37,337	N/A	$ 59,295	$ 27,440	$ 608	$ (7,501)
	$ -					$ 131,422	$ 137,119	$ 132,355

	Historical					Statistical			
	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 7,076	$ 11,539	$ 28,840	$ 64,260	$ 78,689	$ 7,076	$ 28,840	$ 38,081	$ 78,689
Additions:									
R&R/OCO Contribution	31,176	49,946	76,157	91,245	48,373	31,176	49,946	59,379	91,245
Loans betw Capital Fds	-	-	-	-		-	-	-	-
Other (incl septic tank)	1,847	1,067	5,771	1,539	1,614	1,067	1,614	2,368	5,771
Sub-total	$ 33,023	$ 51,013	$ 81,928	$ 92,784	$ 49,987				
Deductions:									
Capital Expenditures	13,560	33,712	46,508	68,355	67,488	13,560	46,508	45,925	68,355
Loan Repayment	15,000	-	-	-	-	-	-	3,000	15,000
Transfer to Constr. Fund	-	-	-	10,000	1,893	-	-	2,379	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	$ 28,560	$ 33,712	$ 46,508	$ 78,355	$ 69,381				
Ending balance	$ 11,539	$ 28,840	$ 64,260	$ 78,689	$ 59,295	$ 11,539	$ 59,295	$ 48,525	$ 78,689

Observations:
- Other includes the Septic Tank Phase-out project and Sale of Property.
- Includes $20 million for Maximum Annual Debt Service calculation.
- No new debt issues for the FY 2013-2015 projection period which creates the need to make permanent transfers from the R&R/OCO Fund to the Construction Fund (page 26).
- $35 million is projected to be withdrawn from this capital balance in FY 2016-2017 to support the capital program with lower Net Revenues as planned with the June 2012 approved reduction in the October 1, 2012 rate increase.

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending September 30, 2015

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

Definitions and Goals: Capacity fees are charged to customers as a one- time fee for a new connection to the Water System and a one- time fee for a new connection to the Sewer System. Capacity charges may be used and applied for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt that was issued for the same purpose. In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. SRF loans are subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 87,324	$ 76,887	$ 76,887	N/A	$ 60,360	$ 90,912	$ 82,234	$ 39,684
Additions:								
Capacity Fees	5,122	19,579	19,579	-	18,298	15,650	15,650	15,650
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund	43	246	246	-	-	650	650	650
Other		5	5	-	-			
Sub-total	$ 5,165	$ 19,830	$ 19,830	$ -	$ 18,298	$ 16,300	$ 16,300	$ 16,300
Deductions:								
Capital Expenditures	1,577	5,805	5,805	-	1,758	24,978	58,850	36,979
Other				-	13			
				-	-			
Sub-total	$ 1,577	$ 5,805	$ 5,805	$ -	$ 1,771	$ 24,978	$ 58,850	$ 36,979
Ending Balance	$ 90,912	$ 90,912	$ 90,912	N/A	$ 76,887	$ 82,234	$ 39,684	$ 19,005

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ 4,054	$ 21,463	$ 41,025	$ 45,454	$ 60,360	$ 4,054	$ 41,025	$ 34,471	$ 60,360
Additions:		#							
Capacity Fees	10,968	10,311	10,820	17,394	18,298	10,311	10,968	13,558	18,298
State Revolving Fd Loan	2,450	14,667	3,798	-	-	-	2,450	4,183	14,667
Loan Repayments	15,000	-	-	-	-	-	-	3,000	15,000
Other	191	-	-	12	-	-	-	41	191
Sub-total	$ 28,609	$ 24,978	$ 14,618	$ 17,406	$ 18,298				
Deductions:									
Capital Expenditures	11,200	5,268	7,096	2,270	1,758	1,758	5,268	5,518	11,200
Loans betw Capital Fds	-	-	-			-	-	-	-
Other	-	148	3,093	230	13	-	148	697	3,093
	-	-	-	-					
Sub-total	$ 11,200	$ 5,416	$ 10,189	$ 2,500	$ 1,771				
Ending balance	$ 21,463	$ 41,025	$ 45,454	$ 60,360	$ 76,887	$ 21,463	$ 45,454	$ 49,038	$ 76,887

Observations:

- Other includes funds received from the River Accord and Department of Environmental Protection.

Water and Sewer Environmental

For the Fiscal Quarter Ending September 30, 2015
Reserve/Fund Authorization: Pricing Policy
Metric: Unit tariff rates times consumption

Definitions and Goals: The Environmental Charge will be applied to all water, sewer, irrigation and non bulk user reclaimed consumption. The environmental charge revenue will be collected from customers to partially offset current and future environmental and regulatory needs as specified in the Pricing Policy for specific environmental and regulatory programs.

	Actual as of 09/30/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2015 Forecast	2015 Budget	Prior Year Actual	2016	2017	2018
Opening Balance	$ 16,428	$ 5,299	$ 5,299	N/A	$ (9,857)	$ 19,245	$ 10,040	$ 10,101
Additions:								
Environmental Contributions	5,999	22,056	22,056	-	21,018	19,792	19,792	19,791
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	$ 5,999	$ 22,056	$ 22,056	$ -	$ 21,018	$ 19,792	$ 19,792	$ 19,791
Deductions:								
Capital Expenditures	3,107	7,318	7,318	-	5,862	19,547	15,769	7,538
Septic Tank Phase Out		203	203	-	-	650	650	650
Other	75	589	589	-	-	8,800	3,312	
Sub-total	$ 3,182	$ 8,110	$ 8,110	$ -	$ 5,862	$ 28,997	$ 19,731	$ 8,188
Ending Balance	$ 19,245	$ 19,245	$ 19,245	N/A	$ 5,299	$ 10,040	$ 10,101	$ 21,704

	Historical					Statistical			
(In Thousands)	2010	2011	2012	2013	2014	Low	Median	Mean	High
Opening Balance	$ -	$ 5,920	$ 9,795	$ (8,158)	$ (9,857)	$ (9,857)	$ -	$ (460)	$ 9,795
Additions:		#							
Environmental Contributions	5,920	14,577	21,747	21,193	21,018	5,920	21,018	16,891	21,747
Loans betw Capital Fds	-	-	-	-		-	-	-	-
Other	-	-	-	-		-	-	-	-
Sub-total	$ 5,920	$ 14,577	$ 21,747	$ 21,193	$ 21,018				
Deductions:									
Capital Expenditures	-	10,702	39,700	22,892	5,862	-	10,702	15,831	39,700
	-	-	-	-		-	-	-	-
	-	-	-	-		-	-	-	-
Sub-total	$ -	$ 10,702	$ 39,700	$ 22,892	$ 5,862				
Ending balance	$ 5,920	$ 9,795	$ (8,158)	$ (9,857)	$ 5,299	$ (9,857)	$ 5,299	$ 600	$ 9,795

Observations:
- Currently this fund is combined on the balance sheet with the R&R fund (page 22).

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2015
Reserve/Fund Authorization: Bond Resolution
Metric: Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Water and Sewer System.

(In Thousands)	Actual as of 09/30/2015 Current Quarter	Year -to-Date	Full Year 2015 Forecast	2015 Budget	Prior Year Actual	Projection 2016	2017	2018
Opening Balance	$ 664	$ 326	$ 326	N/A	$ 2,305	$ 664	$ -	$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	1,893			
Other	-	344	344	-	476			
Sub-total	$ -	$ 344	$ 344	$ -	$ 2,369	$ -	$ -	$ -
Deductions:								
Capital Expenditures		6	6	-	3,784			
Bond Proceeds				-	-			
Other	-		-	-	-	664		
Sub-total	$ -	$ 6	$ 6	$ -	$ 3,784	$ 664	$ -	$ -
Ending Balance	$ 664	$ 664	$ 664	N/A	$ 890	$ -	$ -	$ -

(In Thousands)	Historical 2010	2011	2012	2013	2014	Statistical Low	Median	Mean	High
Opening Balance	$ 18,003	$ 18,708	$ 29,622	$ 7,419	$ 2,305	$ 2,305	$ 18,003	$ 15,211	$ 29,622
Additions:									
Bond Proceeds	74,246	45,662	-	486	-	-	486	24,079	74,246
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	-	-	10,000	1,893	-	-	2,379	10,000
Other	-	-	-	3	476	-	-	96	476
Sub-total	$ 74,246	$ 45,662	$ -	$ 10,489	$ 2,369				
Deductions:									
Capital Expenditures	50,574	34,172	20,243	14,855	3,784	3,784	20,243	24,726	50,574
Bond Proceeds	-	-	-	411	48	-	-	92	411
Line of Credit	21,715	-	-	-	-	-	-	4,343	21,715
Loans/trnsf btw CapFds	-	-	-	337	516	-	-	171	516
Other	1,252	576	1,960	-	-	-	576	758	1,960
Sub-total	$ 73,541	$ 34,748	$ 22,203	$ 15,603	$ 4,348				
Ending balance	$ 18,708	$ 29,622	$ 7,419	$ 2,305	$ 326	$ 326	$ 7,419	$ 11,676	$ 29,622

Observations:
- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2013-2015 projection period which creates the need to make permanent transfers from the R&R/OCO Fund (page 23) to the Construction Fund.

JEA
Building Community

AGENDA ITEM SUMMARY

December 21, 2015

SUBJECT:	**FITCH 2016 OUTLOOK: U.S. PUBLIC POWER AND ELECTRIC COOPERATIVE SECTOR**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: As part of its annual sector outlook assessment process, Fitch Ratings has released its report entitled "2016 Outlook: U.S. Public Power and Electric Cooperative Sector."

Significance: Staff is providing an overview of the report, which summarizes Fitch's outlook of the sector's performance and ratings trends and provides an overview of what it sees as key issues for the upcoming year.

Effect: To communicate to the Board Fitch's view of opportunities and challenges to public power and electric cooperative utilities in the near term.

Cost or Benefit: Increased Board awareness of factors influencing rating agency assessments of JEA's electric enterprise and its industry.

Recommended Board action: No Board action is required. For information only.

For additional information, contact: Joe Orfano, 665-4541

Submitted by: PEM/ MHD/ JEO/ RLH

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
December 21, 2015

SUBJECT:	**FITCH 2016 OUTLOOK: U.S. PUBLIC POWER AND ELECTRIC COOPERATIVE SECTOR**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
In December 2015 Fitch Ratings released its 2016 outlook for the U.S. public power and electric cooperative sector. Fitch produces such a report annually to summarize its outlook of the sector's performance and ratings trends and to provide an overview of what it sees as key issues for the upcoming year.

DISCUSSION:
Fitch's outlook for the public power and electric cooperative sector is stable through 2016. Its outlook for sector ratings is also stable.

Key issues noted by Fitch for 2016:

- Strong sector fundamentals – The fundamental strengths of the sector include: autonomous rate-making authority, the essentiality of electric service, the mandate to serve well-defined areas with monopolistic characteristics, relative cost-of-capital advantage over investor-owned utilities and reliable cash flow.
- Carbon regulations, compliance challenges – Carbon reduction goals mandated under the EPA Clean Power Plan are to begin in 2022. Fitch does not believe they will have a material effect on public power within the outlook period; however, they are likely to influence strategic decision making over the near term. Longer term costs could be substantial.

  Fitch views assumptions of some utilities related to low-cost renewable energy and demand-side energy efficiency to be aggressive and noted that downward pressure on ratings could result, should utilities not be willing to raise retail rates if needed to maintain and preserve ratios in the face of higher compliance costs.
- Rate pressures stabilize – Modest but sustained economic growth, together with improving affordability metrics, has moderated rate pressures for most issuers.
- Low fuel cost and interest rates broadly positive – Low energy prices and interest rates should support financial performance and moderate revenue requirements through the outlook period; however, a steep, unexpected rise in costs remains a longer term risk as fuel and interest costs are among the largest expense items incurred by public power utilities.
- Improving renewable energy economics – Declining costs for renewable energy resources could present significant opportunities and risks for public power and electric cooperative utilities. While declining costs may allow utilities to more economically meet renewable energy mandates

and carbon reduction goals, declining costs related to residential photo-voltaic systems and battery storage could dampen consumption and challenge the traditional utility model.

RECOMMENDATION:
No Board action is required: for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/RLH

2016 Outlook: U.S. Public Power and Electric Cooperative Sector

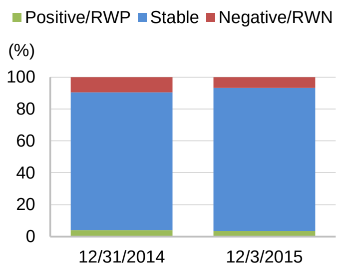
Outlook Report

Rating Outlook

STABLE

(2015: STABLE)

Rating Outlooks



RWP – Rating Watch Positive.
RWN – Rating Watch Negative.
Source: Fitch.

Sector Outlook

STABLE

(2015: STABLE)

- Environmental compliance manageable.
- Rate pressures easing.
- Low, stable costs positive.

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Rating and Sector Outlooks Stable: Fitch Ratings' outlook for the public power and electric cooperative sector is stable through 2016. Strong sector characteristics, including autonomous rate-setting authority, the essentiality of electric service and reliable cash flow, should allow the sector to retain a solid fiscal foundation. The outlook for ratings is also stable.

Carbon Regulations Enacted: The EPA's Clean Power Plan (CPP) — finalized in August 2015 — establishes carbon dioxide (CO2) emission reduction goals that will require expanded reliance on natural gas-fired generation, development of vast new renewable energy resources and application of demand-side energy efficiency nationwide. Interim compliance goals do not begin until 2022. However, state implementation planning will begin to influence strategic decision making much earlier.

Carbon Compliance Challenges: Preserving financial margins and credit quality while complying with the EPA's CPP will be most challenging for utilities operating in states subject to sizable mandated carbon-reduction goals, high carbon-reduction costs and a relatively high cost of electricity. Although the near-term effects of the CPP will be limited, longer term compliance could be costly.

Rate Pressures Stabilize: Modest but sustained economic growth, together with improving affordability metrics, has moderated rate pressures in recent years for most public power and cooperative issuers. Favorable operating conditions, a continued ability and willingness to increase electric rates to preserve margins and a relatively stable outlook for local governments should help sustain the sector's upward trend in debt service coverage.

Low, Stable Costs Positive: Low natural gas prices and interest rates should also support financial performance and moderate revenue requirements through the outlook period. Fitch expects natural gas prices ($3.50/thousand cubic feet [mcf]) and interest rates to remain low by historical standards (2016 Fed funds target rate, 0.8%; 10-year U.S. Treasury bonds, 2.5%). However, a steep, unexpected rise in costs remains a longer term risk as fuel and interest costs are among the largest expense items incurred by public power utilities.

Improving Renewable Energy Economics: Declining cost curves for renewable energy resources could present significant opportunities for public power and electric cooperative utilities, as well as significant risks. While the current trend should allow utilities to more economically meet renewable energy mandates and carbon-reduction goals, declining costs related to residential photo-voltaic (PV) systems and battery storage could dampen consumption, pressure unit costs and challenge the traditional utility model.

Outlook Sensitivities

Unwillingness to Support Metrics: A widely observed unwillingness of public power and cooperative issuers to raise rates to support current and projected financial metrics in response to economic weakness, increased cost pressures or declining consumption could change the sector rating outlook to negative.

FitchRatings **Public Finance**

Key Issues for 2016

Strong Sector Fundamentals

Fitch believes strong sector characteristics and a conservative business model provide public power and electric cooperative issuers with stability and strength, even during periods of uncertainty, and will continue to do so in 2016. The fundamental strengths of the sector include: autonomous rate-making authority; the essentiality of electric service; mandates to serve well-defined areas with monopolistic characteristics; a relative cost-of-capital advantage over investor-owned utilities; and reliable cash flow. Sector stability is further evidenced by the current distribution of rating outlooks among Fitch-rated issuers. As of Dec. 3, 2015, 90% of the public power and cooperative ratings assigned by Fitch maintained a Stable Outlook.

Carbon Regulations Enacted, Compliance Challenges Ahead

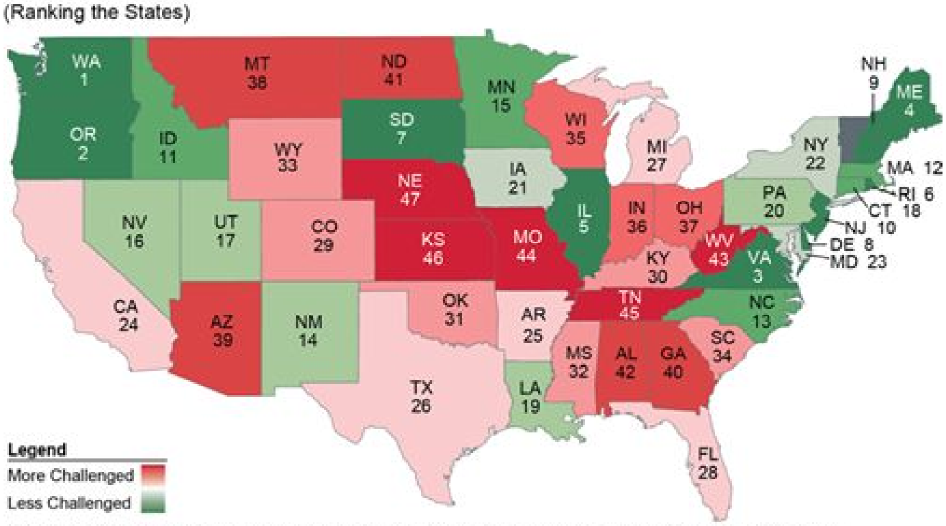
On Aug. 3 2015, the EPA released the final version of the CPP, its plan to reduce carbon emissions from existing power plants, which is expected to have broad implications for electric utilities. The CPP outlines state-specific CO2 emission goals, and the guidelines for development, submission and implementation of state plans to meet the mandated goals.

The Carbon Cost Recovery Index score for each state is a composite measure of four components: the carbon reduction ratio, average marginal CO2 costs, average retail price of electricity and the affordability ratio. For additional information, please see reports in Other Research below.

Fitch believes the final CPP rules are unlikely to have a material effect on public power and cooperative utilities through the outlook period, as mandated reduction goals begin in 2022. However, initial state implementation plans may be submitted as early as Sept. 6, 2016, and are likely to influence strategic decision making over the near term.

Power and cooperative utilities that operate in states subject to sizable mandated carbon-reduction goals, high carbon-reduction costs and high electric costs will likely be most challenged to maintain margins while complying with the CPP. For these utilities, meeting the goals and recovering related costs may require sizable rate increases on end users already burdened by comparatively high electric costs or retail rates. Fitch's carbon cost recovery index ranks the relative challenge each state faces below.

Carbon Cost Recovery Index
(Ranking the States)



Note: The labels reflect the rank of the index and state. Vermont has no sources of generation that are affected by the Clean Power Plan, therefore no goals have been established. Alaska and Hawaii have been excluded from Fitch's analysis.
Source: Fitch.

Related Research
Other Outlooks
www.fitchratings.com/outlooks

Other Research
The Carbon Effect 2.0 (Reassessing the Challenges for Public Power) (October 2015)
U.S. Public Power (Peer Study) (July 2015)
The Carbon Effect (Assessing the Challenges for Public Power) (January 2015)

Related Criteria
Criteria for Rating Prepaid Energy Transactions (December 2015)
U.S. Public Power Rating Criteria (May 2015)
Revenue-Supported Rating Criteria (June 2014)

Although EPA annual cost estimates appear manageable, compliance scenarios reflect assumptions related to low-cost renewable energy and demand-side energy efficiency that Fitch believes are aggressive. Should these assumptions, together with the economics of gas-fired generation, prove overly optimistic, compliance costs could soar.

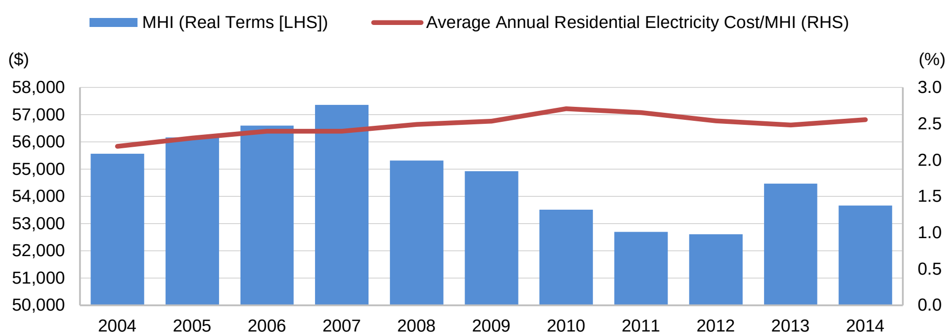
Despite the autonomous rate-setting authority enjoyed by the vast majority of the public power and cooperative issuers, an issuer's willingness to maintain and preserve robust margins in the wake of higher operating costs is uncertain. If the cost burden and higher retail rates related to compliance result in weaker financial metrics and reduced financial flexibility, downward rating pressure could materialize.

Rate Pressures Stabilize

Most public power and cooperative issuers have the authority to raise electric rates at their sole discretion, and have diligently exercised this authority to recover costs in a timely manner. This fundamental credit strength has helped ensure the timely recovery of costs and has ultimately contributed to the operating stability of the sector.

Modest but sustained economic growth, together with improving affordability metrics, has moderated rate pressures in recent years. In 2013, household income rose for the first time in six years, buffering the effect of higher electric cost and contributing to strong sectorwide debt service coverage medians. Although household income fell and retail electric costs rose in 2014, triggering a divergence last observed in 2008, continued improvement in median debt service coverage suggests less acute rate pressures and a broader willingness to maintain margins. Positively, income remains above the levels observed in 2010–2012.

Residential Electric Cost to Median Household Income (MHI)



Source: U.S. Energy Information Administration, U.S. Census Bureau.

Fitch expects economic growth to continue in 2016 (2.5%) and 2017 (2.3%) as the economy approaches full capacity and the labor market recovery continues, which should help preserve a base level of demand and support rate-setting initiatives.

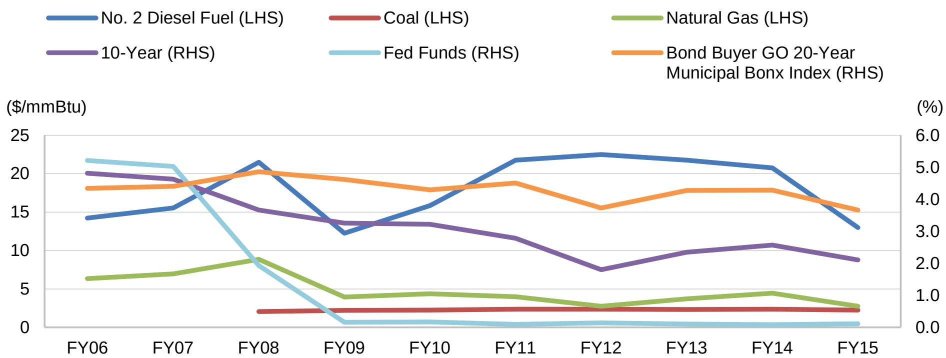
Low Fuel Cost and Interest Rates Broadly Positive

Low energy prices should remain broadly positive for most issuers through 2016. Favorable fuel and purchased power costs should continue to support stronger operating margins, provide headroom for rate increases necessary to mitigate other escalating costs, and in some cases, lower total charges to ratepayers.

Fitch lowered its 2016 forecast assumption, or price deck, for U.S. natural gas earlier this year to $3.25/mcf from $4.00/mcf, reflecting increasingly efficient U.S. shale production and lagging demand growth. Longer term prices were lowered to $3.75/mcf from $4.50/mcf, with stress case prices falling below $3.00/mcf in most years. Operating efficiencies have also driven Fitch's 2016 base case price for crude oil to $60/barrel. Although oil-fired generation accounts for less than 1% of total U.S. energy production, prices will continue to influence natural gas fundamentals and to a lesser extent electric consumption.

Prevailing low interest rates and robust access to the capital markets also remain positive for the capital-intensive public power sector. The replacement and refunding of debt at lower rates has allowed issuers to reduce interest expense and lower revenue requirements. More than 55% of the municipal electric power debt issued in 2009–2015 was earmarked for the full or partial refunding of existing debt. Interest rates, including the benchmark 10-year Treasury, Bond Buyer municipal index and Fed funds, remain extremely low, and in some cases challenged record levels during 2015.

U.S. Average Cost of Fuel and Interest Rates



MmBtu – Million British thermal units. FY – Fiscal year. Note: Coal data for 2006 and 2007 unavailable.
Source: U.S. Energy Information Administration, Fed.

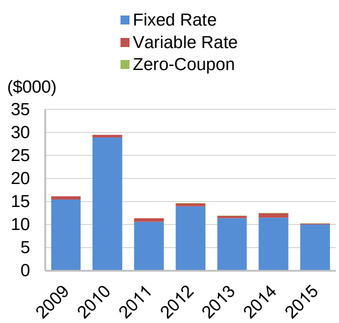
Although the Fed has left interest rates unchanged through 2015, Fitch still expects it to start the global monetary tightening cycle before year end. Gradual hikes are expected to bring rates to 1.6% by year-end 2017. Yields on the 10-year Treasury are similarly expected to trend upward in 2016 and 2017, but remain low by historical terms.

U.S. Interest Rates: Base Case

(%)	Base Case		
Annual Averages	2015	2016	2017
Real GDP Growth	2.5	2.5	2.3
CPI Inflation	0.3	1.7	2.0
Fed Funds Interest Rate	0.3	0.8	1.6
10-Year Treasury Yield	2.1	2.5	3.0

Source: Fitch.

Municipal Bond Issuance — Electric Power Sector



Source: The Bond Buyer.

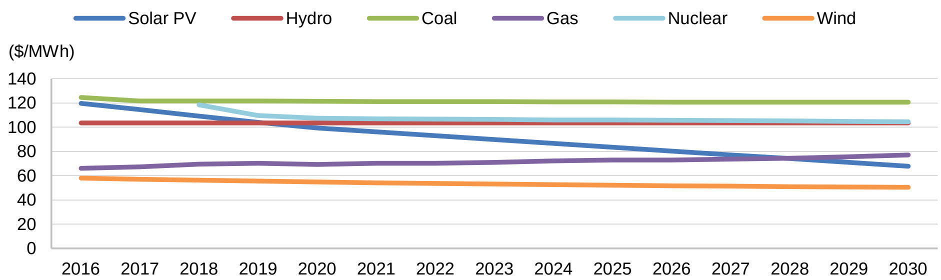
Prudent hedging strategies typically adopted by most public power issuers and relatively stable capital structures should protect margins and coverage metrics against any sudden upward price movement over the near term. Nearly all debt issuance throughout the sector since 2009 has been long-term, fixed rate, including 98% of 2015 issuance through June. The median ratio of variable-rate debt to total debt for the entire Fitch-rated portfolio of issuers totaled only 9.0% at year-end 2014.

Despite the benign forecast for rates and fuel costs, a steep, unexpected rise from current levels remains a longer term concern for the sector. Fuel and interest costs are among the largest expense items incurred by public power utilities and the most significant drivers of revenue requirements.

Improving Economics of Renewable Resources

The economics of renewable energy technologies continue to improve, particularly for onshore wind generation and utility-scale solar installations. Since 2010, capital costs related to utility-scale PV have declined an estimated 55%, while fixed operating and maintenance costs have fallen 25%, according to the National Renewable Energy Laboratory (NREL). NREL predicts the levelized cost of energy (LCOE) from utility-scale solar PV plant will fall from $94/MWh–$187/MWh to $48/MWh–$94/MWh by 2030 as a result of improved efficiencies, declining production costs and variations in solar resources. The range of LCOE associated with land-based wind resources is similarly expected to fall from $50/MWh–$85/MWh to $31/MWh–$53/MWh. For some public power and cooperative issuers, renewable energy purchases are already well within these forecast boundaries.

Levelized Cost of Energy Projections



PV – Photovoltaic.
Source: NREL.

Positively, current trends should continue to lower the cost of complying with state-mandated renewable portfolio standards and self-imposed renewable energy targets. Declining costs could also improve the economics of achieving mandated carbon-reduction goals prescribed pursuant to the CPP, lowering both revenue requirements and related rate increases.

Declining costs related to residential PV systems and unsupportive net metering arrangements could conversely pose a significant risk to public power systems by reducing revenue and upsetting traditional cost-allocation methodologies. Expected declines in the cost of battery storage solutions, together with rooftop solar installations, could ultimately allow customers to break away from the grid, straining cost recovery and potentially stranding investment.

Fitch expects the sector's widespread autonomous rate-making authority, continued discipline in rate setting and improved rate design should limit near-term risk, but remains mindful of the potential long-term disruption.

2015 Review

The public power and electric cooperative sector's performance exhibited high stability in 2015. Events unfolded generally as expected, as issuers continued to benefit from modest economic recovery, financial markets characterized by low interest rates and abundant liquidity, and relatively low fuel and energy prices.

Rating actions taken by Fitch throughout 2015 have been consistent with the stable outlook, as the vast majority represented rating affirmations (89% of all rating actions). Rating actions YTD also included 10 upgrades (5%), which were largely attributable to sustained improvement in operating performance or reduced operating risk. There were no rating downgrades in 2015. Other actions included the assignment of new ratings (5%) and rating withdrawals.

JEA
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AGENDA ITEM SUMMARY

December 30, 2015

SUBJECT:	**JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires that the CFO report quarterly on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions. As background information, graphs representing JEA's historical dispatch costs, along with power and natural gas market prices, are also provided.

Significance: High. The Policy governs JEA's wholesale Energy Market Risk Management and allows JEA to execute certain physical and financial transactions. The attached report is provided to the Board and satisfies the requirements of the reporting section of the EMRM Policy.

Effect: Financial and physical transactions allow the JEA fuels group to manage the risks inherent in the wholesale fuel and energy markets. The attached Finance and Audit Committee report summarizes JEA's current positions.

Cost or Benefit: The costs of financial transactions are reflected in comparison to market indices. The benefits include establishment of a stable fuel price for the future.

Recommended Board action: None required. The report is required by the EMRM Policy and is provided as information.

For additional information, contact: Steve McInall, 665-4309

Submitted by: PEM/ MJB/ SGM

Commitments to Action

1. Earn Customer Loyalty
2. Deliver Business Excellence
3. Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Physical Fuel and Purchase Power Positions as of 1/1/16

Table 1: JEA Generation Fleet Summary

Units	Primary Fuel Type	Contract Schedule
Northside 1 and 2	Petcoke, Coal	Quarterly; 1 Quarter in Advance
Northside 3	Natural Gas, Residual Oil	Market and Hedged; Stored Residual Oil
SJRPP 1 and 2	Coal	Contract Through 2017 and Partial 2018
Scherer 4	Coal	Contract through 2017
Brandy Branch	Natural Gas, Diesel	Market and Hedged /As Needed
Kennedy CT7 and 8	Natural Gas, Diesel	Market and Hedged /As Needed
Greenland CT1 and 2	Natural Gas	Market and Hedged

Table 2: Physical Positions

Plant	Energy Fixed Price (MWH)	Energy Fixed Price (%)	Expense Fixed Price ($)	Expense Fixed Price (%)
Northside CFB				
FY16	1,174,179	34%	21,362,610	34%
FY17	-	0%	-	0%
FY18	-	0%	-	0%
SJRPP				
FY16	2,026,166	96%	71,339,116	97%
FY17	2,491,626	87%	84,676,262	87%
FY18	576,434	15%	18,650,351	20%
Scherer 4				
FY16	617,181	78%	18,404,896	85%
FY17	873,887	76%	26,913,441	85%
FY18	224,580	26%	17,995,027	73%
Renewable Purchase Power (Not Including New Solar)				
FY16	150,704	100%	9,868,167	100%
FY17	159,669	100%	11,101,490	100%
FY18	141,273	100%	10,755,698	100%
Other Purchase Power				
FY16	-	0%	-	0%
FY17	-	0%	-	0%
FY18	-	0%	-	0%

Table 3: Physical Counterparties (Contracts One Year or Greater)

Supplier/ Counterparty	Fuel Type	Contract Type	Generating Unit	Original Contract Volume	Remaining Contract Volume	Units	Original Contract Term	Remaining Contract Term
Coal Marketing Company	Coal	Index w/ Collar	SJRPP	1,500,000	585,000	Tons	1/1/14 - 12/31/16	1/1/16 - 12/31/16
Sunrise Coal	Coal	Fixed Price	SJRPP	250,000	141,225	Tons	1/1/15 - 12/31/16	1/1/16 - 12/31/16
Coal Marketing Company	Coal	Fixed Price	SJRPP	2,000,000	1,592,500	Tons	1/1/15 - 12/31/17	1/1/16 - 12/31/17
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	350,000	350,000	Tons	1/1/16 - 12/31/16	1/1/16 - 12/31/16
Coal Sales LLC	Coal	Fixed Price	Scherer 4	150,000	150,000	Tons	1/1/16 - 12/31/16	1/1/16 - 12/31/16
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	350,000	350,000	Tons	1/1/17 - 12/31/17	1/1/17 - 12/31/17
BG	Natural Gas	Index w/Fixed Price Option	NG Fleet	445.6	120.7	Bcf (Billion Cubic Feet)	6/1/01 - 5/31/21	1/1/16 - 5/31/21

Figure 1A: FY 2016 Fuel Procurement

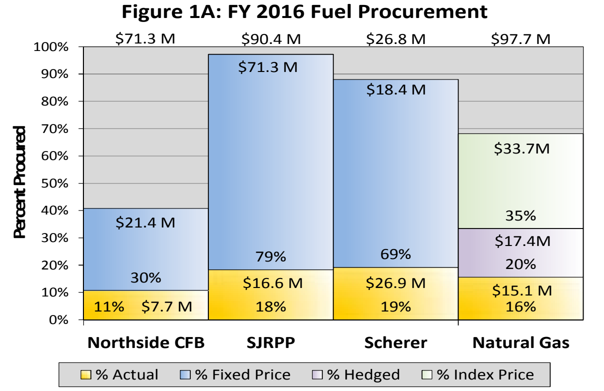


Figure 1B: FY 2017 Fuel Procurement

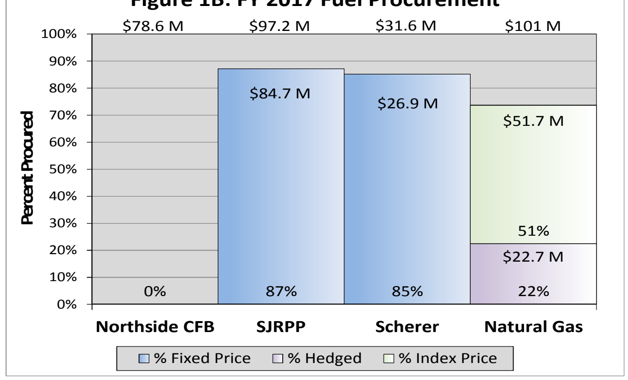
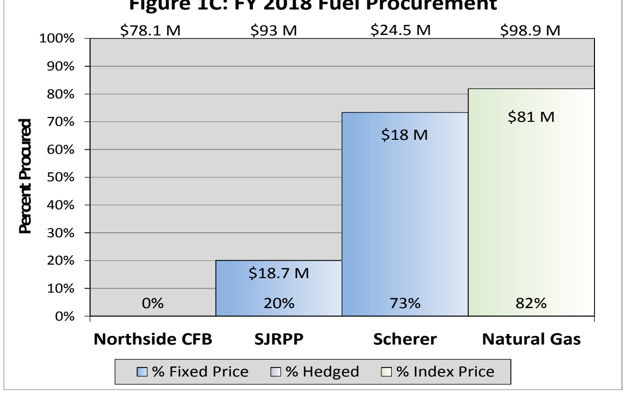


Figure 1C: FY 2018 Fuel Procurement



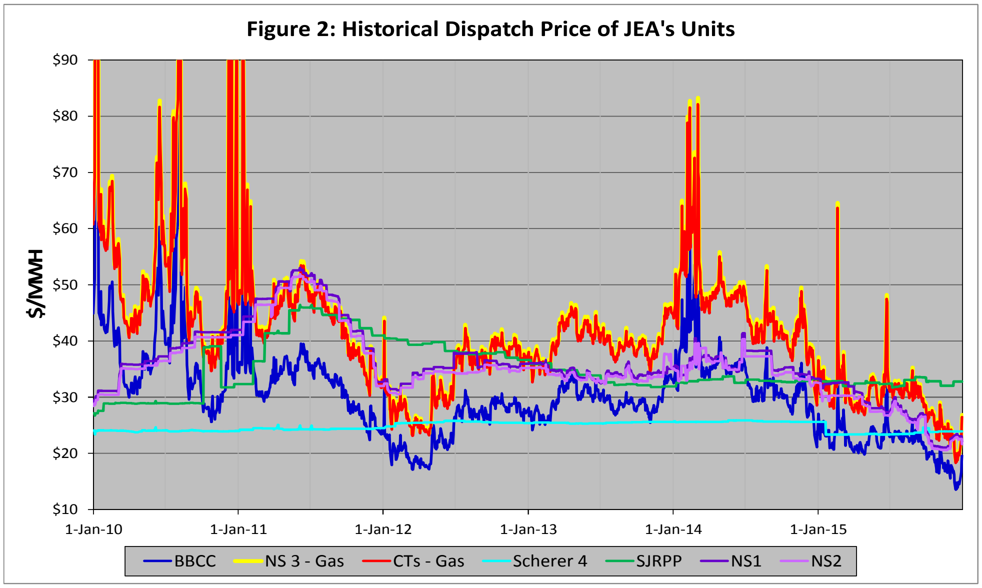


Figure 3: SOCO Power Market Review

Historical & Forward SOCO 7x24 Prices, ($/MWh)

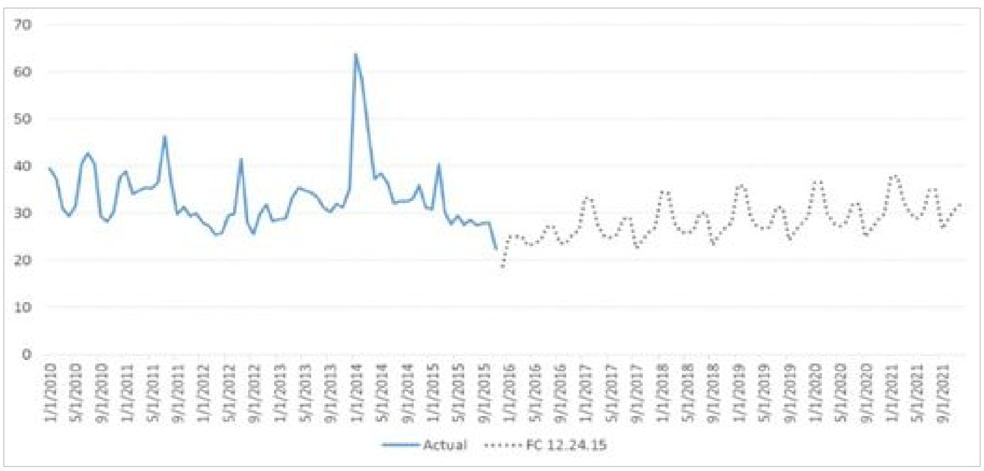


Figure 4: Natural Gas Market Review

Historical & Forward Henry Hub Prices, ($/MMBtu)

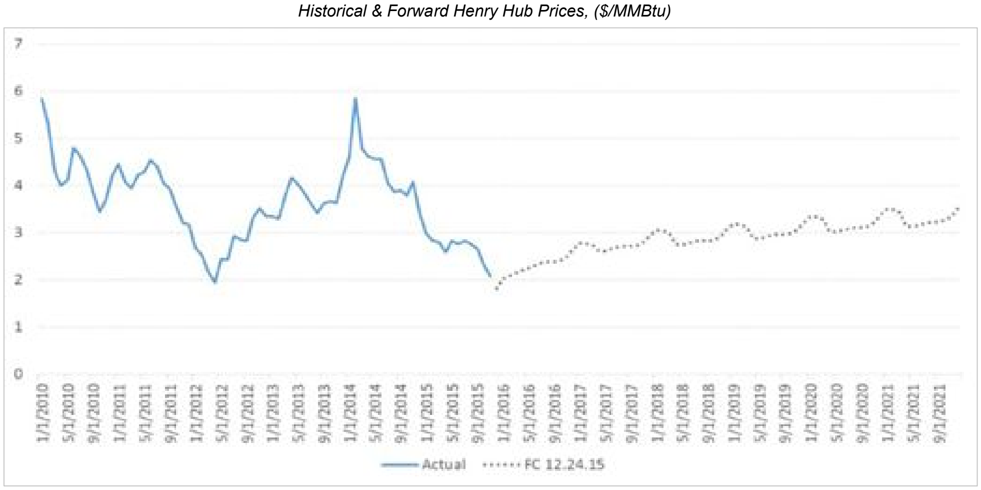


Table 4A: Financial Natural Gas Positions as of 12/30/15

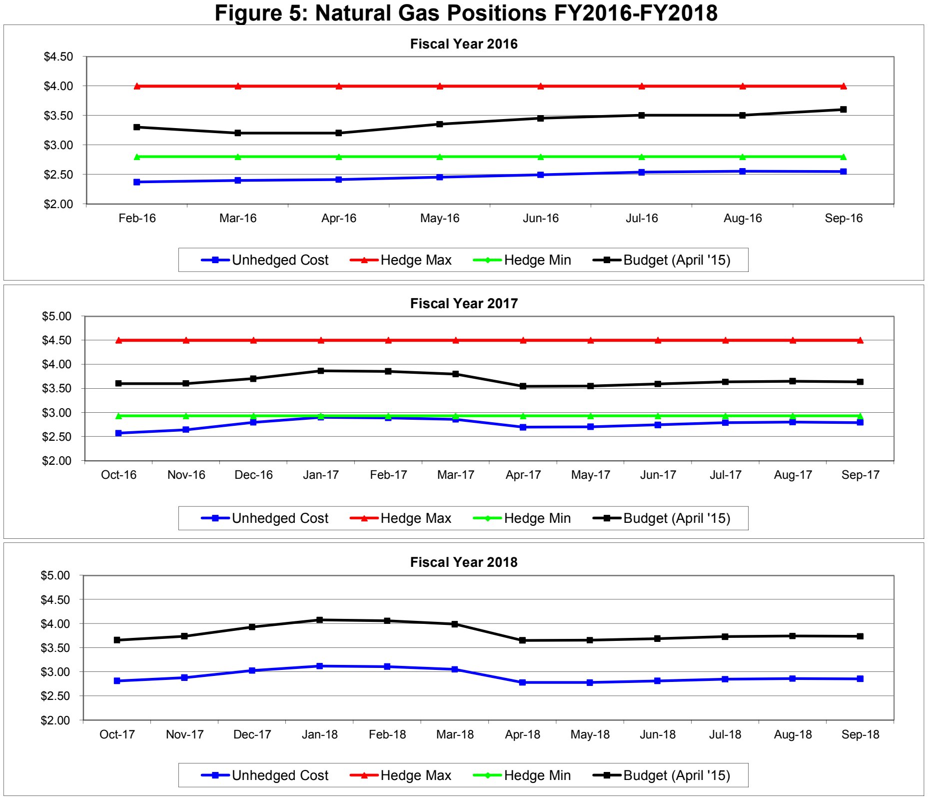
Month	Physical Volume	Hedged Volume	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Forecast at Time of Hedge	Mark-to-Market Value
Feb-16	3,097,900	600,000	19.4%	$2.37	Collar	$2.80 / $4.00	$3.97	$274,260
Mar-16	1,565,600	600,000	38.3%	$2.40	Collar	$2.80 / $4.00	$3.92	$278,730
Apr-16	2,622,400	600,000	22.9%	$2.41	Collar	$2.80 / $4.00	$3.76	$272,340
May-16	3,321,200	600,000	18.1%	$2.45	Collar	$2.80 / $4.00	$3.77	$256,740
Jun-16	2,723,800	600,000	22.0%	$2.49	Collar	$2.80 / $4.00	$3.80	$243,780
Jul-16	3,088,400	600,000	19.4%	$2.54	Collar	$2.80 / $4.00	$3.85	$230,850
Aug-16	3,142,600	600,000	19.1%	$2.55	Collar	$2.80 / $4.00	$3.86	$231,000
Sep-16	2,432,800	600,000	24.7%	$2.55	Collar	$2.80 / $4.00	$3.84	$237,900
FY16 Total	**21,994,700**	**4,800,000**	**21.8%**	**$2.47**			**$3.84**	**$2,025,600**
Oct-16	2,493,500	600,000	24.1%	$2.57	Collar	$2.93 / $4.50	$3.87	$292,890
Nov-16	1,876,200	600,000	32.0%	$2.64	Collar	$2.93 / $4.50	$3.98	$265,350
Dec-16	2,224,900	600,000	27.0%	$2.80	Collar	$2.93 / $4.50	$4.20	$209,040
Jan-17	2,438,600	600,000	24.6%	$2.90	Collar	$2.93 / $4.50	$4.39	$175,680
Feb-17	1,939,100	600,000	30.9%	$2.89	Collar	$2.93 / $4.50	$4.38	$183,870
Mar-17	2,500,000	600,000	24.0%	$2.86	Collar	$2.93 / $4.50	$4.32	$196,650
Apr-17	1,852,700	600,000	32.4%	$2.69	Collar	$2.93 / $4.50	$4.11	$245,460
May-17	2,272,700	600,000	26.4%	$2.70	Collar	$2.93 / $4.50	$4.11	$245,370
Jun-17	2,567,600	600,000	23.4%	$2.74	Collar	$2.93 / $4.50	$4.15	$234,450
Jul-17	2,933,700	600,000	20.5%	$2.79	Collar	$2.93 / $4.50	$4.19	$222,480
Aug-17	3,078,300	600,000	19.5%	$2.80	Collar	$2.93 / $4.50	$4.20	$220,500
Sep-17	2,364,600	600,000	25.4%	$2.79	Collar	$2.93 / $4.50	$4.19	$225,600
FY17 Total	**28,541,900**	**7,200,000**	**25.2%**	**$2.77**			**$4.18**	**$2,717,340**
Oct-17	2,694,300	-	0.0%	$2.81	N/A	N/A	$4.22	-
Nov-17	2,538,900	-	0.0%	$2.88	N/A	N/A	$4.32	-
Dec-17	2,239,000	-	0.0%	$3.02	N/A	N/A	$4.52	-
Jan-18	2,034,400	-	0.0%	$3.12	N/A	N/A	$4.70	-
Feb-18	1,982,000	-	0.0%	$3.11	N/A	N/A	$4.68	-
Mar-18	2,456,800	-	0.0%	$3.05	N/A	N/A	$4.61	-
Apr-18	1,332,700	-	0.0%	$2.78	N/A	N/A	$4.33	-
May-18	2,011,400	-	0.0%	$2.78	N/A	N/A	$4.33	-
Jun-18	2,358,200	-	0.0%	$2.81	N/A	N/A	$4.37	-
Jul-18	2,752,500	-	0.0%	$2.85	N/A	N/A	$4.41	-
Aug-18	2,800,400	-	0.0%	$2.86	N/A	N/A	$4.42	-
Sep-18	1,984,400	-	0.0%	$2.85	N/A	N/A	$4.42	-
FY18 Total	**27,185,000**	**-**	**0.0%**	**$2.91**			**$4.44**	**-**

Volume - mmBtu
Cost - $/mmBtu

Table 4B: Counterparty Exposure

Supplier/ Counterparty	Fuel Type	Contract Type	Hedged Volume	Mark-to-Market Value
Wells Fargo Bank, N.A.				
FY16	Natural Gas	Puts and Calls	4,800,000	$2,025,600
FY17	Natural Gas	Puts and Calls	7,200,000	$2,717,340
FY18	Natural Gas	Puts and Calls	---	---
Royal Bank of Canada				
FY16	Natural Gas	Swaps, Puts, Calls	---	---
FY17	Natural Gas	Swaps, Puts, Calls	---	---
FY18	Natural Gas	Swaps, Puts, Calls	---	---

Figure 5: Natural Gas Positions FY2016-FY2018



Building Community

JEA Monthly Financial Summary

as of December 31, 2015

Board of Directors
January 19, 2016

JEA
Building Community

Key Financial Metrics

Electric System	Year-to-Date FY2016	Year-to-Date FY2015	FY2016 Full Year Forecast	FY2016 Full Year Target	Result
Debt Service Coverage	2.5x	2.3x	**2.4x**	≥ 2.2x	✓
Days Liquidity	319	245	**344**	150 to 250 days[1]	✓
Days Cash on Hand	*195*	*161*	***225***		✓
Debt to Asset %	68%	73%	**66%**	72%[2]	✓

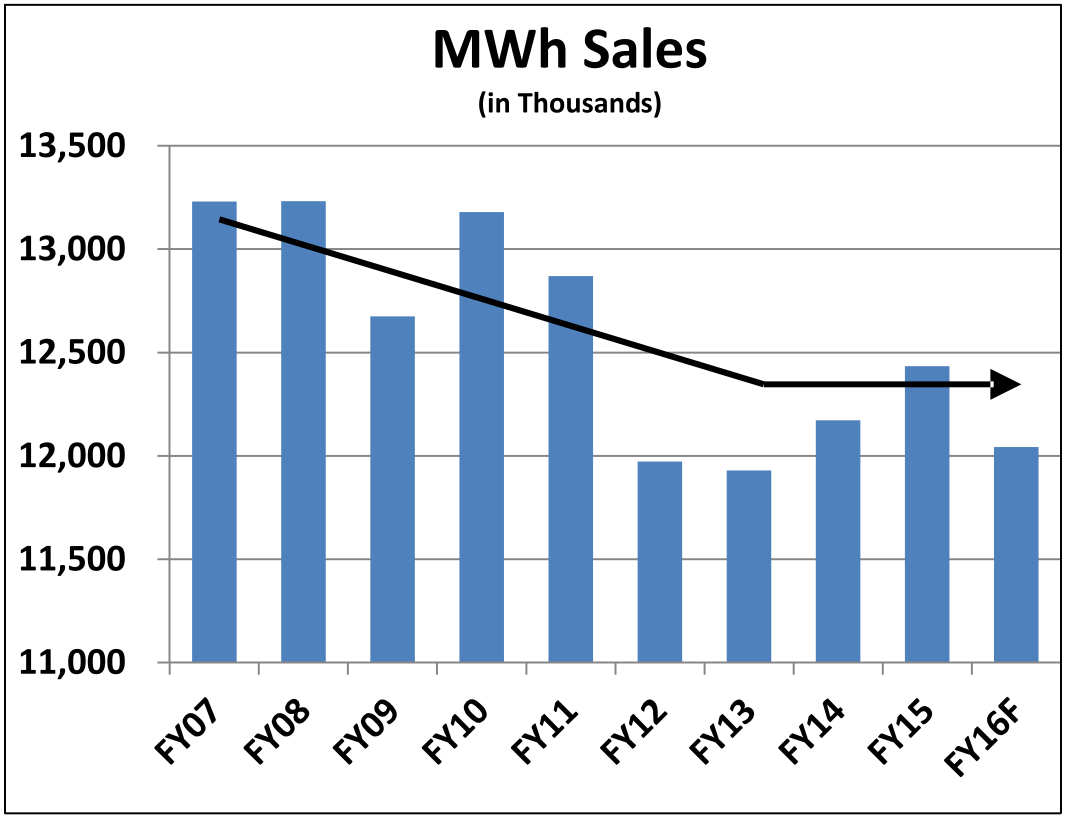
Water and Sewer System	FY2016	FY2015	Forecast	Target	Result
Debt Service Coverage	3.0x	2.7x	**2.6x**	≥ 1.8x	✓
Days Liquidity	286	226	**284**	≥ 100 days	✓
Days Cash on Hand	*162*	*121*	***165***		✓
Debt to Asset %	54%	55%	**53%**	55%[3]	✓

[1] Moody's Aa benchmark: 150 to 250 days
[2] Long-term target is 52%: per Moody's Sector In-Depth Report "Top 30 City Owned Utilities (by debt outstanding)", Sept. 2015
[3] Long-term target is 50%: calculated peer group from Moody's 214 Aa rated public water-sewer utilities, Dec. 2015

Building Community

JEA Electric System

MWh Sales



Month	FY15	FY16	% Change
Oct	971,595	952,515	(2.0%)
Nov	895,617	923,705	3.1%
Dec	943,753	922,956	(2.2%)
Year-to-Date	**2,810,965**	**2,799,176**	**(0.4%)**
Jan	1,035,621		
Feb	934,102		
Mar	898,524		
Apr	954,803		
May	1,062,459		
Jun	1,187,741		
Jul	1,254,252		
Aug	1,212,295		
Sep	1,083,446		
Total/Forecast	**12,434,208**	**12,043,349**	

Unit Sales Driver: Degree days 13% lower than last year.

YTD Degree Days		
30-yr. Avg.	FY15	FY16
775	736	644

Total System	**(0.4%)**
Residential	(4.1%)
Comm./Industrial	2.3%
Interruptible	2.1%
Wholesale (FPU)	(3.1%)

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JEA Electric System

Financial Results and Cost Metrics

($ in thousands)

Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16F vs FY15 ($)	Variance (%)
Fuel Revenue	$ 462,001 [1]	$ 486,362 [2]	$ 485,631	$ (24,361)	-5.0%
Base Revenue	714,415	741,411	711,502	(26,996)	-3.6%
Other Revenue	47,615	38,183	51,716	9,432	24.7%
Total Revenues	**$ 1,224,031**	**$ 1,265,956**	**$ 1,248,849**	**$ (41,925)**	**-3.3%**
		$(25M)			
Select Expenses					
Fuel Expense	$ 384,159	$ 441,076	$ 460,315	$ 56,917	12.9%
Fuel Fund Transfers	77,841	45,286	25,255	(32,555)	
O & M Expense	210,993	191,764	222,827	(19,229)	-10.0%
Non-fuel Purchased Power	104,577	114,804	113,015	10,227	8.9%
Net Revenues	**$ 434,381**	**$ 461,604**	**$ 405,311**	**$ (27,223)**	**-5.9%**
		$29M			
Capital Expenditures	$ 156,134	$ 116,728	$ 153,200 [3]	$ (39,406)	-33.8%
Debt Service	$ 184,351	$ 175,779	$ 185,614	$ (8,572)	-4.9%

Electric Costs / MWh	Non-Fuel
Target	$ 49.44
Forecast	54.84
Difference	$ (5.40)

Fuel Fund *($ in millions)*	
Beginning Balance	$ 151
Surplus/(Deficit)	135
Fuel Credit	(57)
Ending Balance	$ 229

[1] Net of $57 million fuel credit in October bill
[2] Net of $50 million fuel credit in FY15
[3] Council approved limit for capital expenditures in FY15 is $170 million

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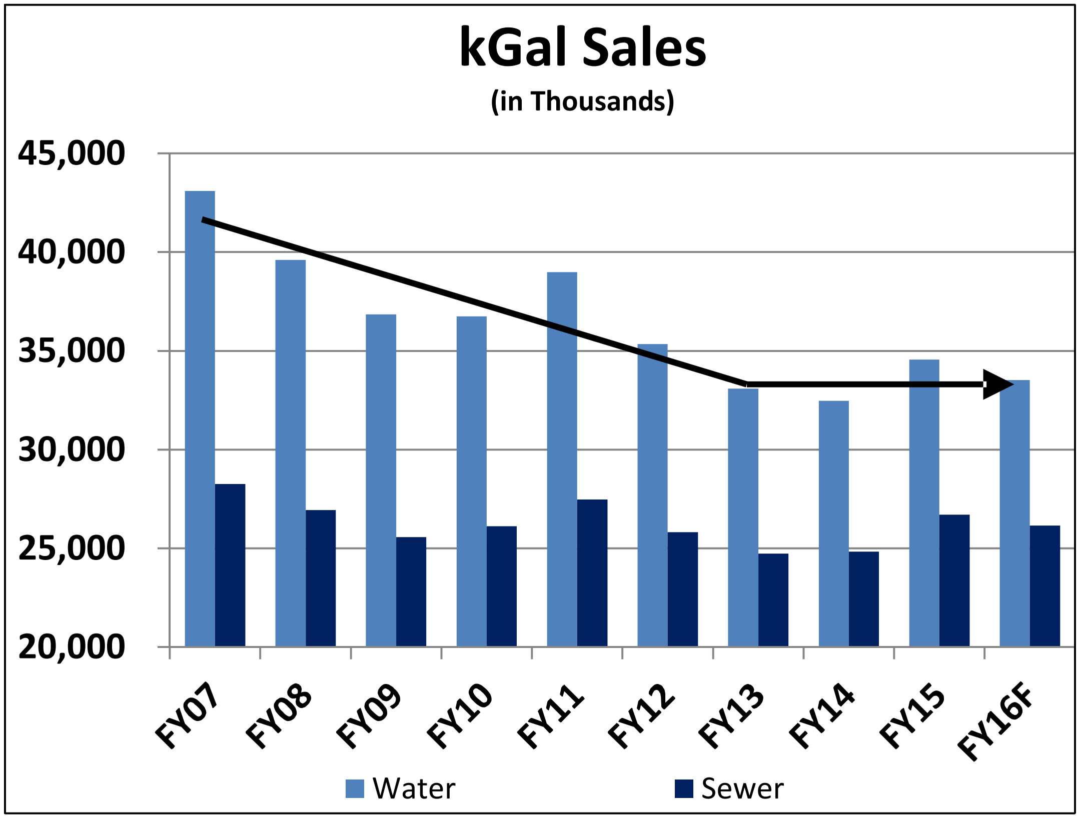
JEA Water and Sewer System

kGal Sales

(in Thousands)



Month	FY15	FY16	% Change
Oct	3,051	3,121	2.3%
Nov	2,597	2,641	1.7%
Dec	2,708	2,758	1.8%
Year-to-Date	**8,356**	**8,520**	**2.0%**
Jan	2,502		
Feb	2,238		
Mar	2,732		
Apr	2,765		
May	3,509		
Jun	3,382		
Jul	3,300		
Aug	3,062		
Sep	2,712		
Total/Forecast	**34,558**	**33,523**	

Unit Sales Driver: Rainfall down 5 inches; rain days up 4.

YTD Rain			
	30-Yr. Avg.	FY15	FY16
Inches	9	10	5
Days	22	15	19

Total System	**2.0%**
Residential	0.8%
Comm./Industrial	5.1%
Irrigation	(1.9%)

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Building Community

JEA Water and Sewer System

Financial Results and Cost Metrics

($ in thousands)

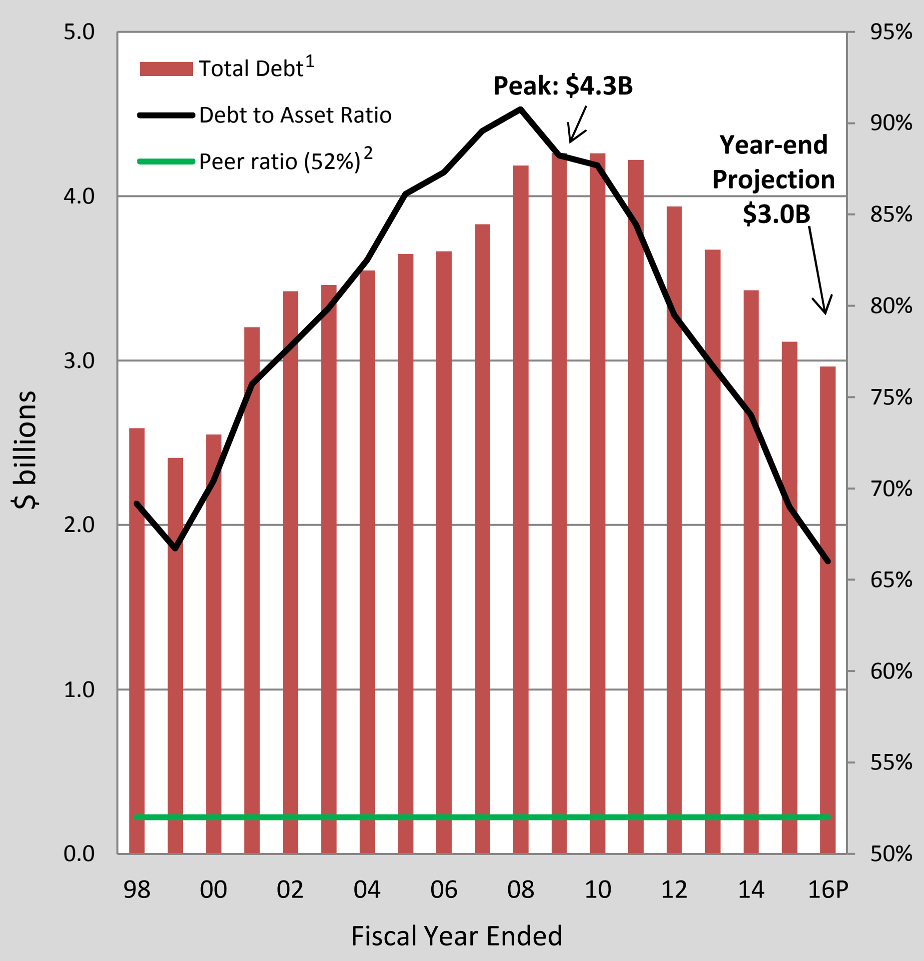
Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16F vs FY15 ($)	Variance (%)
Water & Sewer Revenues	$ 387,417	$ 393,167	$ 383,162	$ (5,750)	-1.5%
Other Revenue	35,308	43,750	34,529	(8,442)	-19.3%
Total Revenues	**$ 422,725**	**$ 436,917**	**$ 417,691**	**$ (14,192)**	**-3.3%**
		$5M			
Select Expenses					
O & M Expense	$ 135,797	$ 127,174	$ 138,368	$ (8,623)	-6.8%
Net Revenues	**$ 261,661**	**$ 278,471**	**$ 275,985**	**$ (16,810)**	**-6.0%**
		$(14M)			
Capital Expenditures	$ 174,854	$ 100,806	$ 175,000	$ (74,048)	-73.5%
Debt Service	$ 100,369	$ 101,108	$ 105,370	$ 739	0.7%

Cost / KGal	Water	Sewer
Target	$ 3.98	$ 7.26
Forecast	4.85	8.19
Difference	$ (0.87)	$ (0.93)

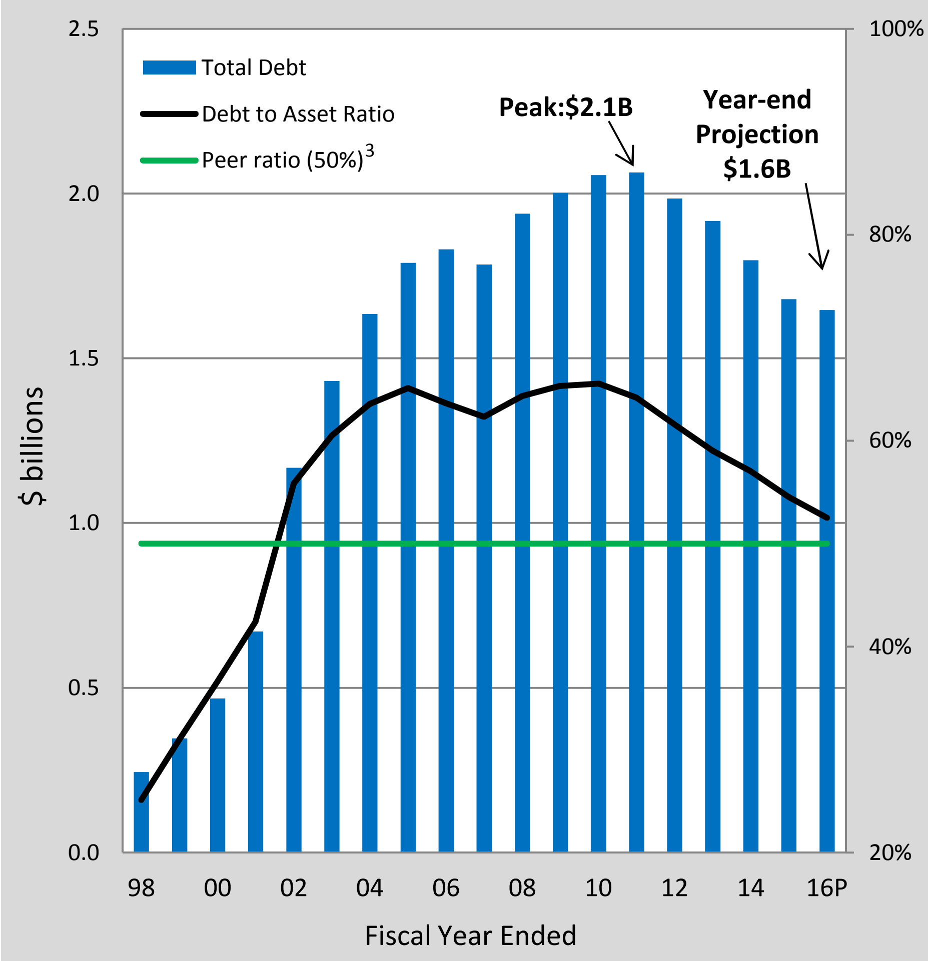
JEA Building Community

JEA Debt and Debt to Asset Ratios

Electric System



Water and Sewer System



1 Includes JEA, Scherer and SJRPP
2 Per "Top 30 City Owned Utilities (By Debt Outstanding)" reported in Moody's Sector In-Depth Report, Sept. 8, 2015
3 Calculated from Moody's Municipal Financial Ratio Analysis database of 214 Aa rated public water-sewer utilities, Dec. 17, 2015

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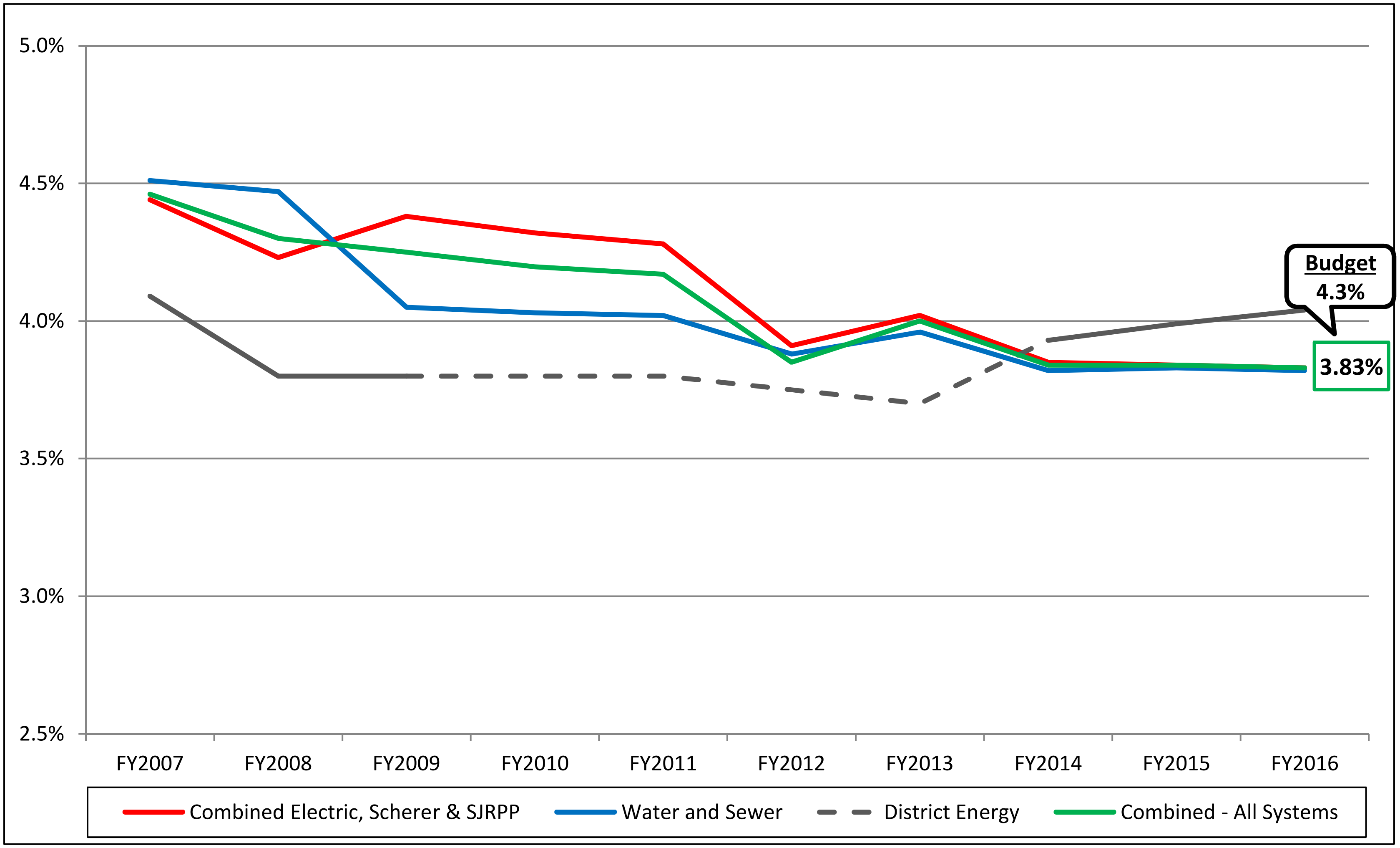
Combined Debt Outstanding
Weighted Average Interest Rates*



- Fiscal year end interest rates are net of BABs subsidy, original issue premiums / discounts and includes variable debt liquidity / remarketing fees and interest rate swap payments.
- – – – During FY2008 – FY2013 DES was funded with variable rate debt at an average of 1 percent.

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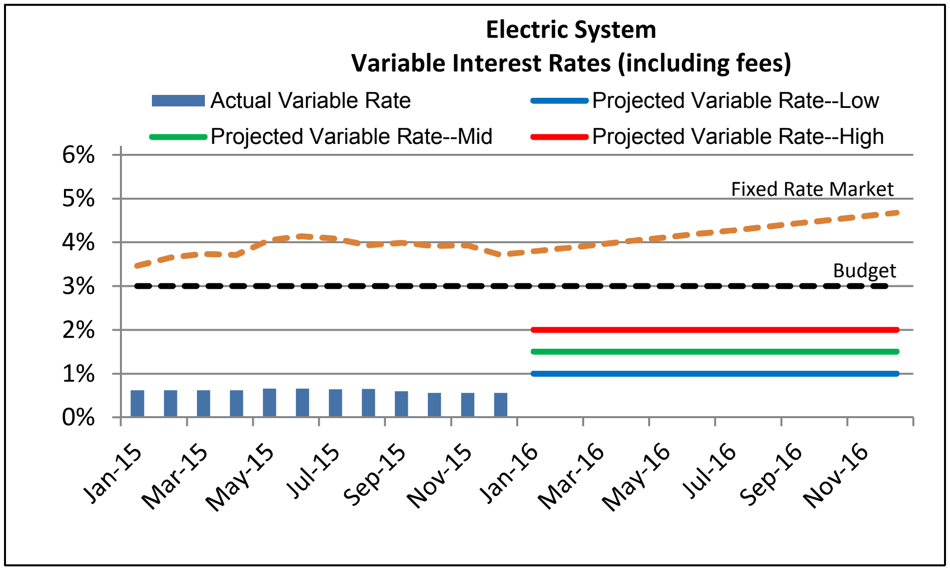
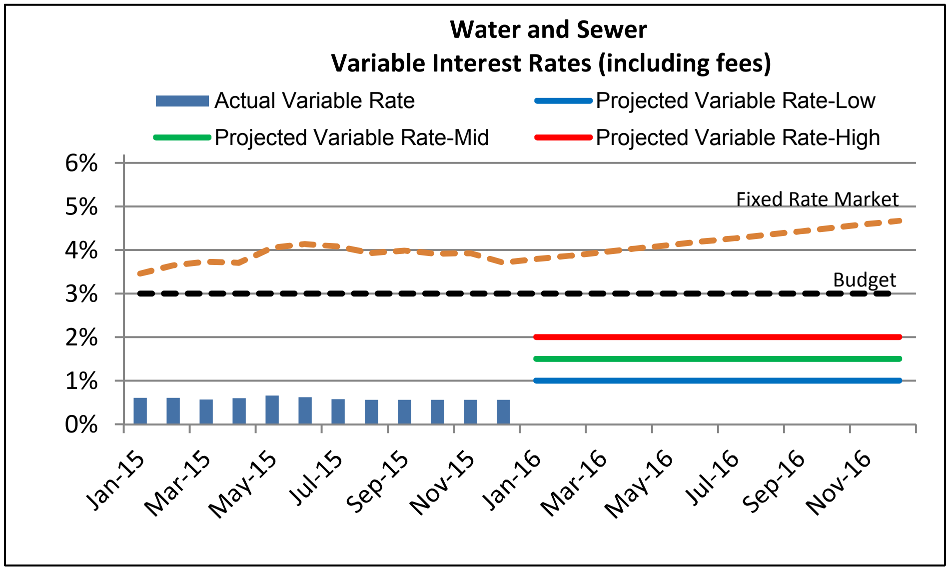
Variable Rate Debt Risk Analysis

($ in millions)





Total variable rate debt of $887 with $532 swapped to fixed rate

Liquidity Facilities and Direct Purchase Bonds (DPBs)

Bank	Long-Term Ratings Moody's/S&P/Fitch	$ (in millions)	%
Wells Fargo Bank N.A. (100% DPBs)	Aa2/AA-/AA	$225	26
JP Morgan Chase Bank N.A.	Aa3/A+/AA-	199	23
Royal Bank of Canada	Aa3/AA-/AA	193	23
US Bank, N.A.	A1/AA-/AA	149	18
Sumitomo	A1/A/A	52	6
State Street Bank	A1/AA-/AA	31	4
Total		$849	

Swap Providers

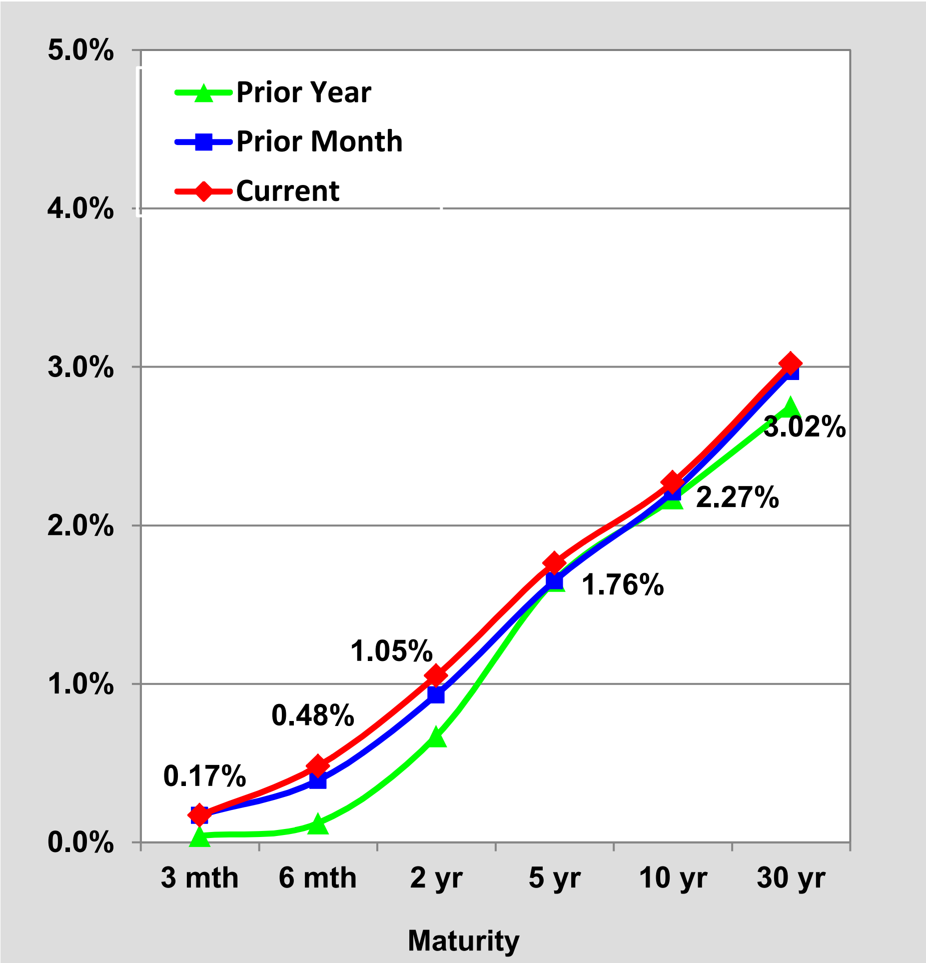
Bank	Long-Term Ratings Moody's/S&P/Fitch	$ (in millions)	%
Morgan Stanley Capital Services	A3/BBB+/A	$184	35
Goldman Sachs Mitsui Marine Derivative Products	Aa2/AA+ /NR	136	25
JP Morgan Chase Bank N.A.	Aa3/A+/AA-	127	24
Merrill Lynch	Baa1/BBB+/A	85	16
Total		$532	

Items of Interest
- Variable debt as a percentage of total debt:
  - Unhedged variable at 6% for Electric and 10% for Water and Sewer.
  - Hedged variable at 14% for Electric and 7% for Water and Sewer.
- Liquidity facilities / direct purchase bonds are with highly rated providers.
- No change in swap counterparty credit quality.
- Wells Fargo direct purchase bonds - three year renewal in Sep 2015.
- State Street liquidity facility renewed in Feb 2015 through March 2018.
- Variable rate reserve to mitigate risk of higher rates – $62 million.

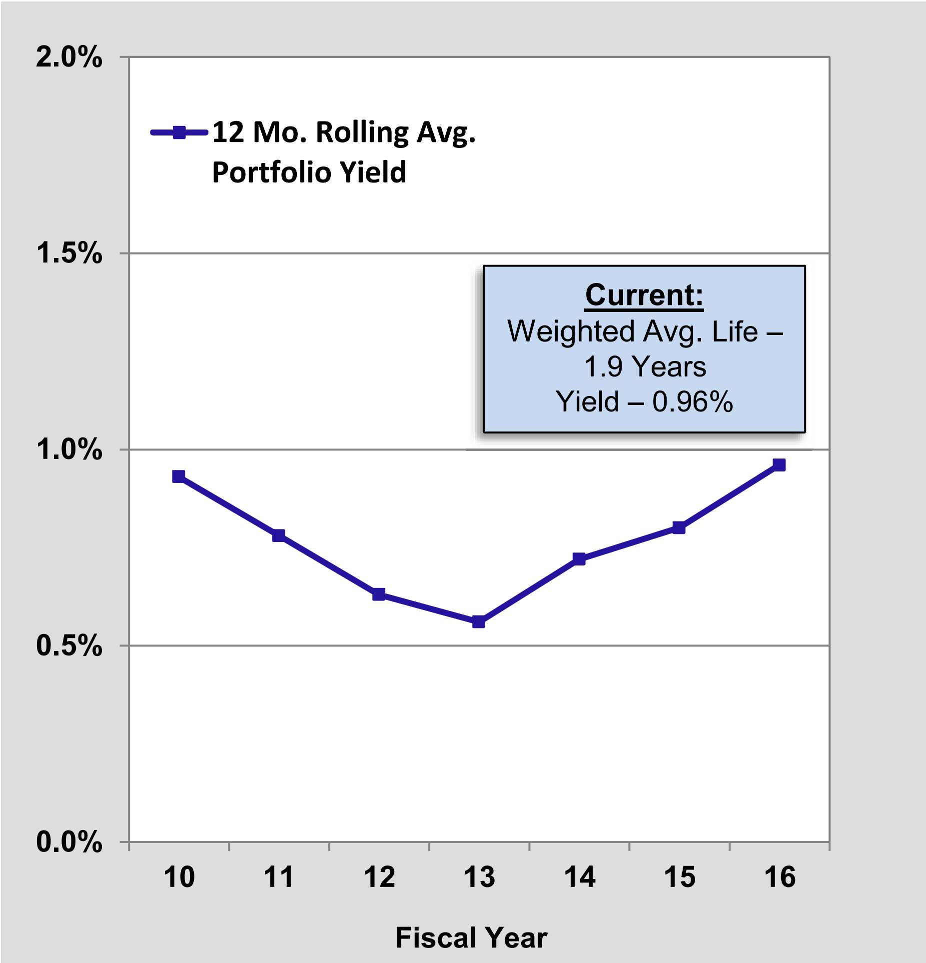
JEA Building Community

JEA Combined Investments Outstanding

U. S. Treasury Yield Curve

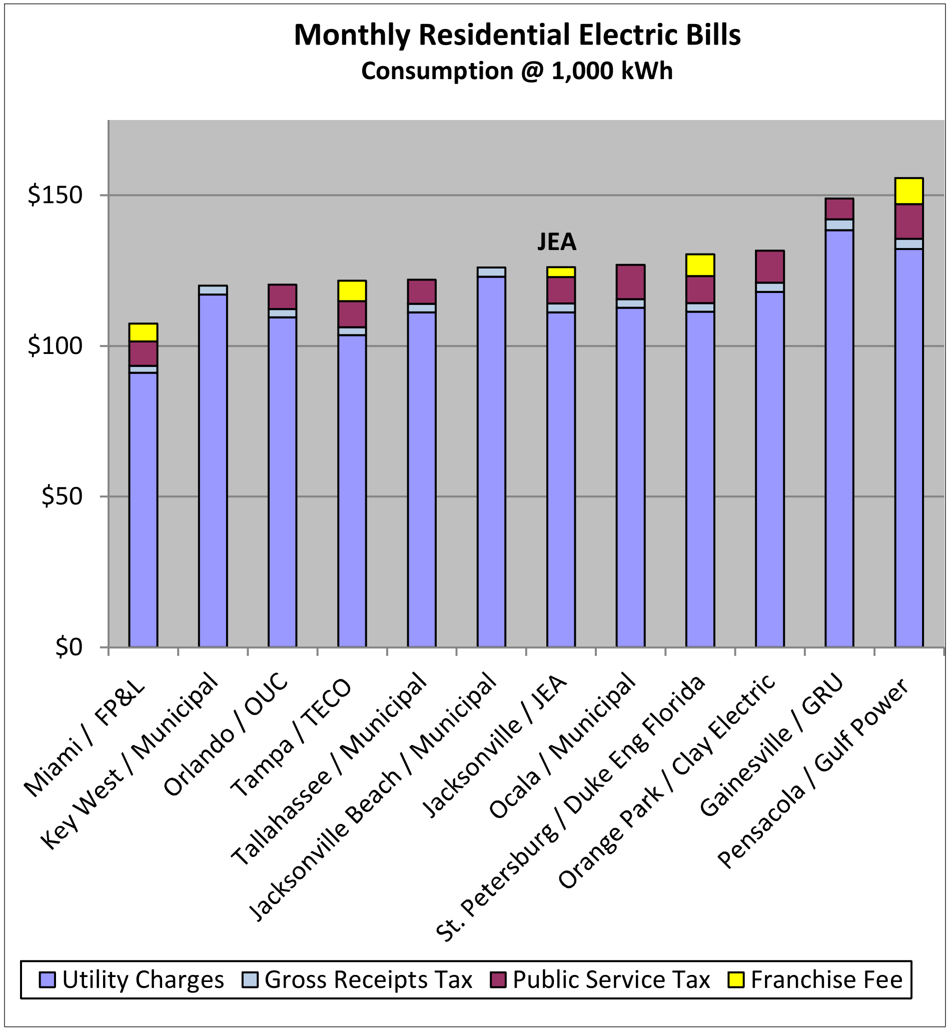


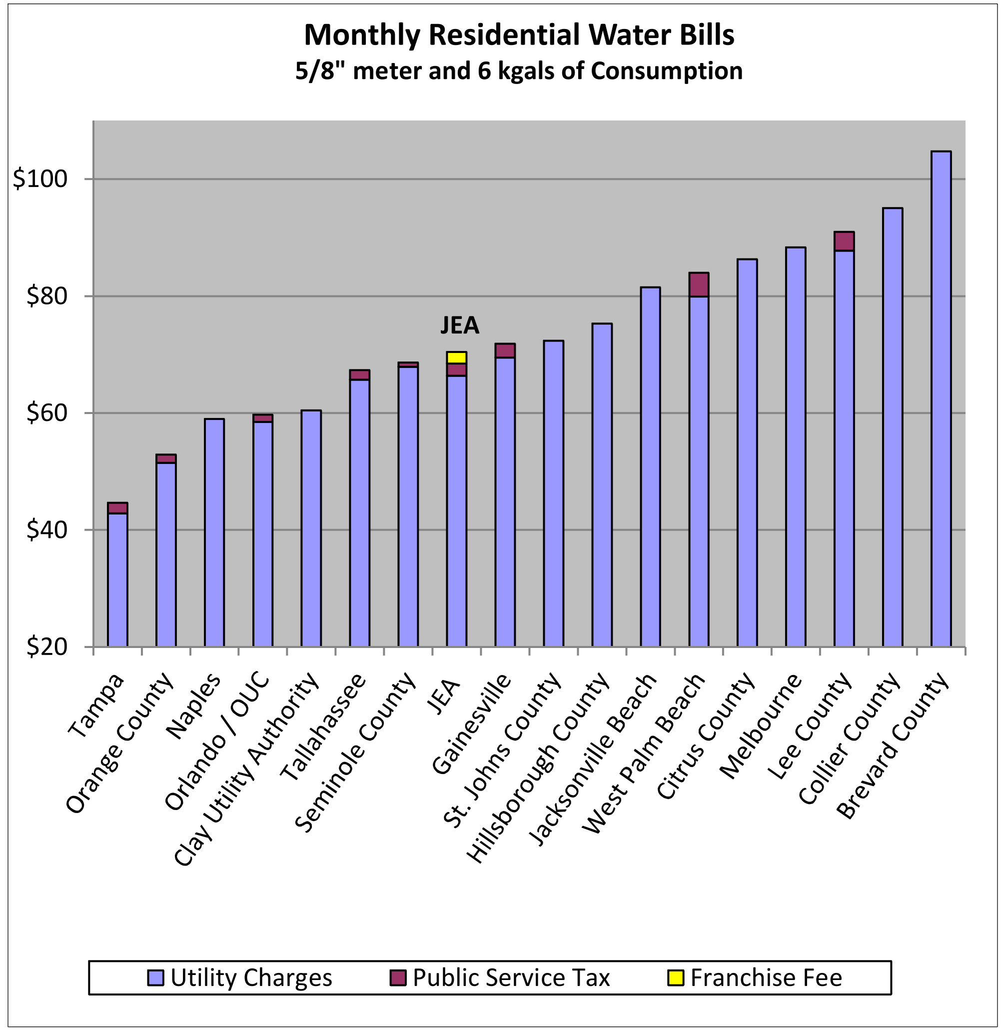
Investment Portfolio Yield



JEA Building Community

Florida Utilities Monthly Bill Comparison





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JEA®

Building Community®

Monthly Financial Statements

DECEMBER 2015

Monthly Financial Statements

December 31, 2015

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JEA **Page 2**

Statements of Net Position
(in thousands - unaudited) December 31, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2015	2014 restated
Current assets:		
Cash and cash equivalents	$ 212,017	$ 104,319
Investments	285,880	369,291
Customer accounts receivable, less allowance for doubtful		
accounts of $4,385 in 2015 and $4,580 in 2014	172,693	180,164
Miscellaneous accounts receivable	20,235	21,345
Interest receivable	2,194	2,026
Inventories, less reserve of $221 in 2015 and $1,275 in 2014:		
Fuel inventory - Electric System	67,157	54,240
Fuel inventory - Plant Scherer	6,497	3,624
Materials and supplies - Water and Sewer	43,546	46,953
Materials and supplies - Electric System	20,146	20,014
Materials and supplies - Plant Scherer	2,118	2,101
Total current assets	832,483	804,077
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	54,825	42,103
Investments	758,626	798,135
Accounts and interest receivable	4,401	4,074
Total restricted assets	817,852	844,312
Costs to be recovered from future revenues	458,799	375,887
Investment in The Energy Authority	6,713	8,226
Notes receivable - City of Jacksonville	-	189
Other assets	19,747	20,926
Total noncurrent assets	1,303,111	1,249,540
Capital assets:		
Plant in service	10,721,223	10,581,891
Land and easements	164,063	160,275
Less accumulated depreciation	(5,169,736)	(4,704,500)
Plant in service, net	5,715,550	6,037,666
Construction work in progress	185,058	117,643
Capital assets, net	5,900,608	6,155,309
Total assets	8,036,202	8,208,926
Deferred outflows of resources:		
Unamortized losses on refundings	151,281	164,990
Accumulated decrease in fair value of interest swaps derivatives	141,958	134,539
Unrealized pension contributions and losses	83,970	39,131
Accumulated decrease in fair value of fuel hedging derivatives	5,021	-
Total deferred outflows of resources	382,230	338,660
Total assets and deferred outflows of resources	$ 8,418,432	$ 8,547,586

JEA

Statements of Net Position
(in thousands - unaudited) December 31, 2015 and 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2015	2014 restated
Current liabilities:		
Accounts and accrued expenses payable	$ 72,790	$ 77,735
Customer deposits	55,680	55,718
City of Jacksonville payable	9,565	9,360
Compensated absences due within one year	4,534	6,152
State utility taxes payable	2,484	2,685
Total current liabilities	145,053	151,650
Current liabilities payable from restricted assets:		
Revenue bonds and line of credit due within one year	181,525	188,510
Renewal and replacement reserve	81,738	89,515
Interest payable	44,177	47,781
Construction contracts and accounts payable	8,204	7,019
Total current liabilities payable from restricted assets	315,644	332,825
Noncurrent liabilities:		
Net pension liability	408,629	395,990
Compensated absences due after one year	23,051	19,722
Environmental liabilities	18,662	18,662
OPEB liability	-	1,725
Other liabilities	8,972	2,892
Total noncurrent liabilities	459,314	438,991
Long-term debt:		
Bonds payable, less current portion	4,470,195	4,783,425
Unamortized premium	162,641	185,827
Fair value of debt management strategy instruments	141,958	134,539
Commercial paper notes payable	-	40,800
Total long-term debt	4,774,794	5,144,591
Total liabilities	5,694,805	6,068,057
Deferred inflows of resources:		
Revenues to be used for future costs	489,456	452,707
Unrealized pension gains	29,795	-
Total deferred inflows of resources	519,251	452,707
Net position:		
Net investment in capital assets	1,460,520	1,207,002
Restricted	398,442	414,788
Unrestricted	345,414	405,032
Total net position	2,204,376	2,026,822
Total liabilities, deferred inflows of resources, and net position	$ 8,418,432	$ 8,547,586

JEA
Combining Statement of Net Position
(in thousands - unaudited) December 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Current assets:							
Cash and cash equivalents	$ 137,622	$ 24,945	$ -	$ 162,567	$ 45,351	$ 4,099	$ 212,017
Investments	254,754	14,410	-	269,164	16,716	-	285,880
Customer accounts receivable, less allowance for doubtful accounts of $4,385	138,588	-	-	138,588	33,623	482	172,693
Miscellaneous accounts receivable	16,754	14,629	(12,107)	19,276	959	-	20,235
Interest receivable	1,262	67	-	1,329	865	-	2,194
Inventories, less reserve of $221:							
Fuel inventory - Electric System	36,072	31,085	-	67,157	-	-	67,157
Fuel inventory - Plant Scherer	6,497	-	-	6,497	-	-	6,497
Materials and supplies - Water and Sewer	-	-	-	-	43,546	-	43,546
Materials and supplies - Electric System	-	20,146	-	20,146	-	-	20,146
Materials and supplies - Plant Scherer	2,118	-	-	2,118	-	-	2,118
Total current assets	593,667	105,282	(12,107)	686,842	141,060	4,581	832,483
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	139	50,654	-	50,793	734	3,298	54,825
Investments	266,098	195,072	-	461,170	297,456	-	758,626
Accounts and interest receivable	1,214	736	-	1,950	2,451	-	4,401
Total restricted assets	267,451	246,462	-	513,913	300,641	3,298	817,852
Costs to be recovered from future revenues	229,118	7,015	-	236,133	222,666	-	458,799
Investment in The Energy Authority	6,713	-	-	6,713	-	-	6,713
Other assets	10,153	-	-	10,153	9,594	-	19,747
Total noncurrent assets	513,435	253,477	-	766,912	532,901	3,298	1,303,111
Capital assets:							
Land and easements	95,177	6,660	-	101,837	59,175	3,051	164,063
Plant in service	5,132,085	1,360,359	-	6,492,444	4,175,162	53,617	10,721,223
Less accumulated depreciation	(2,545,797)	(821,773)	-	(3,367,570)	(1,782,070)	(20,096)	(5,169,736)
Plant in service, net	2,681,465	545,246	-	3,226,711	2,452,267	36,572	5,715,550
Construction work in progress	79,156	14,635	-	93,791	91,267	-	185,058
Capital assets, net	2,760,621	559,881	-	3,320,502	2,543,534	36,572	5,900,608
Total assets	3,867,723	918,640	(12,107)	4,774,256	3,217,495	44,451	8,036,202
Deferred outflows of resources:							
Unamortized losses on refundings	83,930	18,798	-	102,728	48,336	217	151,281
Accumulated decrease in fair value of interest swaps derivatives	114,992	-	-	114,992	26,966	-	141,958
Unrealized pension contributions and losses	48,712	4,115	-	52,827	31,143	-	83,970
Accumulated decrease in fair value of fuel hedging derivatives	5,021	-	-	5,021	-	-	5,021
Total deferred outflows of resources	252,655	22,913	-	275,568	106,445	217	382,230
Total assets and deferred outflows of resources	$ 4,120,378	$ 941,553	$ (12,107)	$ 5,049,824	$ 3,323,940	$ 44,668	$ 8,418,432

JEA

Combining Statement of Net Position

(in thousands - unaudited) December 31, 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Current liabilities:							
Accounts and accrued expenses payable	$ 52,888	$ 11,074	$ (260)	$ 63,702	$ 9,072	$ 16	$ 72,790
Customer deposits	41,887	-	-	41,887	13,793	-	55,680
City of Jacksonville payable	7,643	-	-	7,643	1,922	-	9,565
Compensated absences due within one year	1,824	1,486	-	3,310	1,217	7	4,534
State utility taxes payable	2,484	-		2,484	-	-	2,484
Total current liabilities	106,726	12,560	(260)	119,026	26,004	23	145,053
Current liabilities payable from restricted assets:							
Revenue bonds and line of credit due within one year	102,240	43,785	-	146,025	33,875	1,625	181,525
Renewal and replacement reserve	-	81,738	-	81,738	-	-	81,738
Interest payable	22,363	5,329	-	27,692	16,136	349	44,177
Construction contracts and accounts payable	2,285	14,030	(11,847)	4,468	3,729	7	8,204
Total current liabilities payable from restricted assets	126,888	144,882	(11,847)	259,923	53,740	1,981	315,644
Noncurrent liabilities:							
Net pension liability	246,724	4,163	-	250,887	157,742	-	408,629
Compensated absences due after one year	15,986	1,038	-	17,024	5,974	53	23,051
Environmental liabilities	18,662	-	-	18,662	-	-	18,662
Other liabilities	5,021	-	-	5,021	3,951	-	8,972
Total noncurrent liabilities	286,393	5,201	-	291,594	167,667	53	459,314
Long-term debt:							
Bonds payable, less current portion	2,369,215	450,215	-	2,819,430	1,612,640	38,125	4,470,195
Unamortized premium (discount)	80,177	22,426	-	102,603	60,085	(47)	162,641
Fair value of debt management strategy instruments	114,992	-	-	114,992	26,966	-	141,958
Total long-term debt	2,564,384	472,641	-	3,037,025	1,699,691	38,078	4,774,794
Total liabilities	3,084,391	635,284	(12,107)	3,707,568	1,947,102	40,135	5,694,805
Deferred inflows of resources:							
Revenues to be used for future costs	295,742	168,486	-	464,228	25,228	-	489,456
Unrealized pension gains	16,446	2,835	-	19,281	10,514	-	29,795
Total deferred inflows of resources	312,188	171,321	-	483,509	35,742	-	519,251
Net position:			-				
Net investment in capital assets	322,828	18,299	-	341,127	1,122,314	(2,921)	1,460,520
Restricted	179,655	20,833	11,847	212,335	183,158	2,949	398,442
Unrestricted	221,316	95,816	(11,847)	305,285	35,624	4,505	345,414
Total net position	723,799	134,948	-	858,747	1,341,096	4,533	2,204,376
Total liabilities, deferred inflows of resources, and net position	$ 4,120,378	$ 941,553	$ (12,107)	$ 5,049,824	$ 3,323,940	$ 44,668	$ 8,418,432

JEA
Combining Statement of Net Position
(in thousands - unaudited) December 31, 2014 restated

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Current assets:							
Cash and cash equivalents	$ 53,669	$ 19,250	$ -	$ 72,919	$ 27,343	$ 4,057	$ 104,319
Investments	288,728	64,238	-	352,966	16,325	-	369,291
Customer accounts receivable, less allowance for doubtful accounts of $4,580	146,047	-	-	146,047	33,679	438	180,164
Miscellaneous accounts receivable	13,755	15,923	(11,625)	18,053	3,292	-	21,345
Interest receivable	1,085	1	-	1,086	940	-	2,026
Inventories, less reserve of $1,275:							
Fuel inventory - Electric System	35,906	18,334	-	54,240	-	-	54,240
Fuel inventory - Plant Scherer	3,624	-	-	3,624	-	-	3,624
Materials and supplies - Water and Sewer	-	-	-	-	46,953	-	46,953
Materials and supplies - Electric System	-	20,014	-	20,014	-	-	20,014
Materials and supplies - Plant Scherer	2,101	-	-	2,101	-	-	2,101
Total current assets	544,915	137,760	(11,625)	671,050	128,532	4,495	804,077
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	134	37,682	-	37,816	855	3,432	42,103
Investments	273,286	218,283	-	491,569	306,566	-	798,135
Accounts and interest receivable	1,318	764	-	2,082	1,992	-	4,074
Total restricted assets	274,738	256,729	-	531,467	309,413	3,432	844,312
Costs to be recovered from future revenues	228,875	9,763	-	238,638	137,249	-	375,887
Investment in The Energy Authority	8,226	-	-	8,226	-	-	8,226
Notes receivable - City of Jacksonville	-	-	-	-	189	-	189
Other assets	9,833	-	-	9,833	11,093	-	20,926
Total noncurrent assets	521,672	266,492	-	788,164	457,944	3,432	1,249,540
Capital assets:							
Land and easements	88,310	6,660	-	94,970	62,254	3,051	160,275
Plant in service	5,050,479	1,387,296	-	6,437,775	4,091,700	52,416	10,581,891
Less accumulated depreciation	(2,361,268)	(797,812)	-	(3,159,080)	(1,527,613)	(17,807)	(4,704,500)
Plant in service, net	2,777,521	596,144	-	3,373,665	2,626,341	37,660	6,037,666
Construction work in progress	51,263	15,848	-	67,111	50,332	200	117,643
Capital assets, net	2,828,784	611,992	-	3,440,776	2,676,673	37,860	6,155,309
Total assets	3,895,371	1,016,244	(11,625)	4,899,990	3,263,149	45,787	8,208,926
Deferred outflows of resources:							
Unamortized losses on refundings	89,426	24,420	-	113,846	50,919	225	164,990
Accumulated decrease in fair value of interest swaps derivatives	109,616	-	-	109,616	24,923	-	134,539
Unamortized pension contributions and losses	21,157	4,447	-	25,604	13,527	-	39,131
Total deferred outflows of resources	220,199	28,867	-	249,066	89,369	225	338,660
Total assets and deferred outflows of resources	$ 4,115,570	$ 1,045,111	$ (11,625)	$ 5,149,056	$ 3,352,518	$ 46,012	$ 8,547,586

JEA

Combining Statement of Net Position

(in thousands - unaudited) December 31, 2014 restated

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Current liabilities:							
Accounts and accrued expenses payable	$ 56,970	$ 12,378	$ (1,854)	$ 67,494	$ 10,230	$ 11	$ 77,735
Customer deposits	42,899	-	-	42,899	12,819	-	55,718
City of Jacksonville payable	7,509	-	-	7,509	1,851	-	9,360
Compensated absences due within one year	3,950	1,486	-	5,436	710	6	6,152
State utility taxes payable	2,685	-	-	2,685	-	-	2,685
Total current liabilities	114,013	13,864	(1,854)	126,023	25,610	17	151,650
Current liabilities payable from restricted assets:							
Revenue bonds and line of credit due within one year	99,905	50,815	-	150,720	36,180	1,610	188,510
Renewal and replacement reserve	-	89,515	-	89,515	-	-	89,515
Interest payable	23,908	6,331	-	30,239	17,189	353	47,781
Construction contracts and accounts payable	2,283	10,769	(9,771)	3,281	3,738	-	7,019
Total current liabilities payable from restricted assets	126,096	157,430	(9,771)	273,755	57,107	1,963	332,825
Noncurrent liabilities:							
Net pension liability	235,941	9,201	-	245,142	150,848	-	395,990
Compensated absences due after one year	12,512	1,166	-	13,678	5,991	53	19,722
Environmental liabilities	18,662	-	-	18,662	-	-	18,662
OPEB liability	1,088	-	-	1,088	637	-	1,725
Other liabilities	-	-	-	-	2,892		2,892
Total noncurrent liabilities	268,203	10,367	-	278,570	160,368	53	438,991
Long-term debt:							
Bonds payable, less current portion	2,498,500	528,295	-	3,026,795	1,716,880	39,750	4,783,425
Unamortized premium	94,043	23,581	-	117,624	68,255	(52)	185,827
Fair value of debt management strategy instruments	109,616	-	-	109,616	24,923	-	134,539
Commercial paper notes payable	40,800	-	-	40,800	-	-	40,800
Total long-term debt	2,742,959	551,876	-	3,294,835	1,810,058	39,698	5,144,591
Total liabilities	3,251,271	733,537	(11,625)	3,973,183	2,053,143	41,731	6,068,057
Deferred inflows of resources:							
Revenues to be used for future costs	251,478	176,981	-	428,459	24,248	-	452,707
Total deferred inflows of resources	251,478	176,981	-	428,459	24,248	-	452,707
Net position:							
Net investment in capital assets	214,440	(17,814)	-	196,626	1,013,599	(3,223)	1,207,002
Restricted	181,384	29,678	9,771	220,833	190,876	3,079	414,788
Unrestricted	216,997	122,729	(9,771)	329,955	70,652	4,425	405,032
Total net position	612,821	134,593	-	747,414	1,275,127	4,281	2,026,822
Total liabilities, deferred inflows of resources, and net position	$ 4,115,570	$ 1,045,111	$ (11,625)	$ 5,149,056	$ 3,352,518	$ 46,012	$ 8,547,586

JEA **Page 8**
Schedule of Cash and Investments
(in thousands - unaudited) December 31, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments:						
Operations	$ 74,472	$ 11,971	$ 86,443	$ 23,047	$ 1,362	$ 110,852
Rate stabilization:						
Fuel	129,430	-	129,430	-	-	129,430
Debt management	42,126	-	42,126	20,290	2,737	65,153
Environmental	25,154	-	25,154	4,937	-	30,091
Purchased Power	38,000	-	38,000	-	-	38,000
DSM/Conservation	3,230	-	3,230	-	-	3,230
Total rate stabilization funds	237,940	-	237,940	25,227	2,737	265,904
General reserve	-	27,384	27,384	-	-	27,384
Customer deposits	41,724	-	41,724	13,793	-	55,517
Self insurance reserve funds:						
Self funded health plan	9,578	-	9,578	-	-	9,578
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	19,578	-	19,578	-	-	19,578
Environmental liability reserve	18,662	-	18,662	-	-	18,662
Total unrestricted cash and investments	$ 392,376	$ 39,355	$ 431,731	$ 62,067	$ 4,099	$ 497,897
Restricted assets:						
Renewal and replacement funds	$ 151,861	$ 81,612	$ 233,473	$ 161,407	$ 2,542	$ 397,422
Debt service reserve account	65,433	137,874	203,307	108,086	-	311,393
Debt service funds	46,638	11,487	58,125	24,051	756	82,932
Construction funds	(2)	77	75	664	-	739
Environmental funds	-	-	-	103	-	103
Subtotal	263,930	231,050	494,980	294,311	3,298	792,589
Unrealized holding gain (loss) on investments	2,166	(2,152)	14	3,809	-	3,823
Other funds	141	16,828	16,969	70	-	17,039
Total restricted cash and investments	$ 266,237	$ 245,726	$ 511,963	$ 298,190	$ 3,298	$ 813,451

JEA
Schedule of Cash and Investments
(in thousands - unaudited) December 31, 2014 restated

	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments:						
Operations	$ 71,662	$ 17,122	$ 88,784	$ 10,255	$ 1,320	$ 100,359
Rate stabilization:						
Fuel	114,456	-	114,456	-	-	114,456
Debt management	42,126	-	42,126	20,290	2,737	65,153
Environmental	18,211	-	18,211	-	-	18,211
Purchased Power	12,000	-	12,000	-	-	12,000
DSM/Conservation	3,597	-	3,597	-	-	3,597
Total rate stabilization funds	190,390	-	190,390	20,290	2,737	213,417
General reserve	-	66,366	66,366	-	-	66,366
Customer deposits	42,697	-	42,697	12,819	-	55,516
Self insurance reserve funds:						
Self funded health plan	8,986	-	8,986	-	-	8,986
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	18,986	-	18,986	-	-	18,986
Environmental liability reserve	18,662	-	18,662	-	-	18,662
Debt management strategy reserve	-	-	-	304	-	304
Total unrestricted cash and investments	$ 342,397	$ 83,488	$ 425,885	$ 43,668	$ 4,057	$ 473,610
Restricted assets:						
Renewal and replacement funds	$ 152,551	$ 89,374	$ 241,925	$ 154,566	$ 2,677	$ 399,168
Debt service reserve account	69,446	130,435	199,881	116,829	-	316,710
Debt service funds	47,591	14,120	61,711	25,858	755	88,324
Environmental funds	-	-	-	5,292	-	5,292
Construction funds	27	147	174	664	-	838
Subtotal	269,615	234,076	503,691	303,209	3,432	810,332
Unrealized holding gain (loss) on investments	3,712	(1,365)	2,347	4,021	-	6,368
Other funds	93	23,254	23,347	191	-	23,538
Total restricted cash and investments	$ 273,420	$ 255,965	$ 529,385	$ 307,421	$ 3,432	$ 840,238

JEA
Regulatory Accounting Balances
(in thousands - unaudited) December 31, 2015

DESCRIPTION	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	Total JEA
Pension	214,133	2,883	**217,016**	136,905	**353,921**
Environmental	-	-	**-**	85,512	**85,512**
Scherer	12,680	-	**12,680**	-	**12,680**
Bond issue costs	2,305	4,132	**6,437**	249	**6,686**
Costs to be recovered from future revenues	**229,118**	**7,015**	**236,133**	**222,666**	**458,799**
SJRPP	-	168,486	**168,486**	-	**168,486**
Fuel	129,430	-	**129,430**	-	**129,430**
Debt management	42,126	-	**42,126**	20,291	**62,417**
Scherer	48,224	-	**48,224**	-	**48,224**
Purchased power	38,000	-	**38,000**	-	**38,000**
Environmental	25,154	-	**25,154**	4,937	**30,091**
Health self-insurance	9,578	-	**9,578**	-	**9,578**
DSM	3,230	-	**3,230**	-	**3,230**
Revenues to be used for future costs	**295,742**	**168,486**	**464,228**	**$ 25,228**	**489,456**

JEA
Regulatory Accounting Balances
(in thousands - unaudited) December 31, 2014 restated

DESCRIPTION	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	Total JEA
Pension	214,458	4,754	**219,212**	137,113	**356,325**
Scherer	13,395	-	**13,395**	-	**13,395**
Bond issue costs	1,022	5,009	**6,031**	136	**6,167**
Costs to be recovered from future revenues	**228,875**	**9,763**	**238,638**	**137,249**	**375,887**
SJRPP	-	176,981	**176,981**	-	**176,981**
Fuel	114,456	-	**114,456**	-	**114,456**
Debt management	42,126	-	**42,126**	-	**42,126**
Scherer	52,102	-	**52,102**	-	**52,102**
Purchased power	12,000	-	**12,000**	-	**12,000**
Environmental	18,211	-	**18,211**	24,248	**42,459**
Health self-insurance	8,986	-	**8,986**	-	**8,986**
DSM	3,597	-	**3,597**	-	**3,597**
Revenues to be used for future costs	**251,478**	**176,981**	**428,459**	**$ 24,248**	**452,707**

JEA

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

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Operating revenues:				
Electric - base	$ 59,006	$ 61,359	$ 175,474	$ 180,808
Electric - fuel and purchased power	34,011	45,031	115,888	144,407
Water and sewer	32,310	31,210	95,184	93,567
District energy system	742	649	2,137	2,250
Other	2,732	2,534	8,494	8,220
Total operating revenues	128,801	140,783	397,177	429,252
Operating expenses:				
Operations:				
Fuel	27,735	38,937	95,637	122,109
Purchased power	3,158	4,469	10,112	11,313
Other	24,510	20,504	64,076	59,692
Maintenance	8,631	15,661	22,518	30,592
Depreciation	31,601	30,028	91,932	92,468
State utility and franchise taxes	5,983	6,275	14,985	17,826
Recognition of deferred costs and revenues, net	(1,111)	(894)	(3,632)	(2,678)
Total operating expenses	100,507	114,980	295,628	331,322
Operating income	28,294	25,803	101,549	97,930
Nonoperating revenues (expenses):				
Interest on debt	(14,277)	(15,532)	(40,896)	(44,828)
Debt management strategy	(1,654)	(1,601)	(4,975)	(4,801)
Net increase (decrease) in fair value of investments	(2,125)	823	(2,125)	823
Investment income	1,207	869	3,204	2,683
Other revenue	976	604	2,688	1,814
Allowance for funds used during construction	588	353	2,138	1,141
Loss on sale of asset	-	(123)	-	(123)
Earnings from The Energy Authority	(74)	76	133	35
Other interest, net	(19)	(1)	(214)	(16)
Other expense	(30)	-	(72)	-
Total nonoperating expenses, net	(15,408)	(14,532)	(40,119)	(43,272)
Income before contributions and special item	12,886	11,271	61,430	206,148
Contributions (to) from:				
General Fund, City of Jacksonville, Florida	(9,515)	(9,307)	(28,547)	(27,922)
Developers and other	6,111	4,553	13,054	13,062
Reduction of plant cost through contributions	(4,128)	(3,001)	(8,470)	(8,368)
Total contributions	(7,532)	(7,755)	(23,963)	(23,228)
Special Item	-	-	-	151,490
Change in net position	5,354	3,516	37,467	182,920
Net position - beginning of period	2,199,022	2,023,306	2,166,909	1,843,902
Net position - end of period	$ 2,204,376	$ 2,026,822	$ 2,204,376	$ 2,026,822

JEA

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended December 31, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues:								
Electric - base	$ 59,304	$ -	$ -	$ 59,304	$ -	$ -	$ (298)	$ 59,006
Electric - fuel and purchased power	26,707	15,563	(7,135)	35,135	-	-	(1,124)	34,011
Water and sewer	-	-	-	-	32,344	-	(34)	32,310
District energy system	-	-	-	-	-	742	-	742
Other	1,997	-	-	1,997	643	-	92	2,732
Total operating revenues	88,008	15,563	(7,135)	96,436	32,987	742	(1,364)	128,801
Operating expenses:								
Operations:								
Fuel	19,961	7,774	-	27,735	-	-	-	27,735
Purchased power	10,293	-	(7,135)	3,158	-	-	-	3,158
Other	12,267	1,727	-	13,994	11,596	284	(1,364)	24,510
Maintenance	6,123	996	-	7,119	1,395	117	-	8,631
Depreciation	16,630	3,563	-	20,193	11,219	189	-	31,601
State utility and franchise taxes	5,103	-	-	5,103	880	-	-	5,983
Recognition of deferred costs and revenues, net	(218)	(970)	-	(1,188)	77	-	-	(1,111)
Total operating expenses	70,159	13,090	(7,135)	76,114	25,167	590	(1,364)	100,507
Operating income	17,849	2,473	-	20,322	7,820	152	-	28,294
Nonoperating revenues (expenses):								
Interest on debt	(6,897)	(2,211)	-	(9,108)	(5,051)	(118)	-	(14,277)
Debt management strategy	(1,285)	-	-	(1,285)	(369)	-	-	(1,654)
Investment income	563	324	-	887	314	6	-	1,207
Other revenue	379	34	-	413	563	-	-	976
Allowance for funds used during construction	305	-	-	305	282	1	-	588
Net increase (decrease) in fair value of investments	(1,068)	(907)	-	(1,975)	(150)	-	-	(2,125)
Earnings from The Energy Authority	(74)	-	-	(74)	-	-	-	(74)
Other interest, net	(17)	-	-	(17)	(2)	-	-	(19)
Other expense	(29)	-	-	(29)	(1)	-	-	(30)
Total nonoperating expenses, net	(8,123)	(2,760)	-	(10,883)	(4,414)	(111)	-	(15,408)
Income before contributions and special item	9,726	(287)	-	9,439	3,406	41	-	12,886
Contributions (to) from:								
General Fund, City of Jacksonville, Florida	(7,643)	-	-	(7,643)	(1,872)	-	-	(9,515)
Developers and other	-	-	-	-	6,111	-	-	6,111
Reduction of plant cost through contributions	-	-	-	-	(4,128)			(4,128)
Total contributions	(7,643)	-	-	(7,643)	111	-	-	(7,532)
Change in net position	2,083	(287)	-	1,796	3,517	41	-	5,354
Net position - beginning of period	721,716	135,235	-	856,951	1,337,579	4,492	-	2,199,022
Net position - end of period	$ 723,799	$ 134,948	$ -	$ 858,747	$ 1,341,096	$ 4,533	$ -	$ 2,204,376

JEA

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended December 31, 2014 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues:								
Electric - base	$ 61,639	$ -	$ -	$ 61,639	$ -	$ -	$ (280)	$ 61,359
Electric - fuel and purchased power	35,792	25,424	(15,132)	46,084	-	-	(1,053)	45,031
Water and sewer	-	-	-	-	31,236	-	(26)	31,210
District energy system	-	-	-	-	-	649	-	649
Other	2,025	-	-	2,025	719	-	(210)	2,534
Total operating revenues	99,456	25,424	(15,132)	109,748	31,955	649	(1,569)	140,783
Operating expenses:								
Operations:								
Fuel	22,908	16,029	-	38,937	-	-	-	38,937
Purchased power	19,601	-	(15,132)	4,469	-	-	-	4,469
Other	11,159	1,763	-	12,922	8,896	255	(1,569)	20,504
Maintenance	12,968	1,620	-	14,588	1,010	63	-	15,661
Depreciation	15,321	3,563	-	18,884	10,954	190	-	30,028
State utility and franchise taxes	5,414	-	-	5,414	861	-	-	6,275
Recognition of deferred costs and revenues, net	(312)	(572)	-	(884)	(10)	-	-	(894)
Total operating expenses	87,059	22,403	(15,132)	94,330	21,711	508	(1,569)	114,980
Operating income	12,397	3,021	-	15,418	10,244	141	-	25,803
Nonoperating revenues (expenses):								
Interest on debt	(7,282)	(2,669)	-	(9,951)	(5,462)	(119)	-	(15,532)
Debt management strategy	(1,293)	-	-	(1,293)	(308)	-	-	(1,601)
Investment income	329	298	-	627	242	-	-	869
Other revenue	363	34	-	397	207	-	-	604
Allowance for funds used during construction	137	-	-	137	215	1	-	353
Net increase (decrease) in fair value of investments	513	(179)	-	334	489	-	-	823
Loss on sale of asset	(123)	-	-	(123)	-	-	-	(123)
Earnings from The Energy Authority	76	-	-	76	-	-	-	76
Other interest, net	(1)	-	-	(1)	-	-	-	(1)
Total nonoperating expenses, net	(7,281)	(2,516)	-	(9,797)	(4,617)	(118)	-	(14,532)
Income before contributions	5,116	505	-	5,621	5,627	23	-	11,271
Contributions (to) from:								
General Fund, City of Jacksonville, Florida	(7,509)	-	-	(7,509)	(1,798)	-	-	(9,307)
Developers and other	-	-	-	-	4,553	-	-	4,553
Reduction of plant cost through contributions	-	-	-	-	(3,001)	-	-	(3,001)
Total contributions	(7,509)	-	-	(7,509)	(246)	-	-	(7,755)
Change in net position	(2,393)	505	-	(1,888)	5,381	23	-	3,516
Net position, beginning of year, as restated	615,214	134,088	-	749,302	1,269,746	4,258	-	2,023,306
Net position - end of period	$ 612,821	$ 134,593	$ -	$ 747,414	$ 1,275,127	$ 4,281	$ -	$ 2,026,822

JEA
Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the three month(s) ended December 31, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues:								
Electric - base	$ 176,158	$ -	$ -	$ 176,158	$ -	$ -	$ (684)	$ 175,474
Electric - fuel and purchased power	85,716	63,204	(30,461)	118,459	-	-	(2,571)	115,888
Water and sewer	-	-	-	-	95,326	-	(142)	95,184
District energy system	-	-	-	-	-	2,137	-	2,137
Other	6,423	-	-	6,423	2,612	-	(541)	8,494
Total operating revenues	268,297	63,204	(30,461)	301,040	97,938	2,137	(3,938)	397,177
Operating expenses:								
Operations:								
Fuel	56,870	38,767	-	95,637	-	-	-	95,637
Purchased power	40,573	-	(30,461)	10,112	-	-	-	10,112
Other	33,647	5,980	-	39,627	27,615	772	(3,938)	64,076
Maintenance	15,391	3,260	-	18,651	3,630	237	-	22,518
Depreciation	47,736	10,689	-	58,425	32,935	572	-	91,932
State utility and franchise taxes	12,481	-	-	12,481	2,504	-	-	14,985
Recognition of deferred costs and revenues, net	(654)	(2,909)	-	(3,563)	(69)	-	-	(3,632)
Total operating expenses	206,044	55,787	(30,461)	231,370	66,615	1,581	(3,938)	295,628
Operating income	62,253	7,417	-	69,670	31,323	556	-	101,549
Nonoperating revenues (expenses):								
Interest on debt	(19,428)	(6,634)	-	(26,062)	(14,481)	(353)	-	(40,896)
Debt management strategy	(3,869)	-	-	(3,869)	(1,106)	-	-	(4,975)
Investment income	1,465	974	-	2,439	759	6	-	3,204
Other revenue	1,128	103	-	1,231	1,457	-	-	2,688
Allowance for funds used during construction	1,120	-	-	1,120	1,011	7	-	2,138
Net increase (decrease) in fair value of investments	(1,068)	(907)	-	(1,975)	(150)	-	-	(2,125)
Earnings from The Energy Authority	133	-	-	133	-	-	-	133
Other interest, net	(169)	-	-	(169)	(45)	-	-	(214)
Other expense	(71)	-	-	(71)	(1)	-	-	(72)
Total nonoperating revenues (expenses), net	(20,759)	(6,464)	-	(27,223)	(12,556)	(340)	-	(40,119)
Income before contributions	41,494	953	-	42,447	18,767	216	-	61,430
Contributions (to) from:								
General Fund, City of Jacksonville, Florida	(22,930)	-	-	(22,930)	(5,617)	-	-	(28,547)
Developers and other	-	-	-	-	13,054	-	-	13,054
Reduction of plant cost through contributions	-	-	-	-	(8,470)	-	-	(8,470)
Total contributions	(22,930)	-	-	(22,930)	(1,033)	-	-	(23,963)
Change in net position	18,564	953	-	19,517	17,734	216	-	37,467
Net position - beginning of period	705,235	133,995	-	839,230	1,323,362	4,317	-	2,166,909
Net position - end of period	$ 723,799	$ 134,948	$ -	$ 858,747	$ 1,341,096	$ 4,533	$ -	$ 2,204,376

JEA

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the three month(s) ended December 31, 2014 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues:								
Electric - base	$ 181,690	$ -	$ -	$ 181,690	$ -	$ -	$ (882)	$ 180,808
Electric - fuel and purchased power	113,065	82,175	(47,516)	147,724	-	-	(3,317)	144,407
Water and sewer	-	-	-	-	93,699	-	(132)	93,567
District energy	-	-	-	-	-	2,250	-	2,250
Other	6,700	-	-	6,700	2,148	-	(628)	8,220
Total operating revenues	301,455	82,175	(47,516)	336,114	95,847	2,250	(4,959)	429,252
Operating expenses:								
Operations:								
Fuel	68,167	53,942	-	122,109	-	-	-	122,109
Purchased power	58,829	-	(47,516)	11,313	-	-	-	11,313
Other	30,982	6,259	-	37,241	26,440	970	(4,959)	59,692
Maintenance	23,308	3,954	-	27,262	3,096	234	-	30,592
Depreciation	48,585	10,689	-	59,274	32,625	569	-	92,468
State utility and franchise taxes	15,364	-	-	15,364	2,462	-	-	17,826
Recognition of deferred costs and revenues, net	(937)	(1,717)	-	(2,654)	(24)	-	-	(2,678)
Total operating expenses	244,298	73,127	(47,516)	269,909	64,599	1,773	(4,959)	331,322
Operating income	57,157	9,048	-	66,205	31,248	477	-	97,930
Nonoperating revenues (expenses):								
Interest on debt	(20,780)	(8,008)	-	(28,788)	(15,684)	(356)	-	(44,828)
Debt management strategy	(3,878)	-	-	(3,878)	(923)	-	-	(4,801)
Investment income	1,023	912	-	1,935	747	1	-	2,683
Other revenue	1,090	102	-	1,192	622	-	-	1,814
Allowance for funds used during construction	463	-	-	463	675	3	-	1,141
Net increase (decrease) in fair value of investments	513	(179)	-	334	489	-	-	823
Loss on sale of asset	(123)	-	-	(123)	-	-	-	(123)
Earnings from The Energy Authority	35	-	-	35	-	-	-	35
Other interest, net	(16)	-	-	(16)	-	-	-	(16)
Total nonoperating revenues (expenses), net	(21,673)	(7,173)	-	(28,846)	(14,074)	(352)	-	(43,272)
Income before contributions	70,151	1,875	-	72,026	133,997	125	-	206,148
Contributions (to) from:								
General Fund, City of Jacksonville, Florida	(22,527)	-	-	(22,527)	(5,395)	-	-	(27,922)
Developers and other	-	-	-	-	13,062	-	-	13,062
Reduction of plant cost through contributions	-	-	-	-	(8,368)	-	-	(8,368)
Total contributions	(22,527)	-	-	(22,527)	(701)	-	-	(23,228)
Special Item	34,667	-	-	34,667	116,823	-	-	151,490
Change in net position	47,624	1,875	-	49,499	133,296	125	-	182,920
Net position, beginning of year, as restated	565,197	132,718	-	697,915	1,141,831	4,156	-	1,843,902
Net position - end of period	$ 612,821	$ 134,593	$ -	$ 747,414	$ 1,275,127	$ 4,281	$ -	$ 2,026,822

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Statement of Cash Flows
(in thousands - unaudited) for the three month(s) ended December 31, 2015

Operations:		
Receipts from customers	$	430,688
Other receipts		10,795
Payments to suppliers		(192,269)
Payments to employees		(62,049)
Net cash provided by operating activities		187,165
Noncapital and related financing activities:		
Contribution to General Fund, City of Jacksonville, Florida		(28,328)
Net cash used in noncapital financing activities		(28,328)
Capital and related financing activities:		
Acquisition and construction of capital assets		(63,107)
Proceeds from sales of property		48
Gain/(Loss) on disposal of assets		109
Repayment of debt principal		(187,500)
Interest paid on debt		(93,787)
Proceeds from issuance of debt		3,000
Debt issue costs and discounts		(17)
Contribution from developers and others		4,583
Net cash used in capital and related financing activities		(336,671)
Investing activities:		
Purchase of investments		(557,330)
Proceeds from sale and maturities of investments		362,063
Investment income		2,957
Distributions from The Energy Authority		912
Net cash used in investing activities		(191,398)
Net change in cash and cash equivalents		(369,232)
Cash and cash equivalents at October 1, 2015		636,074
Cash and cash equivalents at December 31, 2015	$	266,842
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income:	$	101,549
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		92,296
Recognition of deferred costs and revenues, net		(3,632)
Gain on sale of noncore assets		809
Accounts receivable		56,501
Accounts receivable, restricted		1,493
Inventories		(9,889)
Other assets		(2,145)
Accounts and expenses payable		(28,758)
Liabilities payable, restricted		(6,976)
Other noncurrent liabilities and deferred inflows		(14,083)
Net cash provided by operating activities	$	187,165
Non-cash activity:		
Contribution of capital assets from developers	$	8,470

JEA
Combining Statement of Cash Flows
(in thousands - unaudited) for the three month(s) ended December 31, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operations:								
Receipts from customers	$ 291,566	$ 63,204	$ (25,206)	$ 329,564	$ 101,902	$ 2,619	$ (3,397)	$ 430,688
Other receipts	7,934	-	-	7,934	$ 3,402	-	(541)	10,795
Payments to suppliers	(143,347)	(56,577)	25,206	(174,718)	$ (20,603)	(886)	3,938	(192,269)
Payments to employees	(40,638)	(6,689)	-	(47,327)	$ (14,587)	(135)	-	(62,049)
Net cash provided by operating activities	115,515	(62)	-	115,453	70,114	1,598	-	187,165
Noncapital and related financing activities:								
Contribution to General Fund, City of Jacksonville, Florida	(22,796)	-	-	(22,796)	(5,532)	-	-	(28,328)
Net cash used in noncapital financing activities	(22,796)	-	-	(22,796)	(5,532)	-	-	(28,328)
Capital and related financing activities:								
Acquisition and construction of capital assets	(35,168)	-	-	(35,168)	(27,773)	(166)	-	(63,107)
Proceeds from sales of property	-	-	-	-	48	-	-	48
Gain/(Loss) on disposal of assets	109	-	-	109	-	-	-	109
Repayment of debt principal	(98,765)	(50,945)	-	(149,710)	(36,180)	(1,610)	-	(187,500)
Interest paid on debt	(48,309)	(11,438)	-	(59,747)	(33,335)	(705)	-	(93,787)
Proceeds from issuance of debt	-	-	-	-	3,000	-	-	3,000
Debt issue costs and discounts	(17)	-	-	(17)	-	-	-	(17)
Contribution from developers and others	-	-	-	-	4,583	-	-	4,583
Net cash used in capital and related financing activities	(182,150)	(62,383)	-	(244,533)	(89,657)	(2,481)	-	(336,671)
Investing activities:								
Purchase of investments	(311,273)	(103,529)	-	(414,802)	(142,528)	-	-	(557,330)
Proceeds from sale and maturities of investments	220,283	100,446	-	320,729	41,334	-	-	362,063
Investment income	1,191	1,209	-	2,400	551	6	-	2,957
Distributions from The Energy Authority	912	-	-	912	-	-	-	912
Net cash used in investing activities	(88,887)	(1,874)	-	(90,761)	(100,643)	6	-	(191,398)
Net change in cash and cash equivalents	(178,318)	(64,319)	-	(242,637)	(125,718)	(877)	-	(369,232)
Cash and cash equivalents at October 1, 2015	316,079	139,918	-	455,997	171,803	8,274	-	636,074
Cash and cash equivalents at December 31, 2015	$ 137,761	$ 75,599	$ -	$ 213,360	$ 46,085	$ 7,397	$ -	$ 266,842
Reconciliation of operating income to net cash provided by operating activities:								
Operating Income:	$ 62,253	$ 7,417	$ -	$ 69,670	$ 31,323	$ 556	$ -	$ 101,549
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	47,736	10,689	-	58,425	33,299	572	-	92,296
Recognition of deferred costs and revenues, net	(654)	(2,909)	-	(3,563)	(69)	-	-	(3,632)
Gain on sale of noncore assets	(21)	-	-	(21)	830	-	-	809
Accounts receivable	48,937	5,995	-	54,932	1,086	483	-	56,501
Accounts receivable, restricted	1,533	-	-	1,533	(40)	-	-	1,493
Inventories	(6,283)	(2,826)	-	(9,109)	(780)	-	-	(9,889)
Other assets	(1,760)	-	-	(1,760)	(385)	-	-	(2,145)
Accounts and expenses payable	(16,686)	(11,161)	-	(27,847)	(902)	(9)	-	(28,758)
Liabilities payable, restricted	-	(6,976)	-	(6,976)	-	-	-	(6,976)
Other noncurrent liabilities and deferred inflows	(19,540)	(291)	-	(19,831)	5,752	(4)	-	(14,083)
Net cash provided by operating activities	$ 115,515	$ (62)	$ -	$ 115,453	$ 70,114	$ 1,598	$ -	$ 187,165
Non-cash activity:								
Contribution of capital assets from developers	$ -	$ -	$ -	$ -	$ 8,470	$ -	$ -	$ 8,470

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Statement of Cash Flows

(in thousands - unaudited) for the three month(s) ended December 31, 2014 restated

Operating activities		
Receipts from customers	$	482,440
Other receipts		8,537
Payments to suppliers		(223,207)
Payments to employees		(51,477)
Net cash provided by operating activities		216,293
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida		(27,710)
Net cash used in noncapital financing activities		(27,710)
Capital and related financing activities		
Acquisition and construction of capital assets		(46,433)
Proceeds from sales of property		13
Debt issue costs and discounts		(140)
Defeasance of debt		3
Repayment of debt principal		(256,630)
Interest paid on debt		(98,887)
Contribution from developers and others		4,694
Loss on disposal of assets		(22)
Net cash used in capital and related financing activities		(397,402)
Investing activities		
Purchase of investments		(521,443)
Proceeds from sale and maturities of investments		284,827
Investment income		2,355
Distributions from The Energy Authority		(120)
Net cash used in investing activities		(234,381)
Net change in cash and cash equivalents		(443,200)
Cash and cash equivalents at October 1, 2014		589,622
Cash and cash equivalents at December 31, 2014	$	146,422
Reconciliation of operating income to net cash provided by operating activities		
Operating Income	$	97,930
Adjustments:		
Depreciation and amortization		92,849
Recognition of deferred costs and revenues, net		(2,678)
Changes in noncash assets and noncash liabilities:		
Accounts receivable		36,556
Accounts receivable, restricted		250
Inventories		9,956
Other assets		(1,684)
Accounts and expenses payable		(16,353)
Liabilities payable, restricted		(4,394)
Other noncurrent liabilities and deferred inflows		3,861
Net cash provided by operating activities	$	216,293
Non-cash activity		
Contribution of capital assets from developers	$	8,368

JEA
Combining Statement of Cash Flows
(in thousands - unaudited) for the three month(s) ended December 31, 2014 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 344,882	$ 82,175	$ (42,599)	$ 384,458	$ 99,601	$ 2,712	$ (4,331)	$ 482,440
Other receipts	6,593	-	-	6,593	2,572	-	(628)	8,537
Payments to suppliers	(177,119)	(71,898)	42,599	(206,418)	(20,663)	(1,085)	4,959	(223,207)
Payments to employees	(33,417)	(5,807)	-	(39,224)	(12,129)	(124)	-	(51,477)
Net cash provided by operating activities	140,939	4,470	-	145,409	69,381	1,503	-	216,293
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(22,295)	-	-	(22,295)	(5,415)	-	-	(27,710)
Net cash used in noncapital financing activities	(22,295)	-	-	(22,295)	(5,415)	-	-	(27,710)
Capital and related financing activities								
Acquisition and construction of capital assets	(24,432)	-	-	(24,432)	(21,969)	(32)	-	(46,433)
Proceeds from sales of property	-	-	-	-	13	-	-	13
Debt issue costs and discounts	-	(3)	-	(3)	(137)	-	-	(140)
Defeasance of debt	-	1	-	1	2	-	-	3
Repayment of debt principal	(78,615)	(132,085)	-	(210,700)	(44,325)	(1,605)	-	(256,630)
Interest paid on debt	(51,381)	(14,583)	-	(65,964)	(32,215)	(708)	-	(98,887)
Contribution from developers and others	-	-	-	-	4,694	-	-	4,694
Loss on disposal of assets	(22)	-	-	(22)	-	-	-	(22)
Net cash used in capital and related financing activities	(154,450)	(146,670)	-	(301,120)	(93,937)	(2,345)	-	(397,402)
Investing activities								
Purchase of investments	(211,091)	(180,054)	-	(391,145)	(130,298)	-	-	(521,443)
Proceeds from sale and maturities of investments	122,494	110,184	-	232,678	52,149	-	-	284,827
Investment income	894	1,062	-	1,956	398	1	-	2,355
Distributions from The Energy Authority	(120)	-	-	(120)	-	-	-	(120)
Net cash used in investing activities	(87,823)	(68,808)	-	(156,631)	(77,751)	1	-	(234,381)
Net change in cash and cash equivalents	(123,629)	(211,008)	-	(334,637)	(107,722)	(841)	-	(443,200)
Cash and cash equivalents at October 1, 2014	177,432	267,940	-	445,372	135,920	8,330	-	589,622
Cash and cash equivalents at December 31, 2014	$ 53,803	$ 56,932	$ -	$ 110,735	$ 28,198	$ 7,489	$ -	$ 146,422
Reconciliation of operating income to net cash provided by operating activities								
Operating Income	$ 57,157	$ 9,048	$ -	$ 66,205	$ 31,248	$ 477	$ -	$ 97,930
Adjustments:								
Depreciation and amortization	48,585	10,689	-	59,274	33,006	569	-	92,849
Recognition of deferred costs and revenues, net	(937)	(1,717)	-	(2,654)	(24)	-	-	(2,678)
Gain on sale of noncore assets								
Changes in noncash assets and noncash liabilities:								
Accounts receivable	39,528	(4,020)	-	35,508	586	462	-	36,556
Accounts receivable, restricted	(116)	-	-	(116)	366	-	-	250
Inventories	(456)	11,594	-	11,138	(1,182)	-	-	9,956
Other assets	(1,255)	-	-	(1,255)	(429)	-	-	(1,684)
Accounts and expenses payable	461	(16,570)	-	(16,109)	(234)	(10)	-	(16,353)
Liabilities payable, restricted	-	(4,394)	-	(4,394)	-	-	-	(4,394)
Other noncurrent liabilities and deferred inflows	(2,028)	(160)	-	(2,188)	6,044	5	-	3,861
Net cash provided by operating activities	$ 140,939	$ 4,470	$ -	$ 145,409	$ 69,381	$ 1,503	$ -	$ 216,293
Non-cash activity								
Contribution of capital assets from developers	$ -	$ -	$ -	$ -	$ 8,368	$ -	$ -	$ 8,368

JEA
Electric System
Changes in Debt Service, R & R and Construction Funds
(in thousands - unaudited) for the three month(s) ended December 31, 2015 and December 31, 2014 restated

	December 31, 2015			December 31, 2014		
	Debt service funds	Renewal and replacement funds	Construction funds	Debt service funds	Renewal and replacement funds	Construction funds
Beginning balance	$ 211,749	$ 148,458	$ 4	$ 194,776	$ 148,110	$ 43
Transfer from:						
Revenue fund	46,806	36,650	-	47,874	30,166	-
Proceeds from property sales	-	109	-	-	101	-
Total additions	46,806	36,759	-	47,874	30,267	-
Deductions:						
Interest/principal payments from sinking funds	142,470	-	-	125,367	-	-
Increase in utility plant	-	17,947	2	-	18,571	4
Decrease in accounts payable	-	14,195	4	-	5,938	11
Transfer to:						
Revenue fund	4,014	-	-	246	-	-
Total deductions	146,484	32,142	6	125,613	24,509	15
Ending balance	$ 112,071	$ 153,075	$ (2)	$ 117,037	$ 153,868	$ 28
Renewal and replacement fund:						
Cash & investments		$ 151,861			$ 152,551	
Accounts / notes receivable:						
Accounts receivable		1,112			1,159	
Street light & other customer loans		102			158	
		$ 153,075			$ 153,868	
Construction fund:						
Generation projects			$ -			$ 4
T& D and other capital projects			(2)			23
Accounts receivable			-			1
			$ (2)			$ 28

JEA
Water and Sewer System
Changes in Debt Service, R & R and Construction Funds
(in thousands - unaudited) for the three month(s) ended December 31, 2015 and December 31, 2014 restated

	December 31, 2015				December 31, 2014			
	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds
Beginning balance	$ 176,569	$ 149,130	$ 664	$ -	$ 191,848	$ 142,417	$ 670	$ -
Additions:								
Transfer from:								
Revenue fund	24,057	35,367	-	-	25,879	30,321	-	5,316
Proceeds from property sales	-	48	-	-	-	13	-	-
Contribution in aid of construction	-	4,584	-	-	-	4,694	-	-
Increase in accounts payable	-	-	-	103				
Total additions	24,057	39,999	-	103	25,879	35,028	-	5,316
Deductions:								
Increase in utility plant	-	11,697	-	-	-	12,014	-	-
Interest/principal payments from sinking funds	67,725	-	-	-	75,040	-	-	-
Transfer to:								
Revenue fund	764	-	-	-	-	-	-	24
Decrease in accounts payable	-	14,347	-	-	-	9,949	6	-
Total deductions	68,489	26,044	-	-	75,040	21,963	6	24
Ending balance	$ 132,137	$ 163,085	$ 664	$ 103	$ 142,687	$ 155,482	$ 664	$ 5,292

Recap:						
Renewal and replacement fund:						
Cash & investments	$ 161,407			$ 154,566		
Accounts / notes receivable:						
Accounts receivable	1,658			891		
Notes receivable	20			25		
	$ 163,085			$ 155,482		
Construction fund:						
Construction reserves		$ -			$ -	
Accounts receivable		-			-	
Project funds		664			664	
		$ 664			$ 664	
Environmental fund						
Cash & investments			103			5,292
			$ 103			$ 5,292

JEA Electric System Budget vs. Actual December 31, 2015 and 2014	ANNUAL BUDGET 2015-16	Month BUDGET 2015-16	Month ACTUAL 2015-16	Month Variance %	Prior Year Month ACTUAL 2014-15	Prior Year Month Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 509,884,201	$ 41,110,793	$ 39,822,768	-3.13%	40,648,048	-2.03%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	288,573,382	19,665,602	18,057,009		20,243,520	
Fuel Expense - SJRPP	114,020,023	10,715,300	4,091,683		10,701,681	
Other Purchased Power	81,016,238	7,071,031	4,526,196		6,302,029	
Subtotal Energy Expense	483,609,643	37,451,933	26,674,888	28.78%	37,247,229	28.38%
Transfer to (from) Rate Stabilization, Net	25,254,789	-	13,077,691		5,000,000	
Fuel Related Uncollectibles	1,019,769	84,981	70,189		64,986	
Total	509,884,201	37,536,914	39,822,768	-6.09%	42,312,215	5.88%
Fuel Balance	-	3,573,879	-		(1,664,168)	
Nonfuel Related Revenues						
Base Rate Revenues	738,360,001	59,532,273	54,246,093		55,679,886	
Conservation Charge Revenue	989,059	79,746	24,030		44,187	
Environmental Charge Revenue	7,686,000	619,705	566,067		574,462	
Investment Income	3,776,585	314,715	558,867		323,801	
Natural Gas Revenue Pass Through	12,491,417	1,040,951	11,189		-	
Other Revenues	35,447,663	2,953,972	2,306,545		2,206,136	
Total	798,750,725	64,541,362	57,712,791	-10.58%	58,828,471	-1.90%
Nonfuel Related Expenses						
Non-Fuel O&M	200,563,409	15,759,361	15,828,017		21,472,651	
DSM / Conservation O&M	7,549,561	607,923	583,587		1,159,262	
Environmental O&M	2,442,000	203,500	53,085		57,662	
Net Transfer to Rate Stabilization - DSM	(256,838)	(21,403)	(85,681)		(611,826)	
Transfer to Environmental Fund/RSF	5,244,000	437,000	512,982		516,800	
Natural Gas Expense Pass Through	12,144,117	1,019,889	27,889		18,569	
Debt Principal - Electric System	89,845,000	7,487,083	8,016,250		7,912,917	
Debt Interest - Electric System	107,287,899	8,940,658	8,637,794		9,126,537	
R&R - Electric System	66,155,208	5,512,934	5,197,867		5,460,179	
Operating Capital Outlay	96,337,682	5,000,000	5,000,000		-	
City Contribution Expense	91,720,182	7,643,348	7,643,348		7,509,050	
Taxes & Uncollectibles	1,703,452	141,954	111,510		106,019	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	37,568,750	3,130,729	2,331,563		2,958,177	
* SJRPP D/S Interest	19,174,301	1,597,858	1,430,297		1,695,584	
** Other Non-Fuel Purchased Power	56,272,002	4,689,334	1,903,743		2,062,603	
Total Nonfuel Expenses	798,750,725	62,150,168	57,192,251	7.98%	59,444,184	3.79%
Non-Fuel Balance	-	2,391,194	520,540		(615,713)	
Total Balance	-	5,965,073	520,540		(2,279,881)	
Total Revenues	**1,308,634,926**	**105,652,155**	**97,535,559**	-7.68%	**99,476,519**	-1.95%
Total Expenses	**1,308,634,926**	**99,687,082**	**97,015,019**	2.68%	**101,756,400**	4.66%
KWH Sold - Territorial	**12,600,000,000**	**1,015,909,093**	**922,956,000**	-9.15%	**943,753,000**	-2.20%
KWH Sold - Off System	**-**	**-**	**704,000**		**6,878,000**	
	12,600,000,000	**1,015,909,093**	**923,660,000**	-9.08%	**950,631,000**	-2.84%

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

JEA Electric System Budget vs. Actual December 31, 2015 and 2014	ANNUAL BUDGET 2015-16	Year-To-Date BUDGET 2015-16	Year-To-Date ACTUAL 2015-16	Year-To-Date Variance %	Prior Year-To-Date ACTUAL 2014-15	Prior Year-To-Date Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	509,884,201	117,126,317	64,194,496	-45.19%	121,127,708	-47.00%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	288,573,382	54,129,115	49,808,571		60,122,643	
Fuel Expense - SJRPP	114,020,023	31,197,300	20,670,149		34,238,132	
Other Purchased Power	81,016,238	21,678,421	14,925,168		16,563,539	
Subtotal Energy Expense	483,609,643	107,004,836	85,403,888	20.19%	110,924,315	23.01%
Transfer to (from) Rate Stabilization, Net	25,254,789	-	(21,312,687)		8,999,579	
Fuel Related Uncollectibles	1,019,769	254,942	103,295		182,255	
Total	509,884,201	107,259,778	64,194,496	40.15%	120,106,148	46.55%
Fuel Balance	-	9,866,539	-		1,021,560	
Nonfuel Related Revenues						
Base Rate Revenues	738,360,001	169,609,859	164,501,646		166,671,086	
Conservation Charge Revenue	989,059	227,198	86,883		102,344	
Environmental Charge Revenue	7,686,000	1,765,563	1,713,935		1,712,214	
Investment Income	3,776,585	944,146	1,452,743		1,003,881	
Natural Gas Revenue Pass Through	12,491,417	3,122,854	28,751		-	
Other Revenues	35,447,663	8,861,916	7,347,053		7,469,641	
Total	798,750,725	184,531,536	175,131,011	-5.09%	176,959,166	-1.03%
Nonfuel Related Expenses						
Non-Fuel O&M	200,563,409	48,345,083	42,397,303		49,922,724	
DSM / Conservation O&M	7,549,561	1,751,933	1,165,797		1,498,967	
Environmental O&M	2,442,000	610,500	(9,959)		140,365	
Net Transfer to Rate Stabilization - DSM	(256,838)	(64,210)	343,558		27,729	
Transfer to Environmental Fund/RSF	5,244,000	1,311,000	1,723,894		1,571,849	
Natural Gas Expense Pass Through	12,144,117	3,040,757	69,880		26,822	
Debt Principal - Electric System	89,845,000	22,461,250	24,048,750		23,738,750	
Debt Interest - Electric System	107,287,899	26,821,975	24,663,943		26,312,478	
R&R - Electric System	66,155,208	16,538,802	15,593,600		16,380,538	
Operating Capital Outlay	96,337,682	21,056,280	21,056,280		13,785,658	
City Contribution Expense	91,720,182	22,930,047	22,930,045		22,527,149	
Taxes & Uncollectibles	1,703,452	425,863	342,638		301,750	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	37,568,750	9,392,188	6,994,688		8,874,531	
* SJRPP D/S Interest	19,174,301	4,793,575	4,290,892		5,086,753	
** Other Non-Fuel Purchased Power	56,272,002	14,068,000	8,529,955		6,781,437	
Total Nonfuel Expenses	798,750,725	193,483,043	174,141,264	10.00%	176,977,500	1.60%
Non-Fuel Balance	-	(8,951,507)	989,747		(18,335)	
Total Balance	-	915,032	989,747		1,003,225	
Total Revenues	**1,308,634,926**	**301,657,853**	**239,325,507**	-20.66%	**298,086,874**	-19.71%
Total Expenses	**1,308,634,926**	**300,742,821**	**238,335,760**	20.75%	**297,083,649**	19.77%
KWH Sold - Territorial	**12,600,000,000**	**2,894,366,202**	**2,799,176,000**	-3.29%	**2,810,965,000**	-0.42%
KWH Sold - Off System	**-**	**-**	**11,934,000**		**35,312,000**	
	12,600,000,000	**2,894,366,202**	**2,811,110,000**	-2.88%	**2,846,277,000**	-1.24%

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

JEA Water and Sewer System Budget vs. Actual December 31, 2015 and 2014	ANNUAL BUDGET 2015-16	Month BUDGET 2015-16	Month ACTUAL 2015-16	Month Variance %	Prior Year Month ACTUAL 2014-15	Prior Year Month Variance %
REVENUES						
Water & Sewer Revenues	$ 393,928,271	$ 32,282,654	$ 33,448,739		$ 32,263,888	
Capacity & Extension Fees	17,000,000	1,416,667	1,966,800		1,365,335	
Investment Income	2,759,926	229,994	310,216		237,408	
Other Income	14,769,077	716,161	1,209,018		931,048	
Total	428,457,274	34,645,476	36,950,656	6.65%	34,983,839	5.62%
EXPENSES						
O & M Expenses	138,367,616	11,006,490	12,319,493		9,692,821	
Debt Principal - Water & Sewer	33,875,000	2,822,917	2,822,916		3,015,000	
Debt Interest - Water & Sewer	75,780,149	6,315,012	5,907,327		6,286,186	
R&R - Water & Sewer	20,825,400	1,735,450	1,735,450		1,722,504	
Operating Capital Outlay	97,524,604	8,130,944	8,130,944		6,863,176	
Operating Capital Outlay - Capacity/Extension	17,000,000	1,416,667	1,966,800		1,365,335	
Operating Capital Outlay - Environmental	20,758,150	1,729,846	1,920,811		1,824,772	
City Contribution Expense	22,467,356	1,872,280	1,872,280		1,798,245	
Uncollectibles & Fees	858,999	71,583	57,000		55,000	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	428,457,274	35,101,189	36,748,904	-4.69%	32,809,199	-12.01%
Total Balance	$ -	$ (455,713)	$ 201,752		$ 2,174,640	
Sales kgals						
Water	34,650,000	2,716,472	2,758,305	1.54%	2,708,367	1.84%
Sewer	26,985,000	2,254,438	2,397,957	6.37%	2,233,757	7.35%
Total	61,635,000	4,970,910	5,156,262	3.73%	4,942,124	4.33%

	ANNUAL BUDGET 2015-16	Year-To-Date BUDGET 2015-16	Year-To-Date ACTUAL 2015-16	Year-To-Date Variance %	Prior Year to Date ACTUAL 2014-15	Prior Year to Date Variance %
REVENUES						
Water & Sewer Revenues	$ 393,928,271	$ 96,846,980	$ 98,478,879		$ 96,714,109	
Capacity & Extension Fees	17,000,000	4,250,000	4,567,533		4,507,402	
Investment Income	2,759,926	689,981	748,341		731,342	
Other Income	14,769,077	6,583,750	4,078,316		2,777,632	
Total	428,457,274	108,370,711	107,888,952	-0.44%	104,916,645	2.83%
EXPENSES						
O & M Expenses	138,367,616	33,402,637	30,797,281		29,534,781	
Debt Principal - Water & Sewer	33,875,000	8,468,750	8,468,749		9,045,000	
Debt Interest - Water & Sewer	75,780,149	18,945,037	17,049,884		18,153,152	
R&R - Water & Sewer	20,825,400	5,206,350	5,206,350		5,167,513	
Operating Capital Outlay	97,524,604	30,160,252	30,160,251		25,154,369	
Operating Capital Outlay - Capacity/Extension	17,000,000	4,250,000	4,567,533		4,507,402	
Operating Capital Outlay - Environmental	20,758,150	5,189,537	5,420,512		5,291,806	
City Contribution Expense	22,467,356	5,616,839	5,616,839		5,394,735	
Uncollectibles & Fees	858,999	214,750	166,847		160,463	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	428,457,274	111,454,152	107,470,129	3.57%	102,595,381	-4.75%
Total Balance	$ -	$ (3,083,441)	$ 418,823		$ 2,321,264	
Sales kgals						
Water	34,650,000	8,398,138	8,519,982	1.45%	8,356,217	1.96%
Sewer	26,985,000	6,569,247	6,729,799	2.44%	6,572,342	2.40%
Total	61,635,000	14,967,385	15,249,781	1.89%	14,928,559	2.15%

JEA
District Energy System
Budget vs. Actual
December 31, 2015 and 2014

		Month			Prior Year Month	
	ANNUAL BUDGET 2015-16	BUDGET 2015-16	ACTUAL 2015-16	Variance %	ACTUAL 2014-15	Variance %
REVENUES						
Revenues	$ 9,089,118	$ 713,698	$ 741,583		$ 649,044	
Investment Income	-	-	5,592		456	
Total	9,089,118	713,698	747,175	4.69%	649,500	15.04%
EXPENSES						
O & M Expenses	5,175,137	356,628	403,135		317,436	
Debt Principal - DES	1,625,000	135,417	135,417		134,167	
Debt Interest - DES	1,398,980	116,582	116,582		117,442	
R&R - DES	457,185	38,099	36,596		36,229	
Operating Capital Outlay	432,816	-	-		-	
Total Expenses	9,089,118	646,726	691,730	-6.96%	605,274	-14.28%
Total Balance	$ -	$ 66,972	$ 55,445		$ 44,226	

		Year-To-Date			Prior-Year-To-Date	
	ANNUAL BUDGET 2015-16	BUDGET 2015-16	ACTUAL 2015-16	Variance %	ACTUAL 2014-15	Variance %
REVENUES						
Revenues	$ 9,089,118	$2,378,831	$ 2,137,075		$ 2,250,290	
Investment Income	-	-	6,430		1,239	
Total	9,089,118	2,378,831	2,143,505	-9.89%	2,251,529	-4.80%
EXPENSES						
O & M Expenses	5,175,137	1,204,838	1,010,876		1,201,850	
Debt Principal - DES	1,625,000	406,250	406,250		402,500	
Debt Interest - DES	1,398,980	349,745	349,745		352,325	
R&R - DES	457,185	114,296	109,787		108,688	
Operating Capital Outlay	432,816	-	-		-	
Total Expenses	9,089,118	2,075,129	1,876,658	9.56%	2,065,363	9.14%
Total Balance	$ -	$ 303,702	$ 266,847		$ 186,166	

JEA

Electric System

Schedules of Debt Service Coverage

(in thousands - unaudited)

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Revenues:				
Electric	$ 86,011	$ 97,430	$ 261,874	$ 294,755
Investment income (1)	436	195	1,085	628
Earnings from The Energy Authority	(74)	76	133	35
Other, net (2)	1,985	2,025	6,395	6,700
Total revenues	88,358	99,726	269,487	302,118
Operating expenses (3):				
Fuel	18,057	20,244	49,809	60,122
Purchased power (4)	14,225	23,991	55,882	72,659
Other operations and maintenance	17,279	23,203	43,540	50,982
State utility taxes and franchise fees	5,021	5,365	12,236	15,146
Total operating expenses	54,582	72,803	161,467	198,909
Net revenues	$ 33,776	$ 26,923	$ 108,020	$ 103,209
Debt service:	$ 6,528	$ 6,949	$ 19,584	$ 20,845
Less: investment income on sinking fund	(127)	(134)	(380)	(395)
Less: Build America Bonds subsidy	(126)	(126)	(379)	(377)
Debt service requirement	$ 6,275	$ 6,689	$ 18,825	$ 20,073
Senior debt service coverage (5), (min 1.20x)	5.38 x	4.02 x	5.74 x	5.14 x
Net revenues (from above):	$ 33,776	$ 26,923	$ 108,020	$ 103,209
Debt service requirement (from above):	$ 6,275	$ 6,689	$ 18,825	$ 20,073
Plus: aggregate subordinated debt service on outstanding subordinated bonds	8,178	8,193	24,532	24,578
Less: Build America Bonds subsidy	(174)	(174)	(521)	(521)
Total debt service requirement and aggregate subordinated debt service	$ 14,279	$ 14,708	$ 42,836	$ 44,130
Senior and subordinated debt service coverage (6), (min 1.15x)	2.37 x	1.83 x	2.52 x	2.34 x
Fixed charge coverage (7)	1.63 x	1.23 x	1.75 x	1.61 x

(1) Excludes investment income on sinking funds.
(2) Excludes the Build America Bonds subsidy.
(3) Excludes depreciation.
(4) In accordance with the requirements of the Electric System Resolution, all the contract debt payments from the Electric System to the SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Systems are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the SJRPP and Bulk Power Supply System, except that the purchased power expense is net of interest income on funds maintained under the SJRPP and Bulk Power Supply System resolutions.
(5) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.
(6) Net revenues divided by total debt service requirement and aggregate subordinated debt service. Minimum annual coverage is 1.15x
(7) Net revenues plus JEA's share of SJRPP's and Bulk Power Supply System's debt service less city contribution divided by the sum of the adjusted debt service requirement and JEA's share of SJRPP's and Bulk Power Supply System's debt service.

JEA
Bulk Power Supply System
Schedules of Debt Service Coverage
(in thousands - unaudited)

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Revenues:				
JEA	$ 3,932	$ 4,389	$ 15,310	$ 13,830
Investment income	10	9	31	26
Total revenues	3,942	4,398	15,341	13,856
Operating expenses (1):				
Fuel	1,904	2,664	7,061	8,045
Other operations and maintenance	875	960	2,968	3,178
Total operating expenses	2,779	3,624	10,029	11,223
Net revenues	$ 1,163	$ 774	$ 5,312	$ 2,633
Aggregate Debt Service	$ 897	$ 817	$ 2,690	$ 2,450
Less: Build America Bonds subsidy	(61)	(64)	(184)	(191)
Aggregate debt service	$ 836	$ 753	$ 2,506	$ 2,259
Debt service coverage (2)	1.39 x	1.03 x	2.12 x	1.17 x

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

JEA
St. Johns River Power Park System
Schedule of Debt Service Coverage - 1st Resolution
(in thousands - unaudited)

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Revenues:				
JEA	$ 7,718	$ 14,895	$ 28,950	$ 43,494
FPL	8,428	10,292	32,743	34,660
Investment income	324	298	974	912
Total revenues	16,470	25,485	62,667	79,066
Operating expenses (1):				
Fuel	7,774	16,029	38,767	53,942
Other operations and maintenance	2,179	2,830	7,611	8,556
Total operating expenses	9,953	18,859	46,378	62,498
Net revenues	$ 6,517	$ 6,626	$ 16,289	$ 16,568
Aggregate debt service	$ 4,344	$ 4,419	$ 13,031	$ 13,256
Debt service coverage (2)	1.50 x	1.50 x	1.25 x	1.25 x

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

JEA
St. Johns River Power Park System
Schedule of Debt Service Coverage - 2nd Resolution
(in thousands - unaudited)

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Revenues	$ 1,534	$ 2,759	$ 3,628	$ 6,543
Operating expenses	-	-	-	-
Net revenues	$ 1,534	$ 2,759	$ 3,628	$ 6,543
Aggregate debt service	$ 1,081	$ 1,926	$ 3,243	$ 5,778
Less: Build America Bonds subsidy	(34)	(34)	(103)	(102)
Aggregate debt service	$ 1,047	$ 1,892	$ 3,140	$ 5,676
Debt service coverage (1)	1.47 x	1.46 x	1.16 x	1.15 x

(1) Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

JEA
Water and Sewer System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Revenues:				
Water	$ 12,107	$ 11,860	$ 37,249	$ 36,696
Water capacity fees (1)	690	517	1,650	1,633
Sewer	20,237	19,376	58,077	57,003
Sewer capacity fees (1)	1,277	849	2,918	2,874
Investment Income	314	242	759	747
Other (2)	997	719	3,443	2,148
Total revenues	35,622	33,563	104,096	101,101
Operating & Maintenance Expenses:				
Operations and maintenance (3)	13,871	10,767	33,749	31,997
Total operating expenses	13,871	10,767	33,749	31,997
Net revenues	$ 21,751	$ 22,796	$ 70,347	$ 69,104
Aggregate debt service:	$ 7,083	$ 7,642	$ 21,249	$ 22,927
Less: Build America Bonds subsidy	(209)	(207)	(626)	(622)
Aggregate debt service:	$ 6,874	$ 7,435	$ 20,623	$ 22,305
Senior debt service coverage (4), (min 1.25x)	3.16 x	3.07 x	3.41 x	3.10 x
Net revenues (from above)	$ 21,751	$ 22,796	$ 70,347	$ 69,104
Aggregate debt service (from above)	$ 6,874	$ 7,435	$ 20,623	$ 22,305
Plus: aggregate subordinated debt service on outstanding subordinated debt	1,028	1,017	3,085	3,053
Total aggregate debt service and aggregate subordinated debt service	$ 7,902	$ 8,452	$ 23,708	$ 25,358
Senior and subordinated debt service coverage (5)	2.75 x	2.70 x	2.97 x	2.73 x
Fixed charge coverage	2.52 x	2.48 x	2.73 x	2.51 x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending December 2015 and 2014, then the debt service coverage would have been 2.77x and 2.55x.
(2) Excludes the Build America Bonds subsidy.
(3) Excludes depreciation.
(4) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.
(5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 2.77x and 2.55x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $24,325 and $25,969 for the year-to-date period ending December 2015 and 2014.

JEA
District Energy System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month December 2015	Month December 2014 restated	Year-To-Date December 2015	Year-To-Date December 2014 restated
Revenues:				
Service revenues	$ 742	$ 649	$ 2,137	$ 2,250
Investment income	6	-	6	1
Total revenues	748	649	2,143	2,251
Operating expenses	401	318	1,009	1,204
Net revenues	$ 347	$ 331	$ 1,134	$ 1,047
Aggregate debt service (2)	$ 252	$ 252	$ 756	$ 755
Debt service coverage (3) (min 1.15x)	1.38 x	1.32 x	1.50 x	1.39 x

(1) Excludes depreciation.
(2) On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, the JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last Business Day of the then current month.
(3) Net Revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

JEA

Electric System, St. Johns River Power Park System and Scherer
Principal Amount of Debt Outstanding and Average Interest Rates
December 31, 2015

Schedule of Outstanding Indebtedness

Issue/Average Coupon Rate	**Interest Rates**	**Principal Payment Dates**	**Par Amount Principal Outstanding**	**Current Portion of Long-Term Debt**
Electric System - Fixed Rate Bonds				
Series Three 2004 A	5.000%	2039	$ 5,000	$ -
Series Three 2005 B	4.750%	2033	100,000	-
Series Three 2009 C	5.000%	2016-2017	15,730,000	12,375,000
Series Three 2009 D	6.056%	2033-2044	45,955,000	-
Series Three 2010 A	4.000%	2016-2020	24,960,000	4,835,000
Series Three 2010 C	4.000 - 4.500%	2021-2031	11,420,000	-
Series Three 2010 D	4.000 - 5.000%	2016-2038	92,100,000	5,265,000
Series Three 2010 E	5.350 - 5.482%	2028-2040	34,255,000	-
Series Three 2012A	4.000 - 4.500%	2023-2033	60,750,000	-
Series Three 2012B	2.000 - 5.000%	2016-2039	133,390,000	620,000
Series Three 2013A	2.500 - 5.000%	2016-2026	111,130,000	7,860,000
Series Three 2013B	1.875 - 5.000%	2021-2038	7,600,000	-
Series Three 2013C	3.000 - 5.000%	2016-2030	30,940,000	2,255,000
Series Three 2014A	2.600 - 5.000%	2016-2034	47,565,000	1,855,000
Series Three 2015A	2.500 - 5.000%	2016-2041	81,810,000	135,000
Series Three 2015B	2.000 - 5.000%	2016-2031	42,355,000	6,350,000
Total Fixed Rate Senior Bonds			**740,065,000**	**41,550,000**
2009 Series A	5.625%	2029-2032	21,140,000	-
2009 Series D	5.000%	2017-2018	23,925,000	-
2009 Series E	4.000%	2016-2018	4,065,000	1,850,000
2009 Series F	4.125 - 6.406%	2016-2034	65,600,000	930,000
2009 Series G	4.000 - 5.000%	2016-2021	22,975,000	4,675,000
2010 Series A	3.000 - 5.000%	2016-2017	4,960,000	4,250,000
2010 Series B	3.000 - 5.000%	2016-2024	35,380,000	855,000
2010 Series C	3.125 - 4.000%	2020-2027	15,925,000	-
2010 Series D	3.500 - 5.582%	2017-2027	45,575,000	-
2010 Series E	4.000%	2016	4,505,000	4,505,000
2012 Series A	3.000 - 5.000%	2016-2033	110,780,000	2,715,000
2012 Series B	2.250 - 5.000%	2016-2037	105,800,000	2,355,000
2013 Series A	2.500 - 5.000%	2017-2030	59,330,000	-
2013 Series B	2.500 - 5.000%	2016-2026	41,215,000	10,085,000
2013 Series C	1.375 - 5.000%	2016-2038	88,605,000	590,000
2013 Series D	2.625 - 5.250%	2016-2035	145,055,000	9,360,000
2014 Series A	3.000 - 5.000%	2016-2039	223,770,000	9,330,000
Total Fixed Rate Subordinated Bonds			**1,018,605,000**	**51,500,000**
Total Fixed Rate Electric System Bonds/4.561%			**1,758,670,000**	**93,050,000**
Electric System - Variable Rate Bonds	Current Interest Rates (1)			
Series Three 2008 A	0.012%	2027-2036	51,680,000	-
Series Three 2008 B-1	0.410%	2016-2040	60,745,000	350,000
Series Three 2008 B-2	0.012%	2025-2040	41,900,000	-
Series Three 2008 B-3	0.012%	2024-2036	37,000,000	-
Series Three 2008 B-4	0.410%	2016-2036	50,185,000	375,000
Series Three 2008 C-1	0.010%	2024-2034	44,145,000	-
Series Three 2008 C-2	0.010%	2024-2034	43,900,000	-
Series Three 2008 C-3	0.050%	2030-2038	25,000,000	-
Series Three 2008 D-1	0.410%	2016-2036	113,840,000	2,420,000
Total Variable Rate Senior Bonds			**468,395,000**	**3,145,000**
Series 2000 A	0.048%	2021-2035	30,965,000	-
Series 2000 F-1	0.049%	2026-2030	37,200,000	-
Series 2000 F-2	0.050%	2026-2030	24,800,000	-
Series 2008 D	0.010%	2024-2038	39,455,000	-
Total Variable Rate Subordinated Bonds			**132,420,000**	**-**
Total Variable Rate Bonds			**600,815,000**	**3,145,000**
Total Electric System Bonds			**2,359,485,000**	**96,195,000**
St. Johns River Power Park - Fixed Rate Bonds				
Issue 2 Series 17	4.700%	2019	100,000	-
Issue 2 Series 18	4.500%	2018	50,000	-
Issue 2 Series 19	4.600%	2017	100,000	-
Issue 2 Series 20	4.500%	2021	100,000	-
Issue 2 Series 21	5.000%	2021	5,000	-
Issue 2 Series 22	4.000%	2019	5,000	-
Issue 2 Series 23	3.000 - 5.000%	2017-2021	64,910,000	-
Issue 2 Series 24	4.000%	2017-2021	29,625,000	-
Issue 2 Series 25	3.000 - 5.000%	2016-2021	42,195,000	42,150,000
Issue 2 Series 26	2.000 - 5.000%	2019-2021	65,970,000	-
Issue 2 Series 27	1.888 - 2.505%	2019-2021	7,025,000	-
Issue 3 Series 1	4.500%	2037	100,000	-
Issue 3 Series 2	5.000%	2034-2037	29,370,000	-
Issue 3 Series 4	3.875 - 5.450%	2016-2028	25,720,000	1,635,000
Issue 3 Series 6	2.375 - 5.000%	2019-2037	91,330,000	-
Issue 3 Series 7	2.000 - 5.000%	2019-2033	79,500,000	-
Issue 3 Series 8	2.000 - 5.000%	2019-2039	57,895,000	-
Total Fixed Rate St. Johns River Power Park Bonds/4.120%			**494,000,000**	**43,785,000**
Bulk Power Supply System, Scherer 4 Project - Fixed Rate Bonds			-	-
Series 2010A	3.900 - 5.920%	2016-2030	42,785,000	2,910,000
Series 2014A	2.000 - 5.000%	2016-2038	69,185,000	3,135,000
Total Fixed Rate Bulk Power Supply System Bonds/4.293%			**111,970,000**	**6,045,000**
Weighted Average Cost(2) / Total Outstanding Debt		3.260%	**$ 2,965,455,000**	**$ 146,025,000**

(1) Current month interest rate excluding variable debt fees.
(2) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and exlcudes variable debt liquidity/remarketing fees and interest rate swap payments.

	Electric System	Power Park Issue Three
• Remaining New Money Authorization	$ 465,160,992	$ 103,865,000
• Remaining Senior Refunding Authorization	$ 1,239,602,381	$ 250,810,000
• Remaining Subordinated Refunding Authorization	$ 892,378,000	n/a

JEA
Water and Sewer System
Principal Amount of Debt Outstanding and Average Interest Rates
December 31, 2015

Schedule of Outstanding Indebtedness

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2009 Series B	3.750 - 5.000%	2017-2019	$ 25,565,000	$ -
2010 Series A	6.210 - 6.310%	2026-2044	83,115,000	-
2010 Series B	4.300 - 5.700%	2016-2025	17,300,000	1,730,000
2010 Series C	4.000 - 5.000%	2016-2020	10,650,000	1,105,000
2010 Series D	4.000 - 5.000%	2017-2039	101,850,000	-
2010 Series E	4.000 - 5.000%	2021-2039	60,990,000	-
2010 Series F	3.200 - 5.887%	2017-2040	45,520,000	-
2010 Series G	3.000%	2016	785,000	785,000
2012 Series A	3.000 - 5.000%	2017-2041	317,935,000	-
2012 Series B	2.000 - 5.000%	2016-2041	131,765,000	1,680,000
2013 Series A	4.000 - 5.000%	2016-2027	91,085,000	1,345,000
2013 Series B	1.286 - 1.882%	2016-2017	16,730,000	12,900,000
2014 Series A	2.000 - 5.000%	2016-2040	289,565,000	4,970,000
Total Fixed Rate Senior Bonds			**1,192,855,000**	**24,515,000**
2010 Series A	3.000 - 5.000%	2016-2022	14,065,000	915,000
2010 Series B	3.000 - 5.000%	2020-2025	12,770,000	-
2012 Series A	3.000 - 4.000%	2021-2033	20,320,000	-
2012 Series B	3.250 - 5.000%	2030-2043	41,640,000	-
2013 Series A	2.125 - 5.000%	2016-2029	76,040,000	3,790,000
Total Fixed Rate Subordinated Bonds			**164,835,000**	**4,705,000**
Total Fixed Rate Bonds/4.618%			**1,357,690,000**	**29,220,000**
Variable Rate Bonds	Current Interest Rates (1)			
2006 Series B - CPI Bonds	1.126% (2)	2016-2022	38,730,000	4,105,000
2008 Series A-2	0.010%	2028-2042	51,820,000	-
2008 Series B	0.010%	2023-2041	85,290,000	-
Total Variable Rate Senior Bonds			**175,840,000**	**4,105,000**
2008 Series A-1	0.010%	2016-2038	53,500,000	550,000
2008 Series A-2	0.010%	2030-2038	25,600,000	-
2008 Series B-1	0.020%	2030-2036	30,885,000	-
Total Variable Rate Subordinated Bonds			**109,985,000**	**550,000**
Total Variable Rate Bonds			**285,825,000**	**4,655,000**
Other Obligations				
Revolving Credit Agreement	1.463%	2018	3,000,000	-
Total Other Obligations			**3,000,000**	**-**
Weighted Average Cost(3) / Total Outstanding Debt		**3.552%**	**$ 1,646,515,000**	**$ 33,875,000**

(1) Current month interest rate excluding variable debt fees.
(2) Designated swap obligation. The rate shown is the weighted average of the variable CPI Index rates for the 6 month re-set period.
(3) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and exlcudes variable debt liquidity/remarketing fees and interest rate swap payments.

- Remaining New Money Authorization $ 218,078,023
- Remaining Refunding Authorization $ 1,231,973,942

JEA
District Energy System
Principal Amount of Debt Outstanding and Average Interest Rates
December 31, 2015

Schedule of Outstanding Indebtedness

Issue/Average Coupon	Interest Rates	Principal Payment Dates		Par Amount Principal Outstanding		Current Portion of Long-Term Debt
Fixed Rate Bonds						
2013 Series A/4.036%	1.017 - 4.538%	2016-2034	$	39,750,000	$	1,625,000
Weighted Average Cost(1) / Total Outstanding Debt		**4.041%**	**$**	**39,750,000**	**$**	**1,625,000**

(1) Weighted Average Cost of debt is net of original issue premiums/discounts.

- Remaining New Money Authorization $ 54,321,245
- Remaining Refunding Authorization $ 106,670,000

JEA
INVESTMENT PORTFOLIO REPORT
December 2015
All Funds

	INVESTMENT	BOOK VALUE	YIELD	% OF TOTAL	LAST MONTH	6 MONTH AVERAGE
*	Treasuries	$ 3,298,969	1.01%	0.25%	0.26%	1.72%
	Agencies					
	Federal Farm Credit Bank	239,080,061	0.76%	18.31%	17.24%	16.56%
	Federal Home Loan Bank	357,293,056	0.97%	27.36%	25.10%	26.32%
	Federal National Mortgage Assoc.	7,991,808	0.37%	0.61%	0.79%	0.71%
	Total	604,364,925	0.88%	46.28%	43.13%	43.59%
	Municipal Bonds	278,842,603	2.07%	21.35%	21.77%	20.39%
	Commercial Paper	298,380,360	0.43%	22.85%	23.75%	20.37%
	U.S. Treasury Money Market Funds (1)	11,981,171	0.14%	0.92%	1.26%	1.59%
	Agency Money Market Funds (2)	22,425,000	0.14%	1.72%	1.61%	1.76%
	Wells Fargo Bank Accounts (3)					
	Electric, Scherer	33,783,055	0.09%	2.59%	3.94%	5.12%
	SJRPP	35,393,837	0.09%	2.71%	3.51%	3.49%
	Water & Sewer, DES	17,311,605	0.09%	1.33%	0.78%	1.96%
	Total Portfolio	$ 1,305,781,525	0.94%	100.00%	100.00%	100.00%

* Backed by Full Faith and Credit of U. S. Government
Weighted Avg. Annual Yield for December 2015, Excluding Bank & Money Market Funds: 1.05%

Weighted Avg. Annual Yield for December 2015, Including Bank & Money Market Funds: 0.94%

Some investments listed above may be classified as Cash Equivalents on the Statements of Net Position in accordance with generally accepted accounting principles.

(1) Morgan Stanley Treasury Fund; Fidelity Treasury Fund; Federated Treasury Fund

(2) Morgan Stanley Government Fund, Wells Fargo Government Fund

(3) Month-end bank balances

JEA
Interest Rate Swap Position Report
December 2015

JEA Debt Management Swaps Variable to Fixed

ID	Dealer	Effective Date	Terminat'n Date	Electric System Allocation	Water/Sewer Allocation	Fixed Rate	Floating Rate (1)	Spread	Rate Cap	Index
1	Goldman Sachs	9/18/2003	9/18/2033	$ 84,800,000	$ -	3.717	0.166	3.551	n/a	68% 1 mth Libor
3	Morgan Stanley	1/27/2005	10/1/2039	82,575,000	-	4.351	0.010	4.341	n/a	SIFMA
4	JPMorgan	1/27/2005	10/1/2035	86,375,000	-	3.661	0.166	3.495	n/a	68% 1 mth Libor
6	JPMorgan	1/27/2005	10/1/2037	39,175,000	-	3.716	0.166	3.550	n/a	68% 1 mth Libor
7	Morgan Stanley	10/31/2006	10/1/2022	-	38,730,000	3.996	1.126	2.870	n/a	CPI
8	Morgan Stanley	1/31/2007	10/1/2031	62,980,000	-	3.907	0.010	3.897	n/a	SIFMA
9	Merrill Lynch	3/8/2007	10/1/2041	-	85,290,000	3.895	0.010	3.885	n/a	SIFMA
10	Goldman Sachs	1/31/2008	10/1/2036	51,680,000	-	3.836	0.010	3.826	n/a	SIFMA
			Total	$ 407,585,000	$ 124,020,000	Wtd Avg Spread		3.736		

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

JEA **Page 35**
Electric System
Operating Statistics

	Month December 2015	Month December 2014	Variance	Year-To-Date December 2015	Year-To-Date December 2014	Variance
Electric revenue sales (000's omitted):						
Residential	$ 43,839	$ 48,827	-10.22%	$ 108,689	$ 137,092	-20.72%
Commercial	34,077	31,349	8.70%	84,207	100,744	-16.41%
Industrial	18,392	18,622	-1.24%	41,603	57,003	-27.02%
Public street lighting	1,219	1,101	10.72%	3,168	3,122	1.47%
Sales for resale - territorial	2,137	2,396	-10.81%	5,019	6,746	-25.60%
Electric revenues - territorial	99,664	102,295	-2.57%	242,686	304,707	-20.35%
Sales for resale - off system	16	194	-91.75%	339	1,080	-68.61%
Electric revenues	99,680	102,489	-2.74%	243,025	305,787	-20.52%
Less: rate stabilization & recovery	(13,505)	(4,904)	175.39%	19,245	(10,599)	-281.57%
Less: allowance for doubtful accounts	(164)	(154)	6.49%	(396)	(433)	-8.55%
Electric revenues - net	86,011	97,431	-11.72%	261,874	294,755	-11.16%
MWh sales:						
Residential	354,580	401,066	-11.59%	1,069,450	1,115,267	-4.11%
Commercial	316,065	287,760	9.84%	968,829	927,807	4.42%
Industrial	221,016	219,259	0.80%	671,178	673,108	-0.29%
Public street lighting	7,226	8,012	-9.81%	20,094	22,926	-12.35%
Sales for resale - territorial	24,069	27,656	-12.97%	69,625	71,857	-3.11%
Total MWh sales - territorial	922,956	943,753	-2.20%	2,799,176	2,810,965	-0.42%
Sales for resale - off system	704	6,878	-89.76%	11,934	35,312	-66.20%
Total MWh sales	923,660	950,631	-2.84%	2,811,110	2,846,277	-1.24%
Number of accounts (1):						
Residential	394,389	386,414	2.06%	393,799	386,072	2.00%
Commercial	51,044	50,432	1.21%	51,004	50,350	1.30%
Industrial	203	211	-3.79%	204	212	-3.77%
Public street lighting	3,625	3,514	3.16%	3,615	3,509	3.02%
Sales for resale	2	2	0.00%	2	2	0.00%
Total average accounts	449,263	440,573	1.97%	448,624	440,145	1.93%
Residential averages:						
Revenue per account - $	111.16	126.36	-12.03%	276.00	355.09	-22.27%
kWh per account	899	1,038	-13.39%	2,716	2,889	-5.99%
Revenue per kWh - ¢	12.36	12.17	1.56%	10.16	12.29	-17.33%
Degree days:						
Heating degree days	87	228	(141)	141	512	(371)
Cooling degree days	141	24	117	503	224	279
Total degree days	228	252	(24)	644	736	(92)
Degree days - 30 year average		344			775	

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

JEA
Water and Sewer System
Operating Statistics

	Month December 2015	Month December 2014	Variance	Year-To-Date December 2015	Year-To-Date December 2014	Variance
Water						
Revenues (000's omitted):						
Residential	$ 7,322	$ 7,185	1.92%	$ 21,432	$ 21,035	1.88%
Commercial and industrial	3,705	3,604	2.80%	11,445	11,139	2.75%
Irrigation	2,234	2,163	3.28%	7,684	7,742	-0.75%
Water revenues	13,261	12,952	2.39%	40,561	39,916	1.61%
Less: rate stabilization environmental	(1,131)	(1,070)	5.74%	(3,245)	(3,156)	2.83%
Less: allowance for doubtful accounts	(23)	(22)	3.64%	(67)	(64)	4.28%
Water revenues, net	$ 12,107	$ 11,860	2.09%	$ 37,249	$ 36,696	1.50%
Water Sales (kgals*):						
Residential	1,390,836	1,408,313	-1.24%	3,991,585	3,962,041	0.75%
Commercial and industrial	1,039,749	982,606	5.82%	3,291,059	3,132,792	5.05%
Irrigation	327,720	317,448	3.24%	1,237,338	1,261,384	-1.91%
Total kgals sales	2,758,305	2,708,367	1.84%	8,519,982	8,356,217	1.96%
Number of accounts (1):						
Residential	269,923	263,186	2.56%	269,410	262,788	2.52%
Commercial and industrial	24,284	23,863	1.76%	24,240	23,846	1.65%
Irrigation	36,134	35,897	0.66%	36,164	35,895	0.75%
Total average accounts	330,341	322,946	2.29%	329,814	322,529	2.26%
Residential averages:						
Revenue per account - $	27.13	27.30	-0.62%	79.55	80.05	-0.62%
kgals per account	5.15	5.35	-3.71%	14.82	15.08	-1.73%
Revenue per kgals - $	5.26	5.10	3.20%	5.37	5.31	1.13%
Reuse						
Revenues (000's omitted):						
Reuse revenues	$ 743	$ 401	85.29%	$ 2,050	$ 1,585	29.34%
Reuse Sales (kgals*):						
Reuse sales (kgals)	188,991	93,124	102.95%	489,973	406,490	20.54%
Number of accounts:						
Reuse accounts	6,977	5,493	27.02%	6,822	5,408	26.15%
Sewer						
Revenues (000's omitted):						
Residential	$ 11,327	$ 11,235	0.82%	$ 32,395	$ 32,105	0.90%
Commercial and industrial	8,997	8,537	5.39%	25,977	25,569	1.60%
Sewer revenues	20,324	19,772	2.79%	58,372	57,674	1.21%
Less: rate stabilization environmental	(796)	(764)	4.18%	(2,245)	(2,160)	3.93%
Less: allowance for doubtful accounts	(34)	(33)	3.03%	(100)	(96)	4.17%
Sewer revenues, net	19,494	18,975	2.74%	56,027	55,418	1.10%
Sewer Sales (kgals*):						
Residential	1,232,839	1,230,520	0.19%	3,412,732	3,418,868	-0.18%
Commercial and industrial	976,127	910,113	7.25%	2,827,094	2,746,984	2.92%
Total kgals sales	2,208,966	2,140,633	3.19%	6,239,826	6,165,852	1.20%
Number of accounts (1):						
Residential	237,597	231,052	2.83%	237,129	230,660	2.80%
Commercial and industrial	17,906	17,696	1.19%	17,888	17,696	1.08%
Total average accounts	255,503	248,748	2.72%	255,017	248,356	2.68%
Residential averages:						
Revenue per account - $	47.67	48.63	-1.96%	136.61	139.19	-1.85%
kgals per account	5.19	5.33	-2.57%	14.39	14.82	-2.90%
Revenue per kgals - $	9.19	9.13	0.63%	9.49	9.39	1.08%

*kgals = 1000 gallons

Rainfall (YTD IS BASED ON CUMULATIVE FIGURE)			Diff in Inches			Diff in Inches
Normal	2.80	2.80		8.84	8.84	
Actual	0.56	3.74	(3.18)	4.68	9.57	(4.89)
Rain Days	8	6		19	15	

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

JEA
Electric System
Production Statistics

	Month December 2015	Month December 2014	Variance	Year-To-Date December 2015	Year-To-Date December 2014	Variance
Generated power:						
Steam:						
Fuel oil						
Fuel expense	$ 51,568	$ (86,045)	-159.93%	$ 6,552	$ (86,045)	-107.61%
Barrels #6 oil consumed	477	(796)	-159.92%	477	(796)	-159.92%
$/ per barrel consumed	$ 108.11	-		$ 13.74	$ 108.10	-87.29%
kWh oil generated (1)	-	-		-	-	
Cost per MWh - oil						
Natural gas units #1-3						
Gas expense - variable	$ 3,698,147	$ 1,574,499	134.88%	$ 7,178,034	$ 2,533,649	183.31%
MMBTU's consumed	1,705,304	421,723	304.37%	2,939,831	637,967	360.81%
$/ per MMBTU consumed	$ 2.17	$ 3.73	-41.82%	$ 2.44	$ 3.97	-38.54%
kWh - gas generated (1)	162,213,737	33,797,599	379.96%	275,618,118	47,422,340	481.20%
Cost per MWh - gas	$ 22.80	$ 46.59	-51.06%	$ 26.04	$ 53.43	-51.26%
Cost per MWh - gas & oil - steam	$ 23.12	$ 44.04	-47.50%	$ 26.07	$ 51.61	-49.49%
Coal						
Coal expense	$ 1,294,477	$ 4,975,770	-73.98%	$ 4,423,159	$ 15,371,670	-71.23%
kWh generated	56,756,645	153,632,777	-63.06%	199,162,001	453,631,949	-56.10%
Cost per MWh - coal	$ 22.81	$ 32.39	-29.58%	$ 22.21	$ 33.89	-34.46%
Pet coke and limestone						
Expense	$ 2,542,872	$ 4,641,689	-45.22%	$ 7,907,621	$ 4,894,103	61.57%
kWh generated	104,608,281	142,925,311	-26.81%	331,721,706	142,925,311	
Cost per MWh - pet coke and limestone	$ 24.31	$ 32.48	-25.15%	$ 23.84		
Cost per MWh - coal & petcoke - steam	$ 23.78	$ 32.43	-26.67%	$ 23.23	$ 33.97	-31.62%
Combustion turbine:						
Fuel oil						
Fuel expense	$ 62,834	$ 50,094	25.43%	$ 160,595	$ 127,292	26.16%
Barrels #2 oil consumed	297	368	-19.29%	748	683	9.52%
$/ per barrel consumed	$ 211.56	$ 136.13	55.41%	$ 214.70	$ 186.37	15.20%
kWh - oil generated	10,958	41,498	-73.59%	152,027	85,502	77.81%
Cost per MWh - oil	$ 5,734.08	$ 1,207.14	375.01%	$ 1,056.36	$ 1,488.76	-29.04%
Natural gas (includes landfill)						
Gas expense Kennedy & landfill - variable	$ 82,258	$ 120,922	-31.97%	$ 200,725	$ 286,363	-29.91%
MMBTU's consumed	37,865	32,388	16.91%	86,145	68,307	26.11%
$/ per MMBTU consumed	$ 2.17	$ 3.73	-41.82%	$ 2.33	$ 4.19	-44.39%
kWh - gas generated (1)	3,018,260	2,229,741	35.36%	6,482,801	4,349,517	49.05%
Cost per MWh - gas	$ 27.25	$ 54.23	-49.75%	$ 30.96	$ 65.84	-52.98%
Gas expense BB simple - variable	$ 77,032	$ 50,398	52.85%	$ 413,076	$ 139,220	196.71%
MMBTU's consumed	$ 43,048	$ 13,469	219.61%	206,692	41,623	396.58%
$/ per MMBTU consumed	$ 1.79	$ 3.74	-52.14%	$ 2.00	$ 3.34	-40.12%
kWh - gas generated (1)	3,772,667	1,047,200	260.26%	18,274,035	3,132,100	483.44%
Cost per MWh - gas simple	$ 20.42	$ 48.13	-57.57%	$ 22.60	$ 44.45	-49.16%
Gas expense BB combined - variable	$ 4,865,000	$ 4,178,724	16.42%	$ 14,860,891	$ 23,041,029	-35.50%
MMBTU's consumed	2,389,205	1,114,006	114.47%	6,670,188	5,878,219	13.47%
$/ per MMBTU consumed	$ 2.04	$ 3.75	-45.60%	$ 2.23	$ 3.92	-43.11%
kWh - gas generated (1)	345,552,028	148,958,782	131.98%	953,475,220	824,042,967	15.71%
Cost per MWh - gas combined	$ 14.08	$ 28.05	-49.80%	$ 15.59	$ 27.96	-44.24%
Gas expense GEC simple - variable	$ 159,129	$ 42,633	273.25%	$ 801,815	$ 176,780	353.57%
MMBTU's consumed	82,455	10,825	661.71%	359,048	90,904	294.97%
$/ per MMBTU consumed	$ 1.93	$ 3.94	-51.02%	$ 2.23	$ 1.94	14.95%
kWh - gas generated	7,077,054	586,581	1106.49%	31,479,057	6,522,311	382.64%
Cost per MWh - gas simple	$ 22.49	$ 72.68	-69.06%	$ 25.47	$ 27.10	-6.01%
Cost per MWh - gas & oil ct	$ 14.60	$ 29.06	-49.76%	$ 16.28	$ 28.36	-42.60%
Natural gas expense - fixed	$ 3,218,145	$ 2,748,882	17.07%	$ 7,635,131	$ 7,745,359	-1.42%
Total generated power:						
Fuels expense	$ 16,051,462	$ 18,297,566	-12.28%	$ 43,587,599	$ 54,229,420	-19.62%
kWh generated	683,009,630	483,219,489	41.35%	1,816,364,965	1,482,111,997	22.55%
Cost per MWh	$ 23.50	$ 37.87	-37.94%	$ 24.00	$ 36.59	-34.41%

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

Cost of fuels

	Month 2015	Month 2014	YTD 2015	YTD 2014
Fuel oil #6	$ 51,568	$ (86,045)	$ 6,552	$ (86,045)
Natural gas units #1-3 with landfill - variable	3,698,147	1,574,499	7,178,034	2,533,649
Coal	1,294,477	4,975,770	4,423,159	15,371,670
Petcoke	2,542,872	4,641,689	7,907,621	4,894,103
Fuel oil #2	62,834	50,094	160,595	127,292
Natural gas - simple cycle (BB & GEC) - variable	318,419	213,953	1,415,616	602,363
Natural gas - combined (BB) - variable	4,865,000	4,178,724	14,860,891	23,041,029
Natural gas - fixed	3,218,145	2,748,882	7,635,131	7,745,359
Total	$ 16,051,462	$ 18,297,566	$ 43,587,599	$ 54,229,420

JEA
Electric System
Production Statistics (Con't.)

	Month December 2015	Month December 2014	Variance	Year-To-Date December 2015	Year-To-Date December 2014	Variance
Production Statistics (Con't.)						
Purchased power:						
Plant Scherer						
Purchases	$ 3,096,925	$ 3,636,419	-14.84%	$ 12,804,526	$ 11,570,939	10.66%
kWh purchased	68,621,000	94,821,000	-27.63%	265,946,000	278,785,000	-4.61%
Cost per MWh	$ 45.13	$ 38.35	17.68%	$ 48.15	$ 41.50	16.00%
TEA & other						
Purchases	$ 3,157,721	$ 4,469,101	-29.34%	$ 10,111,277	$ 11,312,749	-10.62%
kWh purchased	97,886,180	91,883,793	6.53%	272,594,963	195,610,600	39.36%
Cost per MWh	$ 32.26	$ 48.64	-33.68%	$ 37.09	$ 57.83	-35.86%
SJRPP						
Purchases	$ 7,134,811	$ 15,131,935	-52.85%	$ 30,461,340	$ 47,516,006	-35.89%
kWh purchased	107,051,000	303,982,000	-64.78%	550,305,000	973,551,000	-43.47%
Cost per MWh	$ 66.65	$ 49.78	33.89%	$ 55.35	$ 48.81	13.41%
Total purchased power:						
Purchases	$ 13,389,457	$ 23,237,455	-42.38%	$ 53,377,143	$ 70,399,694	-24.18%
kWh purchased	273,558,180	490,686,793	-44.25%	1,088,845,963	1,447,946,600	-24.80%
Cost per MWh	$ 48.95	$ 47.36	3.35%	$ 49.02	$ 48.62	0.83%
Subtotal - generated and purchased power:	$ 29,440,919	$ 41,535,021	-29.12%	$ 96,964,742	$ 124,629,114	-22.20%
Fuel interchange sales	(15,803)	(194,366)	-91.87%	(339,165)	(1,079,641)	-68.59%
Earnings of The Energy Authority	74,357	(76,432)	-197.29%	(133,393)	(35,179)	279.18%
Realized and Unrealized (Gains) Losses:	357,000	-		917,400	-	
Fuel procurement and handling	1,145,537	1,108,659	3.33%	2,665,203	3,146,580	-15.30%
By product reuse	503,011	837,293	-39.92%	2,638,368	2,746,645	-3.94%
Total generated and net purchased power:						
Cost, net	31,505,021	43,210,175	-27.09%	102,713,155	129,407,519	-20.63%
kWh generated and purchased	956,567,810	973,906,282	-1.78%	2,905,210,928	2,930,058,597	-0.85%
Cost per MWh	$ 32.94	$ 44.37	-25.77%	$ 35.35	$ 44.17	-19.95%

Reconciliation:

	Month 2015	Month per MWh	YTD 2015	YTD per MWh
Generated and purchased power per above	$ 31,505,021	$ 32.94	$ 102,713,155	$ 35.35
SJRPP operating expenses:				
SJRPP O & M	(1,346,340)	(1.41)	(4,700,928)	(1.62)
SJRPP debt service	(3,412,043)	(3.57)	(10,230,577)	(3.52)
SJRPP R & R	1,715,254	1.79	5,140,315	1.77
SCHERER operating expenses:				
Scherer power production	(374,213)	(0.39)	(1,464,055)	(0.50)
Scherer R & R	(317,639)	(0.33)	(2,775,769)	(0.96)
Scherer transmission	(419,419)	(0.44)	(1,258,256)	(0.43)
Scherer taxes	(81,814)	(0.09)	(245,442)	(0.08)
Southern capacity	(593,919)	(0.62)	(1,774,555)	(0.61)
	$ 26,674,888	$ 27.89	$ 85,403,888	$ 29.40

JEA
Electric System
SJRPP Sales and Purchased Power

		Month December 2015	Month December 2014	Year-To-Date December 2015	Year-To-Date December 2014
MWh sales:					
FPL		147,031	264,953	739,131	943,215
JEA		107,051	303,982	550,305	973,551
Total MWh sales		254,082	568,935	1,289,436	1,916,766
Fuel costs :		$ 4,093,739	$ 10,703,882	$ 20,679,467	$ 34,245,587
(Includes fuel handling expenses)					
Less interest credits: inventory bank		(2,457)	(2,254)	(9,278)	(7,445)
Plus (less): true-up interest		401	53	(40)	(10)
Total		4,091,683	10,701,681	20,670,149	34,238,132
Cost per MWh		$ 38.22	$ 35.20	$ 37.56	$ 35.17
Operating and maintenance expenses:		1,346,835	1,785,886	4,702,134	5,361,328
Less: operations bank interest		(496)	(252)	(1,205)	(919)
Less: annual variable o & m true-up		-	(1,184)	-	(1,184)
Total		1,346,339	1,784,450	4,700,928	5,359,225
Cost per MWh		$ 12.58	$ 5.87	$ 8.54	$ 5.50
Debt service contribution:	P	2,331,563	2,958,177	6,994,688	8,874,531
	I	1,464,488	1,729,591	4,393,463	5,188,774
Less credits:					
Reserve units 1 & 2		(264,334)	(244,390)	(789,853)	(746,793)
Debt service units 1 & 2		(3)	(230)	(67)	(17,073)
Bond proceeds COB		-	(1,900)	-	(3,682)
General reserve		(14,995)	(3,065)	(43,231)	(7,744)
Build America Bonds subsidy		(34,190)	(34,007)	(102,570)	(102,020)
Inventory carrying costs		(58,890)	(57,937)	(175,700)	(175,571)
Total		3,423,638	4,346,239	10,276,729	13,010,422
Cost per MWh		$ 31.98	$ 14.30	$ 18.67	$ 13.36
R & R contribution:		339,343	345,221	1,018,029	1,035,664
Less: interest credit		(41,193)	(45,656)	(129,495)	(127,437)
Less: cumulative capital recovery amount		(2,025,000)	(2,000,000)	(6,075,000)	(6,000,000)
Total		(1,726,850)	(1,700,435)	(5,186,466)	(5,091,773)
Cost per MWh		$ (16.13)	$ (5.59)	$ (9.42)	$ (5.23)
Debt service coverage:		2,117,000	2,522,000	2,117,000	2,522,000
Transfer to JEA		(2,117,000)	(2,522,000)	(2,117,000)	(2,522,000)
Total		-	-	-	-
Cost per MWh		-	-	-	-
Total		$ 7,134,811	$ 15,131,935	$ 30,461,340	$ 47,516,006
kWh purchased		107,051,000	303,982,000	550,305,000	973,551,000
Cost per MWh		$ 66.65	$ 49.78	$ 55.35	$ 48.81

JEA Community Engagement Calendar - December - February 2016

(Events highlighted in blue are either JEA sponsored or corporate events)

	A	B	C	D	E	F
1	**Date**	**Event/Activity**	**Location**	**Time**	**Type**	**Opportunity for Public to Attend or Participate**
2	**Dec-15**					
3	12/3/2015	Northeast Fl Consumer Council Meeting	Times Union Building	7pm	Ambassador Speaker	Yes
4	12/3/2015	CC Brown's Town Hall Meeting	The Legends Center - 5053 Soutel Dr.	6pm	Ambassador Event	Yes
5	12/9/2015	JEA Holiday Toy Drive	All Facilities	All Day	Employee Project	Yes
6	12/9/2015	Career Fair	Northshore Elem.	9am	Ambassador Event	No
7	12/14/2015	Lighthouse Christian School	NGS Tour	9:30am	Ambassador Facility Tour	No
8	12/15/2015	JA Volunteer Day	Kipp Middle School	7:50am	Ambassador Instructor	No
9	12/19/2015	CC Reggie Brown's Community Service Day	The Legends Center - 5053 Soutel Dr.	10am - 3pm	Ambassador Event	Yes
10	**Jan-16**					
11	1/7/2016	RV Daniels Science Night	1951 W 15th St	6pm	Ambassador Event	Yes
12	1/13/2016	MCCI Medical Group	5238 -16 Norwood Ave	11am	Ambassador Speaker	Yes
13	1/18/2016	Power Pals Program Kicks Off	RV Daniels Elem.	2pm	Ambassador Instructor	No
14	1/26/2016	Power Pals Program Kicks Off	SP Livingston Elem	11am	Ambassador Instructor	No
15	1/29/2016	Northeast FL Regional Council	Brandy Branch Tour	9am	Ambassador Facility Tour	No
16						
17						
18	**Feb-16**					
19	2/3/2016	UNF Environmental Center	Main St Lab Tour	1:30pm	Ambassador Facility Tour	No
20						
21						

FY16 Communications & Community Engagement
Overview and December/January Update

Overview: Each month we update the board on communications and community engagement activities for the previous and current months. We will be glad to provide you additional or different information as you prefer. The purpose is to keep you informed about these activities so that you are knowledgeable about JEA's efforts to keep our customers informed, to assist them in the management of their utility services and to be a good corporate citizen.

Communications: In December, we always focus heavily on the Neighbor to Neighbor (NTN) program that provides utility bill assistance to customers when they find themselves in financial crisis because of a life change or illness. Promoting NTN not only helps customers by providing actual financial assistance, but it also raises awareness of the need in our community. Holiday tips for savings and safety are always important messages at this time of year. We continued to promote sign-ups for alerts on jea.com as well as the use of jea.com as a convenient way to interact with JEA. We also maintained our billing and payment product options in the mix of messages. In January, we kicked off the new year with our MyBudget campaign to encourage customers to sign up for leveled billing. As with other campaigns, we are offering a drawing for a smart TV as the incentive for the campaign. All paid and owned messaging are supported by social media, using Twitter, Facebook, Linkedin, Google+ and YouTube to provide additional timely, relevant information.

Community Engagement: JEA employees are actively involved in our community engagement efforts. JEA Ambassadors participate in activities where we have an opportunity to help customers manage their utility services and/or to educate customers about how JEA provides critical utility services to our community. These employees are trained and certified ahead of time to help JEA deliver on our mission. On the other hand, JEA Volunteers go out into the community to assist nonprofits accomplish their goals by offering their time and talents to help the nonprofit deliver their mission. Volunteers do not have to have any special training or talent; they just have a caring heart.

In December, Ambassador activities included participation in events or activities in support of the Northeast FL Consumer Council Meeting and Career Day at Northshore Elementary School. JEA Ambassadors provided instruction in financial literacy through Junior Achievement Day at the Kipp Middle School. We had one facility tour in December by Lighthouse Christian School. JEA employee Ambassadors participated in City Councilman Brown's Annual Community Day of Service Event at the Legends Center. Customers were provided with information on the various JEA products and services that could help them save on their monthly utility bills.

December and January continue to be big volunteer months. JEA volunteers assisted with the Salvation Army Toy Distribution at seven events, the Feeding NE Florida Food Bank and through giving activities with the Holiday Toy Collection Drive where JEA employees contributed 339 toy items and donated them to the Hubbard House Toy Closet. Employees adopted 11 families from local non-profit organizations through the Adopt a Family for the Holidays program. Departments collected food and gifts for their adopted families.

In January, volunteers stepped forward to assist Feeding NE Florida Food Bank, Dignity U Wear and Feeding NE Florida Citrus Drive to help citizens across our community.

As a community-owned utility, JEA employees take a great pride in the Ambassador and Volunteer programs and these programs go a long way to tangibly demonstrate to customers and the community the incredible "Heart of JEA."

Communications Contacts* Generated Year to Date	**49,976,823**
• Number of Paid Communications Contacts (Radio, Television, Out of Home, Online, Print)	39,485,231
• Number of Other Communications Contacts (Bill Insert, Bill Envelop, Brochure, etc.)	3,248,030
• Number of E-communications Contacts (jea.com Visitors, Email, Social Media, Videos)	7,104,253
• Number of Community Engagement Communications Contacts (Events, Public Speaking, Presentations, Training, Workshops, etc.)	139,309

*Communications Contacts are the opportunities we have to communication information to our customers.

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AGENDA ITEM SUMMARY

January 8, 2016

SUBJECT:	**REAL ESTATE ACQUISITION STATUS REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Provide the JEA Board with an update of Real Estate activities where use of Condemnation Authority has previously been granted. Since there is no new condemnation activity at this time, this report is placed within the consent agenda.

Significance: Timely acquisition of property rights provides for continued service reliability.

Effect: Property owners whose real property is impacted by specific JEA work.

Cost or Benefit: The cost to acquire property rights is a one-time fee supported by certified appraisals with appropriate legal and other fees and expenses.

Recommended Board action: No action required. The Real Estate Acquisition Status Report is for informational purposes only.

For additional information, contact: Hamid Zahir, 665-6068

Submitted by: PEM/MHD/HAZ/DLB

Commitments to Action

1 Earn Customer Loyalty
2 Deliver Business Excellence
3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

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INTER-OFFICE MEMORANDUM
January 8, 2016

SUBJECT:	**REAL ESTATE ACQUISITION STATUS REPORT**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
The JEA Board of Directors periodically grants the use of Condemnation Authority for specific work which is critical to JEA's operations. This authority provides for property rights to be acquired in a timely manner which ensures continued service reliability. Every effort is made to negotiate a settlement before proceeding with this action.

DISCUSSION:
The Real Estate Acquisition Status Report is submitted to the Board quarterly, and is intended to provide the Board with an overview of activities for which Condemnation Authority has been granted. There is no new condemnation activity in the most recent quarter.

RECOMMENDATION:
No action is required. The Real Estate Acquisition Status Report is for informational purposes only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/HAZ/DLB

Ver 2.0 09/25/2012

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AGENDA ITEM SUMMARY

January 6, 2016

SUBJECT:	**SOLE SOURCE & EMERGENCY PROCUREMENT/PROCUREMENT APPEALS BOARD REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

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

Significance: Full transparency of these procurement actions is necessary to maintain public confidence in JEA's bidding process and to ensure competition is achieved when in JEA's best interest.

Effect: JEA's Procurement Department is responsible for maintaining these records and reporting to the JEA Board.

Cost or Benefit: To maintain public confidence in JEA's bidding process and to ensure competition is achieved when in JEA's best interest.

Recommended Board action: Provided for information; no action required.

For additional information, contact: John McCarthy, Director Supply Chain Management, 665-5544

Submitted by: PEM/MHD/JPM/RMS

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
January 6, 2016

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

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

DISCUSSION:
This report is submitted for the quarter ending December 31, 2015. Summary information for all awards is provided below. A detailed listing for the Formal Sole Source and Emergency Awards is attached. Detailed back-up information for all other awards is retained by the Chief Procurement Officer and is available upon request. There were no Procurement Appeals Board actions during this quarter.

Quarter Ending December 31, 2015

Formal Awards	**Number**	**%**	**Dollar Amount**	**%**
Total	47		$ 77,063,584	
Sole Source Awards	0	0%	$ 0	0%
Emergency Awards	0	0%	$ 0	0%

Informal Awards	**Number**	**%**	**Dollar Amount**	**%**
Total	2,630		$ 44,529,729	
Sole Source Awards	0	0%	$ 0	0%
Emergency Awards	6	0.23%	$ 149,694	0.34%

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

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JPM/RMS

Ver 2.1 09/21/2013

Total Sole Source & Emergency Procurement Actions

	FY15 Q2	FY15 Q3	FY15 Q4	FY16 Q1
Total Awards	$121.53M	$133.47M	$102.44M	$121.59M
Sole Source ($)	$1.86M	$3.92M	$0M	$0M
Sole Source (%)	1.53%	2.94%	0%	0%
Emergency ($)	$0.27M	$0.43M	$0.37M	$0.15M
Emergency (%)	0.22%	0.32%	0.37%	0.12%

Formal Sole Source and Emergency Awards by Department - Summary

12 months ending December 31, 2015

Sole Source Awards (3 Items totaling $4,942,142.26)

Requesting Dept	Number of Awards	Amount	Description
P. Cosgrave (TS)	1	$1,260,953.26	IT Infrastructure (Citrix Servers, SQL Database Servers and Storage Arrays)
B. Roche (W/WW)	1	$2,181,189.00	Blacks Ford and Ponce de Leon Treatment Plant Purchase and Construction
B. Para (PA)	1	$1,500,000.00	Program Manager - Water Supply Planning and Advocacy
Total	**3**	**$4,942,142.26**	

Emergency Awards (0 Items totaling $0.00)

Requesting Dept	Number of Awards	Amount	Description
Total	**0**	**$0.00**	

Formal Sole Source Awards by Department -- Detail

12 months ending December 31, 2015

Sole Source Awards (3 Items totaling $4,942,142.26)

Award Date	Amount	Requesting Dept	Vendor	Description	Sourcing Basis
3/26/2015	$1,260,953.26	P. Cosgrave (TS)	Hewlett-Packard Company ("HP")	IT Infrastructure: Citrix Servers, SQL Database Servers, Virtual Host Hardware, Server Enclosure Uplinks and Storage Arrays	**Sole Source -** New hardware as part of a planned refresh cycle to replace legacy server and storage hardware already in place or soon to be out of support for the following JEA systems: VMWare Host Servers, Enterprise MS SQL, Legacy server enclosures, Citrix and 3PAR storage arrays. All hardware refresh will align with JEA's virtualization strategy in addition to adhering to JEA's hardware standards. HP's partners and resellers also provide these services, however, HP pricing is below the pricing offered through its partners and resellers. HP would not have bid against their partners and resellers if this had been bid out.
4/24/2015	$2,181,189.00	B. Roche (W/WW)	Evoqua Water Technologies, LLC	Blacks Ford and Ponce de Leon Treatment Plant Purchase and Construction	**Sole Source -** JEA had an opportunity to procure a used Water Treatment "Package" plant to provide additional capacity to the Blacks Ford WRF where it is immediately needed, and for future use in the Ponce de Leon wastewater service territory upon completion of the Blacks Ford expansion project. The equipment cost of a used plant is approximately fifty percent (50%) that of a new plant ($2.1 M versus $4.0M), and because the physical condition of the used plant had to be assessed prior to purchase, and the limited number of these types of plants, there is no common gound for the bidding process.
5/21/2015	$1,500,000.00	B. Para (PA)	Liquid Solutions Group, LLC	Program Manager - Water Supply Planning and Advocacy	**Sole Source** - Under the Continuing Service Agreement Contract 98124, Jones Edmunds and Associates has been providing CUP Permitting support to JEA and to a utility consortium of which JEA is a member, the Northeast Florida Utility Coordinating Group. Because the core Jones Edmunds project leader and lead modeler have left for other jobs, their work as been subsumed by a subcontractor - Liquid Solutions Group - who had been supporting the team in recent years under this same contract. Because of the confidential nature of this work, and the resources invested to date in this team on a long-term water supply plan and MFL issues, it remains in JEA's best interest to pursue this sole source opportunity with Liquid Solutiions Group, LLC.
Total	$4,942,142.26				

Formal Emergency Awards by Department -- Detail

12 months ending December 31, 2015

Emergency Awards (0 Items totaling $0.00)

Award Date	Amount	Requesting Dept	Vendor	Description	Sourcing Basis
Total	$0.00				

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Sole Source & Emergency Procurement/Procurement Appeals Board Report

Board of Directors Meeting
January 19, 2016

John McCarthy, Director Supply Chain Management

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Sole Source & Emergency Procurement Report

Procurement Actions
Over Last 4 Quarters

	FY15 Q2	FY15 Q3	FY15 Q4	FY16 Q1
Total Awards	$121.54M	$133.47M	$102.44M	$121.59M
Sole Source ($)	$1.86M	$3.92M	$0M	$0M
Sole Source (%)	1.53%	2.94%	0%	0%
Emergency ($)	$0.27M	$0.43M	$0.37M	$0.15M
Emergency (%)	0.22%	0.32%	0.37%	0.12%
Combined SS/E (%)	1.75%	3.26%	0.37%	0.12%

JEA's ~ 2% Sole Source and Emergency Procurement award percentage compares very favorably to other public utilities

JEA Building Community

Sole Source & Emergency Procurement Report

Formal Sole Source/Emergency Procurements during the past year

Current Quarter

- None

Previous Quarters

- $1.26M Sole Source to Hewlett-Packard for IT Infrastructure (HP internal bidding policy)
- $2.18M Sole Source to Evoqua Water Technologies, LLC for Blacks Ford and Ponce de Leon Treatment Plant (Opportunity to procure a used water treatment "package" plant)
- $1.5M Sole Source to Liquid Solutions Group, LLC for Program Manager (Continuity of CUP permitting professional services)

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Procurement Appeals Board Report

Procurement Appeals Board Actions during the past year

Current Quarter

- None

Previous Quarters

- Project: 075-15 – Mandarin WRF Projects Bio Filter Bed Replacement Headworks Rehabilitation Bar Screen Replacement and Grit System Removal (Low bidder did not meet specialty sub-contractor requirement)
  - PAB upheld CPO decision

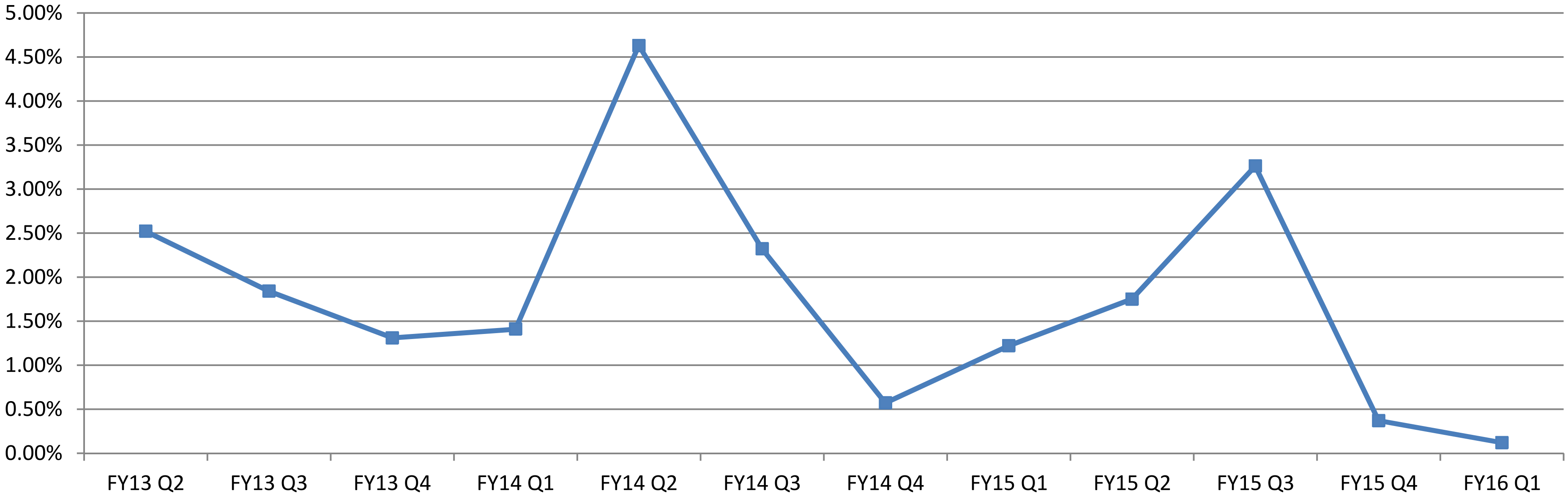
- Project: 054-15 – Ponce de Leon Water Treatment Plant Pump Building and Reservoir Replacement (Low bidder did not meet JSEB sub-contracting requirement)
  - PAB upheld CPO decision

JEA Building Community

Sole Source & Emergency Procurement/Procurement Appeals Board Report

Combined Sole Source & Emergency Awards

(prior three years)



Building Community

AGENDA ITEM SUMMARY

January 8, 2016

SUBJECT:	**JEA'S ROLE IN ECONOMIC DEVELOPMENT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Recently, the City of Jacksonville formed a coalition with the mission to better coordinate local economic development efforts among community stakeholders.

Significance: Utility reliability and costs are common factors in business location/relocation. This allows JEA to play a significant role in economic development efforts.

Effect: JEA's outstanding electric reliability and varied rate programs, combined with industry-leading customer service and a robust network of infrastructure, provides a solid foundation in spurring local economic development.

Cost or Benefit: JEA provides an exceptional range of services to help drive the mission of the local economic development coalition with the added benefit of growing the JEA customer base.

Recommended Board action: No action required; provided for information only.

For additional information, contact: Melissa Dykes

Submitted by: PEM/ MHD/ RFW

Ver.2.0D 9/21/2013 jer

JEA's Role in Economic Development

JEA Board of Directors Overview

Agenda

Jacksonville Economic Development: A coordinated effort

How do utilities fit into economic development?

Leveraging JEA's assets for economic development

Next steps and considerations

Jacksonville Economic Development: A coordinated effort

- Local coalition formed to coordinate economic development efforts
- Formed in 2015 under the direction of Mayor Curry
- Mission to coordinate local economic development efforts
- Scorecard under development, anticipated June 2016
- Common goals and metrics for participants to drive local development

Agenda

Jacksonville Economic Development: A coordinated effort

How do utilities fit into economic development?

- ✓ Reliability
- ✓ Customer Service
- ✓ Rate structure

Leveraging JEA's assets for economic development

Next steps and considerations

How do utilities fit into Economic Development?

- Energy availability and costs are common factors considered in the site selection process
- Ranking of utility importance fluctuates from year to year, typically between 6-10
- Research indicates reliability and customer service are as critical as absolute price

To effectuate positive outcomes in economic development it is equally important that a utility provide assistance beyond the conventional boundaries of power quality and price to help drive enterprise to locate or expand in the utility service territory.

-John Wolfram, founder and Principal of Catalyst Consulting LLC

Combined Ratings

Chart W

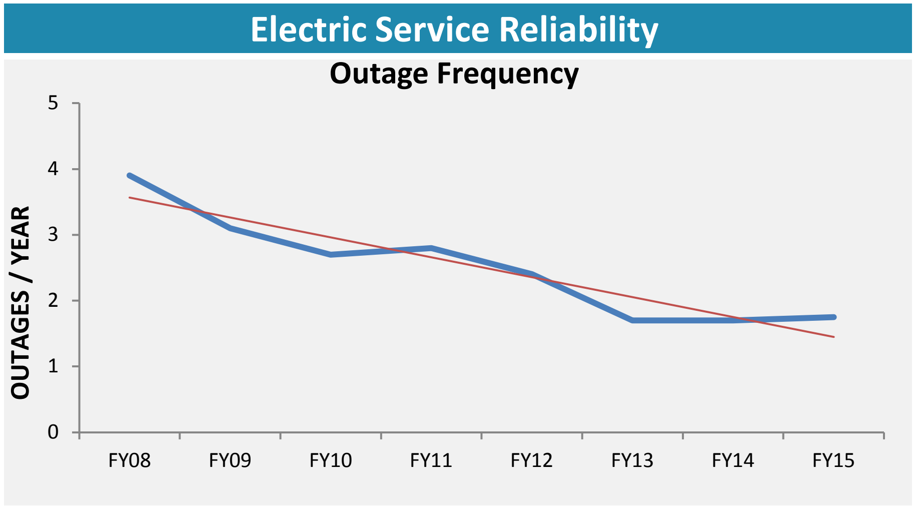
CONSULTANTS SURVEY 2013*

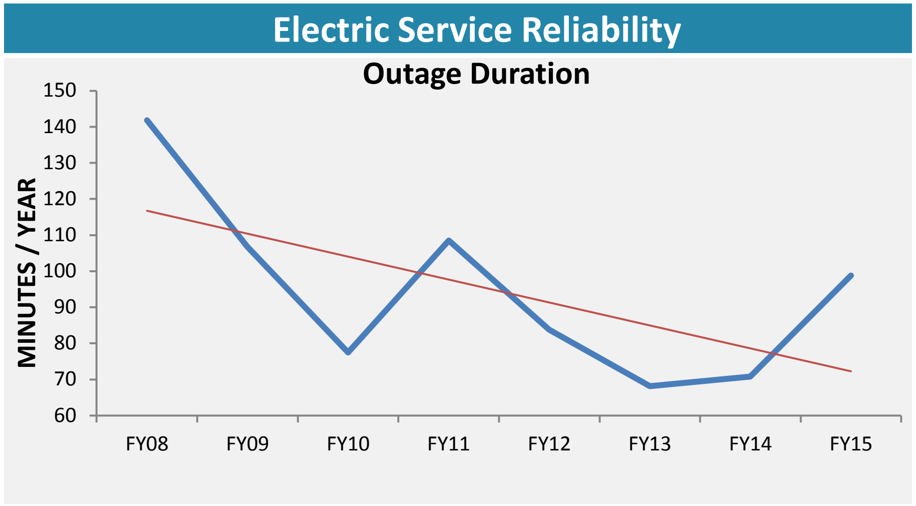
Site selection factors	2013	2012
Ranking		
1. Availability of skilled labor	98.3	96.5 (2)**
2. Highway accessibility	97.4	98.3 (1)
3. State and local incentives	93.8	91.1 (6)
4. Available land	93.0	86.6 (12)
5. Labor costs	92.9	93.0 (3)
5T. Proximity to major markets	92.9	92.9 (4)
7. Tax exemptions	91.9	90.3 (7)
8. Energy availability and costs	88.6	89.3 (9)
8T. Accessibility to major airport	88.6	83.6 (13)
10. Expedited or "fast-track" permitting	87.7	92.8 (5)
11. Corporate tax rate	86.8	90.3 (7T)
12. Proximity to suppliers	86.7	80.9 (16)
13. Right-to-work state	86.0	75.9 (20)
14. Low union profile	85.9	89.2 (10)
15. Availability of advanced ICT services	85.0	81.9 (14)

*All figures are percentages and are the total of "very important" and "important" ratings of the **Area Development** Consultants Survey and are rounded to the nearest tenth of a percent.
**(2012 ranking)

JEA is more than 99.985% reliable

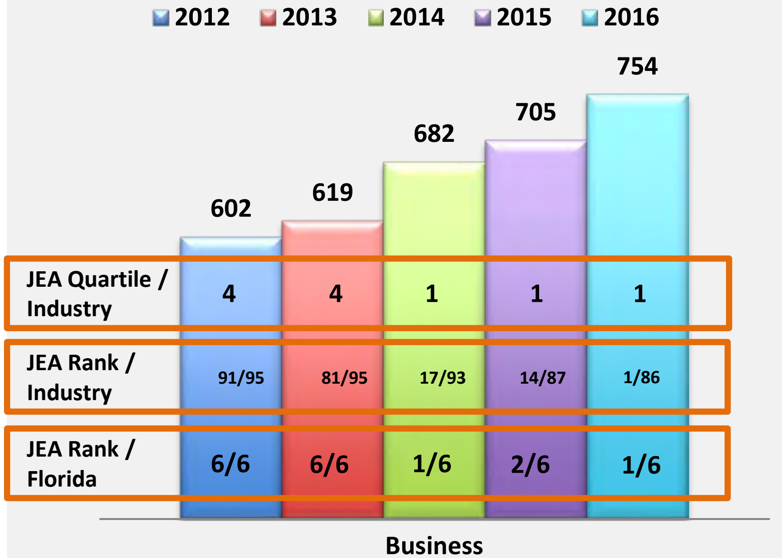
- American Public Power Association's (APPA) Reliable Public Power Award, Diamond Designation, in FY14 for providing the highest degree of reliable and safe electric service
- In last three years REDUCED extended outages by 30% and momentary outages by 15%
- Over the past 5 years JEA has invested more than $187 million in the electric system for capacity related projects and to improve reliability
- One of the few municipals in the country tracking and improving customer reliability at the individual customer level. Fewer than 1% of JEA customers are experiencing more than 5 outages each year.



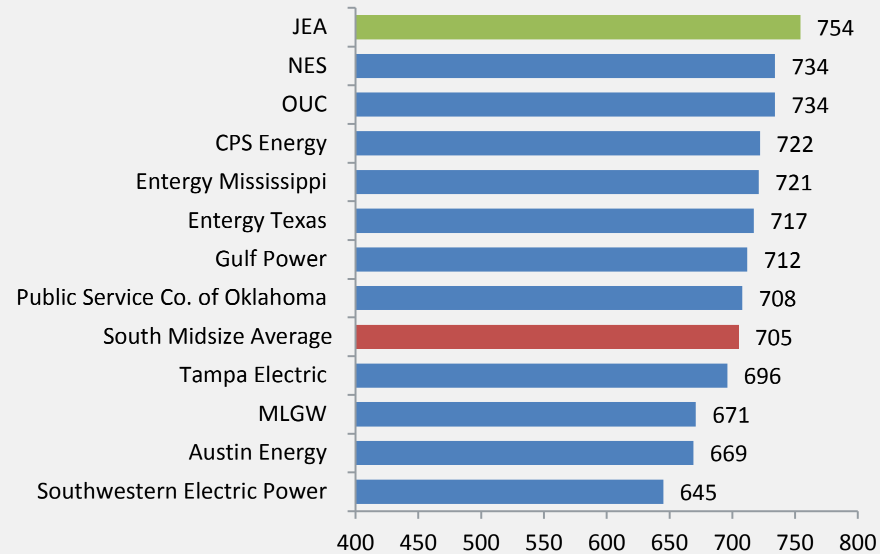


JEA provides industry-leading customer service

Customer satisfaction index scores

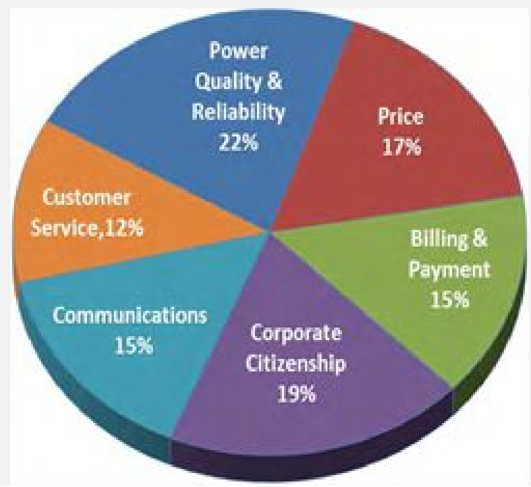


Overall CSI: South Midsize Segment



- JEA has earned JD Power's "Highest Customer Satisfaction with Business Electric Service in the South among Midsize Utilities". Additionally, JEA's rankings placed JEA as the highest rated Florida utility in the 2016 study, and ranked as the highest rated utility (tied) nationally.
- JEA has achieved this recognition <u>from our customers</u> by integrating a customer centric focus into our culture, our strategy and ultimately, our actions across the organization in all drivers of satisfaction
- Customers also enjoy a dedicated Business Customer Experience Center and an Account Executive team that provides personalized, one-on-one service

Six components of Customer Satisfaction



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JEA provides industry-leading customer service

JEA is a committed and supportive partner in the collaborative approach to economic development for the City of Jacksonville.

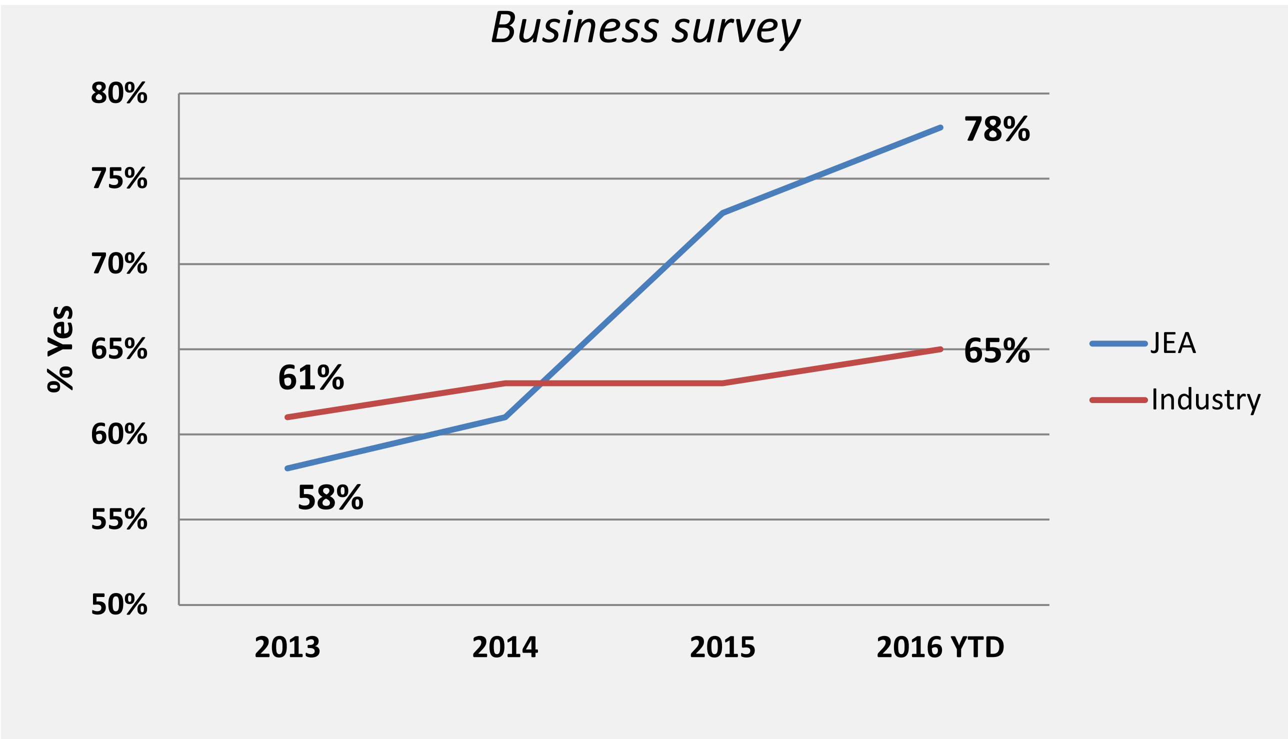
JD Power

"Believe utility supports economic development of local community"

Customer Sat Scores

Score	Business
Yes	748
No	586

Utility Supports Economic Development



JEA offers several rate programs designed to support economic development

Economic Development Option [1]
Approved August 2013, Effective October 2013

- Currently offered as an Experimental Rate Rider
- The program applies to new or existing customers whose new demand or incremental demand is a minimum of 300 kW at a single site, and the customer employs an additional work force of at least 15 full-time employees in the JEA service area
- Customers receive a discount on energy, demand, and environmental charges. The discount expands over a six year period with a declining discount schedule.
- Customers have the opportunity to expand the first year discount for two additional years given the new load is at least 5,000 kW.
- Customers have the opportunity for an additional 5% discount for each applicable year given they are located in a Load Density Improvement area, which are defined as areas in which there are underutilized JEA assets

Incremental Economic Dev Option
Approved June 2011, Effective October 2011

- Applies primarily to manufacturing customers in the Interruptible rate class only.
- Customer receives discount on the incremental demand and energy, fuel, and environmental above an established baseline.
- Discount expands over two consecutive five year periods in accordance with a five year declining schedule.

High Load Factor
Approved June 2014, Effective October 2014

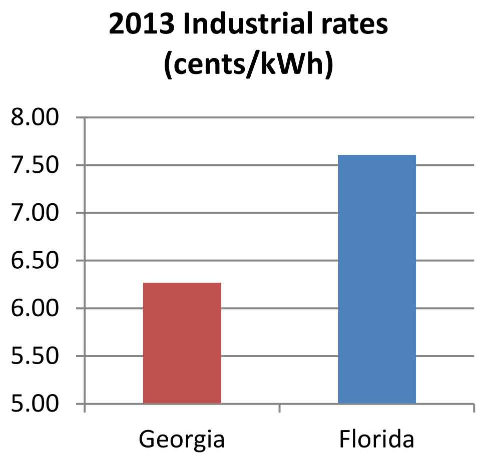
- Attracts and rewards customers that have high load factors. High load factor customers contribute to improving the overall system load factor by utilizing JEA base and intermediate load power plants at higher capacity factors. Higher load factor customers have more kWh billing units on which to spread fixed costs thus lowering the unit rate per kWh to serve these customers.

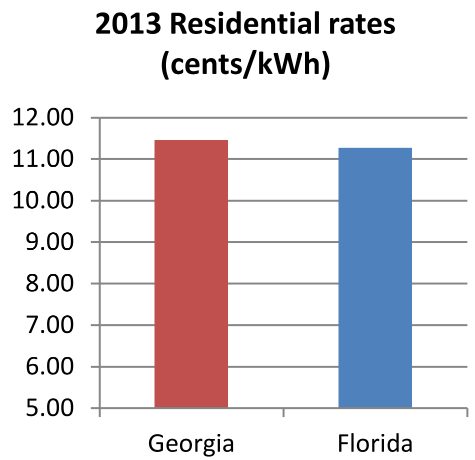
[1]More aggressive program than FPL

Rate design limitations and considerations

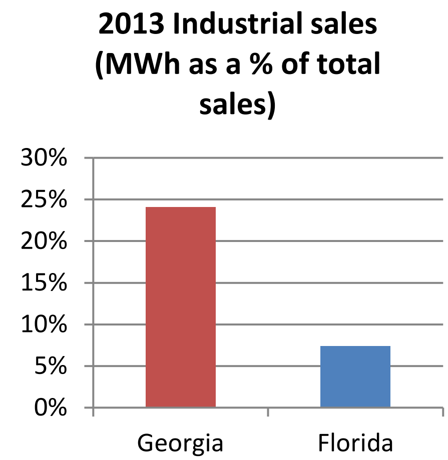
- While the JEA Board is the governing body over JEA rates, the FPSC must approve the structure of all JEA electric rate tariffs
- Federal Public Service Commission (FPSC) regulates JEA's pricing rate structure as it does for Investor Owned Utilities
- Rate changes must comport with Cost-of-Service (COS) Study, and price discrimination between customer classes or subsidization is not allowed
  - Other states allow for subsidizing of commercial rates by residential customers or low-income tariffs; Florida does not
  - Rates for respective classes do not have to be precisely at COS, but prospective rate changes cannot diverge farther from COS

Rate Comparison Example: Georgia[1]





Industrial Sales Comparison[1]



1) Source: U.S. Energy Information Administration, Form EIA-861, "Annual Electric Power Industry Report."

Agenda

Jacksonville Economic Development: A coordinated effort

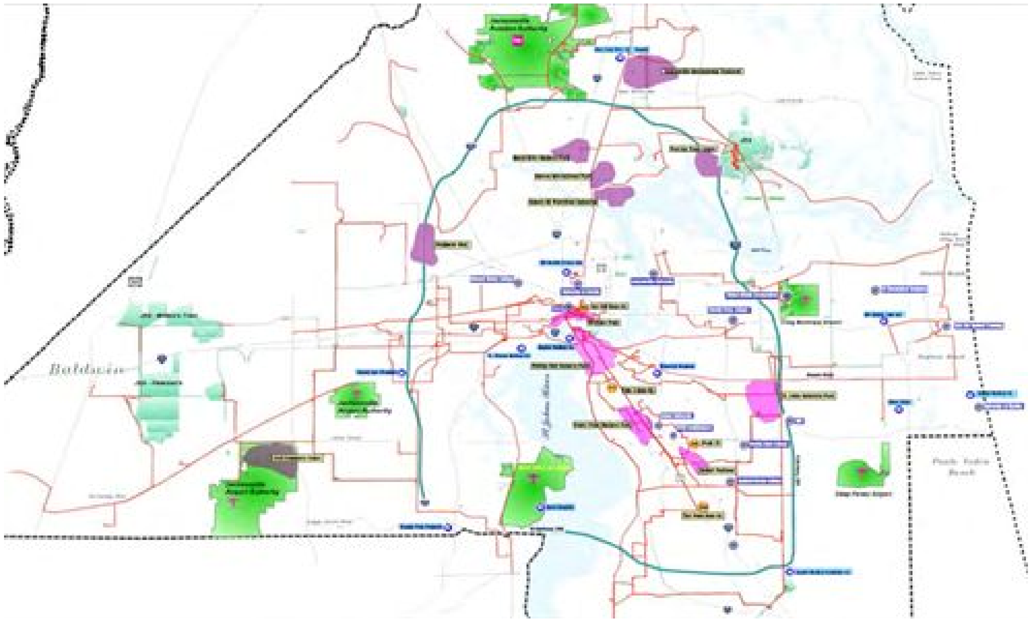
How do utilities fit into economic development?

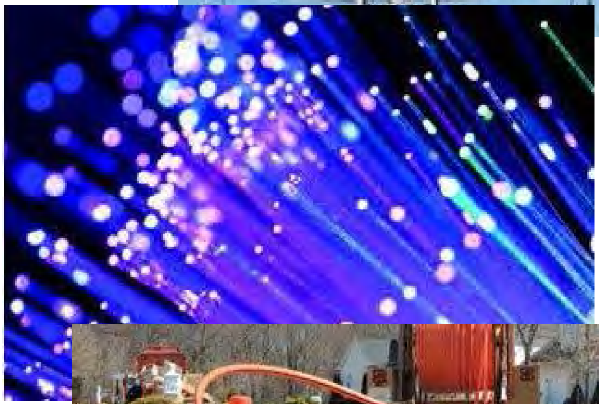
Leveraging JEA's assets for economic development

Next steps and considerations

JEA's network of infrastructure can be a powerful tool in economic development

- JEA provides industry leading reliability and customer service at a competitive price, but so do many other cities competing for economic development
- JEA can be a key differentiating asset in Jacksonville's value proposition for economic development
- Jacksonville's ability to work hand in hand to leverage existing JEA assets in partnership with COJ and other Economic Development stakeholders is a competitive advantage that other regional jurisdictions do not possess

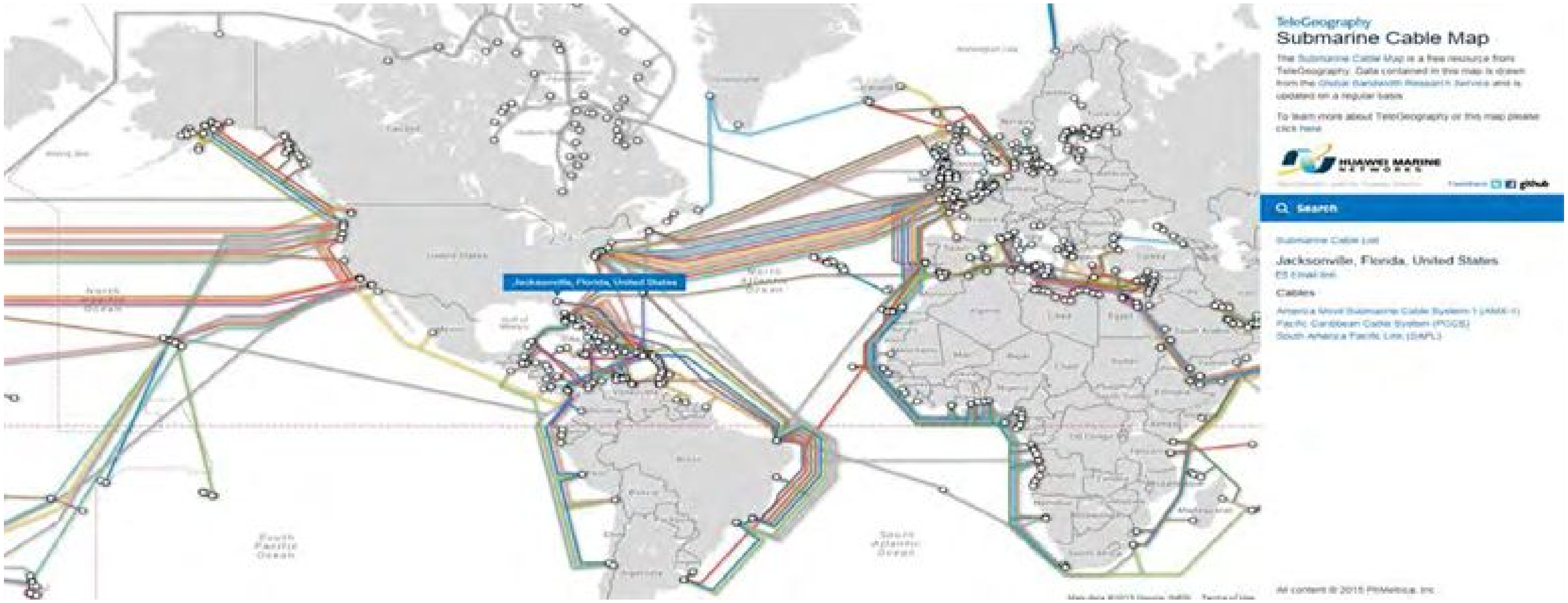




JEA's network of infrastructure can be a powerful tool in economic development

- Being able to tap this infrastructure can create tremendous value for certain industries
  - 500+ miles of fiber optic technology
  - Extensive portfolio of towers, poles and proprietary rights-of-ways

- Uniquely positioned to work with COJ-ED to assist in attracting companies to Jacksonville with the latest in infrastructure technology such as Google Fiber, the Jacksonville Network Access Point (NAP) and the latest in small-cell wireless cell-phone and WIFI technologies



Leveraging JEA projects for future economic impact

- JEA may be able to provide a measurably larger economic development impact through its own projects, particularly as we contemplate compliance strategies with the Clean Power Plan

- JEA will continue to explore ways to leverage capital investment to spur broader economic impact

JEA

Agenda

Jacksonville Economic Development: A coordinated effort

How do utilities fit into economic development?

Leveraging JEA's assets for economic development

Next steps and considerations

JEA's Role in Economic Development

JEA

- Superior Reliability
- Excellent Customer Service
- Economic Development Rates Programs
- Network of infrastructure

Next Steps and Considerations

AGENDA ITEM SUMMARY

January 5, 2016

SUBJECT:	**FUEL CHARGE REDUCTION RECOMMENDATION**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: JEA has a separate rate to recover fuel and energy costs. These costs are a pass-through to our customers and are broken out on the bill as the Fuel Charge. According to Federal and State regulatory guidelines, these funds cannot be diverted for any other uses.

Significance: High. Compliance with the Pricing Policy and the JEA Electric Tariff Documentation - Fuel Charge Policy.

Effect: All JEA electric customers and JEA's financial metrics will be affected. Additionally, this will bring JEA's Fuel Reserve closer to the policy target.

Cost or Benefit: The benefit of the Fuel Reserve to customers is greater rate stability. The recommendations afford customers the opportunity to participate in fuel cost savings.

Recommended Board action: That the Board approve staff's recommendations to lower the current $43.60/MWh Fuel Charge to $36.75/MWh effective February 1, 2016.

For additional information, contact: Melissa Dykes

Submitted by: PEM/ MHD/ RFW

Ver.2.0D 9/21/2013 jer

JEA
Building Community

INTER-OFFICE MEMORANDUM

January 5, 2016

SUBJECT:	**FUEL CHARGE REDUCTION RECOMMENDATION**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:

JEA has a separate rate to recover fuel and energy costs. These costs are a pass-through to our customers and are broken out on the bill as the Fuel Charge. According to Federal and State regulatory guidelines, these funds cannot be diverted for any other uses.

The JEA Pricing Policy stipulates that the Fuel Charge be set annually during the budget process to be effective October 1 of the upcoming fiscal year. The Fuel Charge is based on the forward twelve-month energy cost projection and is structured to fully recover all expected fuel-related costs, as well as any requirements for the Fuel Stabilization Fund over the coming fiscal year. The Pricing Policy established a Fuel Stabilization Fund (Fuel Reserve) target amount to be 15% of the greater of: (i) the maximum 12-month historical fuel cost; or, (ii) the projected 12-month fuel cost, in order to manage short-term fluctuations in fuel and energy costs. The Policy also specified the philosophy regarding the Fuel Reserve Balance. Should the Fuel Reserve balance reach the 15% level at any point during the twelve month variable fuel rate cycle, the CEO, CFO, CCO, and staff will evaluate the Fuel Rate Balance, projections through year-end, current market prices and volatility, and will recommend to the Board to either continue funding with no change, credit customers with the overfunded amount, or modify the Fuel Rate. The benefit to customers is greater rate stability. It also affords customers the opportunity to participate in fuel cost savings.

DISCUSSION:

As of September 30, 2015, the Fuel Reserve was 24% of the maximum 12-month historical fuel expense, and is projected to reach 35% at the end of the fiscal year if fuel expenses continue to be favorable.

Staff recommends decreasing the Fuel Charge from the current rate of $43.60/MWh to $36.75/MWh, a decrease of ($6.85/MWh), to be effective February 1, 2016. The new Fuel Charge will continue to recover fuel and energy costs while reducing the projected Fuel Reserve closer to the policy target.

RECOMMENDATION:

The Board approve staff's recommendations to lower the current $43.60/MWh Fuel Charge to $36.75/MWh effective February 1, 2016.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/RFW

Ver 2.1 09/21/2013

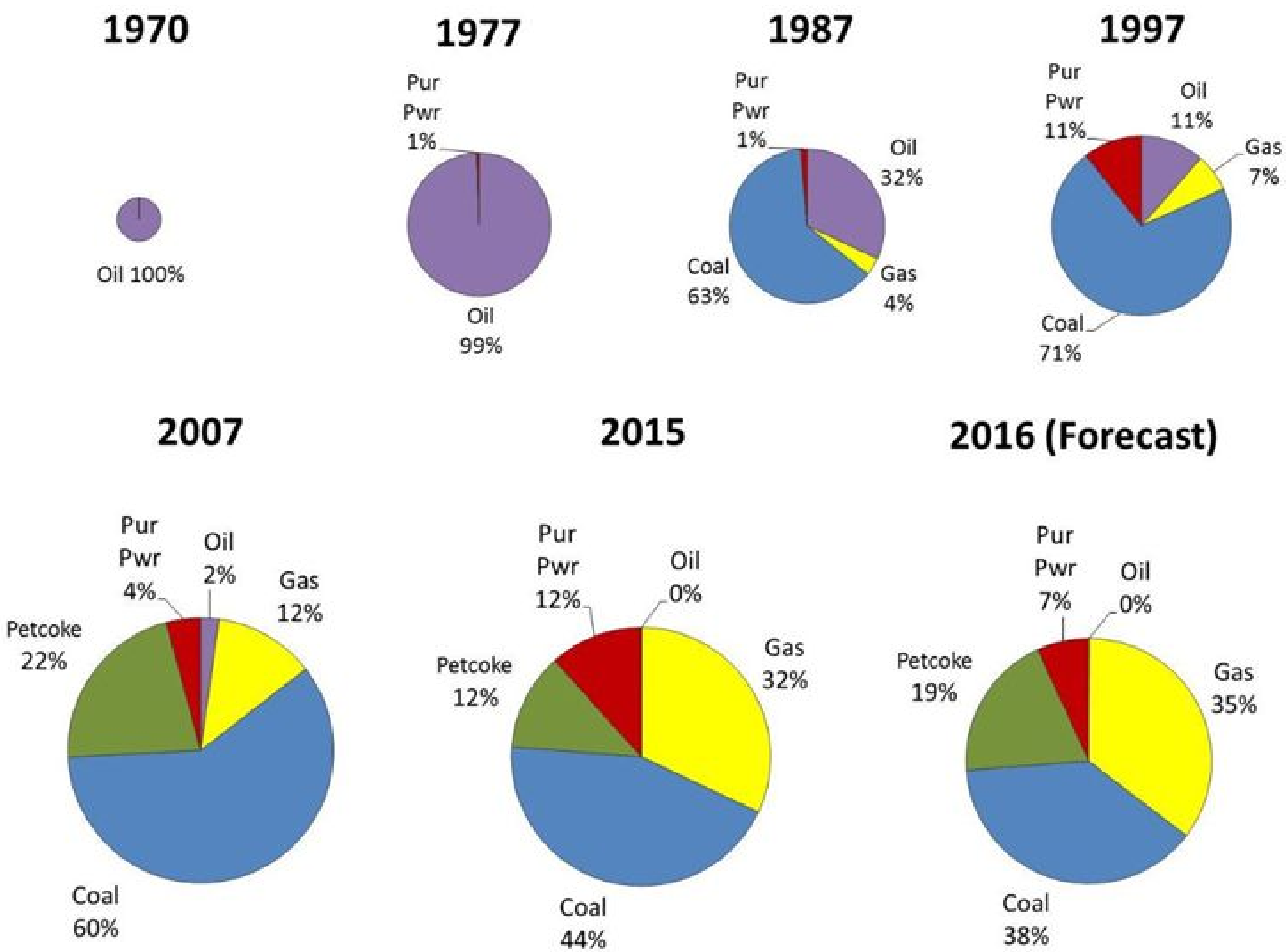
JEA[sm]

Building Community[sm]

Fuel Rate Recommendation

January 2016

FUEL MIX IS DRIVEN BY ECONOMICS



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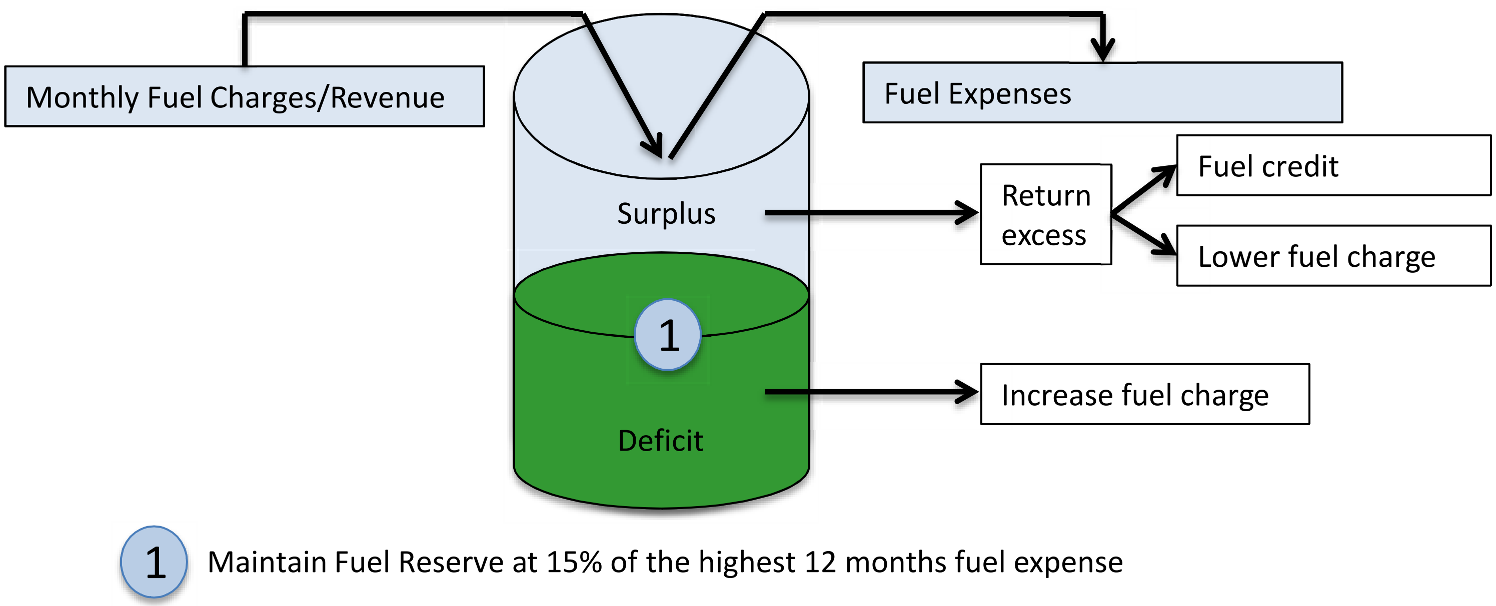
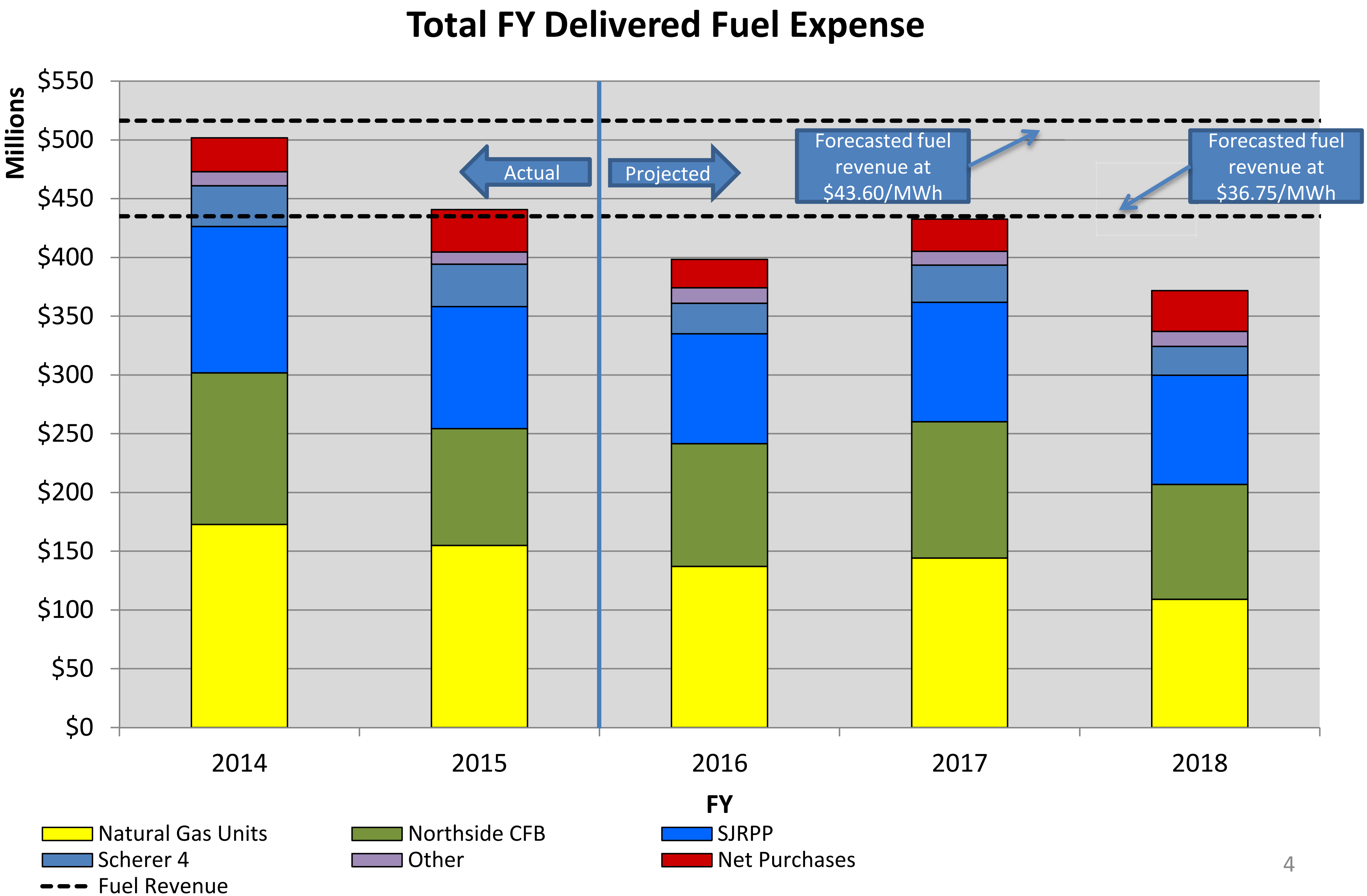
HOW DOES JEA MANAGE THE RATE AND FUEL FUND?

- Staff actively monitors the fuel fund on a monthly basis
- JEA Board approved Pricing Policy requires a balance of 15% of the greater of the highest 12 months of fuel expense or the next 12 months fuel projection
  - Target balance of approximately $95 million
- Any surplus or deficit requires staff to recommend action to adjust the fuel charge or provide a fuel credit to customers



FUEL EXPENSE IS PROJECTED TO REMAIN LESS THAN FUEL REVENUE



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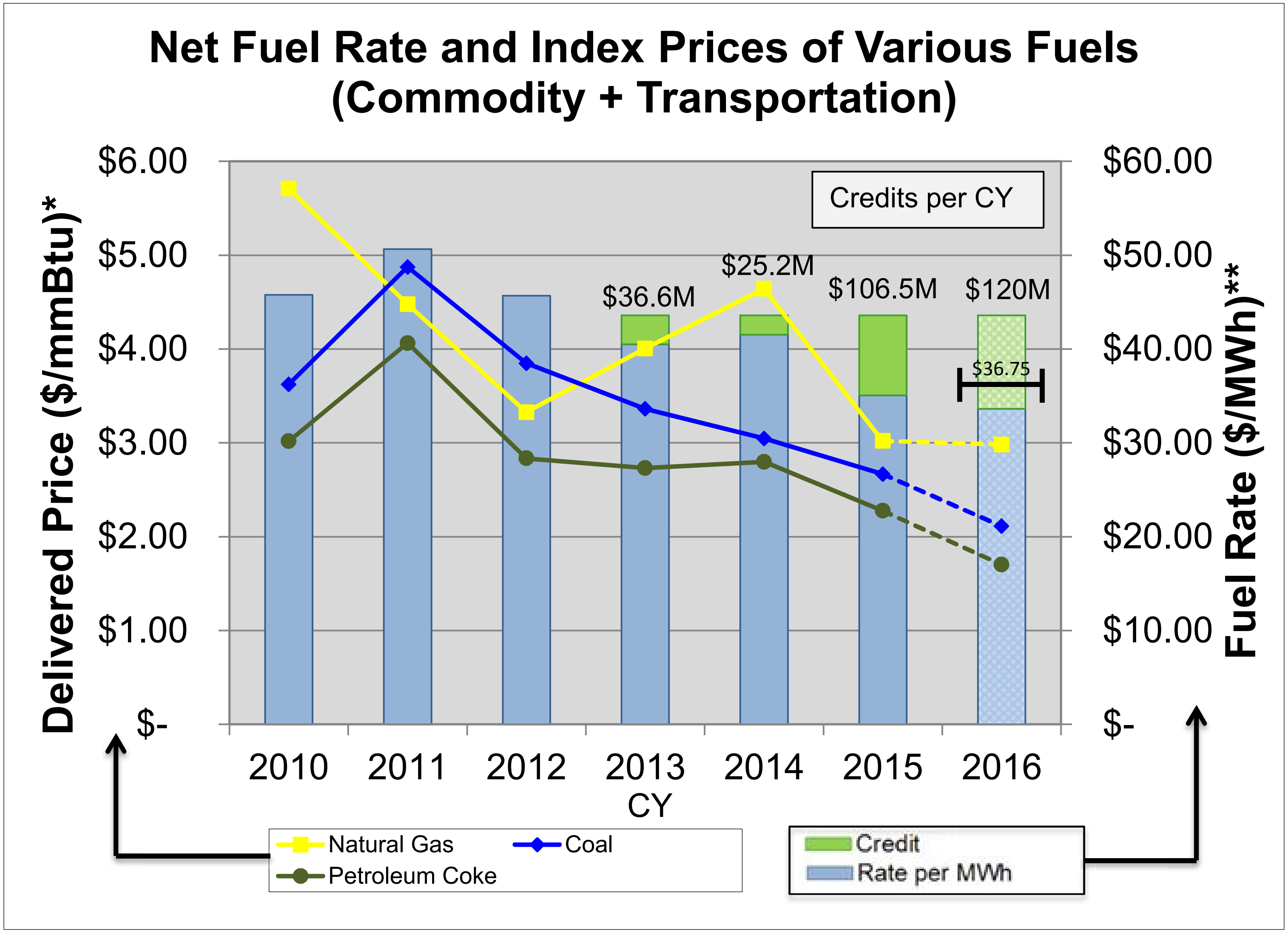
FUEL CREDITS ISSUED EVERY YEAR SINCE 2013 AS FUEL PRICES HAVE FALLEN

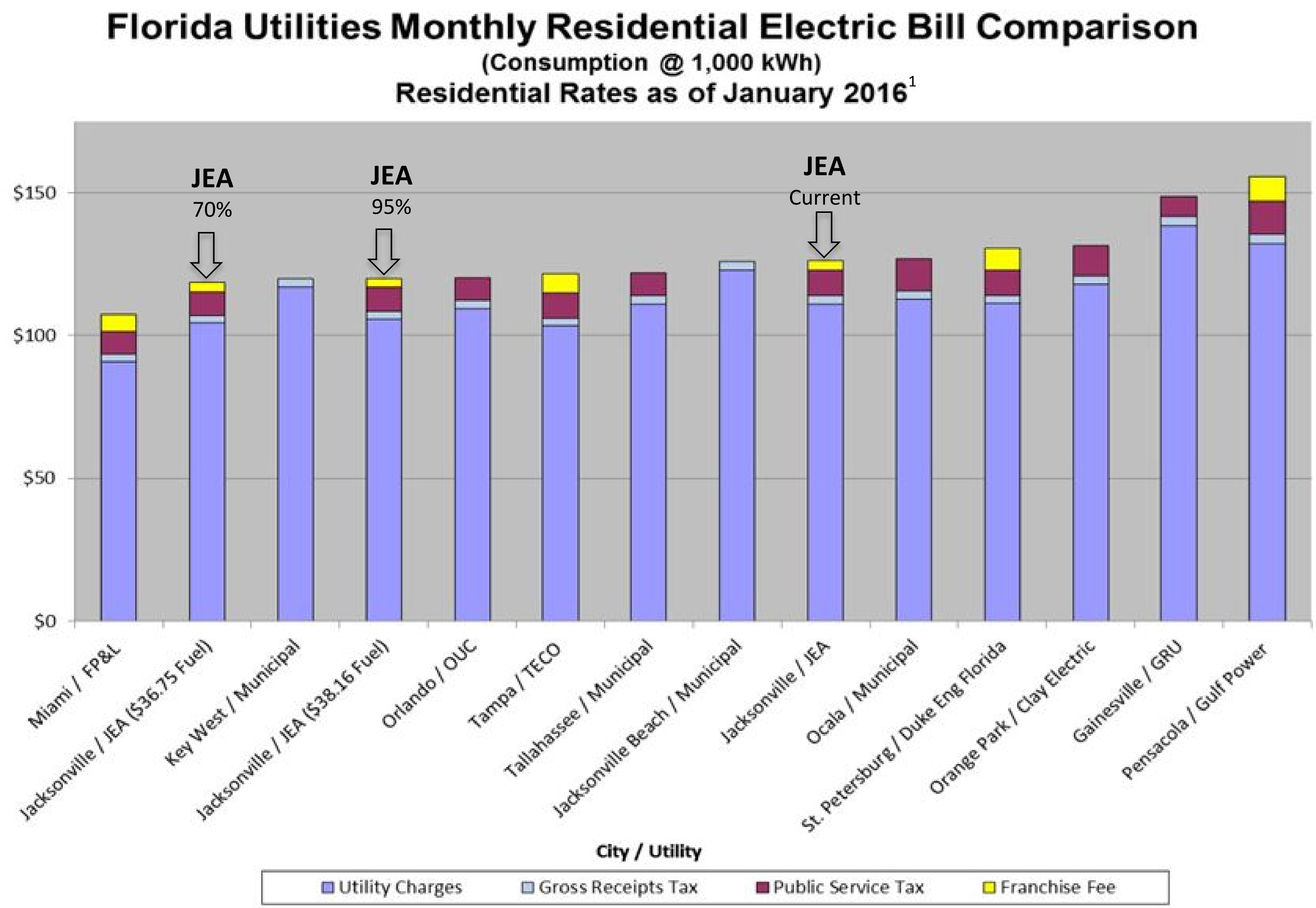


*mmBtu (one million British Thermal Units) = a measure of the energy content in fuel
**MWh (Megawatt hour) = a unit of electrical energy equal to the work done by one million watts acting for one hour

FUEL RATE RECOMMENDATION

- Staff recommends modifying the fuel rate to $36.75/MWh with an effective date of February 1st
- This recommendation is based on a comprehensive Monte Carlo simulation of fuel prices over the next two years provided by The Energy Authority and the JEA Fuels Management Team
- Based on these simulations the recommended fuel rate would be sufficient in 70% of possible outcomes through FY2017 (95% confidence at $38.16/MWh)
- JEA's residential electric bills will be lower than July 2008 levels and one of the lowest in the State

JEA ELECTRIC BILLS WILL BE THE LOWEST SINCE JULY 2008



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[1]*Includes annualized fuel credit of $57M. Without the fuel credit, monthly bills would be $123.63, placing JEA just above Tallahassee in the 70% scenario.*

Building Community

AGENDA ITEM SUMMARY

January 8, 2016

SUBJECT:	**ERNST & YOUNG FY2015 ANNUAL FINANCIAL AUDIT PLAN, EXTERNAL AUDIT REPORT AND MANAGEMENT LETTER**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: Ernst & Young (E&Y) presented their audit plan for FY2015 at the Finance and Audit Committee (FAC) meeting on August 10, 2015. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2015 audit. E&Y issued their Independent Auditor's Report on the financial audit of JEA on December 9, 2015. On a yearly basis, the independent auditors meet with the FAC (or in the case of 2016, the Board) to review the results of the annual audit.

Significance: Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management's financial reporting process. Mike Pattillo, Coordinating Partner from E&Y, has been invited to attend the January 19, 2016 Board meeting to review the FY2015 JEA annual financial audit scope, approach, and results.

Effect: Meeting with auditors to discuss the audit plan and audit results assists the Board (or, by delegation by the Board, the Finance and Audit Committee, when applicable) in overseeing management's financial reporting process. (To comply with the FAC Policy, a formal approval of the annual audit plan is required.)

Cost or Benefit: Board oversight is a critical component of the financial reporting provided to investors, ultimately lowering JEA's borrowing cost.

Recommended Board action: Staff recommends that the Board approve the attached FY2015 Annual Audit Plan to comply with JEA's Finance & Audit Committee Policy. E&Y's discussion of the FY2015 audit results is presented for information only.

For additional information, contact: Janice Nelson

Submitted by: PEM/ MHD/ JRN

Commitments to Action

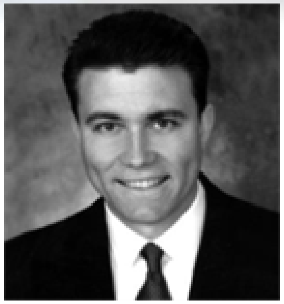
1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Resume



Address:

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Orlando, FL 32801-1671

Tel: 407 872-6757

E-mail: michael.pattillo@ey.com

Mike Pattillo - Managing Partner

Profile

- Mike has 25 years of experience in providing assurance and advisory services to governmental organizations, including municipal utilities and similar proprietary governmental entities.
- Mike serves as the firm's Orlando office Managing Partner and leads Ernst & Young's Public Sector Practice for the State of Florida. He also serves as a subject matter resource for teams throughout the US serving proprietary governments, including aviation authorities, transportation agencies, and public utilities.

Clients Served

- Mike's relevant clients served include Orlando Utilities Commission, JEA (formerly Jacksonville Electric Authority), Gainesville Regional Utilities, Kissimmee Utility Authority, Tampa Bay Water Authority, Virgin Islands Water & Power Authority, The Energy Authority, Lee County Electric Cooperative, Florida Municipal Power Agency, Puerto Rico Electric Power Agency, and New York Power Authority (as engagement quality review partner). Mike has also served several other local governments in Florida that operate utility systems including Hillsborough County, Pinellas County, Collier County, City of Orlando, and the City of Ft. Lauderdale.

Utility Experience/Government Experience

- Mike has extensive experience in performing financial and compliance audits of local and state government entities and has developed CAFR's to meet the GFOA Certificate of Achievement guidelines. He is experienced in performing Single Audits in accordance with OMB Circular A-133, the Florida Single Audit Act, and the PFC Audit Guide.
- Mike also routinely consults on accounting and auditing matters in the public sector and is a frequent presenter at statewide and national conferences and seminars.
- He has performed quality assurance reviews of governmental entities and has assisted governmental clients with tax-exempt bond offerings.

Education and Memberships

- Mike is a certified public accountant with 25 years of experience and received his BS in Accounting from Florida State University.
- He is a member of the American Institute of CPA's, Florida Institute of CPA's and Florida Government Finance Officers' Association, and GFOA.

JEA

2015 audit plan

August 10, 2015

EY

Building a better working world

Building a better working world

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ey.com

The Audit and Finance Committee
JEA

August 3, 2015

Dear Members of the Audit and Finance Committee,

We look forward to discussing the current year audit plan for JEA on August 10, 2015. At that meeting, we will outline the scope of our services, identify the EY team that will perform the audit and present the key considerations that will affect the 2015 audit. We are providing the enclosed materials so you can familiarize yourselves with them prior to our meeting.

The audit is designed to express an opinion on the 2015 financial statements. We are currently completing the planning phase of our audit, and have aligned our procedures to consider JEA's current and emerging business risks and evaluate those risks that could materially affect the financial statements.

We appreciate that JEA selected EY to perform its 2015 audit and are committed to executing a quality audit that embraces the responsibility of serving the Audit and Finance Committee.

Very truly yours,

Mike

Mike Pattillo
Coordinating Partner

John

John DiSanto
Executive Director

Table of contents

2015 EY services

Services and deliverables

Audit and audit-related services	‣ Express an opinion on, and report to the Audit and Finance Committee the results of our audit of: – The financial statements of JEA – the audit will meet the requirements of Florida Statutes and Rules of the Auditor General of the State of Florida and will be conducted in accordance with auditing standards related to financial statement audits as set forth in the US Government Accountability Office's Government Auditing Standards. – JEA's Electric System, Water and Sewer System, Bulk Power Supply, and St. John's River Power Park System schedules of debt service coverage ‣ Other reports: – Issue a report on internal control over financial reporting compliance with certain provisions of laws, regulations, contracts, and grants and other matters. – Issue a report on compliance with requirements applicable to each major federal awards program and internal control over compliance in accordance with OMB Circular A-133 – Issue a management letter including recommendations for improvements of internal controls and other opportunities based on observations made during the course of the audit – Report on other matters as required by Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits in Florida
Other services	‣ Prepare a schedule of findings and questioned costs pursuant to OMB Circular A-133 ‣ Issue reports on compliance with debt covenants as required by JEA credit agreements ‣ Issue a summary results report to the Audit Committee ‣ Provide comfort and consent letters for bond offerings

Executive summary

Audit timeline

- We will perform our interim procedures during the months of August and September and our year end procedures during the months of October and November. Refer to the audit timetable on pages 9 and 10.

Audit scope and strategy

- Our audit scope and strategy, including significant risks identified, for the 2015 audit is outlined in the "Areas of audit emphasis" section on pages 11 – 14.

Accounting developments affecting JEA in 2015

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*
- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Significant 2015 considerations

- Revenue recognition
- Allowances for doubtful accounts
- Regulatory accounts
- Asset impairment
- Legal reserves
- Derivative instruments and hedging activities
- Pollution remediation obligations
- GASB 68 pension plan accounting and reporting
- OPEB liabilities
- Pension plans
- Investments
- Capital assets
- Impairment of long-lived assets
- Application of regulatory accounting to the electric and water systems

Accounting and audit developments

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

Summary	Effect on JEA
▸ Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. ▸ Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and RSI. ▸ **Defined benefit pensions plans:** The statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The statement calls for immediate recognition of more pension expense than is currently required. ▸ Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. ▸ **Defined contribution pensions:** The existing standards for governments that provide defined contribution pensions are largely carried forward in the new statement. These governments will recognize pension expenses equal to the amount of contributions or credits to employees' accounts, absent forfeited amounts. A pension liability will be recognized for the difference between amounts recognized as expense and actual contributions made to a defined contribution pension plan.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which is JEA's fiscal year 2015.

Accounting and audit developments

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*

Summary	Effect on JEA
▸ Statement No. 69 provides specific accounting and financial reporting guidance for combinations in the government environment. Statement No. 69 also improves the usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations.	▸ The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, which is JEA's fiscal year 2015. ▸ The implementation of this statement is not expected to have a material effect of JEA's financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68*

Summary	Effect on JEA
▸ Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.	▸ The provisions of this statement should be applied simultaneously with the provisions of Statement 68 and is therefore effective for fiscal 2015.

GASB Statement No. 72, *Fair Value Measurement and Application*

Summary	Effect on JEA
▸ Statement No. 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. ▸ This Statement generally requires investments to be measured at fair value and requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. ▸ This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which is JEA's fiscal year 2016.

Accounting and audit developments

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

Summary	Effect on JEA
‣ The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. ‣ It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.	‣ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

Summary	Effect on JEA
‣ This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. ‣ This statement's objective is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.	‣ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016.

Accounting and audit developments

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

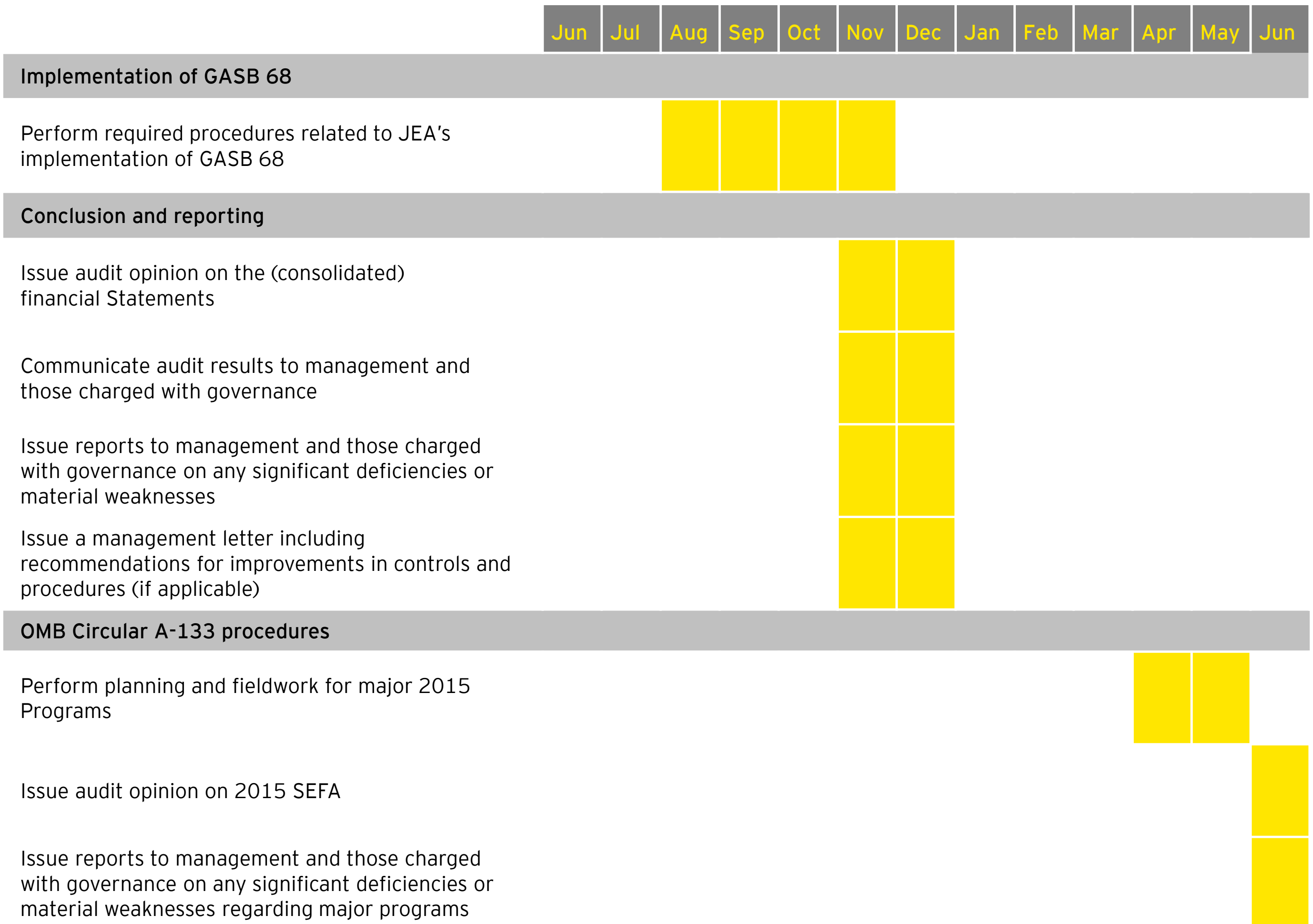
Summary	Effect on JEA
▸ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Summary	Effect on JEA
▸ This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.	▸ The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which is JEA's fiscal year 2016. ▸ The implementation of this statement is not expected to have a material effect of JEA's financial statements.

Our audit plan
Audit timetable

Our audit plan
Audit timetable



Our audit plan
Areas of audit emphasis

Our audit procedures emphasize testing those accounts, contracts or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud. We consider the effects of current market risk factors on JEA, and also place emphasis on those areas requiring subjective determinations by management. We will reassess our risk assessment and other internal and external factors influencing JEA throughout our audit, and communicate to you any changes to our initial plan, as necessary. Our areas of audit emphasis, including areas with identified significant risks, are as follows. Our proposed audit plan is detailed on the pages following:

- Revenue recognition
- Allowances and reserves
- Regulatory accounts
- Legal reserves
- Derivative Instruments and hedging activities
- Pollution remediation obligations
- Other postretirement benefits liabilities
- Pension plans
- Investments
- Capital assets
- Impairment of long-lived assets

**Shaded/asterisked areas indicate accounts or transactions identified as having significant risks, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations.

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Revenue recognition	
JEA recognizes revenues for estimated services provided on its electric and water and sewer infrastructure. Unbilled revenue relates to services that have not yet been billed to the end customer at fiscal period-end. The calculation is based upon approved rates and historical consumption trends. JEA is a member of The Energy Authority (TEA), a municipal power marketing and risk management joint venture. In addition to providing its members with wholesale power marketing and resource management services, TEA also assists JEA with natural gas procurement and related gas hedging activities. JEA records energy marketing activity in the period when the energy is delivered. Intergovernmental revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources remitted before the eligibility requirements are met should, under most circumstances, be reported as deferred revenue. JEA receives revenue from various federal and state-assisted grant programs. Programs are generally reimbursement-based, and JEA records revenue once expenditures for allowable purposes are made or upon compliance with the terms and conditions of grant agreements and applicable regulations.	‣ Review calculation of unbilled revenue ‣ Test contractual arrangements, including unique terms and conditions, to obtain reasonable assurance of compliance with the applicable accounting standards ‣ Test timing of revenue recognition based on the terms of the arrangement ‣ Confirm terms and conditions with both customers and management as considered necessary ‣ Test account reconciliations to determine timely completion and review ‣ Perform detailed analytical review procedures, by system, including predictive analytics based on verifiable consumption and production data ‣ Perform detailed tests over a sample of revenue transactions to assess the appropriateness and accuracy of recorded amounts
Allowance for doubtful accounts	
An allowance for doubtful accounts is established based on JEA's best estimate of billed amounts that will not be collected from its customers.	‣ Test allowance for doubtful accounts calculation, including the aging of receivables ‣ Validate assumptions based on retrospective review of prior estimates ‣ Evaluate the appropriateness of the financial statement presentation and disclosure
Regulatory accounts	
Regulatory accounts are recorded when either future revenues are expected to recover incurred expenses or when amounts have been collected through rates in advance. JEA's regulatory accounts are associated with the SJRPP and Bulk power systems pursuant to 3rd party agreements, and generally relate to the timing differences between recognition of capital asset costs (depreciation) and amounts collected in rates to cover debt service requirements.	‣ Test approval of any new regulatory assets/liabilities ‣ Verify that amortization and expense recognition are consistent with rate recovery ‣ Vouch significant additions ‣ Test account reconciliations ‣ Perform projection tests to determine that regulatory accounts will be recovered/amortized over the remaining maturities/useful lives of related debt and capital assets

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Legal reserves	
Accruals are recorded for regulatory and legal proceedings that arise in the ordinary course of business when probable and subject to reasonable estimation. Many factors are considered in making an assessment of a contingency, including history and stage of litigation. Estimates are based upon consultation with legal counsel (in-house and/or external). Legal fees are generally expensed as incurred.	▸ Interview management and in-house legal counsel regarding all litigation ▸ Obtain external letters from counsel ▸ Review legal accruals and expenses for appropriateness based on management inquiry and responses from outside counsel
Derivative instruments and hedging activities	
JEA uses derivative contracts to manage its exposure to changes in energy commodity prices and interest rates. Derivative contracts are accounted for in accordance with GASB 53. The gains and losses from the change in fair market value of JEA's derivative instruments are deferred if hedge effectiveness is maintained.	▸ Test assessment of hedge effectiveness documentation, including re-performance where quantitative methods are used ▸ Confirm instruments with counterparties ▸ Test recorded market values using independently developed estimates ▸ Test fuel hedge contract settlements ▸ Evaluate disclosures ▸ Reconsider normal purchase/normal sales assumptions for commodity contracts
Pollution remediation obligations	
JEA records accruals for costs for future and ongoing remediation, litigation and administrative expenses when these amounts are estimable. As required by GASB 49, management applies probability assessments to expected future cash outflows for remediation activities to determine the amounts accrued.	▸ Inquire of management and internal or external engineers regarding remediation plans and efforts ▸ Obtain evidence of the remediation plans and review and test management's probability assumptions for remediation activities ▸ Review estimated recoveries and obtain evidence that amounts recorded are considered probably of occurring

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Other postretirement benefits liabilities	
JEA engages an actuary to calculate the liability related to the other post-employment benefit liability. JEA's benefit obligations recognizable under these standards are significantly affected by certain assumptions, among which are the discount rate, long-term rate of return on plan assets, life expectancies and the assumed health care cost trend rate assumption.	▸ Review key assumptions for reasonableness ▸ Test census data provided to the actuaries ▸ Develop independent estimates for corroboration
Pension plans	
With the implementation of GASB 68 JEA is required to record a liability for it's unfunded pension obligations.	▸ Review actuary reports for reasonableness of assumptions and methodology ▸ For cost sharing plan (City Plan) obtain allocation schedule to determine the City's liabilities, expenses, deferred inflows and outflows ▸ For single employer plan, obtain actuary's reports and procedures performed by plan auditors ▸ Assess reasonableness of require disclosures
Investments	
All investments are stated at fair value based on quoted market prices or other observable market inputs (e.g., matrix pricing for fixed income securities).	▸ Assess estimation uncertainty for significant classes of securities in JEA's portfolio ▸ Confirm investments with custodial institutions and managers ▸ Test valuation for selected securities using alternative pricing sources ▸ Test selected transactions ▸ Evaluate GASB 40 risk disclosures
Capital assets	
Property and equipment is carried at historical cost. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 50 years.	▸ Review expenses to determine expenses should be capitalized versus expensed ▸ Test selection of assets added during fiscal year 2015 ▸ Review depreciation for reasonableness
Impairment of long-lived assets	
JEA assesses recoverability of long-lived assets as indicators of impairment become known, as required by GASB Statement No. 42. If an impairment indicator or change in circumstance affecting the value of the asset has occurred, JEA would evaluate the need for an impairment charge by determining whether the carrying value is recoverable based on expected future cash flows of the asset. The assets are reduced to reflect their fair value if they are determined to be unrecoverable.	▸ Review and evaluate impairment indicators through inquiries and review of other records and meeting minutes ▸ Discuss and understand management's assessment if a change in circumstance potentially effects the value of an asset ▸ If applicable, test impairment computations and disclosures

Our audit plan

Involvement of council auditors and others

- Areas where EY is using the work of council auditors and subcontractor staff for direct assistance:
  - Test of controls/transactions
  - Substantive procedures for certain audit areas (including cash and investments, accounts receivable, capital assets, accounts payable, long-term debt)
- Direct assistance:
- EY works closely with council auditors and subcontractor staff, who provide us direct assistance:
  - On-site direction and supervision
  - Detailed review of working papers

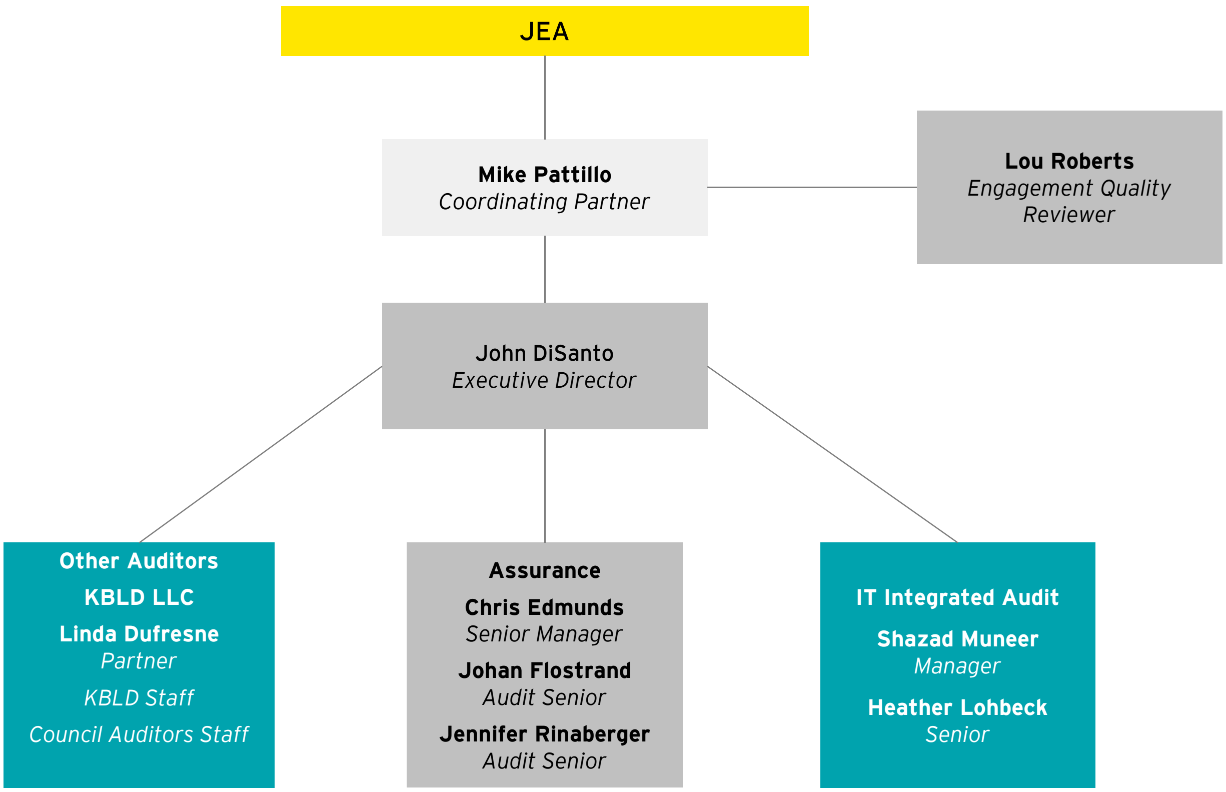
Inquiries relating to matters relevant to the audit

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As a part of our upcoming meeting, we would like to discuss the following topics with you in order to understand any matters of which you believe we should be aware, including, but not limited to:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding JEA's financial reporting (including those received through the audit committee's own "whistleblower" program, if any) and your response to such tips and complaints
- How you exercise oversight over JEA's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- Your understanding of JEA's relationships and transactions with related parties that are significant to JEA
- Whether any member of the audit committee has concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns
- Whether JEA has entered into any significant unusual transactions

When we identify a fraud risk, including a fraud risk that arises through or is associated with the risk of management override of controls, we perform audit procedures to address those risks. In addition to any specific responses related to the fraud risk, we also examine journal entries, review accounting estimates for management bias and evaluate the business rationale of significant unusual transactions as required by our professional standards.

Client service team



Summary of required communications

Provided below is a summary of required communications between the audit team and those charged with governance.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ The appropriateness of accounting policies to the particular circumstances of the Company including, the adoption of, or a change in, and accounting principle	X	
▸ The effect of significant accounting policies in controversial or emerging areas	X	
▸ Significant accounting estimates		X
Financial statement disclosures and related maters		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control		X
Fraud and illegal acts	X	
Independence matters	X	
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	

Summary of required communications

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	
Additional communications required under GAS		X

Appendix A
System review report

Appendix

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

System Review Report

To the Partners of Ernst & Young LLP
and the National Peer Review Committee of the AICPA Peer Review Board:

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the firm) applicable to non-SEC issuers, in effect for the year ended June 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) I and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to non-SEC issuers, in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

KPMG LLP

December 6, 2013

EY | Assurance | Tax | Transactions | Advisory

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY's Assurance Services

Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audit starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject-matter expertise to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

1508-1592547

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Year Ended September 30, 2015
With Report of Independent Certified Public Accountants

Ernst & Young LLP

EY
Building a better working world

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Year Ended September 30, 2015

Contents

1508-1612040

Building a better working world

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Report of Independent Certified Public Accountants

The Board of Directors
JEA
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of JEA, a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEA as of September 30, 2015, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

As discussed in Footnote 1 to the financial statements, JEA changed its method of accounting for pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective October 1, 2014. Our opinion is not modified with respect to this matter.

EY
Building a better working world

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the schedule of changes in net pension liability and related ratios, schedules of funding progress, and schedule of employer contributions to the pension plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we also have issued our report dated December 9, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEA's internal control over financial reporting and compliance.

Ernst + Young LLP

December 9, 2015

Management's Discussion and Analysis

Introduction

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

Overview of the Combined Financial Statements

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

The basic financial statements are presented on a single year basis for the fiscal year ended September 30, 2015. The statement of net position presents 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 statement of revenues, expenses, and changes in net position. The accompanying statement of cash flows presents JEA's sources and uses of cash and cash equivalents and is presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

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

The following tables summarize the financial condition and operations of JEA for the 2015 and 2014 fiscal years:

Condensed Statements of Net Position

	2015	2014*
	(In millions)	
Assets and deferred outflows of resources		
Current assets	**$ 869**	$ 818
Other noncurrent assets	**1,480**	1,120
Capital assets, net	**5,959**	6,220
Deferred outflows of resources	**391**	323
Total assets and deferred outflows of resources	**$ 8,699**	$ 8,481
Liabilities and deferred inflows of resources		
Current liabilities	**$ 227**	$ 189
Current liabilities payable from restricted assets	**398**	463
Net pension liability	**409**	396
Other noncurrent liabilities	**48**	44
Long-term debt	**4,968**	5,313
Deferred inflows of resources	**482**	232
Net position		
Net investment in capital assets	**1,305**	977
Restricted	**530**	607
Unrestricted	**332**	260
Total liabilities, deferred inflows of resources, and net position	**$ 8,699**	$ 8,481

Management's Discussion and Analysis (continued)

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

	2015	2014*
	(In millions)	
Operating revenues	**$ 1,749**	$ 1,862
Operating expenses	**(1,319)**	(1,447)
Operating income	**430**	415
Nonoperating expenses, net	**(167)**	(189)
Contributions	**(92)**	(70)
Special Item	**152**	-
Change in net position	**323**	156
Net position – beginning of the year	**1,844**	2,040
Effect of change in accounting	**–**	(352)
Net position – end of the year	**$ 2,167**	$ 1,844

* Fiscal year 2014 is restated to reflect a prior period adjustment to the net position as a result of recording the net pension liability, in conjunction with implementing GASB Statement No. 68 in 2015.

Financial Analysis of JEA for fiscal years 2015 and 2014

Operating Revenues

2015 Compared to 2014

Total Electric Enterprise Fund operating revenues for the fiscal year 2015 decreased $109.3 million (7.4%) compared to fiscal year 2014. Operating revenues decreased $106.5 million (7.9%), and other operating revenues decreased $2.8 million (8.7%). The decrease in operating revenues was due to a decrease in fuel revenues of $59.5 million and decrease in base revenues of $15.7 million, as discussed below; and a decrease in revenues from Florida Power and Light (FPL) in conjunction with SJRPP coal generating plant of $31.3 million.

Fuel revenues for the fiscal year 2015 were $59.5 million lower than fuel revenues in fiscal year 2014 attributable to a $45.3 million transfer to the fuel stabilization fund due to fuel costs being lower than expected (See note 2, Regulatory Deferrals for additional information) and fuel credits approved by the JEA Board of Directors (Board). In March 2015, the Board approved a fuel charge credit of $49.9 million to customers, compared to a $25.3 million fuel credit approved by the Board in fiscal year 2014. This resulted in a net decrease of approximately $24.6 million when comparing revenues year over year. The decrease in fuel revenues was offset by a $10.4 million increase in revenues due to an increase in sales, as discussed below. Base revenues for fiscal year 2015 were lower by $15.7 million when compared to fiscal year 2014 due to $32.1 million being transferred to stabilization funds, which include $26.0 million for nonfuel purchase power stabilization; $6.9 million for environmental stabilization; offset by $8 million transferred from the customer benefits stabilization. (See note 2, Regulatory Deferrals for additional information). The decrease in base revenues due to the transfers to the stabilization funds was offset by a $16.4 million increase due to increases in sales, as discussed below.

Management's Discussion and Analysis (continued)

There was a $26.8 million increase in Electric System operating revenues due to the increase in usage, attributable to weather. Territorial gigawatt-hours (GWh) sales increased 2.2% and total sales increased 1.7% when off-system sales are included. Total sales for the year increased from 12,308 GWh to 12,518 GWh. The number of customers increased 2.0% when compared to fiscal year 2014.

The $2.8 million decrease in other operating revenues was primarily due to reduced transmission revenues of $5.4 million (32.4%). The decrease was partially offset by an increase in pole attachment revenues of $2.9 million.

Total Water and Sewer Fund operating revenues decreased $3.6 million (0.9%). The driver for the decrease in operating revenues was related to a transfer to environmental stabilization fund in fiscal year 2015 of $22.1 million, as discussed below. This was offset by an increase in water and sewer sales of approximately $18.2 million, as discussed below.

The Board approved the use of an environmental charge in the Water and Sewer System. JEA maintains a stabilization fund for environmental charge revenues, which segregates the cash collected from the general funds. It is included as a separate component on the customer's bill and is applied to all sales. The environmental charge is set to recover the costs of approved projects. During fiscal year 2015, JEA transferred $22.1 million to the rate stabilization fund, which reduced operating revenues. See note 2, Regulatory Deferrals, for additional information.

Water and Sewer operating revenues increased approximately $18.2 million as a result of an increase in sales, primarily attributable to increased residential usage. Total water consumption, measured in thousands of gallons (kgals), increased 6.4% or 2,089,948 kgals from 32,468,336 kgals to 34,558,284 kgals. Sewer sales volume increased 5.9% when compared to the prior year. The increase was 1,395,165 kgals from 23,526,976 kgals to 24,922,141 kgals. Water customers increased 2.1%, sewer customers increased 2.5%, and reclaimed customers increased 30.9% when compared to the prior year.

Total DES revenues increased $89.0 thousand (1.0%) for fiscal year 2015 compared to fiscal year 2014. The increase in revenues was primarily caused by the addition of a new customer to the downtown plant.

Operating Expenses

2015 Compared to 2014

Total Electric Enterprise Fund operating expenses for fiscal year 2015 decreased $134.3 million or 11.2% compared to fiscal year 2014. Fuel and purchased power expense decreased $67.8 million, as discussed below. Other operating and maintenance expenses increased $2.9 million as a result of higher outage expenses related to Northside generating station as compared to fiscal year 2014. Additional increases in expenses related to a termination payment made for a maintenance contract related to combustion turbine units at Brandy Branch generating station, and an increase in salary and benefit expenses. The increase was offset by a decrease in Plant Scherer operating and maintenance expenses and a decrease in SJRPP expenses for capital spending. There was a decrease in depreciation expense of $9.1 million mainly due to certain assets becoming fully depreciated in fiscal year 2014. Recognition of deferred costs decreased $60.3 million, related to regulatory asset adjustments resulting from timing differences between principal payments and depreciation expense at SJRPP.

Total fuel and purchased power expense decreased $67.8 million compared to the prior year. The decrease is due to a 24.4% decrease in the cost per GWh offset, in part, by a 1.9% increase in GWh produced and purchased. Fuel expense decreased $71.9 million and purchased power expense increased $4.0 million. The decrease was due to lower solid fuels and natural gas prices. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased

Management's Discussion and Analysis (continued)

power expenses have shifted to take advantage of the most economical source of power. JEA's power supply mix for fiscal year 2015 was 50% coal, 32% natural gas, 10% petroleum coke, 7% other power purchases, and 1% oil. During fiscal year 2014, JEA's power supply was 57% coal, 27% natural gas, 10% petroleum coke, 5% other power purchases, and 1% oil.

Total operating expenses for the Water and Sewer Fund increased $6.2 million, an increase of 2.4%. The increase in operating expenses was mainly due to increased salary and benefit expenses partially offset by a $2.1 million workers' compensation refund in fiscal year 2015.

The operating expenses for DES increased $221.0 thousand (3.2%) primarily due to planned maintenance at the chilled water plants in fiscal year 2015 and an increase in depreciation expense of $99.0 thousand due to assets being placed in service.

Nonoperating Revenues and Expenses

2015 Compared to 2014

There was a net increase of $21.9 million (11.6%) in total net nonoperating expenses in fiscal year 2015. The primary reason for the change was a $25.6 million decrease in interest expense due to lower debt balances as a result of increased debt repayments and debt refunding savings. Other revenues increased $4.6 million due to new revenue sources, primarily timber sales. Investment income decreased $7.6 million due primarily to unfavorable fair market value adjustments in investments of $9.5 million. The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, earnings decreased $2.1 million due to decreased purchases by JEA and lower margins on purchases and sales of energy.

Special Item

Effective for fiscal year 2015, the Board adopted and JEA implemented a pricing policy that established cost-based rates for both the Electric and Water and Sewer Systems. The rate policy as adopted includes various surcharges and stabilization funds that meet the requirements for deferral under GASB 62. Regulatory assets and liabilities (or deferred inflows) have been established for these items. The initial accounting for several of these items includes deferring amounts that were included in revenue and expense in prior periods prior to the application of regulatory accounting. These prior period amounts are presented as a special item on the statement of revenues, expenses, and changes in net position. The total amount of regulatory deferral was $151.5 million. See note 3, Special Item, for additional information.

Capital Assets and Debt Administration for Fiscal Years 2015 and 2014

Capital Assets

As of September 30, 2015, JEA had approximately $6.0 billion in capital assets, net of accumulated depreciation. This included $3.2 billion in electric plant, $2.4 billion in water and sewer plant, and $36.1 million in chilled water plant. During fiscal year 2015, capital additions were $233.5 million, which included $128.8 million in electric plant, $103.8 million in water and sewer plant, and $918 thousand in chilled water plant. As of September 30, 2014, JEA had approximately $6.2 billion in capital assets, net of accumulated depreciation. This included $3.5 billion in electric plant, $2.7 billion in water and sewer plant, and $38 million in chilled water plant. During fiscal year 2014, capital additions were $165.2 million, which included $86.1 million in electric plant, $78.6 million in water and sewer plant, and $500 thousand in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 6 to the financial statements.

Management's Discussion and Analysis (continued)

With the adoption of the depreciation rate-making policy, accounting for contributions changed effective October 1, 2014. The depreciation of contributed assets will not be included in rates charged to customers because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed in Capital Contributions as Reduction of Plant Cost Recovered through Contributions. During fiscal year 2015, $33.1 million of contributed capital related to the Water and Sewer System was recorded as a reduction to plant. In addition, on August 18, 2015, the Board approved recovery through an environmental charge. The cost of certain projects that had costs incurred prior to the current fiscal year net of monies already collected through the environmental rate resulted in a $101.2 million reduction to plant. See note 2, Regulatory Deferral, for additional information.

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

The projected total capital expenditures for fiscal year 2016 are as follows:

	In millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 179.2
Water and Sewer Fund	182.2
DES	3.7

SJRPP and Plant Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is $19.4 million and is included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2015, was $4.84 billion, a decrease of approximately $433 million from the prior fiscal year.

JEA's debt ratings on its long-term debt as of September 2015 and 2014 were as follows:

	2015					2014				
	Electric System	SJRPP	Scherer	Water and Sewer System	District Energy System	Electric System	SJRPP	Scherer	Water and Sewer System	District Energy System
Senior debt:										
Fitch	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA
Standard & Poor's	AA-	AA-	AA-	AA	AA-	AA-	AA-	AA-	AA	AA-
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa3	Aa2	Aa2	Aa2	Aa2	Aa3
Subordinated debt:										
Fitch	AA	–	–	AA	–	AA	–	–	AA	–
Standard & Poor's	A+	–	–	AA	–	A+	–	–	AA	–
Moody's Investors Service	Aa3	–	–	Aa2	–	Aa3	–	–	Aa2	–

Management's Discussion and Analysis (continued)

Setting of Rates

The setting of rates is the responsibility of the Board. Rate changes are implemented after a public rate hearing with the Florida Public Service Commission (FPSC) and Board approval.

In March 2015, the Board approved a Fuel Charge Credit of $56 per average residential customer, totaling $50 million.

In July 2015, the Board approved a Fuel Charge Credit of $60 million to be provided to customers in October 2015. This credit is projected to result in a $58 refund per average residential customer.

JEA has an ongoing plan to review, update and where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its July 2015 meeting, the elimination of the General Service Extra Large Demand (GSXLD) streetlight discount, which afforded the opportunity to decrease rates for the General Service Large Demand (GSLD) commercial customer class. In addition, JEA modified its streetlight rates to reflect current energy standards and to include additional streetlight rate offerings for LED lighting.

In August 2013, the Board approved an Economic Development Program designed to provide financial incentives for new commercial and industrial customers and expanding JEA customers. In July 2015, the Board approved the extension of the Economic Development Program through September 2018.

Requests for Information

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

AUDITED FINANCIAL STATEMENTS

JEA

Statement of Net Position
(In Thousands)

September 30, 2015

Assets and deferred outflows of resources	
Current assets:	
Cash and cash equivalents	$ 419,595
Investments	78,794
Accounts and interest receivable, less allowance for doubtful accounts of $4,342	241,390
Inventories:	
Fuel	64,683
Materials and supplies	64,892
Total current assets	869,354
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	216,479
Investments	772,571
Accounts and interest receivable	6,185
Total restricted assets	995,235
Other assets	17,966
Investment in The Energy Authority	7,491
Costs to be recovered from future revenues	459,359
Total noncurrent assets	1,480,051
Capital assets:	
Land and easements	164,023
Plant in service	10,601,856
Less: accumulated depreciation	(5,079,243)
Plant in service, net	5,686,636
Construction work in progress	272,716
Net capital assets	5,959,352
Total assets	8,308,757
Deferred outflows of resources	
Unrealized pension contributions and losses	83,970
Unamortized deferred losses on refundings	154,449
Accumulated decrease in fair value of hedging derivatives	152,503
Total deferred outflows of resources	390,922
Total assets and deferred outflows of resources	$ 8,699,679

JEA

Statement of Net Position (continued)
(In Thousands)

September 30, 2015

Liabilities, deferred inflows of resources, and net position	
Current liabilities:	
Accounts and accrued expenses payable	$ 171,652
Customer deposits	55,798
Total current liabilities	227,450
Current liabilities payable from restricted assets:	
Debt due within one year	187,500
Interest payable	89,394
Construction contracts and accounts payable	36,645
Renewal and replacement reserve	84,472
Total current liabilities payable from restricted assets	398,011
Noncurrent liabilities:	
Net pension liability	408,629
Other liabilities	48,389
Total noncurrent liabilities	457,018
Long-term debt:	
Bonds payable, less current portion	4,648,720
Unamortized premium, net	170,630
Fair value of debt management strategy instruments	148,749
Total long-term debt	4,968,099
Total liabilities	6,050,578
Deferred inflows of resources	
Revenues to be used for future costs	452,397
Unrealized pension gains	29,795
Total deferred inflows of resources	482,192
Net position	
Net investment in capital assets	1,305,339
Restricted	530,011
Unrestricted	331,559
Total net position	2,166,909
Total liabilities, deferred inflows of resources, and net position	$ 8,699,679

See accompanying notes.

JEA

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

Year Ended September 30, 2015

Operating revenues:	
Electric	$ 1,324,883
Water and sewer	379,789
District energy system	8,778
Other	35,930
Total operating revenues	1,749,380
Operating expenses:	
Operations:	
Fuel	469,982
Purchased power	47,257
Other	267,475
Maintenance	106,691
Depreciation	366,486
State utility and franchise taxes	72,510
Recognition of deferred costs and revenues, net	(11,168)
Total operating expenses	1,319,233
Operating income	430,147
Nonoperating revenues (expenses):	
Earnings from The Energy Authority	1,461
Investment income	12,904
Other nonoperating income, net	11,833
Interest on debt	(198,199)
Other interest	(68)
Allowance for funds used during construction	5,723
Loss on sale of asset	(199)
Total nonoperating expenses, net	(166,545)
Income before contributions and special item	263,602
Contributions (to) from:	
General Fund, City of Jacksonville	(111,688)
Developers and other	52,709
Reduction of plant cost through contributions	(33,105)
Total contributions	(92,084)
Special item	151,490
Change in net position	323,008
Net position, beginning of year (restated)	1,843,901
Net position, end of year	$ 2,166,909

See accompanying notes.

JEA

Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2015

Operating activities	
Receipts from customers	$ 1,807,475
Other receipts	38,984
Payments to suppliers	(734,988)
Payments to employees	(232,052)
Net cash provided by operating activities	879,419
Noncapital and related financing activities	
Contribution to General Fund, City of Jacksonville, Florida	(111,491)
Build America Bonds subsidies	7,256
Net cash used in noncapital and related financing activities	(104,235)
Capital and related financing activities	
Acquisition and construction of capital assets	(204,708)
Proceeds from issuance of debt, net	198,805
Defeasance of debt	(365,927)
Repayment of debt principal	(257,869)
Interest paid on debt	(212,410)
Developer and other contributions	19,604
Loss on disposal of assets	(158)
Proceeds from sale of property	585
Net cash used in capital and related financing activities	(822,078)
Investing activities	
Purchases of investments	(1,811,962)
Proceeds from sales and maturities of investments	1,890,938
Investment income	12,329
Distributions from The Energy Authority	2,041
Net cash provided by investing activities	93,346
Net change in cash and cash equivalents	46,452
Cash and cash equivalents at beginning of year	589,622
Cash and cash equivalents at end of year	$ 636,074

JEA

Statement of Cash Flows (continued)
(In Thousands)

Year Ended September 30, 2015

Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 430,147
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	367,959
Recognition of deferred costs and revenues, net	(11,168)
Gain on sale of noncore assets	4,586
Changes in noncash assets and noncash liabilities:	
Accounts receivable and interest receivable	(11,845)
Accounts receivable and interest receivable, restricted	(1,600)
Inventories	7,314
Other assets	372
Accounts and expenses payable	(15,857)
Liabilities payable from restricted liabilities	(1,171)
Deferred credits and other liabilities	110,682
Net cash provided by operating activities	$ 879,419
Noncash activity	
Contribution of capital assets from developers	$ 33,105

See accompanying notes.

JEA

Notes to Financial Statements
(Dollars in Thousands)

September 30, 2015

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA is currently organized into three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the Electric System; the Bulk Power Supply System (Scherer), which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which has two coal-fired generating units (638 net megawatts each) jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of Water and Sewer System activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in the Bulk Power Supply System and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership of the respective plants as of September 30, 2015:

	2015
Bulk Power Supply System:	
Capital assets, net	$ 164,574
Inventory	6,596
Revenues to be used for future costs	49,195
Other noncurrent assets	14,041
Long-term debt	111,970
Other liabilities	4,950
SJRPP:	
Capital assets, net	573,473
Inventory	48,405
Other current assets	73,235
Restricted assets	295,548
Other noncurrent assets	7,174
Long-term debt	518,286
Other liabilities	195,384

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

JEA

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

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

(b) Basis of Accounting

JEA consists of the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. The Electric Enterprise Fund includes the operations of the Electric System, the Bulk Power Supply System, and SJRPP. JEA is presenting financial statements combined for the three funds. JEA uses the accrual basis of accounting for its operations and has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for the Electric Enterprise Fund and the National Association of Regulatory Utility Commissioners for the Water and Sewer Fund. The investment in The Energy Authority (TEA) is recorded on the equity method.

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

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

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

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

JEA

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

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

(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.

Operating revenues reported in the accompanying statement of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amount transferred to stabilization funds. Discounts and allowances totaled $39,550 in fiscal year 2015. JEA transferred a net of $99,566 to stabilization funds during fiscal year 2015. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 9.6% of its electric revenue from electricity sold to FPL in fiscal year 2015. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $67,007 in 2015.

In March of 2015 the Board approved a $50 million Fuel Charge Credit for residential customers. JEA customers received the credit in April of 2015. In July of 2015 the Board approved another Fuel Charge Credit for residential customers of $60 million, which has been accrued for as of September 30, 2015. JEA customers received the credit in October of 2015.

(d) Capital Assets

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property equal to or greater than $1,000 each, and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized. The costs of capital projects include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. Maintenance and replacements of minor items are charged to operating expenses. The cost of depreciable plant retired is removed from the capital asset accounts, and such cost plus removal expense less salvage value is charged to accumulated depreciation.

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

JEA

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

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

(e) Allowance for Funds Used During Construction

An allowance for funds used during construction (AFUDC) is included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds, commercial paper, and renewal and replacement funds. The average AFUDC rate for the Electric Enterprise Fund fixed and variable rate debt was 4.1% for fiscal year 2015. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 4.1% for fiscal year 2015. The average AFUDC rate for the DES variable rate debt was 3.4% for fiscal year 2015. 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 $198,267 for fiscal year 2015. Interest expense of $5,723 and investment income on bond proceeds of $0 was capitalized during fiscal year 2015.

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.5% for fiscal year 2015. The average depreciable life of the depreciable capital assets for the Electric System is 24.5 years as of September 30, 2015. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28.3 years as of September 30, 2015. The average depreciable life of the depreciable capital assets for the DES is 24.2 years as of September 30, 2015.

(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 statement of net position. Whereas JEA has incurred accounting losses on refundings, calculated as the difference between the net carrying value of the refunded and the refunding bonds, JEA has over time realized economic gains calculated as the present value difference in the future debt service on the refunded and refunding bonds.

JEA

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

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

(i) Investments

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

(j) Cash and Cash Equivalents

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

(k) Interest Rate Swap Agreements

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

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

Under JEA's interest rate swap programs, JEA either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specified period of time (unless earlier terminated), or JEA pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded either as an adjustment to investment income (asset management) or interest on debt (debt management) in the statement 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 year 2015, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See Debt Management Strategy in the Long-Term Debt note for more information on JEA's debt management interest rate swap program.

JEA

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

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

(l) Inventory

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet generation requirements. Inventories are valued at average cost, net of an estimated allowance for obsolescence for the materials and supplies inventories.

(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. Given reduced volatility in natural gas prices and limited need for oil during fiscal years 2015, JEA's use of financial instruments to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected natural gas requirements. All previous natural gas financial contracts had expired during fiscal year 2014.

At September 30, 2015, the energy market risk management program had no open NYMEX natural gas futures contracts and had margin deposits of $12 at September 30, 2015. These deposits are included in other noncurrent assets on the accompanying statement of net position.

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 statement of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2015, deferred charges of $3,754 were included in deferred outflows of resources on the statement of net position. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statement of revenues, expenses, and changes in net position. For the year ending September 30, 2015, no realized gains were included in fuel expense.

(n) Capital Contributions

Capital contributions for the Water and Sewer Fund represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statement of revenues, expenses, and changes in net position at the time of receipt. The fair value of assets received is recorded as contributions from developers. A corresponding expense of $33,105 was recorded to recognize the cost of the asset since it will not be included in revenue requirements charged to customers in the future.

JEA

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

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

(o) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the City of Jacksonville General Employees' Retirement Plan (GERP) and SJRPP Plan and additions to/deductions from GERP and SJRPP Plan fiduciary net position have been determined on the same basis as they are reported by GERP and SJRPP Plan.

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. The Florida Constitution and the Division of Retirement requires 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.

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, the amount reflected as the current portion is estimated based upon historical trends of retirements and attrition.

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

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

JEA

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

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

The compensated absence liability as of September 30, 2015, was $27,819. Of this amount, $6,152 was included in accounts and accrued expenses payable on the accompanying statement of net position. The remaining balance of $21,667 was included in other liabilities on the accompanying statement of net position. During fiscal year 2015, annual leave earned totaled $15,555 and annual leave taken totaled $14,940.

(q) Pollution Remediation Obligations

JEA applies GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, and has recognized liabilities in the amount of $18,662 at September 30, 2015, under the heading of other noncurrent liabilities on the accompanying statement of net position. There were no changes to the pollution remediation obligation included in other operating expenses in the accompanying statement of revenues, expenses, and changes in net position in September 30, 2015. See note on Commitments and Contingent Liabilities for further discussion.

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

Cost-based Regulation – JEA records certain assets and liabilities (or deferred inflows) that result from the effects of the rate-making 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 statement of net position amounts to reflect market conditions.

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

Historically, Scherer and SJRPP have met the requirements of GASB Regulated Operations and applied regulatory accounting as appropriate to their operations. This includes recognizing regulatory assets and liabilities for all items where the timing of receiving revenues from their customers is different than the timing of the recognition of the related cost. This also includes recognizing the net cost to be recovered related to the difference between including debt service in setting rates instead of depreciation. In the past, the Electric and Water and Sewer Systems have not met the requirements for applying this guidance.

On October 15, 2013, the Board adopted and implemented a rate policy for Electric and Water and Sewer Systems effective for the fiscal year ending September 30, 2015. The policy was incorporated for the first time in the 2015 budget. The 2013 policy adopted a rate-setting methodology based on debt service. With the adoption of the revised rate policy, the requirements of GASB 62, Regulated Operations, were met. On March 17, 2015, the Board approved the application of Regulatory Accounting for the Electric and Water and Sewer Systems. In connection with this change, the Board also approved modifying the rate policy basis of rate-making from debt service to depreciation expense recovery model.

JEA

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

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

(s) Setting of Rates

According to the existing laws of the State of Florida, the seven Board members of JEA act as the regulatory authority for the establishment of electric and water rates. Electric rates are set in accordance with the rate structures established by the Florida Public Service Commission (FPSC), as they have the jurisdiction to regulate the electric rate structures of municipal utilities in Florida. A rate structure is defined as the rate relationship between customer class and among customers within rate classes and is distinguishable from the total amount of revenue requirements a utility may receive from rates.

Periodically, JEA performs a cost of service study to determine the electric and water base, environmental and demand side management revenue requirements. The revenue requirements included in the cost of service studies are based on a depreciation expense recovery model. Based on this study, the regulations of the FPSC regarding electric rate structures, JEA develops the electric rate schedules. Prior to the implementation of any rate change, JEA presents the rates to the Board for approval and files the proposed tariffs with the FPSC. The latest base rate change for the Electric System was effective January 2012. Water rate requirements are studied and prepared in a similar manner excluding filing a notification with FPSC. In May 2009, the Board approved water and sewer rate structure changes and rate adjustments for fiscal years 2010 through 2013 whereas the rates would become effective October 1 of each year. In June 2012, the Board eliminated the previously approved increase in commercial and residential service availability charges and environmental charges to be effective October 1, 2012, while maintaining the volumetric rate increases in excess of 6,000 gallons per month.

In March 2015, the Board approved a Fuel Charge Credit of $56 per average residential customer, totaling $50 million.

In July 2015, the Board approved a Fuel Charge Credit of $60 million to be provided to customers in October 2015. This credit is projected to result in a $58 refund per average residential customer.

JEA has an ongoing plan to review, update and where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its July 2015 meeting, the elimination of the General Service Extra Large Demand (GSXLD) streetlight discount, which afforded the opportunity to decrease rates for the General Service Large Demand (GSLD) commercial customer class. In addition, JEA modified its streetlight rates to reflect current energy standards and to include additional streetlight rate offerings for LED lighting.

In August 2013, the Board approved an Economic Development Program designed to provide financial incentives for new commercial and industrial customers and expanding JEA customers. In July 2015, the board approved the extension of the Economic Development Program through September 2018.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

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

(t) 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, disclosure of contingent assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

(u) Newly Adopted Standards for Fiscal Year 2015

As of October 1, 2014, JEA implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB 27*, and GASB 71, *Pension Transition for Contributions made subsequent to the Measurement Date-an amendment of GASB 68*, which replaced GASB 27, *Accounting for Pensions by State and Local Government Employers*, and GASB 50, *Pension Disclosures*. GASB 68 requires employers to report the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as a net pension liability on the statement of net position.

JEA's 2014 financial statements have been restated due to the implementation. Below is a summary of the financial statement items affected in 2014:

				Net Position			
	Net Pension Liability	Cost to be Recovered From Future Revenues	Unrealized Pension Contributions and Losses	Unrestricted	Restricted	Net Investment in Capital Assets	Total
As originally reported	$ –	$ 19,715	$ –	$ 612,017	$ 607,499	$ 976,490	$ 2,196,006
Adjustment-cumulative effect on net position	(395,990)	4,754	39,131	(352,105)	–	–	(352,105)
As restated				$ 259,912	$ 607,499	$ 976,490	$ 1,843,901

The restated statement of net position decreased by $352,105 related to JEA's proportionate share of the net pension liability of the City of Jacksonville GERP and the SJRPP Employees' Pension Plan.

The liability is reflected as Net Pension Liability in the statement of net position. This liability is offset on the statement of revenues, expenses, and changes in net position as deferred inflows, deferred outflows and costs to be recovered from revenues. As a result of implementing GASB 68 and with the application of regulatory accounting for the Electric and Water and Sewer Systems, a new regulatory asset of $353,921 has been established to record the future pension obligations that will be recovered in future rates.

JEA

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

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

(v) Recently Issued Accounting Pronouncements Not Yet Effective

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to the fair value measurement. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for financial statement periods beginning after June 15, 2015. The impact to JEA's financial reporting has not been determined.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, and establishes requirements for defined contribution pensions that are not within the scope of Statement 68. This Statement is effective for fiscal years beginning after June 15, 2015. There is no expected impact to JEA's financial statements as a result of the adoption of GASB 73.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution other postemployment benefits (OPEB) plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43*, and Statement No. 50, *Pension Disclosures*. This Statement is effective for fiscal years beginning after June 15, 2016. The impact to JEA's financial reporting has not been determined.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB,* Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement is effective for fiscal years beginning after June 15, 2017. The impact to JEA's financial reporting has not been determined.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. JEA does not anticipate the implementation will have a material impact on its financial statements.

JEA

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

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

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for fiscal years beginning after December 15, 2015. JEA does not anticipate the implementation will have a material impact on its 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 rate-making process and recognized as expenses and revenues, respectively, in future periods. These amounts are shown under other noncurrent assets or deferred inflows of resources on the accompanying statement of net position.

Regulatory Assets

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 and SJRPP's pension plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension. The Board approved the recovery of the unfunded amounts in future revenue requirements with the adoption of GASB 68 in fiscal year 2015. In addition, the Board approved the deferral of the difference between the annual contributions (funding) and pension expense. With the application of regulatory accounting, $353,921 was recognized as a regulatory asset as of September 30, 2015. A special item adjustment of $351,572 was included in Special Item related to JEA's pension liability at September 30, 2014.

Debt issue costs – Prior to 2015, JEA had expensed bond issue costs for the Electric and Water and Sewer Systems. Beginning 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 it is included in revenue requirements. These costs are incurred in connection with the issuance of debt obligations and are mainly underwriter fees and legal costs. With the application of regulatory accounting, $1,593 was recognized as a regulatory asset in fiscal year 2015. Debt issue costs amortized in fiscal year 2015 was $.25.

Water Environmental Capital Projects – The Water and Sewer System maintains an environmental surcharge that collects operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or overcollected are recorded as a regulatory asset or liability. During fiscal year 2015, $22,172 was collected through the surcharge while $0.156 of operations and maintenance and $6,292 of capital projects was incurred. With the application of regulatory accounting, $15,765 was recognized as a regulatory liability in fiscal year 2015.

JEA

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

2. Regulatory Deferrals (continued)

In August 2015, the Board approved the recovery of previously approved environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was $101,277 of which $85,512 (net of $15,765 regulatory liability) remains unrecovered as of the end of the year.

Scherer and SJRPP net cost to be recovered – SJRPP deferred debt-related costs of $4,292 at September 30, 2015, are the result of differences between expenses in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenue that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statement of revenues, expenses, and changes in net position. SJRPP recognized $6,193 in fiscal year 2015 in deferred costs. The Bulk Power Supply System deferred debt-related costs of $14,041 at September 30, 2015. 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 retirement of long-term debt. Bulk Power Supply System recognized $(129) in fiscal year 2015 in deferred costs.

Regulatory Asset		**Balance at 9/30/2015**
Unfunded pension costs	$	353,921
Debt issue cost		1,593
Water environmental projects		85,512
Scherer & SJRPP net cost to be recovered		18,333
Total regulatory assets	$	459,359

Regulatory Credits

Fuel stabilization – This account represents the difference between the fuel costs incurred and fuel charge revenues collected from customers, inclusive of accrued utility revenue and fuel costs. During fiscal year 2015, a net of $95,222 was collected in excess of fuel cost incurred offset by $106,541 refunded to customers. With the application of regulatory accounting by JEA, $105,457 of revenues included in the stabilization fund in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

Nonfuel purchase power – The Board has approved a nonfuel purchase power stabilization fund to balance the timing of the payments for the Plant Vogtle's debt service with the anticipated in service date. It may be used for other purposes with the Board's approval. The amounts included in the fund are to be used for Plant Vogtle or refunded to customers if not needed. During fiscal year 2015, the Board approved recovery of $26,000 to be included in the fund. With the application of regulatory accounting by JEA, $12,000 of revenues collected from customers in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

JEA

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

2. Regulatory Deferrals (continued)

Customer benefit stabilization – The pricing policy adopted by the Board includes a demand side management surcharge. The costs approved for recovery through the surcharge included programs for the electrification, direct load control, demand side management, residential low income efficiency programs, and customer utility optimization education programs. Revenues in excess of amounts spent on the programs during fiscal year 2015 were $2,886. With the application of regulatory accounting by JEA, $3,570 of revenues collected from customers in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

Debt management stabilization – The Board has authorized the use of a debt management stabilization fund. Amounts are included in the Fund based on differences between budgeted and actual debt cost up to an established maximum reserve Fund. The reserve is available to support JEA during times of financial market crisis. Withdrawals from the Debt Management Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses. The reserve can also be used to reduce short-term variable interest expense in excess of the amounts included in the budget. Finally, the Board evaluates during the budget approval process and periodically throughout the year the amounts in the reserve that will be included in JEA's annual revenue requirements. During fiscal year 2015, no amounts were deposited or withdrawn from the stabilization fund. With the application of regulatory accounting, $62,416 collected in the past for the debt management stabilization fund was recorded as a regulatory liability with corresponding amount included in Special Item.

Environmental electric – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt hour sales. The costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Any amounts over-collected will be refunded to customers.

During the current fiscal year, a net of $6,792 was collected through the electric system environmental surcharge. With the application of regulatory accounting by JEA, $16,639 of revenues collected in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

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. Reserve requirements will be reviewed and approved by the Board annually. The Board, as part of the budget process, will approve amounts to be collected in rates that include both the current anticipated cost less amounts approved to be contributed by employees as well as amounts to maintain an adequate reserve for future costs. The reserve increased by $0.19 during fiscal year 2015.

JEA

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

2. Regulatory Deferrals (continued)

Revenues to be used for Future Costs- SJRPP deferred debt-related revenues of $171,395 at September 30, 2015, are the result of differences between revenues in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover future revenues that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statement of revenues, expenses, and changes in net position. SJRPP recognized a net of $(1,109) in fiscal year 2015. Bulk Power System early debt principal retirements in excess of straight-line depreciation of $49,194 for the year ended September 30, 2015, are included in deferred inflows of resources on the accompanying statement of net position. The Bulk Power Supply System recognized $3,878 of deferred costs on the accompany statement of revenues, expenses and changes in net position in fiscal year 2015.

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

Regulatory Liabilities	**Balance as of September 30 2015**
Fuel stabilization	$ 94,138
Nonfuel purchase power	38,000
Customer benefit stabilization	2,886
Debt management stabilization	62,416
Environmental electric	23,431
Self-Insurance medical reserve	10,937
Revenues to be used in future Scherer & SJRPP	220,589
Total regulatory liabilities	$ 452,397

JEA

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

3. Special Item

Effective for fiscal year 2015, the Board adopted and JEA implemented a pricing policy that established cost-based rates for both the Electric and Water and Sewer Systems. The rate policy as adopted includes various surcharges and stabilization funds that meet the requirements for deferral under GASB 62. Regulatory assets and liabilities have been established for these items. The initial accounting for several of these items includes deferring amounts that were included in revenue and expense in prior periods. These prior period amounts are included as a special item on statement of revenues, expenses, and changes in net position. The following summarizes the amounts included within the special item:

Item	Amount
Unfunded pension cost	$ 351,572
Fuel stabilization	(105,457)
Nonfuel purchase power	(12,000)
Debt management stabilization	(62,416)
Customer benefit stabilization	(3,570)
Environmental electric	(16,639)
Total	$ 151,490

Had these items been recorded in fiscal year 2014, the statement of net position as of September 30, 2014, would have been as follows:

Financial Statement Caption	Balance at 9/30/2014 as reported	Pro Forma Adjustment	Balance as of 9/30/2014 as adjusted
Assets and deferred outflows of revenues			
Current assets	$ 817,867	$ –	$ 817,867
Noncurrent assets	1,120,159	–	1,120,159
Capital assets	6,219,620	–	6,219,620
Regulatory assets	279,381	351,572	630,953
Total	$ 8,437,027	$ 351,572	$ 8,788,599
Liabilities, deferred inflows of resources, and net position			
Current liabilities	$ 652,039	$ –	$ 652,039
Noncurrent liabilities	44,456	–	44,456
Long-term debt	5,312,756	–	5,312,756
Deferred inflows of resources	231,770	200,082	431,852
Net position	2,196,006	151,490	2,347,496
Total	$ 8,437,027	$ 351,572	$ 8,788,599

JEA

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

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2015:

	2015
Electric System:	
Sinking Fund	$ 142,303
Construction Fund	4
Debt Service Reserve Fund	69,446
Renewal and Replacement Fund	148,458
Other Funds	158
Adjustment to fair value of investments	3,235
Total Electric System	363,604
SJRPP System:	
Sinking Fund	62,608
Construction Fund	77
Debt Service Reserve Fund	137,695
Renewal and Replacement Fund	84,472
Revenue Fund	11,958
Adjustment to fair value of investments	(1,262)
Total SJRPP System	295,548
Water and Sewer System:	
Sinking Fund	67,720
Debt Service Reserve Fund	108,849
Construction Fund	664
Renewal and Replacement Fund	149,130
Revenue Fund	777
Other Funds	70
Adjustment to fair value of investments	3,959
Total Water and Sewer System	331,169
DES:	
Sinking Fund	2,315
Renewal and Replacement Fund	2,599
Total DES	4,914
Total restricted assets	$ 995,235

JEA

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

4. Restricted Assets (continued)

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

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

Electric System:	An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the 1st SJRPP Bond Resolution. An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the 2nd SJRPP Bond Resolution. However, no such deposit is required under the 2nd SJRPP Bond Resolution as long as the 1st SJRPP Bond Resolution has not been discharged.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.
Water and Sewer System:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues.
DES:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.

5. Cash and Investments

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

JEA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual funds are 2a-7 funds registered with the U.S. Securities and Exchange Commission, and therefore are presented at actual pooled share price, which approximates fair value.

JEA

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

5. Cash and Investments (continued)

At September 30, 2015, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2015
Securities:	
U.S. Treasury and government agency securities	$ 531,752
State and local government securities	285,590
Commercial paper	161,169
Money market mutual funds	108,056
Total securities, at fair value	$ 1,086,567

These securities are held in the following accounts:

	2015
Restricted assets:	
Cash and cash equivalents	$ 216,479
Investments	772,571
Current assets:	
Cash and cash equivalents	419,595
Investments	78,794
Total cash and investments	1,487,439
Plus: interest due on securities	2,683
Less: cash on deposit	(403,555)
Total securities, at fair value	$ 1,086,567

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2015, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Putable securities are presented as investments with a maturity of less than one year.

JEA

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

5. Cash and Investments (continued)

Investment Maturity Distribution at September 30, 2015

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
U.S. Treasury and government agency securities	$ 164,070	$ 339,998	$ 27,684	$ –	$ 531,752
State and local government securities	68,539	93,159	50,843	73,049	285,590
Commercial paper	161,169	–	–	–	161,169
Money market mutual funds	108,056	–	–	–	108,056
Total securities, at fair value	$ 501,834	$ 433,157	$ 78,527	$ 73,049	$ 1,086,567

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

Credit Risk – JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the *Florida Statutes*, and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (2) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company or Fortune Global 500 company and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2015, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, JEA's investment policy limits the commercial paper investment in any one issuer to $12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25% of the total cash and investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2015, JEA had 14.8% of its investments in commercial paper.

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.

JEA

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

5. Cash and Investments (continued)

Concentration of Credit Risk – As of September 30, 2015, investments in any one issuer representing 5% or more of JEA's investments included $268,741 (24.7%) invested in issues of the Federal Home Loan Bank and $249,685 (23.0%) invested in issues of the Federal Farm Credit Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total cash and investments regardless of statement of net position classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total cash and investment portfolio (regardless of statement of net position classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2015, investments in all security types were within the allowable policy limits.

JEA

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

6. Capital Assets

Capital asset activity for the year ended September 30, 2015, is as follows:

	Balance September 30, 2014	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2015
Electric Enterprise Fund:					
Generation assets	$ 3,706,482	$ –	$ (19,154)	$ (2,938)	$ 3,684,390
Transmission assets	536,558	–	149	(4,903)	531,804
Distribution assets	1,714,682	–	(2,418)	49,786	1,762,050
Other assets	449,227	–	(10,886)	5,284	443,625
Total capital assets	6,406,949	–	(32,309)	47,229	6,421,869
Less: accumulated depreciation and amortization	(3,102,267)	(231,543)	23,435	–	(3,310,375)
Land	80,281	–	(437)	21,993	101,837
Construction work-in-process	98,289	128,775	–	(80,545)	146,519
Net capital assets	3,483,252	(102,768)	(9,311)	(11,323)	3,359,850
Water and Sewer Fund:					
Pumping assets	476,440	5,462	(3,367)	2,214	480,749
Treatment assets	560,231	–	(291)	14,130	574,070
Transmission and distribution assets	1,108,125	9,631	(59)	15,421	1,133,118
Collection assets	1,404,870	13,461	(17)	14,215	1,432,529
Reclaimed water assets	124,014	4,394	(35)	2,423	130,796
General and other assets	359,297	138	(4,113)	20,812	376,134
Total capital assets	4,032,977	33,086	(7,882)	69,215	4,127,396
Less: accumulated depreciation	(1,487,912)	(132,278)	7,857	(137,011)	(1,749,344)
Land	53,481	18	25	5,611	59,135
Construction work-in-process	99,409	103,850	–	(77,988)	125,271
Net capital assets	2,697,955	4,676	–	(140,173)	2,562,458
DES:					
Chilled water plant assets	51,916	–	–	675	52,591
Total capital assets	51,916	–	–	675	52,591
Less: accumulated depreciation	(17,238)	(2,286)	–	–	(19,524)
Land	3,051	–	–	–	3,051
Construction work-in process	684	917	–	(675)	926
Net capital assets	38,413	(1,369)	–	–	37,044
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,219,620	$ (99,461)	$ (9,311)	$ (151,496)	$ 5,959,352

JEA

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

7. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has eight members, and JEA's ownership interest in TEA is 16.7%. TEA provides wholesale power marketing and resource management services to members (including JEA) and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists members (including JEA) and nonmembers with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were $1,461 in fiscal year 2015 for all power marketing activities. The investment in TEA of $7,491 at September 30, 2015, is included in noncurrent assets on the accompanying statement of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2015. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited 2015
Condensed statement of net position:	
Current assets	$ 142,339
Noncurrent assets	12,997
Total assets	$ 155,336
Current liabilities	$ 109,098
Noncurrent liabilities	184
Members' capital	46,054
Total liabilities and members' capital	$ 155,336
Condensed statement of operations:	
Operating revenues	$ 1,249,164
Operating expenses	1,207,623
Operating income	$ 41,541
Net income	$ 41,554

As of September 30, 2015, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28,929 and TEA's natural gas procurement and trading activities up to $35,600, in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. JEA has approved up to $60,000 (plus attorney fees) for TEA's natural gas procurement and trading activities.

JEA

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

7. Investment in The Energy Authority (continued)

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

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

The term of these guaranties is generally indefinite, but JEA has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. Such termination would be as a result 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 First and Second Power Park Resolutions; and the DES bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the net revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds is payable semiannually on April 1 and October 1, and principal is payable on October 1.

JEA

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

8. Long-Term Debt (continued)

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of SJRPP Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

JEA

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

8. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Electric System Senior Revenue Bonds:			
Series Three 2004A	5.000%	2039	$ 5
Series Three 2005B	4.750%	2033	**100**
Series Three 2005D	3.625%	2015	**1,335**
Series Three 2008A[2]	Variable	2027–2036	**51,680**
Series Three 2008B-1[3]	Variable	2015–2040	**61,095**
Series Three 2008B-2[2]	Variable	2025–2040	**41,900**
Series Three 2008B-3[2]	Variable	2024–2036	**37,000**
Series Three 2008B-4[3]	Variable	2015–2036	**50,535**
Series Three 2008C-1[2]	Variable	2024–2034	**44,145**
Series Three 2008C-2[2]	Variable	2024–2034	**43,900**
Series Three 2008C-3[2]	Variable	2030–2038	**25,000**
Series Three 2008D-1[3]	Variable	2015–2036	**116,165**
Series Three 2008E	5.000%	2015	**14,560**
Series Three 2009C	5.000%	2016–2017	**15,730**
Series Three 2009D[6]	6.056%	2033–2044	**45,955**
Series Three 2010A	4.000%	2015–2020	**29,715**
Series Three 2010B	2.000%	2015	**450**
Series Three 2010C	4.000–4.500%	2021–2031	**11,420**
Series Three 2010D	4.000–5.000%	2015–2038	**97,970**
Series Three 2010E[6]	5.350–5.482%	2028–2040	**34,255**
Series Three 2012A	4.000–4.500%	2023–2033	**60,750**
Series Three 2012B	2.000–5.000%	2015–2039	**133,990**
Series Three 2013A	2.500–5.000%	2015–2026	**119,080**
Series Three 2013B	1.875–5.000%	2021–2038	**7,600**
Series Three 2013C	3.000–5.000%	2015–2030	**33,170**
Series Three 2014A	2.600–5.000%	2015–2034	**49,420**
Series Three 2015A	1.000–5.000%	2015–2041	**83,325**
Series Three 2015B	2.000–5.000%	2016–2031	**42,355**
Total Electric System Senior Revenue Bonds			**1,252,605**

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Electric System Subordinated Revenue Bonds:			
2000 Series A[2]	Variable	2021–2035	**$ 30,965**
2000 Series F-1[2]	Variable	2026–2030	**37,200**
2000 Series F-2[2]	Variable	2026–2030	**24,800**
2005 Series C	3.500%	2015	**875**
2008 Series D[2]	Variable	2024–2038	**39,455**
2009 Series A	5.625%	2029–2032	**21,140**
2009 Series D	5.000%	2017–2018	**23,925**
2009 Series E	4.000	2015–2018	**4,835**
2009 Series F[6]	3.875–6.406%	2015–2034	**66,600**
2009 Series G	3.750–5.000%	2015–2021	**27,675**
2010 Series A	3.000–5.000%	2015–2017	**10,830**
2010 Series B	3.000–5.000%	2015–2024	**36,210**
2010 Series C	3.125–4.000%	2020–2027	**15,925**
2010 Series D[6]	3.500–5.582%	2017–2027	**45,575**
2010 Series E	4.000%	2015–2016	**7,570**
2012 Series A	3.000–5.000%	2015–2033	**112,645**
2012 Series B	2.250–5.000%	2015–2037	**108,020**
2013 Series A	2.500–5.000%	2017–2030	**59,330**
2013 Series B	2.500–5.000%	2015–2026	**50,875**
2013 Series C	1.375–5.000%	2015–2038	**88,625**
2013 Series D	2.625–5.250%	2015–2035	**155,670**
2014 Series A	3.000–5.000%	2015–2039	**231,950**
Total Electric System Subordinated Revenue Bonds			**1,200,695**

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Bulk Power Supply System Revenue Bonds:			
Series 2010A[6]	3.350–5.920%	2015–2030	$ 45,640
Series 2014A	2.000–5.000%	2015–2038	71,280
Total Bulk Power System Revenue Bonds			116,920
SJRPP System Revenue Bonds:			
Issue Two, Series Seventeen	4.700%	2019	100
Issue Two, Series Eighteen	4.500%	2018	50
Issue Two, Series Nineteen	4.600%	2017	100
Issue Two, Series Twenty	4.500%	2021	100
Issue Two, Series Twenty-One	5.000%	2021	5
Issue Two, Series Twenty-Two	4.000%	2019	5
Issue Two, Series Twenty-Three	3.000–5.000%	2015–2021	92,830
Issue Two, Series Twenty-Four	3.000–4.000%	2015–2021	42,550
Issue Two, Series Twenty-Five	3.000–5.000%	2016–2021	42,195
Issue Two, Series Twenty-Six	2.000–5.000%	2019–2021	65,970
Issue Two, Series Twenty-Seven	0.600–2.505%	2015–2021	7,155
Issue Three, Series One[5]	4.500%	2037	100
Issue Three, Series Two[5]	5.000%	2034–2037	29,370
Issue Three, Series Four[5][6]	3.875–5.450%	2016–2028	25,720
Issue Three, Series Five[5]	4.000%	2015	1,595
Issue Three, Series Six[5]	2.375–5.000%	2015–2037	98,485
Issue Three, Series Seven[5]	2.000–5.000%	2015–2033	79,720
Issue Three, Series Eight[5]	2.000–5.000%	2015–2039	58,895
Total SJRPP System Revenue Bonds			544,945

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Water and Sewer System Senior Revenue Bonds:			
2006 Series B[4]	Variable	2016–2022	**$ 38,730**
2008 Series A-2[2]	Variable	2028–2042	**51,820**
2008 Series B[2]	Variable	2023–2041	**85,290**
2009 Series B	3.750–5.000%	2017–2019	**25,565**
2010 Series A[6]	6.210–6.310%	2026–2044	**83,115**
2010 Series B	3.750–5.700%	2015–2025	**19,030**
2010 Series C	3.500–5.000%	2015–2020	**16,145**
2010 Series D	3.000–5.000%	2015–2039	**105,040**
2010 Series E	4.000–5.000%	2021–2039	**60,990**
2010 Series F[6]	3.200–5.887%	2017–2040	**45,520**
2010 Series G	2.000–3.000%	2015–2016	**1,525**
2012 Series A	3.000–5.000%	2017–2041	**317,935**
2012 Series B	2.000–5.000%	2015–2041	**133,425**
2013 Series A	3.000–5.000%	2015–2027	**92,385**
2013 Series B	0.776–1.882%	2015–2017	**23,205**
2014 Series A	2.000–5.000%	2015–2040	**300,200**
Total Water and Sewer System Senior Revenue Bonds			**1,399,920**

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[(1)]	Payment Dates	September 30, 2015
Water and Sewer System Subordinated Revenue Bonds:			
Subordinated 2008 Series A-1[(2)]	Variable	2015–2038	**$ 53,950**
Subordinated 2008 Series A-2[(2)]	Variable	2030–2038	**25,600**
Subordinated 2008 Series B-1[(2)]	Variable	2030–2036	**30,885**
Subordinated 2010 Series A	3.000–5.000%	2015–2022	**14,950**
Subordinated 2010 Series B	3.000–5.000%	2020–2025	**12,770**
Subordinated 2012 Series A	3.000–4.000%	2021–2033	**20,320**
Subordinated 2012 Series B	3.250–5.000%	2030–2043	**41,640**
Subordinated 2013 Series A	2.125–5.000%	2015–2029	**79,660**
Total Water and Sewer System Subordinated Revenue Bonds			**279,775**
District Energy System:			
2013 Series A	0.641–4.538%	2015–2034	**41,360**
Total District Energy System			**41,360**
Total Debt Principal Outstanding			**4,836,220**
Less: Debt Due Within One Year			**(187,500)**
Total Long-Term Debt			**$ 4,648,720**

(1) Interest rates apply only to bonds outstanding at September 30, 2015. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode or the commercial paper mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2015.

(2) Variable rate demand obligations – interest rates ranged from 0.01% to 0.06% at September 30, 2015.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.42% at September 30, 2015.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 0.77% to 0.91% at September 30, 2015.

(5) SJRPP System Issue Three Bonds were issued under the Second Power Park Resolution, whereby JEA is responsible for 100% of the related debt service payments. Whereas the SJRPP System Issue Two Bonds issued under the First Power Park Resolution, JEA is responsible for approximately 62.5% of the related debt service payments and FPL the remainder.

(6) Federally Taxable – Issuer Subsidy – Build America Bonds where JEA expects to receive a cash subsidy payment from the United States Department of the Treasury for an amount up to 35% of the related interest.

JEA

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

8. Long-Term Debt (continued)

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2015, was as follows:

System	Bonds Payable September 30, 2014	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2015	Current Portion of Bonds Payable September 30, 2015
Electric	$ 2,598,720	$ **125,680**	$ **(194,665)**	$ **(76,435)**	$ **2,453,300**	$ **93,815**
Bulk Power Supply	119,100	**–**	**–**	**(2,180)**	**116,920**	**4,950**
SJRPP	711,195	**73,125**	**(107,290)**	**(132,085)**	**544,945**	**50,945**
Water and Sewer	1,797,385	**–**	**(73,365)**	**(44,325)**	**1,679,695**	**36,180**
DES	42,965	**–**	**–**	**(1,605)**	**41,360**	**1,610**
Total	$ 5,269,365	$ **198,805**	$ **(375,320)**	$ **(256,630)**	$ **4,836,220**	$ **187,500**

The debt service to maturity on the outstanding debt (excludes short-term bank borrowings) as of September 30, 2015, is summarized as follows:

Bond Year Ending October 1	Electric System Principal	Electric System Interest	Bulk Power Supply System Principal	Bulk Power Supply System Interest	SJRPP Principal	SJRPP Interest
2015	$ 93,815	$ 41,112	$ 4,950	$ 2,426	$ 50,945	$ 11,439
2016	96,195	80,456	6,045	4,713	43,785	21,312
2017	89,955	76,561	5,205	4,474	41,330	19,141
2018	93,685	72,882	5,710	4,233	40,715	17,252
2019	95,215	68,635	6,150	3,959	52,940	15,292
2020–2024	457,960	285,055	33,570	16,224	125,235	49,269
2025–2029	529,140	202,251	24,005	10,454	87,035	30,753
2030–2034	531,500	131,671	17,010	4,768	62,475	15,877
2035–2039	423,195	48,147	14,275	1,562	40,485	4,495
2040–2044	42,640	5,147	–	–	–	–
Total	$ 2,453,300	$ 1,011,917	$ 116,920	$ 52,813	$ 544,945	$ 184,830

JEA

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

8. Long-Term Debt (continued)

Bond Year Ending October 1	Water and Sewer System Principal	Water and Sewer System Interest	District Energy System Principal	District Energy System Interest	Total Debt Service[1][2]
2015	$ 36,180	$ 31,539	$ 1,610	$ 705	$ 274,721
2016	33,875	62,170	1,625	1,399	351,575
2017	51,020	61,358	1,640	1,382	352,066
2018	51,720	59,429	1,660	1,359	348,645
2019	54,705	57,314	1,690	1,330	357,230
2020–2024	297,455	253,813	9,110	5,999	1,533,690
2025–2029	299,415	192,784	10,770	4,340	1,390,947
2030–2034	311,305	130,585	13,255	1,850	1,220,296
2035–2039	379,175	69,001	-	-	980,335
2040–2044	164,845	12,013	-	-	224,645
Total	$ 1,679,695	$ 930,006	$ 41,360	$ 18,364	$ 7,034,150

(1) 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, 2015. The table excludes payments made during fiscal year 2015.

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

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

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2017	2019	2017	2017	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2015 is summarized as follows:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain/(Loss)
Electric	Series Three 2015A	Refunding[1]	Senior	Mar-15	$ 83,325	$ 84,280	$ 458
SJRPP	Issue Two, Series 26 & 27	Refunding[2]	Senior	May-15	73,125	77,085	(65)
Electric	Series Three 2015B	Refunding[3]	Senior	Jul-15	42,355	69,585	(444)
					$ 198,805	$ 230,950	$ (51)

JEA

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

8. Long-Term Debt (continued)

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $136,744 compared to prior debt service of $156,591 and $12,826 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $76,130 compared to prior debt service of $88,202 and $11,261 of net present value economic savings.

(3) Fixed rate bonds issued including cash of $25,000 to refund fixed rate bonds with new debt service of $56,110 compared to prior debt service of $72,621 and $5,949 of net present value economic savings.

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

	Authorization		
System	Senior	Subordinated	Expiration
Electric	$ 592,320	$ 241,000	December 31, 2016
SJRPP Issue Two	6,875	–	December 31, 2016
SJRPP Issue Three	82,000	–	December 31, 2016
Water and Sewer	314,000	164,000	December 31, 2016

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System variable rate debt obligations (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, 2015, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period. The current commitment fees range from approximately 0.3% to 0.5% with stated termination dates ranging from May 10, 2017 to July 29, 2018, unless otherwise extended.

JEA entered into an irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2015, 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 current commitment fee is approximately 0.5% with a stated expiration date of December 2, 2018, unless otherwise extended.

JEA

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

8. Long-Term Debt (continued)

JEA has entered into continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, Series Three 2008B-4 and Series Three 2008D-1 (collectively, the Direct Purchased Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchased Bonds for purchase for a period specified in the respective continuing covenant agreements, which period would be subject to renewal under certain conditions. Any Direct Purchased Bond that was not purchased from such bank on the scheduled mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such scheduled mandatory tender date. Upon any such tender for payment, the Direct Purchased Bond so tendered would be due and payable immediately. The current expiration date of the continuing covenant agreements is September 17, 2018, unless otherwise extended. The interest rate is variable and is set monthly based upon the SIFMA Index plus 40 basis points.

Short-Term Bank Borrowings

JEA currently has two revolving credit agreements with two commercial banks for unsecured revolving lines of credit in the amounts of $200,000 and $100,000. The lines of credit may be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES, and for operating expenditures or for capital expenditures.

There was no activity under the lines of credit for fiscal year 2015.

At September 30, 2015, the $200,000 and $100,000 line of credit agreements are both fully available to be drawn upon. The current expiration date for both is September 7, 2016.

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 statement of net position; however, the notional amounts of the interest rate swaps are not reflected in the accompanying financial statements. JEA adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; therefore, hedge accounting is applied where fair market value changes are recorded in the accompanying statement of net position as either a deferred outflow of resources or a deferred inflow of resources.

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

JEA

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

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2015, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 84,800	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	86,725	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9–4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 771,520	$ 531,955				

The following table includes fiscal year 2015 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, 2015		
System	Classification	Amount	Classification	Amount[1]	Notional
Electric	Deferred outflows	$ 32,378	Fair value of debt management strategy instruments	$ (120,400)	$ 407,935
Water and Sewer	Deferred outflows	10,756	Fair value of debt management strategy instruments	(28,349)	124,020
Total		$ 43,134		$ (148,749)	$ 531,955

[1] Fair value amounts were calculated using market rates as of September 30, 2015, and standard cash flow present valuing techniques.

JEA

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

8. Long-Term Debt (continued)

For fiscal year ended September 30, 2015, 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:

		2015
68% of LIBOR Index:		
Notional amount outstanding	$	**210,700**
Variable rate received (weighted average)		**0.1%**
Fixed rate paid (weighted average)		**3.7%**
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	$	**282,525**
Variable rate received (weighted average)		**0.1%**
Fixed rate paid (weighted average)		**4.0%**
CPI Index:		
Notional amount outstanding	$	**38,730**
Variable rate received (weighted average)		**1.9%**
Fixed rate paid (weighted average)		**4.0%**
Net debt management swap loss	$	**(19,581)**

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, 2015:

Electric System[(1)]

Bond Year Ending October 1		Principal		Interest		Net Swap Interest		Total
2015	$	350	$	71	$	1,291	$	1,712
2016		375		815		15,730		16,920
2017		400		814		15,716		16,930
2018		400		813		15,702		16,915
2019		425		812		15,687		16,924
2020–2024		29,090		3,990		77,084		110,164
2025–2029		143,610		3,292		63,792		210,694
2030–2034		138,700		1,662		32,147		172,509
2035–2039		94,585		495		9,958		105,038
Total	$	407,935	$	12,764	$	247,107	$	667,806

JEA

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

8. Long-Term Debt (continued)

Water and Sewer System[1]				
Bond Year Ending October 1	**Principal**	**Interest**	**Net Swap Interest**	**Total**
2015	$ –	$ 169	$ 881	$ 1,050
2016	4,105	421	4,521	9,047
2017	4,255	385	4,392	9,032
2018	5,520	348	4,259	10,127
2019	5,740	300	4,087	10,127
2020–2024	27,565	717	17,455	45,737
2025–2029	9,140	353	13,668	23,161
2030–2034	9,660	323	12,513	22,496
2035–2039	36,315	233	9,017	45,565
2040–2044	21,720	33	1,273	23,026
Total	$ 124,020	$ 3,282	$ 72,066	$ 199,368

[1] Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2015. 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, 2015.

Credit Risk – JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA-/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA-/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA-/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2015, 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, 2015.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2015, are as follows:

Counterparty	**Counterparty Credit Ratings S&P/Moody's/Fitch**	**Outstanding Notional Amount**
Morgan Stanley Capital Service Inc.	A-/Baa2/A	$ 184,285
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/A+	125,900
Merrill Lynch Derivative Products AG	A-/Baa2/A	85,290
Total		$ 531,955

JEA

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

8. Long-Term Debt (continued)

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, 2015, the weighted average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.14%, while the SIFMA swap index rate is 0.02% and 68% of LIBOR is 0.13%.

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

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

9. Transactions with City of Jacksonville

Utility and Administrative Services

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

	Revenues	Expenses
Fiscal year 2015	**$ 37,743**	**$ 5,152**

9. Transactions with City of Jacksonville (continued)

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2015 is the seventh year of an eight-year agreement. The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 5.5 mills per kilowatt hour delivered by JEA to retail users in JEA's service area, and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum average increase of $2,500 per year through 2016, using 2008 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

The contribution from the JEA Electric Enterprise fund for fiscal year 2015 amounted to $90,109. The contribution from the JEA Water and Sewer for fiscal year 2015 amounted to $21,579.

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

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2015, JEA recorded $29,342 and $10,070 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

Insurance Risk Pool

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

JEA

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

9. Transactions with City of Jacksonville (continued)

JEA has excess coverage for individual workers' compensation claims above $1.2 million. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis, depending on the claims experience of JEA and other participants in the City's self-insurance program. The liabilities are based on the estimated ultimate cost of settling the claim, including the effects of inflation and other societal and economic factors. The JEA workers' compensation expense is the premium charged by the City's self-insurance plan. The workers' compensation premium credit balance in 2015 amounted to $952, which included a refund of prior-year credits in the amount of $2,377. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $1,816 for the year ended September 30, 2015. There was no refund of prior year credits included in the general liability insurance premium expense amounts for the year. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

The estimated loss accrual for the City of Jacksonville amounted to $18,118 for general insurance liability for the workers' compensation insurance liability for the year ended September 30, 2015, and $89,343 for general insurance liability. JEA's portion of the general insurance liability was $1,967 during the fiscal year ended September 30, 2015. JEA's portion of the workers' compensation insurance liability was $3,366 during the fiscal year ended September 30, 2015. The amounts are recorded at present value using a 4% discount rate for the fiscal year ended September 30, 2015.

10. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for the majority of the coal requirements for SJRPP and Scherer Unit 4 through calendar year 2016, while maintaining flexibility to switch to natural gas. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts.

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. From time to time, JEA purchases portions of its coal supply for SJRPP from domestic suppliers and takes delivery at the mine. In these instances, JEA contracts with CSX for rail transportation from the mine to the SJRPP plant. JEA currently has a rail transportation commitment with CSX for delivery to SJRPP through calendar year 2016. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends through calendar year 2028, and an agreement with Norfolk Southern Railway Company (NS) that extends through December 31, 2015. A contract extension with the NS is currently under negotiation.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

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

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by remarketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate, including the projected effects of inflation for coal purchase commitments of SJRPP (at JEA's 80% ownership interest) and the Bulk Power Supply System and future estimated fixed charges for electric generating capacity entitlement and transmission, including the projected effects of inflation for JEA, appear in the table below:

Year Ending	Coal and Pet Coke		Natural Gas		Residual	Electric Generating Capacity/		
September 30	Fuel	Transportation	Fuel	Transportation	Oil	Energy	Transmission	Total
2016	$ 26,945	$ 16,124	$ 3,349	$ 2,233	$ 15,903	$ –	$ 5,477	$ 70,031
2017	28,930	10,528	3,340	2,227	–	–	5,684	50,709
2018	7,556	2,274	3,340	2,227	–	–	5,852	21,249
2019	–	–	3,340	2,227	–	–	6,025	11,592
2020	–	–	3,349	2,233	–	–	6,204	11,786
2021-2040	–	–	1,382	921	–	–	155,357	157,660

Vogtle Units Purchase Power Agreement

The Board established a target of up to 30.0% of JEA's energy requirements to be met with nuclear energy by 2030. As a result of those efforts, JEA entered into a power purchase agreement (as amended, the "Additional Vogtle Units PPA") with the Municipal Electric Authority of Georgia (MEAG Power) for 206 megawatt (MW) of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 13% of JEA's total energy requirements in the year 2021.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

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

MEAG Power, based upon information provided to it by its agent, Georgia Power, has advised JEA that the current schedule in service targets for the Additional Vogtle Units are June 2019 and June 2020. Georgia Power has also advised MEAG Power that, as construction continues, the risk remains that ongoing challenges with contractor performance or other issues could arise and may further impact project schedule and cost. While Georgia Power has advised that it expects the contractor to employ mitigation efforts to maintain the current project schedule and believes that the contractor is responsible for any related costs, Georgia Power has also advised that the contractor performance and progress in recent months on the assembly and installation of shield building and structural modules have resulted in additional schedule pressure.

Three separate "projects" were created by MEAG Power for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). MEAG Power originally estimated that total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units, including construction costs, financing costs and contingencies, initial fuel load costs, and switchyard and transmission costs, would be approximately $3,700,000, of which approximately $1,500,000 would be allocable to the project (referred to herein as Project J) from which the capacity and energy will be sold to JEA under the Additional Vogtle Units PPA.

In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG Power, MEAG Power issued $1,200,000 of its Plant Vogtle Units 3&4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. These bonds were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG Power expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest. This financing represents approximately 85.0% of the then estimated construction costs of the units applicable to the output purchased by JEA under the Additional Vogtle Units PPA. Such estimate results in a portion of fixed annual costs to JEA for one of the Additional Vogtle Units of approximately $36,300 per year for 20 years beginning in 2016 and a portion of fixed annual costs to JEA for the other Additional Vogtle Unit of approximately $28,700 per year for 20 years beginning in 2017. Such fixed annual costs are net of the expected 35% cash subsidy related to the Build America Bonds.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

On June 24, 2015, in order to obtain a loan guarantee from the United States Department of Energy (DOE) for further funding of the Plant Vogtle Units 3&4, MEAG Power divided its undivided ownership interest in Plant Vogtle Units 3&4 into three separate undivided interests. MEAG Power transferred approximately 41.175% of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG Power's ownership interest attributable to Project J), to MEAG Power SPVJ, LLC, a limited liability company organized and existing under the laws of the State of Georgia (the Project J Entity), of which MEAG Power is the sole member.

The Project J Entity then entered into a loan guarantee agreement with DOE under which the Project J Entity is permitted to borrow from the Federal Financing Bank an aggregate amount of $577,743 of which $24,482, is available to pay capitalized interest on certain borrowings under the loan guarantee agreement. The Project J Entity received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of $327,443 on June 24, 2015. The Project J Entity is permitted to obtain additional borrowings under the loan guarantee agreement (exclusive of amounts set aside for the payment of capitalized interest on borrowings) in an aggregate principal amount of $225,819.

Other co-owners (GPC and Oglethorpe), completed their loan agreements with the DOE early in 2014.

MEAG Power issued $185,180 of additional Project J bonds on September 9, 2015.

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

> The most significant issues relate to costs associated with design changes to the Design Control Document (DCD) and costs associated with delays in the project schedule related to the timing of approval of the DCD and issuance of the Construction and Operating Lease (COL) by the Nuclear Regulatory Commission (NRC). The Consortium's estimated adjustment attributable to Project J is approximately $84,000 (in 2008 dollars) with respect to these issues.
>
> November 1, 2012, Georgia Power and the other owners filed suit against the Consortium in the U.S. District Court for the Southern District of Georgia, seeking a declaratory judgment that the Owners are not responsible for the costs related to these issues. Also on November 1, 2012, the Consortium filed suit against Georgia Power and the other Owners in the U.S. District Court for the District of Columbia, alleging the Owners are responsible for the costs related to these issues and seeking payment from the Owners of the full amount of these costs. While litigation has commenced, the Owners expect negotiations with the Consortium to continue with respect to cost and schedule during which time the parties will attempt to reach a mutually acceptable compromise of their positions. The Owners intend to vigorously defend their positions. The U.S. District Court for the District of Columbia issued an order on August 30, 2013, dismissing the Consortium Claim, and allowing the case to proceed in the U.S. District Court for the Southern District of Georgia (Augusta, Georgia). Additional claims by the Consortium or the Owners are expected to arise throughout the construction of Plant Vogtle Units 3 and 4.

10. Fuel Purchase and Purchased Power Commitments (continued)

On May 22, 2014, the Consortium filed an amended counterclaim to the suit pending in the U.S. District Court for the Southern District of Georgia alleging that (i) the design changes to the DCD imposed by the NRC delayed module production and the impacts to the Consortium are recoverable by the Consortium under the engineering, procurement, and contractor (EPC) Agreement and (ii) the changes to the basemat rebar design required by the NRC caused additional costs and delays recoverable by the Consortium under the EPC Agreement. The Consortium did not specify in its amended counterclaim claimed amounts relating to these new allegations; however, the Consortium subsequently asserted related minimum damages (based on MEAG Power's ownership interest) of $56,100. The Owners have not agreed with either the proposed cost or schedule adjustments or that the Owners have any responsibility for costs related to these issues. While litigation has commenced, the Owners expect negotiations with the Consortium to continue with respect to cost and schedule during which time the parties will attempt to reach a mutually acceptable compromise of their positions. The Owners intend to vigorously defend their positions. Additional claims by the Consortium or the Owners are expected to arise throughout the construction of Plant Vogtle Units 3 and 4.

On October 27, 2015, MEAG Power announced that the contractors for the Vogtle nuclear expansion, Westinghouse and CB&I, have entered into a transaction that will position Westinghouse as the sole contractor over the project. As a result, MEAG Power and the other Vogtle co-owners have agreed on terms to settle all claims currently in litigation with the project's contractors and to include additional protections in the EPC contract against any future claims. The settlement is subject to the completion of a transaction between Westinghouse and CB&I announced simultaneously with the agreement.

The Project J share of the settlement cost is approximately $71,000. MEAG Power owns 22.7% (500.3 MW) of the new nuclear units at Plant Vogtle. For the initial 20 years of commercial operation of each unit, MEAG Power has sold 41.175% of the output and services associated with the unit to JEA.

Processes have been implemented that are designed to assure compliance with the design requirements specified in the DCD and the COLs, including rigorous inspections by Southern Nuclear and the NRC that occur throughout construction. Various design and other issues are expected to arise as construction proceeds, which may result in license amendments or require other resolution. If any license amendment requests are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Owners, the Contractor, or both.

Option to Purchase Interest in Lee Nuclear Station

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project is currently planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2024 with respect to Unit 1 and 2026 with respect to Unit 2. The total cost of the option was $7,500, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA's exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The NRC began a review of the seismic criteria that nuclear plants must be designed to withstand in 2008. The source model is complete, but completion of the ground attenuation model is not expected until 2016. Both are required to complete the seismic assessment. This has affected the Lee Project COL and is expected to delay the COL until late 2016. The NRC completed development of a generic Environmental Impact Statement to allow for longer-term storage of spent fuel on site (the Waste Confidence Rule, renamed the "Continued Storage of Spent Nuclear Fuel") on August 26, 2014.

Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and if it does exercise the option, it must upon such exercise specify the percentage undivided ownership interest in the Lee Project that it will acquire.

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

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

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

Jacksonville Solar

In 2009, JEA entered into a 30-year purchase power agreement with Jacksonville Solar, LLC for the produced energy, as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 213,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and generates approximately 21,130 MWh of electricity per year. JEA pays only for the energy produced. Purchases of energy for the fiscal year 2015 was $3,741.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Additional Solar

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 MW of solar photo voltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Approximately 33 MW of solar projects have been awarded to seven different companies for eight separate projects, distributed around JEA's service territory. The PPAs for two of these projects have been completed, representing a total of 11 MW. The two finalized PPAs are with groSolar and Hecate Energy – these projects will be completed in 2016. Negotiations are continuing on the other six PPAs.

Trail Ridge Landfill

JEA currently purchases energy from a 9.6 MW landfill gas-to-energy facility at the Trail Ridge Landfill in Jacksonville through a PPA with Landfill Energy Systems (LES), and an additional 6 MW landfill gas-to-energy facility at the Sarasota Landfill in Sarasota, also through a PPA with LES. JEA has signed an agreement to purchase an additional 3.6 MW net output from the facility if it is expanded and becomes available. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville. The new facility came online in January 2015. JEA pays only for the energy produced. Purchases of energy for the fiscal year 2015 were $3,795.

11. Energy Market Risk Management Program

The energy market risk program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. Given reduced volatility in natural gas prices and limited need for oil, during fiscal year 2015, JEA's use of financial transactions to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected natural gas requirements. All previous natural gas financial contracts had expired during fiscal 2014.

It is possible that after a physical or financial fuel commodity transaction takes place, the market price before or at the specified time to purchase the fuel commodity may be lower than the price at which JEA is committed to buy. This would reduce the value of the contract. JEA is also exposed to the failure of the counterparty to fulfill the contract. JEA believes the risk of nonperformance by the counterparty under these contracts is not significant. JEA does not anticipate nonperformance by any counterparty.

At September 30, 2015, the energy market risk program had no open NYMEX natural gas futures contracts and had margin deposits of $12 at September 30, 2015, which is included in other noncurrent assets on the accompanying statement of net position.

JEA

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

11. Energy Market Risk Management Program (continued)

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 statement of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2015, deferred charges of $3,754 were included in deferred outflows of resources on the statement of net position. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statement of revenues, expenses, and changes in net position. For the year ending September 30, 2015, there were no realized gains included in fuel expense.

The following is a summary of derivative positions as of September 30, 2015:

Electric Enterprise Fund	Changes in Fair Value		Fair Value at September 30, 2015		
Cash Flow Hedges	Classification	Amount	Classification	Amount	Notional*
Natural Gas	Deferred outflows	$ 3,754	Liability	$ 3,754	$ –

*Notional amount of natural gas positions offset.

12. Pension Plans

JEA Plan Description and Contributions

Substantially all of the employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative. GERP, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the 2014 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at **http://www.coj.net/departments/finance/docs/accounting/2014-city-of-jacksonville-cafr-sec.aspx** or by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418.

Plan Benefits Provided – The GERP is open to employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of GERP. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in GERP is mandatory for all full-time employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and City of Jacksonville, who otherwise meet the requirements for participation. 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.

JEA

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

12. Pension Plans (continued)

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of 2.5% of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of 80% of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first payday coincident with or next payday following the member's actual retirement and will continue until death.

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars ($5) multiplied by the number of years of credited service. This benefit may not exceed $150 per month.

Contributions – The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. In fiscal year 2015, JEA plan members were required to contribute 8% of their annual covered salary, and JEA's contribution of the covered payroll for the JEA plan members was $40,179 (31.98%). Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Defined Contribution Plan

The City has, by ordinance, a defined contribution (DC) plan within the Jacksonville Retirement System for GERP participants as an employee choice alternative to the defined benefit (DB) plans. Beginning in fiscal year 2011, employees had the option to participate in a DC plan. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees 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.

In fiscal year 2015, JEA plan members of the defined contribution plan were required to contribute 8% of their annual covered salary, and JEA's contribution for the members of the defined contribution plan was $729 (8.0%) in 2015.

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

JEA

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

12. Pension Plans (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

Net Pension Liability – JEA is allocated a proportional share of 48.85% of the net pension liability of the GERP based on an allocation proportional to the present value of all future benefits calculated under the actuarial assumptions used to determine contribution requirements. This basis is intended to measure the proportion of each employer's long-term funding requirements. JEA's allocated share of the net pension liability is $404,466 as of September 30, 2015.

For the year ended September 30, 2015, JEA's recognized pension expense is $39,645. At September 30, 2015, JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ –	$ (2,093)
Changes of assumptions	39,676	–
Employer contributions subsequent to the measurement date	40,179	–
Net difference between projected and actual earnings on pension plan investments	–	(24,867)
Total	$ 79,855	$ (26,960)

Contributions of $40,179 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2014 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of deferred outflows (inflows)
2015	$ 3,179
2016	3,179
2017	3,179
2018	3,179
Total	$ 12,716

JEA

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

12. Pension Plans (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00%-6.00%, of which 2.75% is the Plan's long-term payroll inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Pre-retirement mortality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2014
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2014
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forth four years, projected generationally with Scale MP-2014

RP-2014 Healthy Annuitant Mortality Table, set forth four years for males and three years for females, reasonably reflects the healthy annuitant mortality experience of the GERP as of the measurement date. The mortality table was then adjusted to future years using generational projections under Scale MP-2014 to reflect future mortality improvement. RP-2000 Disabled Retiree Mortality Table, set forth four years, reasonably reflects the disabled annuitant mortality experience of GERPs as of the measurement date. The mortality table was then adjusted to future years using generational projection under Scale MP-2014 to reflect future mortality improvement.

The actuarial assumptions used in the October 1, 2014, valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, 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 Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.57%
International equity	20%	7.27%
Fixed income	19%	1.47%
Real estate	25%	4.37%
Cash	1%	.87%
Total	100%	

JEA

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

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 7.50%. 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 City 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. Cash flow projections were run for a 120-year period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 7.50%, as well as what the Jacksonville GERP's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
JEA's proportionate share of the net pension liability	$ 558,272	$ 404,466	$ 276,111

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the 2014 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

St. Johns River Power Park Plan Description

Plan Description – The JEA SJRPP Plan is a single employer contributory defined benefit plan covering employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan is required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a five-member pension board (Pension Board).

The SJRPP Plan periodically issue stand-alone audited financial statements, with the most recent report issued for the year ended September 30, 2014. This report may be obtained at **https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension/**.

Effective February 25, 2013, the SJRPP Plan was amended. Pursuant to this amendment, the SJRPP Plan consists of two tiers: Tier One is the Defined Benefits Tier and Tier Two is the Cash Balance Tier. Tier One participants will remain in the traditional defined benefit plan, and Tier Two employees (defined as employees with less than 20 years of experience) will participate in a modified defined benefit plan, or "cash balance" plan, with an employer match provided for any Tier Two employee who contributes to the 457 Plan.

JEA

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

12. Pension Plans (continued)

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 the average of earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination (FAE) of final average compensation 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. 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.

All Tier Two participants of the SJRPP Plan Tier One benefits were frozen as of February 23, 2013. 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 for that year. 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 is entitled to a COLA. The COLA consists of a 1% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

Employees Covered by Benefit Terms – At September 30, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries	258
Inactive, nonretired members	52
Active members	240
Total	550

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. The SJRPP employer's contribution to the SJRPP Plan for the year ended September 30, 2015, was 17.94% of annual covered payroll. SJRPP Plan members are required to contribute currently 4.0% of their current year annual covered salary.

JEA

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

12. Pension Plans (continued)

Net Pension Liability – SJRPP net pension liability was measured as of October 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions –The total pension liability in the October 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	7.00%
Mortality rates	RP2000 Table (Combined Healthy). Mortality improvements for all members are generationally projected using Scale AA.

The actuarial assumptions used in the October 1, 2014, valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued.

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 as of September 30, 2014, are summarized in the following table.

The target allocation and the best estimates of the rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	47.00%	8.03%
Fixed Income	45.00%	2.40%
International Equity	8.00%	7.40%
Total	100.00%	

JEA

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

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of SJRPP, calculated using a discount rate of 7.0 %, as well as the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

1% Decrease (6.0%)	Current Single Discount Rate Assumption (7.0%)	1% Increase (8%)
$21,053	$ 5,204	$ (8,424)

Changes in the Net Pension Liability

	Total Pension Liability(a)	Plan Fiduciary Position(b)	Net Position Liability (a)-(b)
Balance at 9/30/2014	$ 146,521	$ 135,019	$ 11,502
Service cost	1,470	–	1,470
Interest on the total pension liability	10,026	–	10,026
Difference between expected and actual experience	2,121	–	2,121
Contributions–employer	–	5,559	(5,559)
Contributions–employee	–	655	(655)
Net investment income	–	13,763	(13,763)
Benefit payments	(9,509)	(9,509)	–
Administrative expenses	–	(62)	62
Net change	4,108	10,406	(6,298)
Balance at September 30, 2015	$ 150,629	$ 145,425	$ 5,204

JEA

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

12. Pension Plans (continued)

Pension Plan fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued SJRPP Pension Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

For the year ended September 30, 2015, SJRPP recognized pension expense of $1,170. At September 30, 2015, SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,635	$ –
Employer contributions subsequent to the measurement date	3,509	–
Net difference between projected and actual earnings on pension plan investment	–	(3,543)
Total	$ 5,144	$ (3,543)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2016	$ (399)
2017	(399)
2018	(399)
2019	(711)
Total	$ (1,908)

13. Health Insurance Programs

As of July 1, 2009, JEA became self-insured for medical and prescription benefits. Under the self-insurance program, JEA is liable for all claims. JEA retains an additional stop-loss policy for claims in excess of $250 per employee, with an aggregate limit of 125.0% of claims. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through a third-party insurance company, and as such, the administrator is responsible for processing the claims in accordance with the benefit specifications, with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study. This amount, which includes claims that have been incurred but not reported, is reported on the accompanying statement of net position as a regulatory liability. The regulatory liability is included in cost to be recovered in deferred inflows of resources.

JEA

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

13. Health Insurance Programs (continued)

The changes in the self-insurance reserves for the year ended September 30, 2015, are as follows:

	Medical and Prescription Benefits
Balance at September 30, 2013	$ 15,914
Contributions	23,104
Incurred claims	(28,269)
Balance at September 30, 2014	10,749
Contributions	**31,810**
Incurred claims	**(31,622)**
Balance at September 30, 2015	**$ 10,937**

14. Other Postemployment Benefits

Plan Description

JEA maintains a medical benefits plan that it makes available to its retirees. The medical plan is a single-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries. The postretirement benefit portion of the benefits plan (referred to as OPEB Plan) refers to the benefits applicable to current and future retirees and their beneficiaries. In addition, retirees are eligible to continue life insurance coverage through the plan sponsored by JEA. Premiums for the first $5,000 of coverage are being subsidized by the employer and, as such, are considered as other postemployment benefits for the purposes of GASB Statement No. 45.

As of October 1, 2013 (the actuarial valuation date), the OPEB Plan had approximately 2,167 active participants and 587 retirees receiving benefits. JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

An actuarial roll-forward for September 30, 2015 was used to make various adjustments to the results of an Actuarial Valuation previously performed on October 1, 2013.

Funding Policy

Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

JEA

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

14. Other Postemployment Benefits (continued)

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

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

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation (Asset)
September 30, 2015	**$ 4,978**	**$ 7,255**	**(145.75%)**	**$ (131)**
September 30, 2014	4,800	4,312	91.29	2,146
September 30, 2013	5,469	6,185	113.08	1,727

*Implicit premiums paid by JEA

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB Plan, and the changes in the net OPEB obligation (asset) to JEA as of September 30, 2015.

	2015
Annual required contribution (ARC)	$ 5,011
Interest on OPEB plan obligation	150
Adjustment to ARC	(183)
Annual OPEB plan retiree cost*	4,978
Contributions made	(7,255)
Change in OPEB plan obligation	(2,277)
OPEB plan obligation at beginning of year	2,146
OPEB plan (asset) at end of year	$ (131)

*Implicit additional premiums paid by JEA

JEA

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

14. Other Postemployment Benefits (continued)

Funded Status

As of October 1, 2013, the most recent valuation date, the OPEB Plan was 21.36% funded. The actuarial accrued liability for benefits was $62,479, and the actuarial value of assets was $13,349, resulting in an unfunded actuarial accrued liability (UAAL) of $49,130. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $148,617, and the ratio of the UAAL to the covered payroll was 33.1%.

Actuarial Cost Method and Assumptions

Annual requirements are determined in accordance with the actuarial assumptions and the Individual Entry Age Actuarial Cost Method. Under this method, the UAAL is amortized in a closed amortization, calculated as a level percent of payroll over a 15-year period. The actuarial assumptions include a 7.0% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB Plan will be funded through a separately invested trust fund. The asset valuation method used to determine the actuarial value of the assets was the market value of the investments held in trust. The medical trend rates were assumed to be 8.0% beginning on October 1, 2014, and decreasing 0.5% beginning October 1, 2016, and each subsequent year until realizing the ultimate value of 5.3%.

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

Amortizations were assumed to begin on October 1, 2007, and to continue monthly for the 15 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 15 years.

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

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

JEA

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

15. Commitments and Contingent Liabilities

Grants

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

Regulatory Initiatives

The electric industry and water and wastewater industry have been and will continue to be affected by a number of legislative and regulatory initiatives. The following summarizes the key regulations impacting JEA:

Electric Enterprise System – On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO2) fossil fuel-fired electric generating units (EGUs):

The Final **Clean Power Plan (CPP)**, applicable to existing fossil fuel-fired electric EGUs

The Final **Carbon Pollution Standards Rule**, applicable to new, modified and reconstructed fossil fuel-fired EGUs

The Proposed **Federal Plan** applicable to states that fail to submit an approvable plan that achieves CPP goals

The EPA projects that the set of rules will result in power sector emission reductions of 32% from 2005 levels by the year 2030, with most of that attributable to the CPP.

The CPP final rule is substantially different from the proposed rule published in the Federal Register on June 18, 2014. As under the proposed rule, the final CPP sets state-specific CO2 emission goals to reduce power sector emissions on a state-by-state basis. CPP emission reduction goals consist of an Interim Goal, which must be met on average during the years of 2022-29, and a Final Goal for 2030 and beyond. In a notable change from the proposed rule, EPA has shifted the compliance start date (Interim Goal) from 2020 to 2022 and lowered the emissions reduction goal for that time frame.

The Best System of Emissions Reduction (to guide state compliance) is now being based upon the application of three Building Blocks:

1) Block 1, improving the average efficiency (or heat rate) of coal-fired steam EGUs heat rate by 2.1-4.3%.
2) Block 2, displacing fossil steam generation by increasing generation from existing natural gas combined cycle (NGCC) facilities up to 75% of net summer capacity.
3) Block 3, reducing fossil fuel-fired generation through increased zero-carbon generation, based upon regional technical potential for incremental renewable generation.

JEA

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

15. Commitments and Contingent Liabilities (continued)

The ultimate impact of the rule cannot be determined by JEA at this time due to: 1) the need to finalize state goals and adopt state plans subject to EPA approval; and 2) the uncertainty as to how the Florida and Georgia (with respect to Scherer 4 and Vogtle) plans would ultimately affect JEA. The CPP became effective 60 days after publication in the Federal Register. States will then have at least one year (up to three years in special circumstances) to develop and submit plans to EPA for approval. Plans do not go into effect until 2022. The final "Carbon Pollution Standards" rule applies to any facility that commenced construction after January 8, 2014, or modification or reconstruction after June 18, 2014, with requirements effective concurrent with those of the CPP. The EPA is accepting public comment on the proposed "Federal Plan".

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 (PM2.5), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO2 and NOx emissions from EGUs. EPA targeted these two pollutants because they are precursors to the formation of PM2.5 and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances, and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012, with more stringent limits taking effect in 2014. In April 2014, the U.S. Supreme Court upheld the rule, but remanded back certain legal issues to the Court of Appeals to address. On July 28, 2015, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by EPA, including the ozone-season NOx emissions budget for Florida. Upon reconsideration, EPA may or may not make emission budgets less stringent. Compliance options under the rule begin in 2015. Phase 1 emission budgets will apply on January 1, 2015, for the annual programs and May 1, 2015, for the ozone-season NOx program and in 2016. Phase 2 emission budgets will apply beginning in 2017 and subsequent years. JEA is well positioned to, and anticipates compliance with CSAPR, regardless of EPA's reconsideration.

On December 21, 2011, 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 EGU's, namely mercury, HAP metals, acid gases and organic HAP.

In order to demonstrate compliance with the MATS, source owners and operators may choose between continuous emission monitors (CEMS) or quarterly stack tests for all pollutants except for mercury. For mercury, all units are required to have a mercury CEMS or a sorbent trap monitoring system. The compliance deadline for affected sources to have all necessary pollution controls installed is April 2015.

Because of the controls already installed at JEA's EGUs, JEA will not need to install any new additional control equipment in order to comply with the MATS rule. JEA is evaluating additional monitoring requirements that may be required.

JEA

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

15. Commitments and Contingent Liabilities (continued)

In April, 2015 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 establishes technical requirements for surface impoundments and landfills. The rule will require protective controls, such as liners and groundwater monitoring, at landfills that store CCRs. The rule will be enforced only by citizen-initiated lawsuits, not by EPA.

Existing surface impoundments, like that at Plant Scherer, will require increased monitoring and liners. The proposed rule dissuades the operation of existing surface impoundments for longer than five years after the rule's promulgation and forces transition to landfilling CCRs.

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. The financial and operational impact to JEA of the rules related to CCRs is currently being ascertained.

On November 22, 2010, EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for 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. EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities that withdraw very large amounts of water would be 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, EPA published the final rule in the Federal Register in August, 2015. The new standards will not affect any of its facilities other than Northside Generating Station (NSGS). NSGS 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. A full two-year study is required to evaluate site-specific conditions and form a basis for assessing BTA. Accordingly, costs of compliance have not been determined for NSGS and are not included in JEA's capital program for the Electric System.

In November 2010, EPA agreed to propose the power plant Effluent Limitation Guidelines (ELGs) for coal-fired steam electric plants by July 23, 2012, and finalize the guidelines in May 2014. The ELGs were last revised in 1982. After a number of delays in issuing the proposed ELG rule, EPA issued a draft rule on June 7, 2013, and accepted comments on the rule until September 20, 2013. On September 30, 2015, EPA finalized the effluent guidelines. In setting the new and more stringent standards, EPA evaluated the

JEA

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

15. Commitments and Contingent Liabilities (continued)

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 not later than December 31, 2023. At this time, costs of compliance have not been determined and are not included in JEA's 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 aquifer 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.

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. In 2013 both FDEP and EPA re-affirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL, ending controversy surrounding whether or not generalized numeric nutrient criteria for the State of Florida would cause a revision to that standard.

Pollution Remediation Obligations

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities the liability is estimated to be $18,662 at September 30, 2015, and is included in other noncurrent liabilities in the statement of net position. The accrual is related to the following

JEA

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

15. Commitments and Contingent Liabilities (continued)

environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; Southside Generating Station Brownfield site, Northside Generating Station fuel oil tank farm, Northside Generating Station RCRA Corrective Action Program, Tri-State Recycling Site; and remediation at a number of miscellaneous petroleum sites. Of the $18,662 that JEA has accrued as environmental liabilities, approximately $13,840 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time: Bill Johns Waste Oil site assessment and remediation, Pickettville Road Landfill CERCLA site post-closure activities, Devil's Swamp Lake CERCLA site, Holley Electric CERCLA site, Ellis Road CERCLA site, and BCX Tanks 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.

Northside Generating Station By-Product

JEA Northside Generating Station Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from FDEP to beneficially use the processed by-product material in the state of Florida, subject to certain restrictions. These ash products were and are combined and processed into civil construction materials marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA reorganized its By-product Services to include the material-handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of railcars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb is currently being transported by truck and rail to leachate solidification and environmental remediation/stabilization projects in several southeastern states.

The By-products Storage Area is an FDEP permitted, Class I lined storage facility at NSGS. JEA received a new 20 year permit effective May 4, 2015.

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff is suing multiple defendants for damages allegedly resulting from construction defects. Plaintiff amended the complaint in April 2010 to add JEA as a defendant. Plaintiff filed another amended complaint adding additional claims against JEA and another defendant in March 2015. Plaintiff's primary contention against JEA is that its bed ash by-product, which was incorporated into OPF-42, a separate product processed, marketed, and distributed by another defendant named in the lawsuit, is defective. Plaintiff also contends that this product was sold for use as a soil additive by another defendant during the site work phase of construction for the project. A related case with the same claims was filed in December 2014 against JEA and Plaintiff by one of the stores at the shopping center developed/owned by the Plaintiff. Plaintiff settled the claims against it with the store. The remaining claims against JEA by the store are expected to either be dismissed as untimely or consolidated with the Plaintiff's case. JEA denies the allegations in both cases that the by-product was defective and

JEA

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

15. Commitments and Contingent Liabilities (continued)

believes it has meritorious defenses to the action. The amount of damages is dependent upon the nature and cost of the final remediation, which is currently unknown, but is expected to potentially exceed to be in the millions. Plaintiff, however, has already settled with all of the other defendants for large confidential amounts which exceed the costs of any remediation efforts undertaken to date.

In November 2012, Jacksonville Port Authority (Jaxport) sued W.G. Yates & Sons Construction Company (Yates), Thompson Engineering, Inc. (Thompson), Halcrow, Inc. (Halcrow), and various sureties for failures in a pavement system covering approximately 144 acres of Jaxport's Dames Point Marine Terminal (the Project). Yates was the contractor and Thompson and Halcrow performed certain design and constructions oversight services for Jaxport. Thompson also performed construction management, materials testing, and quality control services for Yates.

Thompson filed an amended third-party complaint against JEA in July 2014, alleging negligence, indemnity and product liability claims for JEA's alleged involvement in selecting and installing JEA's EZBase byproduct material as part of an improved aggregate subgrade which Thompson developed for the Project. JEA filed a motion to dismiss all claims advanced by Thompson in August 2014, which remains pending before the court. JEA has a number of meritorious defenses to the claims and will vigorously defend itself in the action. It has engaged outside counsel in conjunction with the Office of General Counsel. Parties involved have been involved in mediation, and a concept for a settlement agreement between all parties has been reached, and is in the process of being finalized.

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. JEA has spent approximately $27,561 for demolition, disposal, and environmental remediation associated with the site. The property was offered for sale through a competitive bid process in 2014. JEA received proposals for the purchase of the site in October 2014 and a contract was approved by the Board in January 2015. The contract with the top ranked proposer for $18,590 includes a due diligence period of one year for site investigation and government approvals for zoning and development rights. The proposal outlined a mixed-use residential, commercial, office and retail development mix. Due diligence expires February 11, 2016, or can be extended by 45 days for a fee. The contract provides for 30 days to close beyond due diligence.

Interlocal Agreements

JEA was involved in litigation disputes with St. Johns County, Florida (County) and Nassau County, Florida (collectively, Counties), arising from an Interlocal Agreement (Agreement) entered into by the parties in 2001. Under terms of the Agreement, which arose from JEA's purchase of certain water and wastewater facilities in the Counties from third parties, JEA agreed in 2001 to make an up-front payment of 5.0% of the projected gross revenues from JEA's retail water and wastewater sales in each county for the next 10 years, reduced to present value, and JEA agreed to do the same for two additional 10-year periods of the 30-year Agreement. JEA further

JEA

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

15. Commitments and Contingent Liabilities (continued)

agreed at the end of each 10-year period to make a “true-up” payment to “adjust the net present value of the actual retail revenues realized if the revenues exceed the projected amount.” JEA made the first 10-year true-up payment to each county in January 2012, together with the net present value payment for 2012-2021. The Counties disagreed with JEA’s calculation of the true-up payment and the net present value payment. St. Johns County and JEA have reached an agreed settlement in February 2014, fully resolving the issue. JEA believes it has good and meritorious defenses to Nassau County’s claim if the same is pursued.

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. Segment Information

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and DES represent separate identifiable activities. These systems have debt outstanding, with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA’s Electric System and Bulk Power Supply System segment consists of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA’s SJRPP System segment consists of a generation facility that is 80% owned by JEA. JEA’s Water and Sewer System segment consists of water collection, distribution and wastewater treatment in Northeast Florida. The District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer System were $16,242 for fiscal year 2015. Water and sewer charges to the Electric System were $605 for fiscal year 2015.

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 $41,059.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System in the amount of $32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year’s Water and Sewer average cost of debt. Inventory carrying charges were $519 for fiscal year 2015.

JEA

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

16. Segment Information (continued)

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,278, 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 $1,977 for fiscal 2015.

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 accounts receivable balances. When the deposits are credited to customer accounts they are allocated between the service agreements.

JEA

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

16. Segment Information (continued)

Segment information for these activities for the fiscal year ended September 30, 2015, was as follows:

	Electric System and Bulk Power Supply System	SJRPP System	Water and Sewer System	DES
	2015	2015	2015	2015
Total current assets	$ 628,739	$ 121,640	$ 134,642	$ 4,324
Total other noncurrent assets	609,005	302,722	563,410	4,914
Capital assets, net	2,786,377	573,473	2,562,458	37,044
Deferred outflows of resources	258,170	24,059	108,474	219
Total assets and deferred outflow of resources	$ 4,282,291	$ 1,021,894	$ 3,368,984	$ 46,501
Total current liabilities	$ 179,706	$ 23,721	$ 26,778	$ 30
Total current liabilities payable from restricted assets	160,078	166,171	86,573	2,395
Total other noncurrent liabilities	284,063	5,492	167,406	57
Total long-term debt	2,676,051	518,286	1,734,060	39,702
Total liabilities	3,299,898	713,670	2,014,817	42,184
Deferred inflows of resources	277,158	174,229	30,805	–
Net investment in capital assets	236,417	(20,298)	1,093,349	(4,129)
Restricted net position	249,329	61,866	197,401	4,209
Unrestricted net position	219,489	92,427	32,612	4,237
Total net position	705,235	133,995	1,323,362	4,317
Total liabilities, deferred inflows of resources and net assets	$ 4,282,291	$ 1,021,894	$ 3,368,984	$ 46,501
Condensed statement of revenues, expenses, and changes in net position information				
Operating revenues	$ 1,241,737	$ 289,088	$ 389,733	$ 8,778
Depreciation	189,968	42,644	131,588	2,286
Operating expenses	773,098	216,756	137,921	4,928
Operating income	278,671	29,688	120,224	1,564
Nonoperating revenues (expenses)	(83,191)	(28,411)	(53,540)	(1,403)
Contributions	(90,109)	–	(1,975)	–
Special Item	34,667	–	116,823	–
Change in net position	140,038	1,277	181,532	161
Net position, beginning of year (restated)	565,197	132,718	1,141,830	4,156
Net position, end of year	$ 705,235	$ 133,995	$ 1,323,362	$ 4,317
Condensed statement of cash flow information				
Net cash provided by:				
Operating activities	$ 538,853	$ 49,965	$ 286,802	$ 3,799
Noncapital financing activities	(85,517)	408	(19,126)	–
Capital and related financing activities	(364,663)	(187,379)	(266,176)	(3,860)
Investing activities	49,974	8,984	34,383	5
Net change in cash and cash equivalents	138,647	(128,022)	35,883	(56)
Cash and cash equivalents at beginning of year	177,432	267,940	135,920	8,330
Cash and cash equivalents at end of year	$ 316,079	$ 139,918	$ 171,803	$ 8,274

Required Supplementary Information

JEA

Required Supplementary Information – Pension
(Dollars in Thousands)

September 30, 2015

Schedules of Required Supplementary Information

Schedule of JEA's Proportionate Share of the Net Pension Liability

City of Jacksonville General Employees Retirement Plan

Last Two Fiscal Years*

	2015	**2014**
Proportional share percentage	**48.85%**	48.85%
Net pension liability	**$404,466**	$386,789
Covered employee payroll	**$128,084**	$129,922
Net pension liability as a percentage of covered employee payroll	**315.78%**	297.71%
Plan fiduciary net position as a percentage of the total pension liability	**69.06%**	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years*

Year Ending September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
			(Dollars in Thousands)		
2009	$ 13,280	$ 13,280	$ –	$ 120,727	11.00%
2010	16,257	16,257	–	125,054	13.00%
2011	17,195	17,195	–	132,269	13.00%
2012	22,301	22,301	–	127,434	17.50%
2013	27,038	27,038	–	129,990	20.80%
2014	34,149	34,149	–	122,353	27.91%
2015	40,179	40,179	–	125,656	31.98%

* These schedules are presented to illustrate the requirement to share information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

JEA

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

Notes to Schedule of Contributions

Valuation date:	October 1, 2014

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 2.24% Annual Increases*
Remaining amortization period	All new bases are amortized over 30 years
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Actual assumptions:

Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% – 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provision contain a 3.00% COLA

** The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statues, an assumption of 2.24% was used for amortization purposes in the October 1, 2014 valuation.*

JEA

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

SJRPP Plan – Schedule of Changes in Net Pension Liability and Related Ratios*

	Fiscal Year Ending September 30, 2015
Total pension liability	
Service cost	$ 1,470
Interest on the total pension liability	10,026
Difference between expected and actual experience	2,121
Benefit payments	(9,509)
Net change in total pension liability	4,108
Total pension liability – beginning	146,521
Total pension liability – ending (a)	$ 150,629
Plan fiduciary net position	
Employer contributions	$ 5,559
Employee contributions	655
Pension plan net investment income	13,763
Benefit payments	(9,509)
Pension plan administrative expense	(62)
Net change in plan fiduciary net position	10,406
Plan fiduciary net position – beginning	135,019
Plan fiduciary net position – ending (b)	$ 145,425
Net pension liability – ending (a) – (b)	5,204
Plan fiduciary net position as a percentage of total pension liability	96.55%
Covered employee payroll	$ 21,304
Net pension liability as a percentage of covered employee payroll	24.43%

* These schedules are presented to illustrate the requirement to share information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

JEA

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

SJRPP Pension Plan – Schedule of Contributions

Last Ten Fiscal Years*

Year Ending September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
			(Dollars in Thousands)		
2006	$ 4,012	$ 4,226	$ (214)	$ –	–
2007	4,181	4,305	(124)	–	–
2008	10,045	10,081	(36)	–	–
2009	10,239	10,398	(159)	–	–
2010	13,453	13,565	(112)	–	–
2011	8,919	9,028	(109)	–	–
2012	7,995	8,005	(10)	–	–
2013	11,845	11,845	(39)	–	–
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	19,553	17.94%

* Covered employee payroll amounts as defined under GASB 68 are not available for fiscal years ending on September 30, 2013 and before. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

Notes to Schedule of Contributions

Valuation date:	October 1, 2014
Notes	Actuarially determined contribution rates are calculated as of October 1, 2013 (the first day of the fiscal year immediately preceding the year in which contributions are reported).

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	2 years
Asset valuation method	Market Value of Assets
Inflation	2.50%
Salary increases	2.5%-12.5% per year, including inflation
Investment rate of return	7.00% per year compounded annually, net of investment expenses
Retirement age	Experience-based table of rates based on year of eligibility
Mortality	RP2000 Table (Combined Healthy) as published by the Society of Actuaries. Mortality improvements for all members are generationally projected using Scale AA.

Other information:

Notes	There were no benefit changes during the year.

JEA

Required Supplementary Information – OPEB
(Dollars in Thousands)

Schedule of Funding Progress

The following funding schedule presents multi-year trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2015, the schedule has been prepared using the Entry Age Actuarial Method.

Valuation Date	AAL	Actuarial Value of Assets	UAAL	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
October 1, 2013	$ 62,479	$ 13,349	$ 49,130	21.36%	$ 148,617	33.06%
October 1, 2011	77,280	6,471	70,809	8.37	150,714	46.98
October 1, 2009	71,894	2,149	69,745	2.99	138,093	50.51

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

JEA

Combining Statement of Net Position

(In Thousands)

September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Assets and deferred outflows of resources								
Current assets:								
Cash and cash equivalents	$ 315,917	$ 44,142	$	$ 360,059	$ 56,176	$ 3,360	$	$ 419,595
Investments	70,236	8,558	–	78,794	–	–	–	78,794
Accounts and interest receivable, less allowance for doubtful accounts of $4,342	204,182	20,535	(19,991)	204,726	35,700	964	–	241,390
Inventories:								
Fuel	36,231	28,452	–	64,683	–	–	–	64,683
Materials and supplies	2,173	19,953	–	22,126	42,766	–	–	64,892
Total current assets	628,739	121,640	(19,991)	730,388	134,642	4,324	–	869,354
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	162	95,776	–	95,938	115,627	4,914	–	216,479
Investments	360,695	198,747	–	559,442	213,129	–	–	772,571
Accounts and interest receivable	2,747	1,025	–	3,772	2,413	–	–	6,185
Total restricted assets	363,604	295,548	–	659,152	331,169	4,914	–	995,235
Other assets	8,394	–	–	8,394	9,572	–	–	17,966
Investment in The Energy Authority	7,491	–	–	7,491	–	–	–	7,491
Costs to be recovered from future revenues	229,516	7,174	–	236,690	222,669	–	–	459,359
Total noncurrent assets	609,005	302,722	–	911,727	563,410	4,914	–	1,480,051
Capital assets:								
Land and easements	95,177	6,660	–	101,837	59,135	3,051	–	164,023
Plant in service	5,056,397	1,365,472	–	6,421,869	4,127,396	52,591	–	10,601,856
Less accumulated depreciation	(2,498,573)	(811,802)	–	(3,310,375)	(1,749,344)	(19,524)	–	(5,079,243)
Plant in service, net	2,653,001	560,330	–	3,213,331	2,437,187	36,118	–	5,686,636
Construction work in progress	133,376	13,143	–	146,519	125,271	926	–	272,716
Net capital assets	2,786,377	573,473	–	3,359,850	2,562,458	37,044	–	5,959,352
Total assets	4,024,121	997,835	(19,991)	5,001,965	3,260,510	46,282	–	8,308,757
Deferred outflows of resources								
Unrealized pension contributions and losses	48,712	4,115	–	52,827	31,143	–	–	83,970
Unamortized deferred losses on refundings	85,304	19,944	–	105,248	48,982	219	–	154,449
Accumulated decrease in fair value of hedging derivatives	124,154	–	–	124,154	28,349	–	–	152,503
Total deferred outflows of resources	258,170	24,059	–	282,229	108,474	219	–	390,922
Total assets and deferred outflows	$ 4,282,291	$ 1,021,894	$ (19,991)	$ 5,284,194	$ 3,368,984	$ 46,501	$ –	$ 8,699,679

JEA

Combining Statement of Net Position (continued)

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Liabilities, deferred inflows of resources, and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 137,163	$ 23,721	$ (2,785)	$ 158,099	$ 13,523	$ 30	$ –	$ 171,652
Customer deposits	42,543	–	–	42,543	13,255	–		55,798
Total current liabilities	179,706	23,721	(2,785)	200,642	26,778	30	–	227,450
Current liabilities payable from restricted assets:								
Debt due within one year	98,765	50,945	–	149,710	36,180	1,610		187,500
Interest payable	44,829	11,439	–	56,268	32,421	705		89,394
Construction contracts and accounts payable	16,484	19,315	(17,206)	18,593	17,972	80		36,645
Renewal and replacement reserve	–	84,472	–	84,472	–	–		84,472
Total current liabilities payable from restricted assets	160,078	166,171	(17,206)	309,043	86,573	2,395	–	398,011
Noncurrent liabilities:								
Net pension liability	246,724	4,163	–	250,887	157,742	–		408,629
Other liabilities	37,339	1,329	–	38,668	9,664	57		48,389
	284,063	5,492	–	289,555	167,406	57	–	457,018
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,471,455	494,000	–	2,965,455	1,643,515	39,750		4,648,720
Unamortized premium, net	84,196	24,286	–	108,482	62,196	(48)		170,630
Fair value of debt management strategy instruments	120,400	–	–	120,400	28,349	–		148,749
Total long-term debt	2,676,051	518,286	–	3,194,337	1,734,060	39,702	–	4,968,099
Total liabilities	3,299,898	713,670	(19,991)	3,993,577	2,014,817	42,184	–	6,050,578
Deferred inflows of resources								
Revenues to be used for future costs	260,712	171,394	–	432,106	20,291	–		452,397
Unrealized pension gains	16,446	2,835	–	19,281	10,514	–		29,795
	277,158	174,229	–	451,387	30,805	–	–	482,192
Net position								
Net investment in capital assets	236,417	(20,298)	–	216,119	1,093,349	(4,129)		1,305,339
Restricted	249,329	61,866	17,206	328,401	197,401	4,209		530,011
Unrestricted	219,489	92,427	(17,206)	294,710	32,612	4,237		331,559
Total net position	705,235	133,995	–	839,230	1,323,362	4,317	–	2,166,909
Total liabilities, deferred inflows of resources, and net position	$ 4,282,291	$ 1,021,894	$ (19,991)	$ 5,284,194	$ 3,368,984	$ 46,501	$ –	$ 8,699,679

JEA

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

Year Ended September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,212,650	$ 289,088	$ (160,613)	$ 1,341,125	$	$	$ (16,242)	$ 1,324,883
Water and sewer	–	–	–	–	380,394	–	(605)	379,789
District Energy System	–	–	–	–	–	8,778	–	8,778
Other	29,087	–	–	29,087	9,339	–	(2,496)	35,930
Total operating revenues	1,241,737	289,088	(160,613)	1,370,212	389,733	8,778	(19,343)	1,749,380
Operating expenses:								
Operations:								
Fuel	300,565	169,417	–	469,982	–	–	–	469,982
Purchased power	207,870	–	(160,613)	47,257	–	–	–	47,257
Other	139,714	29,636	–	169,350	113,515	3,953	(19,343)	267,475
Maintenance	66,258	25,006	–	91,264	14,452	975	–	106,691
Depreciation	189,968	42,644	–	232,612	131,588	2,286	–	366,486
State utility and franchise taxes	62,440	–	–	62,440	10,070	–	–	72,510
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	–	(11,052)	(116)	–	–	(11,168)
Total operating expenses	963,066	259,400	(160,613)	1,061,853	269,509	7,214	(19,343)	1,319,233
Operating income	278,671	29,688	–	308,359	120,224	1,564	–	430,147
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	1,461	–	–	1,461	–	–	–	1,461
Investment income	5,990	3,584	–	9,574	3,325	5	–	12,904
Other nonoperating revenue, net	4,327	408	–	4,735	7,098	–	–	11,833
Interest on debt	(97,426)	(32,403)	–	(129,829)	(66,948)	(1,422)	–	(198,199)
Other interest, net	(67)	–	–	(67)	(1)	–	–	(68)
Allowance for funds used during construction	2,723	–	–	2,723	2,986	14	–	5,723
Loss on sale of asset	(199)	–	–	(199)	–	–	–	(199)
Total nonoperating expenses, net	(83,191)	(28,411)	–	(111,602)	(53,540)	(1,403)	–	(166,545)
Income before contributions and special item	195,480	1,277	–	196,757	66,684	161	–	263,602
Contributions (to) from:								
General Fund, City of Jacksonville	(90,109)	–	–	(90,109)	(21,579)	–	–	(111,688)
Developers and other	–	–	–	–	52,709	–	–	52,709
Reduction of plant cost through contributions	–	–	–	–	(33,105)	–	–	(33,105)
Total contributions	(90,109)	–	–	(90,109)	(1,975)	–	–	(92,084)
Special item	34,667	–	–	34,667	116,823	–	–	151,490
Change in net position	140,038	1,277	–	141,315	181,532	161	–	323,008
Net position, beginning of year (restated)	565,197	132,718	–	697,915	1,141,830	4,156	–	1,843,901
Net position, end of year	$ 705,235	$ 133,995	$ –	$ 839,230	$ 1,323,362	$ 4,317	$ –	$ 2,166,909

JEA

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating activities								
Receipts from customers	$ 1,285,090	$ 289,088	$ (163,028)	$ 1,411,150	$ 404,459	$ 8,713	$ (16,847)	$ 1,807,475
Other receipts	27,528	–	–	27,528	13,952	–	(2,496)	38,984
Payments to suppliers	(622,201)	(213,465)	163,028	(672,638)	(77,303)	(4,390)	19,343	(734,988)
Payments to employees	(151,564)	(25,658)	–	(177,222)	(54,306)	(524)		(232,052)
Net cash provided by operating activities	538,853	49,965	–	588,818	286,802	3,799	–	879,419
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(89,877)	–	–	(89,877)	(21,614)	–	–	(111,491)
Build America Bonds subsidies	4,360	408	–	4,768	2,488	–	–	7,256
Net cash (used in) provided by noncapital activities								
and related financing activities	(85,517)	408	–	(85,109)	(19,126)	–	–	(104,235)
Capital and related financing activities								
Acquisition and construction of capital assets	(106,888)	–	–	(106,888)	(96,978)	(842)	–	(204,708)
Proceeds from issuance of debt, net	125,680	73,125	–	198,805	–	–	–	198,805
Defeasance of debt	(191,361)	(100,632)	–	(291,993)	(73,934)	–	–	(365,927)
Repayment of debt principal	(79,854)	(132,085)	–	(211,939)	(44,325)	(1,605)	–	(257,869)
Interest paid on debt	(112,082)	(27,787)	–	(139,869)	(71,128)	(1,413)	–	(212,410)
Developer and other contributions	–	–	–	–	19,604	–	–	19,604
Loss on disposal of assets	(158)	–	–	(158)	–	–	–	(158)
Proceeds from sales of property	–	–	–	–	585	–	–	585
Net cash (used in) capital and related financing activities	(364,663)	(187,379)	–	(552,042)	(266,176)	(3,860)	–	(822,078)
Investing activities								
Purchase of investments	(713,897)	(621,356)	–	(1,335,253)	(476,709)	–	–	(1,811,962)
Proceeds from sale and maturities of investments	755,908	626,770	–	1,382,678	508,260	–	–	1,890,938
Investment income	5,922	3,570	–	9,492	2,832	5	–	12,329
Distributions from The Energy Authority	2,041	–	–	2,041	–	–	–	2,041
Net cash provided by investing activities	49,974	8,984	–	58,958	34,383	5	–	93,346
Net increase in cash and cash equivalents	138,647	(128,022)	–	10,625	35,883	(56)	–	46,452
Cash and cash equivalents at beginning of year	177,432	267,940	–	445,372	135,920	8,330	–	589,622
Cash and cash equivalents at end of year	$ 316,079	$ 139,918	$ –	$ 455,997	$ 171,803	$ 8,274	$ –	$ 636,074
Reconciliation of operating income to net cash provided by								
operating activities:								
Operating income	$ 278,671	$ 29,688	$ –	$ 308,359	$ 120,224	$ 1,564	$ –	$ 430,147
Adjustments to reconcile operating income to net cash								
provided by operating activities:								
Depreciation and amortization	189,968	42,644	–	232,612	133,061	2,286	–	367,959
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	–	(11,052)	(116)	–	–	(11,168)
Gain on sale of noncore assets	(23)	–	–	(23)	4,609	–	–	4,586
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	(4,954)	(8,720)	–	(13,674)	1,893	(64)	–	(11,845)
Accounts receivable and interest receivable,								
restricted	(1,545)	–	–	(1,545)	(55)	–	–	(1,600)
Inventories	2,771	1,537	–	4,308	3,006	–	–	7,314
Other assets	183	–	–	183	189	–	–	372
Accounts and expenses payable	(10,095)	(6,713)	–	(16,808)	948	3	–	(15,857)
Liabilities payable from restricted liabilities	–	(1,171)	–	(1,171)	–	–	–	(1,171)
Deferred credits and other liabilities	87,626	3	–	87,629	23,043	10	–	110,682
Net cash provided by operating activities	$ 538,853	$ 49,965	$ –	$ 588,818	$ 286,802	$ 3,799	$ –	$ 879,419
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 33,105	$ –	$ –	$ 33,105

Bond Compliance Information

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

The Governing Board
JEA
Jacksonville, Florida

We have audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System and the JEA District Energy System for the year ended September 30, 2015, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2015 paragraph below.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the schedules of debt service coverage in conformity with the respective JEA Bond Resolutions. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules of debt service coverage that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedules of debt service coverage based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement.

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

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System, and the JEA District Energy System for the year ended September 30, 2015, in conformity with the basis specified in the respective JEA Bond Resolutions.

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Contractual Basis of Accounting

The method of calculating the schedules of debt service coverage is prescribed by the applicable JEA Bond Resolutions, which require the maintenance of certain minimum debt service coverage ratios. Our opinion is not modified with respect to this matter.

Report on Financial Statements as of September 30, 2015

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of JEA as of and for the year ended September 30, 2015, and have issued our report, with an unmodified opinion thereon, dated December 9, 2015.

Restrictions on Use

This report is intended solely for the information and use of management and the board of directors of JEA, and the bond trustees and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

December 9, 2015

JEA Electric System

Schedule of Debt Service Coverage
(In Thousands)

Year Ended September 30, 2015

Revenues:		
Electric	$	1,212,650
Investment income[1]		4,322
Earnings from The Energy Authority		1,461
Other, net[2]		29,055
Total revenues		1,247,488
Operating expenses[3]:		
Fuel		264,367
Purchased power[4]		269,014
Other operation and maintenance		191,018
Utility and franchise taxes		61,485
Total operating expenses		785,884
Net revenues	$	461,604
Debt service	$	82,704
Less: investment income on sinking fund		(1,632)
Less: Build America Bonds subsidy		(1,509)
Debt service requirement	$	79,563
Senior debt service coverage[5], (min 1.20x)		5.80x
Net revenues (from above)	$	461,604
Debt service requirement (from above)	$	79,563
Plus: aggregate subordinated debt service on outstanding subordinated bonds		98,302
Less: Build America Bonds subsidy		(2,086)
Adjusted debt service requirement	$	175,779
Senior and subordinated debt service coverage[6], (min 1.15x)		2.63x

[1]Excludes investment income on sinking funds.

[2]Excludes the Build America Bonds subsidy.

[3]Excludes depreciation.

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

[5]Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

[6]Net revenues divided by total debt service requirement and aggregated subordinated debt service. Minimum annual coverage is 1.15x.

JEA Bulk Power Supply System

Schedule of Debt Service Coverage

(In Thousands)

Year Ended September 30, 2015

Revenues:	
JEA	$ 61,142
Investment income	114
Total revenues	61,256
Operating expenses[1]:	
Fuel	36,198
Other operation and maintenance	13,848
Total operating expenses	50,046
Net revenues	$ 11,210
Aggregate debt service	$ 9,801
Less: Build America Bonds subsidy	(764)
Aggregate debt service [2]	$ 9,037
Debt service coverage[3][4]	1.24x

[1] Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues.

[2] Effective March 26, 2014, the Bulk Power Supply System Resolution was amended to exclude from interest in aggregate debt service the subsidy related to Build America Bonds.

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

[4] Had the Build America Bonds subsidy not been excluded from revenues and not been excluded from interest in aggregate debt service, current year-to-date debt service coverage would have been 2.13x.

JEA St. Johns River Power Park System

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

Year Ended September 30, 2015

Revenues:	
JEA	$ 144,607
FPL	128,476
Investment income	3,693
Total revenues	276,776
Operating expenses[1]:	
Fuel	169,417
Other operation and maintenance	41,612
Total operating expenses	211,029
Net revenues	$ 65,747
Aggregate debt service	$ 52,601
Debt service coverage[2]	1.25x

[1]Excludes depreciation.

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

JEA St. Johns River Power Park System

Schedule of Debt Service Coverage – 2nd Resolution

(In Thousands)

Year Ended September 30, 2015

Revenues:		
JEA	$	26,024
Total revenues		26,024
Operating expenses[1]		–
Total operating expenses		–
Net revenues	$	26,024
Aggregate debt service	$	22,984
Less: Build America Bonds subsidy		(408)
Aggregate debt service [2]	$	22,576
Debt service coverage[3][4]		1.15x

[1] Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues under the 1st Resolution.

[2] Effective July 14, 2014, the St. Johns River Power Park System Second Revenue Bond Resolution was amended to exclude from interest in aggregate debt service the subsidy related to Build America Bonds.

[3] Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

[4] Had the Build America Bonds subsidy not been excluded from revenues and not been excluded from interest in aggregate debt service, current year-to-date debt service coverage would have been 2.19x.

JEA Water and Sewer System

Schedule of Debt Service Coverage
(In Thousands)

Year Ended September 30, 2015

Revenues:		
Water	$	150,479
Water capacity fees[1]		7,013
Sewer		229,916
Sewer capacity fees[1]		12,254
Investment income		2,898
Other[2]		13,948
Total revenues		416,508
Operating expenses[3]		138,037
Net revenues	$	278,471
Aggregate debt service:	$	91,392
Less: Build America Bonds subsidy		(2,489)
Aggregate debt service	$	88,903
Senior debt service coverage[4], (min 1.25x)		3.13x
Net revenues (from above)	$	278,471
Debt service requirement (from above)	$	88,903
Plus: aggregate subordinated debt service on outstanding subordinated debt		12,205
Adjusted debt service requirement	$	101,108
Senior and subordinated debt service coverage[5]		2.75x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending September 2015 and 2014, then the debt service coverage would have been 2.56x and 2.31x.

(2) Excludes the Build America Bonds subsidy.

(3) Excludes depreciation.

(4) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.

(5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 2.56x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $103,549 for the year-to-date period ending September 2015.

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

Year Ended September 30, 2015

Revenues:		
Service revenues	$	8,778
Investment income		5
Total revenues		8,783
Operating expenses[(1)]		4,928
Net revenues	$	3,855
Aggregate debt service	$	3,019
Debt service coverage[(2)(3)]		1.28x

(1) Excludes depreciation.

(2) On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, the JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last business day of the then current month.

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

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JEA

2015 audit results

January 19, 2016

Building a better working world

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The Audit and Finance Committee
JEA

January 19, 2016

Dear Members of the Audit and Finance Committee,

We are pleased to present the results of our audit of the financial statements of JEA. Open and candid dialogue with you, as the Audit and Finance Committee, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

Our audit was designed to express an opinion on the 2015 basic financial statements as of September 30, 2015.

At EY, we are committed to delivering the highest quality audit services, and we continually evaluate the quality of our professionals' work in order to meet or exceed your expectations. We encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to JEA.

This report is intended solely for the information and use of the JEA Board, Audit and Finance Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

Michael E. Pattillo
Coordinating Partner

John DiSanto
Engagement Partner

Table of contents

2015 EY Services

Services and deliverables

Audit and audit-related services	‣ We express opinions on, and report to the Audit and Finance Committee the results of our audits of: – The basic financial statements of JEA – JEA's Electric System, Water and Sewer System, District Energy System and St. John's River Power Park System schedules of debt service coverage – Report on compliance with Section 218.415, Florida Statutes ‣ Issue a written communication to: – Report on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters – Provide our recommendations regarding internal controls and opportunities for improvement of efficiencies to management, the Audit Committee and the Board of Directors of JEA – Report on matters required by Chapter 10.550, *Rules of the Auditor General* – Report on requirements of *OMB Circular A-133* and the *Florida Single Audit Act* • To be issued upon completion of required procedures
Other services	‣ Issue a summary results report to the Audit Committee ‣ Report on compliance with debt covenants and resolutions required under JEA credit agreements ‣ Report on compliance with Florida financial emerging guidelines ‣ Agreed-upon procedures report on financial condition assessment ‣ Prepare a schedule of findings and questioned costs pursuant to *OMB Circular A-133* – To be issued upon completion of required procedures ‣ Provide comfort and consent letters for bond refunds and offerings

Executive summary

Status

- The 2015 audit is complete; we issued an unmodified opinion on the basic financial statements.

Scope

- Our audit scope is consistent with the plan communicated in August of 2015; we continually reassess the need for changes to our planned audit approach throughout the audit.

Results

- JEA's analysis for significant accounting matters is appropriate.
- Reasonable judgments and consistency have been used by management to account for significant accounting estimates.
- Five uncorrected misstatements were identified.*
- Entity level controls and other internal controls over financial reporting, that were subject to testing, appear to be designed and operating effectively.
- Outstanding cooperation and communication occurred between JEA and EY.

Significant 2015 considerations*

- Revenue recognition
- Allowances and reserves
- Regulatory accounts
- Fuel inventory
- Debt, derivative instruments and hedging activities
- OPEB liabilities and disclosures
- Investments
- Capital assets
- GASB 68 and GASB 71 implementation and pension accounting
- GASB 62 application

* These matters are addressed on the following pages within our presentation.

EY critical insights
Cybersecurity

Topic summary

While cyber security has historically been a topic of discussion in board rooms, the increase in the volume and severity of attacks, coupled with the increased scrutiny by regulators, has significantly elevated its importance.

Audit Committees are now expected to have an appropriate understanding of the business implications of cybersecurity risks on the company to enable them to evaluate:

- The suitably of the governance structure implemented by management.
- The cybersecurity risk management program implemented by management.
- The appropriateness of the cybersecurity risk disclosures required per SEC guidance.

What to look for

Leading boards expect regular (e.g., quarterly) updates from management on information security and cyber threat intelligence that is both meaningful and actionable. The report should address the following:

- **Identification.** Which are the top three to five threats that are most relevant to the organization?
- **Protection.** Summarize the actions taken to manage these threats? Summarize what other actions management considered, but elected not to pursue.
- **Detection.** What mechanisms are being used to detect incidents? How does management evaluate and categorize incidents identified, and determine which to elevate to senior leadership? What activity has been seen since the last report?
- **Response and recovery.** How did the company respond to higher risk incidents?

Questions for the audit committee to consider

- Does management treat cybersecurity as an enterprise-wide business risk, not simply as an IT risk?
- How are the company's most critical information assets protected and have the related cyber risks been prioritized?
- Do management and the audit committee understand the various cybersecurity government resources available to businesses?
- What standards or framework (e.g., NIST, ISO) does the organization use to structure its response to cybersecurity risk?
- How are metrics (including big data and analytics) leveraged to address cybersecurity by management and the board?
- Are incident response plans in place in your companies should a material cybersecurity breach occur? Has management practiced its incident response plan and developed a crisis management plan for cyber breaches?
- What is the role of internal audit in cybersecurity?
- Has the board considered the talent implications and re-evaluated the expertise level at the company and board level to manage cybersecurity risk?
- Does the Board understand the insurance coverage in place and its impact on potential claims?
- How are employees trained and made aware of their role in managing cybersecurity risks? Are internal threats appropriately considered?
- Does the company have resources dedicated to monitoring cybersecurity-related regulatory changes that may affect the organization?

Relevant materials are available on the Center for Board Matters (www.ey.com/boardmatters)

How boards can get ahead of cybersecurity risks: Smart boards and audit committees know that the best offense for a cybersecurity attack is a strong defense. We outline three steps to prepare.

Cybereconomics and the board: Board involvement is critical in helping organizations manage and mitigate cyber risks.

2015 audit results
Areas of audit emphasis

Our audit procedures emphasize testing areas with the highest potential for risk of misstatement (e.g., those accounts, contracts or transactions where we believed there was the greatest potential for risk of material misstatement to the basic financial statements, whether due to error or fraud, including disclosure items). We considered the effects of current market risk factors on JEA, and also placed emphasis on those areas requiring subjective determinations by management. Accordingly, our audit procedures at JEA included additional focus on the following areas (which are consistent with what was communicated to you at our meeting in August of 2015):

Key issue/risk area	Summary of procedures and findings
Revenue recognition	▸ We performed various analytics and detailed tests over revenues. Additionally, we tested controls related to the revenue process. Through our procedures there were no issues identified.
Allowances and reserves	▸ We tested the assumptions of the unbilled revenue calculation for reasonableness. We also performed procedures over billed accounts receivable, and assessed the adequacy of the allowance for uncollectible accounts. Through our procedures there were no issues identified.
Regulatory accounts	▸ We tested significant activity during the year, including recalculating the recognized revenue/expense related to regulatory assets and liabilities. Through our procedures there were no issues identified.
Fuel inventory	▸ We tested the significant inventory accounts. We relied on the inventory observations performed by specialist related to fuel inventories. In addition, we performed inventory price testing over solid fuels and materials and supplies. Through our procedures there were no issues identified.
Debt, derivative instruments and hedging activities	▸ We tested the debt roll-forward, which included confirming outstanding debt. We also tested interest expense and the classification of debt. ▸ For the interest rate swaps, we independently corroborated the fair value of swaps with the assistance of our EY valuation professionals. We independently tested the hedge effectiveness in accordance with GASB 53. Through our procedures there were no issues identified.
OPEB liabilities and disclosures	▸ We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e. discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 45. As part of our procedures we identified one judgmental difference related to the recorded OPEB obligation.
Investments	▸ We tested the fair values as of the statement of net position date, and confirmed investment accounts. We also performed compliance procedures as required by the provisions of Chapter 10.550, Rules of the Auditor General. Through our procedures there were no issues identified.

2015 audit results
Areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Capital assets	▸ We tested the capital asset rollforward, which included specific procedures over CWIP, additions to capital assets and depreciation expense. Through our procedures there were no issues identified.
GASB 68 and GASB 71 implementation and pension accounting	▸ We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e. discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 68. ▸ As part of our audit procedures we identified two differences related to the SJRPP pension liability.
GASB 62 application	▸ We obtained a copy of management's application memo and reviewed the memo, the methodology applied and deemed the accounts and transactions identified to be in accordance with GASB 62. We also evaluated the rate setting policies and methodology adopted by the Board for consistency with the regulatory accounting criteria of GASB 62. ▸ We tested regulatory assets and liabilities established during the year. Through our procedures there were no issues identified.

Application of regulatory accounting

- Effective as of the beginning of FY2015, the Board approved a full cost recovery rate making methodology for the Electric and Water/Sewer systems.
- The regulatory assets and liabilities and any deferred inflows and outflows were tested as part of our audit procedures for the various areas impacted by the application.

Transactions impacted by regulatory guidance:

1. Fuel Charge including realized gains/losses on fuel hedging activity
2. Environmental Charge – Electric
3. Environmental Charge – Water
4. Residential Conservation Charge
5. Loss on debt refunding
6. Debt issue costs
7. Contributions in aid of construction
8. Pension accounting
9. Debt management
10. Non-Fuel Purchase Power
11. Self-insurance medical reserve

- Based on the audit procedures performed related to the application of regulatory accounting the EY audit team concurs with both the accounting treatment and the amounts identified as regulatory assets and liabilities and deferred inflows and outflows, as appropriate.

Adoption of GASB Statement No. 68 and No. 71 implementation and pension accounting

- Effective October 1, 2014, JEA adopted GASB Statement No. 68, *Accounting and Financial Report for Pensions* (Statement No. 68), which was issued by GASB in 2012. The application of this statement established standards for measuring and recognizing liabilities for government sponsored pension plans.
- Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.
- Defined Benefit Plans considered as part of the FY15:
  - the single-employer SJRPP pension plan
  - the cost-sharing plan with the City of Jacksonville (COJ)
- Statement No. 68 requires the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Upon implementation of this guidance, JEA recorded a $409 million net pension liability as of September 30, 2015.
- Statement No. 68 requires recognition of unrealized gains and losses on pension assets. JEA recorded $39.6 million as a deferred outflow of resources relating to changes in assumptions, net difference between projected and actual earnings on pension plan investments, and differences between expected and actual experience in the measurement of total pension liability at September 30, 2015.
- Statement No. 68 and Statement No. 71 requires employer contributions made subsequent to the measurement date of the net pension liability be recorded as deferred outflow of resources. As a result, JEA recorded the 2015 employer contributions of $43.6 million as a deferred outflow of resources at September 30, 2015.
- Statement No. 68 requires the effects of certain other changes in the net pension liability to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. As a result, JEA recognized pension expense of approximately $40.8 million in fiscal year 2015.
- Statement No. 68 requires that notes to financial statements include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also should disclose the following information:
  - Sources of changes in the net pension liability
  - Significant assumptions and other inputs used to calculate the net pension liability
  - The date of actuarial valuation used to determine the net pension liability
  - Required Supplementary Information – The statement requires employers to report in RSI: (1) Sources of changes in net pension liability, (2) The components of net pension liability and related ratios, and (3) schedule of employer contributions.
- We obtained and tested the actuary reports to assess the reasonableness of the assumptions (i.e., discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary reports. We also tested census data underlying the actuarial computations.
- For the cost sharing plan, we also obtained and reviewed an Audit Report on the Allocation of Net Pension Liability prepared by the COJ's auditor, Carr, Riggs and Ingram CPAs.
- Based on the procedures performed, we believe that the amounts and disclosures included within the financial statements are appropriate and in conformity with GASB.

Corrected and uncorrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by JEA and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under US GAAP.

Corrected misstatements

Following is a summary of those significant misstatements we have identified through the date of this report that have been corrected by JEA:

Corrected misstatements		
Account	**Amount**	**Description**
▸ Accounts payable and accruals	$56,604,000	▸ Reclassification from deferred inflow of resources to current liabilities for the fuel credit approved by the Board in July of 2015.

Corrected and uncorrected misstatements

Uncorrected misstatements

Following is a summary of those misstatements we have identified through the date of this report that have not been corrected by JEA. These uncorrected misstatements, individually and in the aggregate, are not material to JEA's financial statements.

Uncorrected misstatements		
Account	**Amount**	**Description**
OPEB funding obligation liability	$1,724,000	▸ Overstated liability – to correct the estimated OPEB funding obligation.
SJRPP net pension liability	$1,041,000	▸ Understated liability and regulatory asset – to correct the SJRPP pension liability to 100%.
SJRPP net pension liability	$3,800,000	▸ Understated liability and regulatory asset – to Correct the SJRPP pension liability for the RP-2014 mortality assumption.
SJRPP deferred outflows – unrealized pension contributions and losses	$1,029,000	▸ Understated deferred outflow – to correct the SJRPP contributions after measurement date and actuarial experience to 100%.
Performance pay accrual	$1,161,000	▸ Overstated liability – To correct the over accrual of the performance pay accrual.

Inquiries relating to matters relevant to the audit

We made inquiries of you in our meeting with you in December 2015 related to fraud and other matters, that helped inform our audit strategy and the execution of our audit procedures. As a part of our upcoming meeting, we will update our inquiries of you to understand any other matters of which you believe we should be aware, including, but not limited to the following:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding JEA's financial reporting (including those received through those charged with governance's own "whistleblower" program, if any) and its response to such tips and complaints
- How you exercise oversight over JEA's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of other matters, you believe, are relevant to the audit including, but not limited to, violations or possible violations of laws or regulations

When we identify a fraud risk, including a fraud risk that arises through or is associated with the risk of management override of controls, we perform audit procedures to address those risks. Those procedures and the related results are covered on page 19 in this booklet.
In addition to any specific responses related to the fraud risk, we also examine journal entries, review accounting estimates for management bias and evaluate the business rationale of significant unusual transactions as required by our professional standards.

Required communications with those charged with governance

Supplements

Summary of required communications

Provided below is a summary of required communications between the audit team and those charged with governance.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ Accounting policies		X
▸ Additional views		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control		X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Fraud and illegal acts		X
Independence matters		X
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	

Required communications

Area	Comments
Overview of the planned scope and timing of the audit	
We provide those charged with governance with an overview of our overall audit scope, including the timing of the audit and our plans to use the work of internal auditors.	Our audit scope is consistent with the plan communicated during the August 10, 2015 meeting.
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern	
The financial statements and required supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion. An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements. We also communicate to you matters required by other legal or regulatory requirements.	Our responsibilities are included in our audit engagement agreement. A copy of such agreement is available upon request. As part of our audit, we obtained sufficient understanding of internal controls to plan our audit and to determine the nature, timing, and extent of testing performed. We have issued an unmodified opinion on JEA's financial statements as of and for the year ended September 30, 2015.

Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: accounting policies	
As part of our discussion about the qualitative aspects of the entity's significant accounting practices, we discuss our views about the entity's application of accounting policies including instances we believe a significant accounting policy, although acceptable under US GAAP, is not appropriate for the particular circumstances of the entity. Our discussion may also include the following: ▸ The initial selection of new, or changes in, significant accounting principles and policies, including the application of new accounting pronouncements. ▸ The effect of the timing and method of adopting a change in accounting policy on current and future earnings of the entity (or expected new accounting pronouncements). ▸ The appropriateness of the accounting policies to the particular circumstances of the entity. ▸ Where acceptable alternative accounting policies exist, the identification of financial statement items that are affected by the implemented significant policies as well as information on accounting policies used by similar entities. ▸ The effect of a significant accounting policy in a controversial or emerging area (or those unique to an industry), particularly when there is a lack of authoritative guidance or consensus.	Except as described below, management has not selected or changed any significant accounting policies or changed the application of those policies in the current year. We are not aware of any significant accounting policies used by JEA in controversial or emerging areas or for which there is a lack of authoritative guidance. During the year, JEA adopted the following standards: ▸ GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* During the year, JEA applied regulatory accounting treatment for its electric and water and sewer systems pursuant to GASB 62.

Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: additional views	
(1) Management's process used to develop particularly sensitive accounting estimates, our conclusions regarding the reasonableness of such estimates and the basis for those conclusions. Our discussion may also include the following: ▸ Risks of material misstatement ▸ Indicators of possible management bias ▸ Disclosure of estimation uncertainty in the financial statements (2) Financial statement disclosures and related matters which may include the following: ▸ The issues involved and related judgments made, in formulating sensitive financial statement disclosures ▸ The overall neutrality, consistency and clarity of financial statement disclosures ▸ The potential effect of significant risks and exposures and uncertainties on the financial statements ▸ The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized ▸ The factors affecting asset and liability carrying value ▸ The selective correction of misstatements (3) Significant unusual transactions (i.e., those outside the normal course of business for the entity or those that appear unusual due to timing, size, or nature) and the policies or practices management has used to account for those transactions.	Refer to previous section.

Required communications

Area	Comments
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial	
We discuss with those charged with governance uncorrected misstatements, related to accounts and disclosures, and the effect that they may have on our opinion in the auditor's report. We also discuss the effect of uncorrected misstatements related to prior periods on the significant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, we discuss with those charged with governance the implications of a failure to correct known and likely misstatements, if any, considering qualitative as well as quantitative considerations, including the possible implications in relation to future financial statements.	Refer to "Corrected and uncorrected misstatements."
Material corrected misstatements, related to accounts and disclosures	
We discuss with those charged with governance material, corrected misstatements, related to accounts and disclosures, that were brought to the attention of management as a result of our audit procedures. In addition, we may discuss other corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.	Refer to "Corrected and uncorrected misstatements."
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements	
Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes. If the entity includes other information in documents containing audited financial statements, we review such other information and consider whether such information, or the manner of its presentation, is materially inconsistent with the audited financial statements. If we conclude that a material inconsistency exists, we determine whether the financial statements, our auditor's report, or both require revision. In addition, we notify you if we conclude that there is a material misstatement of fact in the other information.	We have reviewed JEA's Required Supplementary Information and found the information presented to be consistent with the information in the audited financial statements.

Required communications

Area	Comments
Fraud and illegal acts	
We communicate with those charged with governance fraud and illegal acts involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements. If desired by those charged with governance or we determine it is appropriate, we communicate to those charged with governance regarding fraud involving employees other than management that does not result in a material misstatement. We also communicate other matters of non-compliance with laws and regulations (illegal acts) that come to our attention during the audit, unless they are clearly inconsequential.	We are not aware of any matters that require communication.
Independence matters	
Although the auditor's report affirms our independence, in certain situations, we discuss with those charged with governance circumstances of relationships (e.g., financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in our professional judgment may reasonably be thought to bear on independence and that we gave significant consideration to in reaching the conclusion that independence has not been impaired.	We are not aware of any matters that in our professional judgment would impair our independence.
Representations we are requesting from management	
We discuss with those charged with governance representations we are requesting from management.	We have obtained a letter of representations from management related to the audit, which is available upon request.
Changes to the terms of the audit with no reasonable justification for the change	
We discuss with those charged with governance any changes to the terms of the audit engagement where there is no reasonable justification for the change and we are not permitted by management to continue the original audit.	None.

Required communications

Area	Comments
Significant findings and issues arising during the audit relating to related parties	
We discuss with those charged with governance any significant findings and issues arising during the audit relating to the entity's related parties. Such matters may include the following: ▸ Non-disclosure (whether intentional or not) by management of related parties or significant related party transactions ▸ The identification of significant related party transactions that have not been appropriately authorized and approved ▸ Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions in accordance with US GAAP ▸ Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions ▸ Difficulties in identifying the party that ultimately controls the entity	None.
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	
We discuss with those charged with governance any significant matters that were discussed with, or the subject of correspondence with, management, including: ▸ Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatements. ▸ Discussions or correspondence in connection with our initial or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, during the entity's two most recently completed fiscal years and any subsequent interim period.	None.

Required communications

Area	Comments
Significant difficulties encountered during the audit	
We inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit which may include such matters as: ▸ Significant delays in management providing required information ▸ An unnecessarily brief time within which to complete the audit ▸ The unavailability of expected information ▸ Restrictions imposed on us by management ▸ Management's unwillingness to provide information about its plans for dealing with the adverse effects of the conditions or events that lead us to believe there is substantial doubt about the entity's ability to continue as a going concern	None.
Disagreements with management	
We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements or our auditor's report. For purposes of this discussion, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.	None.
Management's consultations with other accountants	
When we are aware that management has consulted with other accountants about accounting or auditing matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.	None of which we are aware.
Findings regarding external confirmations	
We discuss with those charged with governance any instances where management has not permitted us to send confirmation requests, or where we cannot obtain relevant and reliable audit evidence from alternative procedures.	None.

Required communications

Area	Comments
AICPA ethics ruling regarding third-party service providers	
AICPA Ethics Ruling No. 112 under Rule 102, *Integrity and Objectivity*, requires that we inform you whenever we use a third-party service provider in providing professional services to the entity. The Rule has broadly defined "third-party service provider" to include an individual who is not employed by our US firm. Accordingly, third-party service providers might include, but not be limited to, the following examples: non US personnel who work for EY affiliate firms (e.g., Ernst & Young United Kingdom), non US personnel working in the US on a foreign secondment and non US personnel working at EY shared service centers.	From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services. We subcontracted with KBLD, a JSEB CPA firm, for direct assistance during the audit at the request of JEA.
Other findings or issues regarding the oversight of the financial reporting process	
We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.	See Management letter attached in Appendix B.

Appendix A

- Report on internal control and compliance
- Report on accounting matters – FL Section 218.503(1)
- Report on financial condition – FL Section 218.39.5(b)
- Report on compliance and investment policy – FL Section 218.145

Appendix

Building a better working world

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Report of Independent Certified Public Accountants 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*

Management and the Governing Board
JEA
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of JEA, which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered JEA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control. Accordingly, we do not express an opinion on the effectiveness of JEA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether JEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the 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 9, 2015

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Report of Independent Certified Public Accountants on Compliance

The Governing Board and Management of JEA
Jacksonville**,** Florida

We have audited, in accordance with auditing standards generally accepted in the United States the accompanying basic financial statements of JEA, which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report, with an unmodified opinion thereon, dated December 9, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that JEA met any of the conditions described in *Section 218.503(1)*, Florida Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such conditions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding JEA‘s meeting the conditions described in the above-referenced section of Florida Statutes, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management and the Audit Committee of JEA and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 9, 2015

EY
Building a better working world

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Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

To the Governing Board and Management of JEA:

We have performed the procedures enumerated below, which were agreed to by the management of JEA, solely to assist you in evaluating management's assertion that JEA does not meet any of the indicators of deteriorating financial condition as enumerated in Section 218.39.5(b), *Florida Statutes*, as of September 30, 2015. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures

We obtained the audited financial statements of JEA as of and for the fiscal year ended September 30, 2015, and determined whether there was a total net position deficit reported as of September 30, 2015.

Findings

We noted no net position deficit as of September 30, 2015. We also noted that total net position increased during the year ended September 30, 2015.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the audit committee and management of JEA and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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December 9, 2015

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Report of Independent Certified Public Accountants

The Board of Directors
JEA
Jacksonville, FL

We have examined management's assertion that JEA (the Company) complied with Section 218.415, Florida Statutes, requiring the adoption of an investment policy that includes all of the requirements listed in Sections 218.415(1) through (15), Florida Statutes, and that the Company's investments were authorized by law and in accordance with its investment policy for the year ended September 30, 2015 as required by Section 218.415(17), Florida Statutes. Management is responsible for JEA's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about JEA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that JEA complied with the aforementioned requirements for the year ended September 30, 2015 is fairly stated, in all material respects.

This report is intended solely for the information and use of JEA and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

Appendix B

- Summary of Audit Differences (SAD)
- Management letter comments

Appendix

Communication schedule for uncorrected misstatements

Entity: Jacksonville Electric Authority (JEA) **Period Ended:** 30-Sep-2015 **Currency:** USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
	P07.01a	Correct over accrual of OPEB liability										
		OPEB Liability				1,724,659						
		OPEB Asset	131,601									
		Other Expenses							(1,856,260)	X	18,554	X
	P06.01a	Correct SJRPP pension liability to 100%										
		Unfunded pension cost (regulatory asset - "Cost to be recovered from future revenues")		1,040,800								
		Net pension liability				(1,040,800)				X		
	N01.01b	To correct overaccrual of performance pay accrual.										
		Accrued Expense			1,160,656							
		Operating Expense							(1,160,656)	X		
	P06.01a	Correct SJRPP contributions after measurement date and actuarial experience to 100%										
		Deferred Outflows - unrealized pension contributions and losses		1,029,000								
		Pension expense							(1,029,000)	X		
Judgmental misstatements:												
	P06.01a	Correct SJRPP pension liability for mortality assumption										
		Unfunded pension cost (regulatory asset - "Cost to be recovered from future revenues")		3,800,000								
		Net pension liability				(3,800,000)						
Total of uncorrected misstatements before income tax			131,601	5,869,800	1,160,656	(3,116,141)	0	0	(4,045,916)		18,554	
Total of uncorrected misstatements			131,601	5,869,800	1,160,656	(3,116,141)	0	0	(4,045,916)		18,554	
Financial statement amounts			869,354,000	7,830,325,000	(227,450,000)	(6,305,320,000)	(2,166,909,000)		171,518,000		156,269,000	
Effect of uncorrected misstatements on F/S amounts			0.0%	0.1%	-0.5%	0.0%	0.0%		-2.4%		0.0%	
		Memo: Total of non-taxable items (marked 'X' above)							*(4,045,916)*		*18,554*	

Communication schedule for uncorrected misstatements

Entity: Jacksonville Electric Authority (JEA) **Period Ended:** 30-Sep-2015 **Currency:** USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable

	Effect on the current period OCI	Income statement effect of the current period (After tax)	Memo: Before tax	Prior period Debit/(Credit)
Uncorrected misstatements before income tax	-2.4%	(4,045,916)		18,554
Less: Tax effect of misstatements at current year marginal rate	*0%*	*0*		*0*
Uncorrected misstatements in income tax		*0*		*0*
Cumulative effect of uncorrected misstatements after tax but before turnaround	-2.4%	(4,045,916)		18,554
Turnaround effect of prior period uncorrected misstatements		**After tax**	**Memo: Before tax**	
All factual and projected misstatements:		(18,554)	(18,554)	
Judgmental misstatements:		0	0	
Cumulative effect of uncorrected misstatements, after turnaround effect	-2.4%	(4,064,470)		
Current year income before tax		171,518,000		
Current year income after tax		*171,518,000*		

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Management Letter and State Reporting Requirements

Management and the Governing Board
JEA
Jacksonville, Florida.

In planning and performing our audit of the basic financial statements of JEA as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control. Accordingly, we do not express an opinion on the effectiveness of JEA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

2015-01 Change management related to IT General Controls

Observation

Consistent with our observations communicated to you in connection with our fiscal year 2014 audit, we again identified during the fiscal year 2015 audit that certain users had the ability to develop and migrate changes to production for the Oracle ERP and no mitigating control was in place for a periodic review of changes performed by management. This presents a segregation of duties issue, as the users with knowledge of the password on both the development and production environments can circumvent the change management process and directly develop and apply changes in production.

There is a risk that individuals that have the ability to migrate changes to production could also develop a change that circumvents the change management process without a monitoring control in place for these changes to be subject to a formal review.

As a response to the prior year's identification of the change management issue, JEA installed (September 2014) Tripwire agent that records all changes that occur on the server – new packages, edits, etc. It takes a "before" baseline and an "after" baseline, and provides a report of all changes between the two baselines. The intent was for this to be tied to the formal Change management process in place for reviewing the migration of changes to production for the Oracle ERP by ticket number. As part of EY's review of the IT systems during fiscal year 2015, the implementation of Tripwire was not deemed sufficient to address the change management concern.

Recommendation

It is recommended that either a review be performed by appropriately configuring and utilizing the Tripwire agent at a frequency agreed upon by management to include all changes migrated to production, or remove the ability to develop changes for those users who have the access to migrate changes to production.

Management's response

JEA implemented a review process of the reports that the Tripwire agent generates that includes all changes migrating to production as recommended by EY in July 2015. The report is generated daily to capture all the changes migrated and is administered by the JEA ERP department. Information Security monitors the system for activity and changes. When changes are detected a help desk request is created and assigned to the JEA ERP team for further review and validation.

2015-02 Logical access related to IT General Controls

Observation

We identified during the fiscal year 2015 audit that a user's Oracle application account was not disabled subsequent to their termination date. This presents a risk that the user's account could be utilized to access the Oracle application and perform activities that go undetected.

Recommendation

While a user access review is currently utilized, it is recommended that a more frequent periodic user access review be performed at a frequency agreed upon by management to include all users with access to the Oracle application. It is also recommended the review validate each user is an active employee and each user's access rights within the Oracle application are appropriate.

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Management's response

JEA performs a frequent periodic user access review that includes all users with access to the Oracle application. The review also validates each user is an active employee and each user's access rights within the Oracle application are appropriate. The one terminated individual that was found with Oracle responsibility access had NO access to the JEA network. The individual responsibilities however, were not end dated timely as EY noted which was a defect. This failure had the implication that if the terminated employee had shared their password with an active JEA employee, a violation of JEA policy, that employee could log into the network as themselves then into the Oracle system and gain access to the rights that had remained open using the terminated employees user id and shared password. JEA is upgrading the Oracle R12 system to add controls and will scan for open responsibilities for terminated employees.

The R12 upgrade will include Kerberos authentication coupling the application user account directly to the network (Active Directory) account. This will remove the current application level authentication that is synced with the network account. JEA has policies in place to restrict the sharing of user accounts; Acceptable Use Agreement and Access Administration.

JEA's written responses to the deficiencies and other matters identified in our audit were not subject to auditing procedures.

Other required disclosures

Report on the financial statements

We have audited the basic financial statements of JEA as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated December 9, 2015.

Auditor's responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other reports

We have issued our Report of Independent Certified Public Accounts on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards,* and Report of Independent Certified Public Accountants on an examination conducted in accordance with *AICPA Professional Standards,* Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General (collectively, the Reports). Disclosures in those Reports, which are dated December 9, 2015, should be considered in conjunction with this management letter.

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Prior audit findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of each prior year audit recommendation follows:

2013-02 Self-insurance liability

Observation

GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, provides that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, should be accrued when insured events occur. Further, the liability should be based on the ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that would modify past experience. As part of our audit, we examined JEA's estimate of unpaid insurance claims for the period ended September 30, 2014. During our testing we determined JEA's recorded liability exceeded a reasonable estimate of unpaid claims.

Status

Management has remediated this finding in the current period, and with the application of GASB Statement No. 62 the method used is deemed appropriate.

Official title and legal authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. JEA has included such disclosures in the notes to the financial statements.

Financial condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not JEA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. See our separate Report of Independent Certified Public Accountants on Compliance dated December 9, 2015.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures that were agreed to by management of JEA. See our separate Report of Independent Certified Public Accounts on Applying Agreed-Upon Procedures dated December 9, 2015, for our procedures and findings.

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Annual financial report

Management of JEA has advised that JEA is not required to file a separate annual financial report, as defined in Section 218.32(1)(a), Florida Statutes, with the Florida Department of Financial Services due to the fact that JEA's financial information is included with that of the City of Jacksonville as a discrete component unit.

Special district component units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. As noted above, we have issued our report on the financial statements of JEA dated December 9, 2015. As of the date of this letter, it is our understanding that the City of Jacksonville has not released its audited financial statements for the year ended September 30, 2015.

Other matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See our Reports identified under "Other Reports" section above.

Purpose of this letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

December 9, 2015

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY's Assurance Services
Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audit starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject-matter expertise to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

1601-1805956

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AGENDA ITEM SUMMARY

December 14, 2015

SUBJECT:	**EXTERNAL AUDITORS EVALUATION 2015**

Purpose: ☐ Information Only ☒ Action Required ☒ Advice/Direction

Issue: The current contract with Ernst & Young (E&Y) expires on June 30, 2016. Best practice is that auditors should be evaluated annually and a determination made by the Board on whether to retain their services. JEA staff has completed the auditor evaluation from its perspective for the Board's consideration.

Significance: The fiduciary responsibilities of JEA and the Board include the engagement of an external auditor.

Effect: Not having a nationally qualified firm in place could leave room for exposure in such a highly regulated environment.

Cost or Benefit: An annual audit by a nationally qualified audit firm provides comfort to investors about the excellent quality of the information JEA provides to the bond market.

Recommended Board action: Staff recommends the Board exercise the option for a one-year extension of the contract with E&Y.

For additional information, contact: Janice Nelson

Submitted by: PEM/MHD/JRN

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

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INTER-OFFICE MEMORANDUM
January 8, 2016

SUBJECT:	**EXTERNAL AUDITORS EVALUATION 2015**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
JEA's external auditor, in their capacity as independent public accountants, is responsible to the Board. The current contract approved by the Board with Ernst & Young expires on June 30, 2016. Each year the Board evaluates the performance of the external auditor and decides whether to extend the auditor's engagement agreement for an additional year. (This is typically completed by the Finance and Audit Committee (FAC) who recommends an action to the Board, but is being presented to the full board for FY2016.)

DISCUSSION:
At the FAC meeting on August 12, 2013, and the Board meeting on August 20, 2013, the proposed plan for auditor selection beginning in fiscal year 2014 was approved. At its meeting on November 19, 2013, the Board approved a contract extension with Ernst & Young (E&Y). The duration of the contract was from December 12, 2013 through June 30, 2015 with an option for additional one-year extensions. As discussed with the Finance and Audit Committee (FAC) at its meeting on December 11, 2013, on an annual basis, in connection with the presentation of the external auditors report, the FAC will discuss and evaluate their assessment of the effectiveness of the external auditors. At its meeting on December 10, 2014, the FAC discussed and evaluated their assessment of the auditors and recommended to exercise the option to negotiate a one-year extension with E&Y. The Board approved this recommendation at its meeting on December 16, 2014. At the FAC meeting on March 9, 2015 and the Board meeting on March 17, 2015, a contract extension with E&Y was approved through June 30, 2016.

Staff has completed the attached auditor assessment tool to assist the Board in its evaluation.

RECOMMENDATION:
Staff recommends the Board exercise the option for a one-year extension of the contract with E&Y.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

Ver 2.1 07/22/2014

JEA

Finance & Audit Committee (FAC) Evaluation of Ernst & Young For 2015 Fiscal Year Audit

Detailed Questionnaire

1) **Evaluate the quality of Services and Sufficiency of Resources Provided by the Auditor**

   a) Does the engagement partner and audit team have the necessary knowledge and skills to meet the Companies audit requirement? Did the Auditor seek feedback on the quality of service provided? How did the auditor respond to the feedback? Was the engagement partner available and accessible to the committee and management? Did the partner provide sufficient attention and leadership to the audit?

   Ernst and Young is an internationally recognized Big Four audit firm with significant resources and talent necessary to address municipal utility audit requirements and GASB 68, Accounting for Pension. The audit client service team includes a Coordinating Partner, (Mike Pattillo) and Quality Review Partner (Lou Roberts). Also, joining the team this year was John DiSanto. John served in an engagement partner role assisting with general review areas. He also focused on the transition to regulatory accounting and implementation of GASB 68.

   Mike has 26 years of experience in providing assurance and advisory services to governmental organizations, including municipal utilities and similar proprietary governmental entities. He serves as the firm's Orlando office Managing Partner and leads E&Y Public Sector Practice for the State of Florida. He also serves as a subject matter resource for teams throughout the US serving proprietary governments, including public utilities. Mike relevant utility clients served include Orlando Utilities Commission, Gainesville Regional Utilities, Kissimmee Utility Authority, Tampa Bay Water Authority, The Energy Authority (as a quality review engagement partner), Lee County Electric Cooperative, Florida Municipal Power Agency, Virgin Island Water and Power Authority, New York Power Authority (as an engagement quality review partner). Mike has also served several other local governments in Florida that operate utility systems including Hillsborough County, Pinellas County, Collier County, City of Orlando, and the City of Ft. Lauderdale. Lou Roberts is a partner with the Northeast Public Sector practice. He has more than 20 years of experience serving public sector entities. He served as senior manager or engagement audit partner on financial and Single Audits for large state authorities including the New York Power Authority, New Jersey Transit Corporation, Massachusetts Port Authority and Boston Retirement System. John DiSanto has more than 30 years of accounting and auditing experience. He has performed audits and advisory services for a variety of relevant entities including

Orlando Utilities Commission, Reedy Creek Improvement District, Tampa Bay Water Authority, Puerto Rico Aqueduct and Sewer Authority, Hillsborough County (including utility enterprise funds), and Pinellas County (including separate utility enterprise funds).

The coordinating partner meets with the FAC at each of its meetings. In addition, the auditors meet with the FAC annually to review the audit plan and results. Mike and John were on-site periodically to ensure the audit was completed to meet the deadline. They have been very accessible and communicated potential issues with management to facilitate a quick resolution of issues as they arise.

b) Did the engagement partner discuss the audit plan and how it addressed audit risk for the company and industry specific areas of accounting and audit risk with the FAC? Did the engagement partner identify appropriate audit risks while planning the audit? Did the engagement partner discuss the risk of fraud in the financial statements that were factored into the plan?

E&Y applies a risk based approach to their audit plan. The audit plan is shared with management and FAC. This plan details the scope of the audit, the services provided, the engagement audit service team, audit risk, communication timetable and fraud considerations. The appropriate audit risks were identified in the plan as significant risks. Areas of significant risk are revenue recognition, allowances and reserves, regulatory accounts, derivative instruments and hedging activities, legal and pollution remediation obligations, other post-retirement benefit liabilities, pension plans, investments, capital assets, and impairment of long-lived assets. The Audit Plan lays out the procedures to mitigate these risks. Fraud considerations and the risk of management override are addressed in the audit plan document provided to the FAC.

c) During the audit, did the auditor meet the agreed upon performance criteria, such as an engagement letter and audit scope? Did the auditor adjust the plan to respond to changing risks and were changes communicated to the audit committee?

The 2015 Audit Plan outlined E&Y's scope of service, identified the team that will perform the audit and presented the key considerations that will affect the audit. There were no significant changes to the plan that required the auditors to make adjustments and communicate to the FAC.

d) Did the engagement partner advise the committee of the results of consultations with the firm's national practice office on technical accounting and audit matters? Were communications executed in a timely and transparent manner?

E&Y National Professional Practice Group has been supporting the audit teams throughout the US practice with GASB 68 implementation process and audit requirements.

2) Does the Audit Firm have Relevant Industry Expertise and Does the Engagement Team Utilize these Resources Effectively?

a) Did the auditor communicate results of the firm's inspection more generally, such as findings regarding companies in similar industries with similar accounting/audit issues that may be pertinent to the Company?

E&Y have many clients in the municipal utility industry. See coordinating partner, quality partner and engagement partner clients listed in question 1a. above. In addition, E&Y has TEA as an audit client. Accounting and audit issues discussed are always framed in the scope of industry trends that would be pertinent to JEA.

b) Was the cost of the audit reasonable and sufficient for the size complexity and risks of the Company? Were there any changes to the cost and if so were they communicated to the audit committee?

The cost of the audit is reasonable based on size and complexity. The fee for the FY 2015 audit is $292,773. This respresented a 3% increase in the audit fee over the 2014 fee. All other fees for other services such as debt convenant compliance reports, debt issuance agreed upon procedure report, consent letters and single audit remained unchanged. Audit requirements related to GASB 68 and regulatory accounting application were additional scope fees based on the actual time incurred for the fiscal year 2015 audit. The world of auditing has continually changed over the past few years in terms of the level of audit testing and documentation that is required by the auditors. E&Y has committed to continue to seek ways to improve efficiencies without compromising any aspect of the overall audit quality.

Does the firm have the necessary industry experience, specialized expertise in the Company's critical accounting policies and geographical reach required to continue to serve the Company?

Ernst and Young is an internationally recognized Big Four audit firm with significant resources and talent necessary to address JEA audit requirements. Their ability to draw from resources locally and nationally has afforded JEA with the opportunity to receive information and resolve complex utility and general accounting matters. As stated above, Mike Pattillo serves as the firm's Orlando office Managing Partner and leads E&Y's Public Sector Practice for the State of Florida. In addition, the Senior Manager and other audit staff are a part of the local Jacksonville Office.

c) Did the audit team have sufficient access to specialized expertise during the audit? Were additional resources dedicated to the audit as necessary to complete the audit timely?

E&Y as part of the big four public accounting firms has more than adequate resources and specialized industry experts to consult on matters related to the municipal utility *industry. In addition, GASB standards on pensions substantially changed the accounting and financial reporting of public employee pension plans. The accounting and auditing issues are complex. John Good, a partner in EY's National Professional Practice Group, and has been supporting audits teams throughout the US practice with the GASB 68 implementation process and audit requirements. John also serves as EY's representative to the AICPA for the development and interpretation of relevant governmental accounting and auditing guidance.*

3) Evaluate the Frequency and Open Communications between the Auditor and Audit Committee

a) Did the engagement partner maintain a professional and open dialogue with the FAC? Were discussions frank and complete? Was the engagement partner able to explain any audit/accounting issues in a clear understandable manner? Did the auditor discuss the quality of the financial reporting, including reasonableness of accounting estimates and judgments? Did the auditor discuss how the company's accounting policies compare with industry trends and leading practices? In executive sessions, did the auditor discuss sensitive issues candidly and professionally including any concerns on processes, controls, and the quality of the management team? Did the auditor communicate alerts to the committee for not receiving sufficient cooperation? Did the auditor communicate developments in accounting principles or auditing standards relevant to the company and potential audit impact?

The coordinating partner has maintained an open and professional dialogue with management and the FAC including executive sessions. The 2015 audit plan was presented to the FAC in a clear and succinct fashion.

There are several major accounting developments and considerations that the auditors have kept the FAC abreast. One in particular is the GASB 68, Accounting and Financial Reporting for Pensions. Under the new Governmental Accounting Standards Board rules, municipal entities will be required to show unfunded pension liabilities on the balance sheet, instead of as a note to the financial statements where the information currently appears. In addition, E&Y provided technical guidance to JEA related the accounting change to regulatory accounting under GASB 62. The opportunity to call upon E&Y's expertise in this area of utility accounting to examine this complex accounting change has been valuable.

4) Evaluate the Auditor's Independence, Objectivity and Professional Skepticism

a) Did the auditor report all matters that might reasonably be thought to bear on the firm's independence requirements? Were there significant differences in views between management and the auditor? If so, were they resolved in a professional manner? If any non-audit services were performed, were they pre-approved by the audit committee to ensure independence and objectivity was being maintained by the auditor?

There have been no issues identified that have impaired the independence of E&Y. All differences between the auditor and management have been resolved without requiring the FAC to address or mediate the issue. E&Y has not performed non-audit services that would jeopardize audit independence.

JEA
Building Community

AGENDA ITEM SUMMARY

January 7, 2016

SUBJECT:	**ST. JOHNS RIVER POWER PARK (SJRPP) SYSTEM EMPLOYEES' RETIREMENT PLAN RESTATEMENT & LETTER OF DETERMINATION**

Purpose:	☐ Information Only	☒ Action Required	☐ Advice/Direction

Issue: As a result of Board approved amendments made to the St. Johns River Power Park System Employees' Retirement Plan ("Plan") between 2003 - 2015, a Plan restatement is being completed to include amendments 1 - 6 and inclusion of regulatory/technical amendments required by IRS regulations. The restated Plan will further be submitted to the IRS for a Letter of Determination on the tax qualified status of the Plan in January 2016.

Significance: January 2016 Resolution will approve the restated Plan document upon Board vote.

Effect: The Plan document will include the language related to amendments 1-6 and required technical amendments.

Cost or Benefit: Obtain a Letter of Determination regarding the tax qualified status of the Plan from the IRS.

Recommended Board action: Staff recommends that the Board approve the attached resolutions for amendments 7 – 11, the restated Plan document, and the restated Trustee Agreement and authorize JEA's Managing Director/CEO to execute all implementing documents.

For additional information, contact:

Submitted by: PEM/ARH/PLM

Ver.2.0D 9/21/2013 jer

JEA Building Community

INTER-OFFICE MEMORANDUM
January 7, 2016

SUBJECT:	**ST JOHNS RIVER POWER PARK (SJRPP) SYSTEM EMPLOYEES' RETIREMENT PLAN RESTATEMENT & LETTER OF DETERMINATION**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
The St. Johns River Power Park System Employees' Retirement Plan ("Plan") was originally established in 1984 for the purpose of providing retirement benefits – on a tax-qualified basis – to eligible St. Johns River Power Park System ("SJRPP") employees (and/or their surviving beneficiaries) after they retire. The Plan benefits have been, and currently are, bargained with the International Brotherhood of Electrical Workers Local Union 1618 bargaining unit ("IBEW") and are also provided to a small number of SJRPP non-bargaining unit employees.

SJRPP and the IBEW have entered into an approved and ratified Collective Bargaining Agreement ("CBA") for the period October 1, 2015 through September 30, 2018. The CBA describes certain changes to the ("Plan") and requires SJRPP to amend the Plan document to incorporate the terms of the CBA. In addition, amendments and a restatement of the Plan document have been prepared to include previously approved amendments between 2003 – 2015, changes in the law (technical amendments), and codification of current Plan administrative practices such as with respect to actuarial benefit calculations under the Plan's normal retirement provisions.

DISCUSSION:
Periodically, to maintain any retirement plan's tax-qualified status, it is necessary or advisable to amend the retirement plan's written plan documents to reflect updates in the law and/or plan design changes. Periodically, it is also beneficial to restate (i.e., re-write) the plan documents in a single written plan document to reflect all prior amendments and to achieve consistency and legal compliance. Once plan amendments and/or an amended and restated plan documents have been prepared, it is advisable to submit the items to the Internal Revenue Service for a letter of determination on the tax-qualified status of the plan.

After a comprehensive review of the Plan documents and current regulations, the amendments and restated Plan documents are being provided to the Board for review and approval. These amendments and restated Plan documents are intended to maintain the status quo of the Plan and do not result in any measurable actuarial cost effect to the Plan. The amendments and restated Plan documents are as follows:

- Amendment 7: Addition of required regulatory/technical language related to Direct Rollover provisions (Exhibit A)

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- Amendment 8: Addition of required regulatory/technical language related to Required Minimum Distribution provisions (Exhibit B)
- Amendment 9: Addition of required regulatory/technical language related to definition of Compensation and Maximum Benefit Limitations (Exhibit C)
- Amendment 10: Addition of required regulatory/technical language related to HEART Act concerning military leave (Exhibit D)
- Amendment 11: Clarifying Plan design language (Exhibit E)
- Restated Plan document: Incorporates the current 2002 Plan document, prior approved amendments 1 through 6, and proposed amendments 7 through 11 into a single Plan document (Exhibit F)
- Trustee Agreement with its exhibits: Update to the current 2005 Trust Agreement for technical and operational compliance (Exhibit G)

The changes in the amendments and restated Plan documents are consistent with, and do not alter, the existing CBA. They have been submitted to IBEW for information, as is required.

One change confirms the continuous application of the normal retirement benefit calculations, and requires a change to the existing Plan document language to conform to the benefit calculation formula historically and uniformly applied in actuarial calculations.

A review of Plan operations has shown that those historically and uniformly applied actuarial calculations have resulted in certain Plan retirees receiving a slightly higher benefit payment than the Plan terms would otherwise provide. The higher amount paid so far has been approximately $305,000 grand total over the past 13 years, with a total of approximately 64 affected retirees to date. As reflected in the attached Actuarial Impact Statement, the slightly higher benefit amount has no measurable actuarial cost effect to the Plan. This is because the Plan's actuary has already been taking into account payment of the slightly higher benefit amount when preparing the Plan's actuarial valuation reports. The Plan is very well funded.

The change to codify this slightly higher benefit amount is being presented to IBEW, and the Board will receive an update of the status of IBEW's response on or before the Board meeting. As indicated above, this change and all of the other proposed changes have been included in the restated Plan document that is attached as Exhibit F. The restated Plan document consists of the current 2002 Plan document and all subsequent approved and proposed amendments.

Attached to this Memorandum is a copy of the Actuarial Impact Statement opining on the actuarial effect of the changes in the amended and restated Plan documents. A copy of the amended and restated Plan documents and the Actuarial Impact Statement have been provided to the Florida Bureau of Local Retirement Systems in the Department of Management Services' Division of Retirement, as required by Florida law. A copy of the amended and restated Plan documents has also been provided to SJRPP and IBEW, as required by the Plan.

RECOMMENDATION:
Staff recommends that the Board approve the attached resolutions for amendments 7 – 11, the restated Plan document, and the restated Trustee Agreement and authorize JEA's Managing Director/CEO to execute all implementing documents.

____
Paul E. McElroy, Managing Director/CEO

PEM/ARH

{37116437;3}

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One East Broward Blvd.
Suite 505
Ft. Lauderdale, FL 33301-1804
954.527.1616 phone
954.525.0083 fax
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January 6, 2016

Pension Committee
JEA
St. John's River Power Park System
Employees' Retirement Plan

Dear Committee Members:

As requested, we have reviewed proposed restated plan document for the St. John's River Power Park System Employees' Retirement Plan. Proposed amendments (codified into the restated document which we reviewed) are intended to incorporate language necessary to update the Plan with the technical requirements of Internal Revenue Code to ensure the continuation of the Plan's tax qualified status and to codify administration of the plan such as with respect to application of Early Payment Reduction for members retiring under provisions of the Normal Retirement. There is no measurable actuarial cost effect to the plan.

1. Amendment No. 7: adds technical details concerning the availability of a direct rollover distribution of lump sum benefit payments to another eligible retirement plan.
2. Amendment No. 8: describes the required minimum distributions that must be made under the Internal Revenue Code and the regulations issued thereunder to certain participants, and the manner in which such required minimum distributions will be calculated and paid.
3. Amendment No. 9: provides a definition of compensation for purposes of the annual compensation and benefit limits imposed under Sections 401(a)(17) and 415 the Internal Revenue Code and the regulations issued thereunder. This amendment also provides guidance concerning the methods which must be used to determine the actuarial equivalence of the optional forms of benefit available under the Plan for the purpose of applying such limitations.
4. Amendment No. 10: adds technical details concerning the vesting and benefit service and differential wage payments received by Participants performing qualified military service, pursuant to the federal HEART Act.
5. Amendment No. 11: retroactively removes early payment reduction factors that would apply to one component of the Normal Retirement benefit. Those reduction factors are being removed because they have not been applied in operation and they have not been taken into account in the Plan's funding valuations. This amendment also corrects a prior typographical error in a date reference.

A draft of the restated Plan document incorporating these amendments is attached to this letter.

The Statement must be filed with the Division of Retirement before the final public hearing on the amendments. Please have a Chairman of the Committee sign the Statement. Then send the Statement along with copies of the proposed plan amendments to:

LOCAL RETIREMENT SECTION
DIVISION OF RETIREMENT
P.O. BOX 9000
TALLAHASSEE, FL 32315-9000.
Email: local_ret@dms.myflorida.com

Pension Committee
St. John's River Power Park System
January 6, 2016
Page 2

Additional Disclosures

This communication was prepared at the request of the St. Johns River Power Park System Employees' Retirement Plan Pension Committee, and is intended for use by the St. Johns River Power Park System Employees' Retirement Plan Pension Committee, JEA and those designated or approved by the St. Johns River Power Park System Employees' Retirement Plan Pension Committee or JEA. This statement may be provided to other parties only in its entirety and only with the permission of the St. Johns River Power Park System Employees' Retirement Plan Pension Committee or JEA.

The purpose of this statement is to describe the effect of the proposed plan changes on plan funding in compliance with the state constitution, statues and administrative regulations. This report should not be relied on for any purpose other than the purpose described above.

Our opinion is based on the assumptions and plan provisions used in the October 1, 2014 actuarial valuation with results presented in the report dated April 22, 2015.

James Rizzo and Piotr Krekora are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The undersigned actuaries are independent of the plan sponsor.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

We welcome your questions and comments.

Sincerely yours,

James J. Rizzo, ASA, MAAA, FCA
Senior Consultant & Actuary

Piotr Krekora, ASA, MAAA
Consultant & Actuary

JJR/tnr
Enclosures

ST. JOHN'S RIVER POWER PARK SYSTEM – EMPLOYEES' RETIREMENT PLAN

Actuarial Impact Statement – January 6, 2016

Attached draft of the restated Plan document incorporates proposed amendments as described below.

1. Amendment No. 7: adds technical details concerning the availability of a direct rollover distribution of lump sum benefit payments to another eligible retirement plan.
2. Amendment No. 8: describes the required minimum distributions that must be made under the Internal Revenue Code and the regulations issued thereunder to certain participants, and the manner in which such required minimum distributions will be calculated and paid.
3. Amendment No. 9: provides a definition of compensation for purposes of the annual compensation and benefit limits imposed under Sections 401(a)(17) and 415 the Internal Revenue Code and the regulations issued thereunder. This amendment also provides guidance concerning the methods which must be used to determine the actuarial equivalence of the optional forms of benefit available under the Plan for the purpose of applying such limitations.
4. Amendment No. 10: adds technical details concerning the vesting and benefit service and differential wage payments received by Participants performing qualified military service, pursuant to the federal HEART Act.
5. Amendment No. 11: retroactively removes early payment reduction factors that would apply to one component of the Normal Retirement benefit. Those reduction factors are being removed because they have not been applied in operation and they have not been taken into account in the Plan's funding valuations. This amendment also corrects a prior typographical error in a date reference.

There is no measurable actuarial cost effect to the plan.

ACTUARY, Gabriel, Roeder, Smith & Company

By: James J Rizzo

Date: January 7, 2016

The proposed changes are in compliance with section 14, Article X of the State Constitution and Section 112.64, Florida Statutes.

PLAN ADMINISTRATOR,
St. Johns River Power Park System Employees' Retirement Plan Pension Committee

By: ____________________
Mike Brost, Chairman

Date: ____________________

JEA Board Resolution No. 2016-01

RESOLUTION APPROVING THE ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2015

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan was subsequently amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on eleven occasions thereafter, and is currently in effect; and

WHEREAS, Section 9.03 of the Plan grants the authority to amend the Plan to the Employer; and

WHEREAS, the Employer wishes to amend the Plan to incorporate the terms of the eleven prior amendments to the Plan into the plan document, and to clarify plan terms for technical and operational compliance; and

WHEREAS, the Employer's obligation and power to amend the Plan is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2015" ("Restatement") to amend the Plan's governing document to incorporate the aforementioned changes to the Plan; and

WHEREAS, the JEA Board of Directors has reviewed the Restatement and has been advised that all necessary prerequisites to adoption of the Restatement have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the "St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2015" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2015" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

ST. JOHNS RIVER POWER PARK SYSTEM
EMPLOYEES' RETIREMENT PLAN

As Amended and Restated
Effective October 1, 2015

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ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN

AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2015

WHEREAS, JEA, formerly the Jacksonville Electric Authority ("Authority") previously approved and authorized the St. Johns River Power Park System's ("Sponsor") adoption of a retirement plan ("Plan") for its employees effective October 1, 1984, which Plan has been subsequently amended and is currently in effect; and

WHEREAS, the Authority and the Sponsor desire to again amend and restate said Plan, and the Authority has approved and authorized the Plan embodied herein;

WHEREAS, the amount of any benefit with respect to each Participant who retired, died or terminated employment prior to October 1, 2015, while covered by the then existing Plan, shall be determined in accordance with the terms of said Plan then in effect;

WHEREAS, the terms of payment of any benefit with respect to each Participant who commenced payment status prior to October 1, 2015, and to each Participant who terminated employment prior to October 1, 2015, but whose payment did not commence until after October 1, 2015, shall be determined in accordance with the Plan in effect as of the benefit payment commencement date.

NOW, THEREFORE, in consideration of the premises and acting under the powers reserved in said existing Plan, the Sponsor hereby amends and restates the Plan as follows:

SECTION 1

DEFINITIONS

The following words and phrases used in this Plan shall have the meanings set forth below, unless a different meaning is plainly required by the context.

1.01 Accrued Benefit

means the retirement benefit a Participant has accrued as of any specified date, payable beginning at the Normal Retirement Date in the normal form of benefit payment provided in Section 5.01, and assuming that the Participant has a spouse within five years of age of the Participant. The Accrued Benefit may consist of Tier One Accrued Benefits and/or Tier Two Accrued Benefits, in accordance with the provisions of this Plan.

1.02 Actuarial Equivalent

means a benefit of equivalent value to that which would otherwise have been provided to the Participant, computed in accordance with accepted actuarial principles.

(1) For benefits payable in the form of a single-sum payment or a partial single-sum payment, interest discount and mortality rates shall be based on those used by the Plan to fund the Plan for the year the single-sum payment is made, currently the RP-2000 Combined Healthy Annuitant mortality table with generational projections from 2000 using scale AA and based on a 50/50 unisex blend of male and female mortality rates and 7.00% interest discount rate. The Committee may change this basis for any future Plan year by adopting a resolution that sets the revised interest discount and mortality basis to be used for funding for that year.

(2) For benefits payable in the form of a life annuity, a benefit equal to 118.1% of that otherwise payable as a 75% joint-and-survivor annuity assuming a Beneficiary equal in age to the Participant ("75% joint-and-survivor equal age annuity").

(3) For benefits payable in the form of a 10-year certain-and-life annuity, a benefit equal to 111% of that otherwise payable as a 75% joint-and-survivor annuity if the Participant is age 65; if the Participant is younger than age 65, 1/2% will be added to the 111% for each year younger, but not more than 118.1%; if the Participant is older than 65, 1/2% will be subtracted from the 111% for each year older.

(4) For benefits payable in the form of a 50% joint-and-survivor annuity, a benefit equal to 106.4% of that otherwise payable as a 75% joint-and-survivor annuity if the Beneficiary's age is within five years of the Participant's age. If the Beneficiary is more than five years younger than the Participant, 1% will be subtracted from the 106.4% for each year younger in excess of five. If the

Beneficiary is more than five years older than the Participant, 1% will be added to the 106.4% for each year older in excess of five, but not more than 118.1%.

(5) For benefits payable in the form of a 66-2/3% joint-and-survivor annuity, a benefit equal to 104.3% of that otherwise payable as a 75% joint-and-survivor annuity if the Beneficiary's age is within five years of Participant's age. If the Beneficiary is more than five years younger than the Participant, 1% will be subtracted from the 104.3% for each year younger in excess of five. If the Beneficiary is more than five years older than the Participant, 1% will be added to the 104.3% for each year older in excess of five, but not more than 118.1%.

(6) For benefits payable in the form of a 75% joint-and-survivor annuity, a benefit equal to 100% of that otherwise payable as a 75% joint-and-survivor annuity if the Beneficiary's age is within five years of Participant's age. If the Beneficiary is more than five years younger than the Participant, 1% will be subtracted from the 100% for each year younger in excess of five. If the Beneficiary is more than five years older than the Participant, 1% will be added to the 100% for each year older in excess of five, but not more than 118.1%.

(7) For benefits payable in the form of a 100% joint-and-survivor annuity, a benefit equal to 94.7% of that otherwise payable as a 75% joint-and-survivor annuity if the Beneficiary's age is within five years of Participant's age. If the Beneficiary is more than five years younger than the Participant, 1% will be subtracted from the 94.7% for each year younger in excess of five. If the Beneficiary is more than five years older than the Participant, 1% will be added to the 94.7% for each year older in excess of five, but not more than 118.1%.

1.03 <u>Beneficiary</u>

means the person designated by a Participant according to Section 5.06 to receive benefits payable in the event of the Participant's death.

1.04 <u>Benefit Service</u>

means those Years of Employment with the Employer that are to be recognized for the accrual of retirement benefits. Benefit Service will begin to accrue on the date that the Employee fulfills the eligibility requirements in Section 2.01 for participation in the Plan.

One full year of Benefit Service will be credited for: (i) each year of Vesting Service earned while a Participant in the Plan, (ii) each year of Vesting Service purchased or credited for time spent performing service for SJRPP as a temporary or contract employee in accordance with Section 2.04, (iii) each year of Vesting Service purchased or credited for years of prior employment with JEA that involved assignment to the SJRPP project in accordance with Section 2.04, (iv) each year of Vesting Service purchased or credited for time spent performing active Military Service in accordance with Section 2.04, and (v) each year of Benefit Service that is restored to a rehired Participant as provided in Section 2.05.

1.05 Break in Service

means any Year of Employment during which an Employee fails to complete 500 Hours of Employment.

For the purpose of determining whether a Participant has incurred a Break in Service, Hours of Employment shall be recognized for "authorized leaves of absence", "maternity or paternity leave", and "FMLA leave" as described below.

For purposes of this Section 1.05, an authorized leave of absence means an unpaid, temporary cessation from active employment with the Employer according to an established, nondiscriminatory policy, for military service, illness or any other reason.

For purposes of this Section 1.05, a maternity or paternity leave means an absence from work for any period due to the Employee's pregnancy, birth of the Employee's child, placement of a child with the Employee in connection with the Employee's adoption of the child, or any absence for the purpose of caring for such child for a period immediately following such birth or placement. For this purpose, the actual Hours of Employment shall be credited (or in any case in which such hours cannot be determined, 8 hours of service per day of such absence) for the computation period in which the absence from work begins, only if such credit is necessary to prevent the Employee from incurring a Break in Service or, in any other case, in the immediately following computation period.

For purposes of this Section 1.05, Hours of Employment shall be credited for the computation period in which leave is taken pursuant to the Family and Medical Leave Act, only if such credit is necessary to prevent the Employee from incurring a Break in Service or, in any other case, in the immediately following computation period.

For purposes of performing a Break in Service calculation, notwithstanding the above, Hours of Employment shall be credited for the computation period occurring during the first thirty-one (31) days of an Employee's leave or period of absence from work that is: (i) unpaid, and (ii) does not constitute an authorized leave of absence, maternity and paternity leave, or FMLA leave, but only if such credit is necessary to prevent the Employee from incurring a Break in Service.

1.06 Cash Balance Account

means the hypothetical individual cash balance accounts created effective February 25, 2013 for Participants with Tier Two Benefits (including those Participants with frozen Tier One Benefits as well). All Contributions and assets associated with Tier Two Benefits and the Cash Balance Accounts shall be commingled for investment and custodial purposes with Contributions and assets associated with Tier One Benefits. The Plan shall maintain accurate records for each Tier Two Cash Balance Account.

1.07 Code

means the Internal Revenue Code of 1986, as amended.

1.08 Collective Bargaining Agreement (CBA)

means the Collective Bargaining Agreement between the Sponsor and International

Brotherhood of Electrical Workers Local Union 1618 (October 1, 2015 – September 30, 2015), as it is amended from time to time, or any successor agreement thereto.

1.09 Committee
means the administrative Committee appointed by the Sponsor to administer the Plan in accordance with the terms of Section 7.

1.10 Compensation
means a Participant's base salary or wages, including Employee contributions that are picked up by the Employer pursuant to Code Section 414(h), but not including overtime, expense allowances, or other extra pay or bonuses, paid or made available by the Employer to an Employee for personal services rendered in the course of employment with the Employer. Compensation shall be determined before applying any salary reduction agreed to by the Employee pursuant to a plan described in Sections 457, 403(b), 125, 132(f)(4) or 414(h) of the Code or any pre-tax contributions made by an Employee to an employee welfare benefit plan. For the purpose of applying the limitations set forth in Sections 401(a)(17) and 415 of the Code, Compensation shall not include any elective deferral (as defined in Section 402(e)(3) of the Code), and any amount which is contributed or deferred by the Employer at the election of the Participant and which is not includible in the gross income of the Participant by reason of Sections 125, 132(f)(4), 402(e)(3), 402(h)(1)(B) or 457 of the Code. Effective October 1, 2007, the amount of an Employee's Compensation for purposes of the Plan during any Plan Year shall not exceed the limit set forth in Section 401(a)(17)(A) of the Code, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code.

1.11 Compliance Amendment
means an amendment to the Plan which is administrative in nature or which is necessary to maintain the tax qualified status of the Plan under the applicable provisions of the Code. No such amendment shall have the effect of diminishing or impairing the benefits of Plan participants, except to the extent required by the Code.

1.12 Contributions
means the Employer Contributions and Participant Contributions to the Fund made in accordance with Section 6.

1.13 Disability
means a physical or mental condition that prevents a Participant from engaging in any substantial gainful activity and is expected to be of indefinite duration.

1.14 Earliest Retirement Age
means the earliest date on which, under Sections 3.01 or 3.02 of the Plan, the Participant could elect to receive a retirement benefit.

1.15 Early Payment Reduction
means a reduction in Tier One Early Retirement Benefits that start prior to age 65 to take into account the younger age and earlier commencement of payment, equal to 1/144 for

each full month of the first 36 months and 1/288 for each full month of the next 84 months by which the benefit commencement date precedes the Participant's 65^{th} birthday.

The Early Payment Reduction does not apply to Tier Two Benefits.

1.16 Early Retirement Date
means the date on which a Participant has terminated employment and both attained age fifty-five (55) and completed ten (10), but less than twenty (20), years of Vesting Service.

1.17 Earnings

(1) Earnings means a Participant's monthly base salary as of the last day of the month coincident with or next preceding the date of termination of employment. Base salary shall exclude bonuses, overtime, expense allowances, severance pay and other extra remuneration.

(2) Effective October 1, 1989 through September 30, 1994, annualized Earnings in excess of $200,000 of Compensation shall be disregarded for purposes of determining all benefits provided under the Plan for any Plan Year (each, a determination period), provided that such $200,000 amount shall be adjusted by any cost of living adjustments as prescribed by the Secretary of the Treasury under the Code or regulations thereunder. In no event shall such dollar limitation cause a Participant's Accrued Benefit to be less than the Accrued Benefit determined as of September 30, 1989.

(3) Effective October 1, 1994 through September 30, 2002, annualized Earnings in excess of $150,000 of Compensation shall be disregarded for purposes of determining all benefits provided under the Plan for any Plan Year (each, a determination period), provided that such $150,000 amount shall be adjusted by any cost of living adjustments as prescribed by the Secretary of the Treasury under the Code or regulations thereunder. In no event shall such dollar limitation cause a Participant's Accrued Benefit to be less than the Accrued Benefit determined as of September 30, 1994.

(4) Effective October 1, 2002 through September 30, 2015, annualized Earnings in excess of $200,000 of Compensation shall be disregarded for purposes of determining all benefits provided under the Plan for any Plan Year (each, a determination period), provided that such $200,000 amount shall be adjusted by any cost of living adjustments as prescribed by the Secretary of the Treasury under the Code or regulations thereunder. In no event shall such dollar limitation cause a Participant's Accrued Benefit to be less than the Accrued Benefit determined as of September 30, 2002.

(5) Effective October 1, 2015, annualized Earnings in excess of $265,000 of Compensation shall be disregarded for purposes of determining all benefits provided under the Plan for any Plan Year (each, a determination period), provided that such $265,000 amount shall be adjusted by any cost of living

adjustments as prescribed by the Secretary of the Treasury under the Code or regulations thereunder. In no event shall such dollar limitation cause a Participant's Accrued Benefit to be less than the Accrued Benefit determined as of September 30, 2015.

If Earnings for any prior determination period are taken into account in determining a Participant's benefits for the current Plan Year, the Earnings for such prior determination period are subject to the applicable annual limit in effect for that prior period.

1.18 Effective Date
means

(1) as to the original Plan, October 1, 1984;

(2) as to the first amended and restated Plan, October 1, 1998;

(3) as to the second amended and restated Plan, October 1, 2002; and

(4) as to the third amended and restated Plan, as set forth in this document, October 1, 2015.

1.19 Eligible Spouse
means the Participant's spouse who has been legally married to the Participant throughout a one-year period ending on the earlier of the date benefit payments commence or the Participant's date of death.

1.20 Employee
means any person employed by the Employer, excluding temporary employees, contract employees, and employees represented by a collective bargaining agent, unless the bargaining agent and the Employer agree that such represented employees shall be eligible to participate in the Plan.

Leased employees within the meaning of Section 414(n)(2) of the Code shall be treated as Employees of the Employer, unless such leased employees are covered by a plan described in Section 414(n)(5) of the Code and do not constitute more than 20% of the Employer's nonhighly compensated Employees.

1.21 Employer
means the Sponsor; with respect to a Transfer Participant, Employer means JEA.

1.22 Final Average Earnings
means the annual average of a Participant's Earnings for the 36 consecutive complete months that produce the highest average during the last 120 months of participation, or during all complete months of participation if less than 120, immediately preceding his(her) retirement date, termination date or date of death, whichever is earliest.

1.23 Fund or Trust Fund
means the cash and other properties held and administered by the Trustee in accordance with the terms of the Trust Agreement.

1.24 Hour of Employment
means each hour (including for overtime) for which an Employee is:

(1) paid, or entitled to payment, by the Employer for the performance of duties. These hours will be credited to the Employee for the computation period in which the duties are performed;

(2) paid, or entitled to payment, because of a period of time during which no duties are performed (irrespective of whether the employment relationship has been terminated), e.g., vacation, holiday, illness, incapacity, lay-off, jury duty, military duty, or approved leave of absence, provided that such payment is not made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, unemployment compensation or disability insurance laws; or

(3) awarded (or has reached an agreement for) back pay (credited for the employment year to which such award or agreement pertains), irrespective of mitigation of damages;

provided, however, that the same Hours of Employment shall not be credited twice under (1), (2) or (3) above. Hours of Employment shall be credited on the basis of any method permitted by Sections 2530.200b-2(b) and (c) of Department of Labor regulations and applied in a uniform and nondiscriminatory manner.

1.25 JEA
means the public utility formerly known as the Jacksonville Electric Authority and now known as JEA.

1.26 JEA Plan
means the City of Jacksonville General Employees' Pension Plan (or any successor plan) in which JEA employees participate.

1.27 Limitation Year
means, for purposes of Section 3.06, the Plan Year.

1.28 Limited Participant
means an Employee who at any time had become a Participant in this Plan, but whose employment was thereafter transferred to JEA and who elected not to continue participation in the Plan after such transfer to JEA.

1.29 Military Service
means service in the United States Army, Navy, Air Force, Marines, Coast Guard, National Guard, NOAA, or other branches of government service as provided in Title 38 of the United States Code.

1.30 Normal Retirement Date
means the earliest of the following dates:

(1) the date on which the Participant has completed five (5) years of Vesting Service and attained age sixty-five (65), or

(2) the date on which the Participant has completed twenty (20) years of Vesting Service and attained age fifty-five (55), or

(3) the date on which the Participant has completed thirty (30) years of Vesting Service;

provided however, that in the event the Sponsor's power plant is shut down or sold, the Normal Retirement Date shall be the date the Participant attains age fifty-five (55) (or, if earlier, the date specified in (3) above).

1.31 Participant
means any Employee who is eligible to participate in the Plan in accordance with Section 2, or any Transfer Participant.

1.32 Plan
means the St. Johns River Power Park System Employees' Retirement Plan, as set forth in this document and as may be amended from time to time.

The Plan shall consist of two tiers of benefits. Tier One shall be the defined benefit tier and Tier Two shall be the cash balance tier. Except as otherwise denoted, the term "Plan" will apply to both Tier One and Tier Two Benefits.

1.33 Plan Year
means a 12-month period beginning on October 1 of each calendar year and ending on September 30 of the following calendar year.

1.34 Required Beginning Date
means the date (generally always the first day of a month) by which benefits under the Plan must be paid or commence.

1.35 Social Security Average Wages
means the average of the maximum amount of annual wages subject to Social Security tax for 35 years up to and including the calendar year of the Participant's Social Security Normal Retirement Age (SSNRA), as specified under Section 230 of the Social Security Act (which is referenced in Section 3121(a)(1) of the Code). The average is determined according to the table in effect at the Participant's date of termination of employment. If the Participant has selected the BackDROP option, then the date of termination of employment shall be deemed to be the day immediately preceding the first day of the BackDROP Period, consistent with Sections 5.07(1) and 5.07(5)(a). For dates of termination of employment in 2015, the Social Security Average Wages are as set forth below; for dates of termination of employment occurring in other years, the Social

Security Average Wages will be determined by reference to the most recent covered compensation table that has (or had) been published, as of the date of termination of employment, pursuant to Treasury Regulation Section 1.401(l)–1(c)(7)(ii).

Calendar Year of Social Security Retirement Age	Social Security Average Wages	Calendar Year of Social Security Retirement Age	1-10 Social Security Average Wages
2008	53,952	2027	98,580
2009	56,628	2028	100,320
2010	59,268	2029	101,964
2011	61,884	2030	103,608
2012	64,560	2031	105,204
2013	67,308	2032	106,716
2014	69,996	2033	108,144
2015	72,636	2034	109,464
2016	75,180	2035	110,664
2017	77,640	2036	111,756
2018	80,004	2037	112,716
2019	82,308	2038	113,616
2020	84,564	2039	114,492
2022	88,884	2040	115,308
2023	90,904	2041	116,004
2024	93,000	2042	116,604
2025	94,920	2043	117,072
2026	96,780	2044	117,408

1.36 **Sponsor**
means the St. Johns River Power Park System of Jacksonville, Florida, a corporation organized and existing under the laws of the State of Florida, or its successors who adopt this Plan.

1.37 **Termination Benefit**
means benefits paid upon Termination from Employment for reasons other than death, disability, or retirement pursuant to Section 3.05.

1.38 **Tier One Accrued Benefit**
means an annual retirement benefit a Participant has accrued as of a specified date, equal to the sum of (1), (2), and (3) below, where:

(1) is 2.00% of the Participant's Final Average Earnings multiplied by the number of years of Benefit Service, not to exceed 15 years; and

(2) is 2.40% of the Participant's Final Average Earnings multiplied by the number of years of Benefit Service in excess of 15 years but not exceeding 30 years; and

(3) is 0.65% of the excess of the Participant's Final Average Earnings over Social Security Average Wages, multiplied by the number of years of Benefit Service, not to exceed 35 years.

1.39 Tier Two Accrued Benefit

means a retirement benefit a Participant has accrued as of a specified date, equal to the sum of (1), (2), (3), and (4) below, where:

(1) is the Participant's Tier Two Accrued Benefit determined as of the last day of the Plan Year immediately preceding the specified date (or if there was no such Tier Two Accrued Benefit as of the last day of that prior Plan Year, $0 (zero)); and

(2) is the total Participant Contributions (made pursuant to Section 6.01) for each pay period occurring between (a) the close of the Plan Year immediately prior to the specified date and (b) the specified date; and

(3) is the total Employer pay credits equal to a percentage of the Participant's Earnings each pay period ending between (a) the close of the Plan Year immediately prior to the specified date and (b) the specified date. From February 25, 2013 through September 30, 2015, the Employer pay credit percentage was two percent (2.0%). Effective October 1, 2015, the Employer pay credit percentage shall be increased from two percent (2.0%) of Earnings to four and one-half percent (4.5%); and

(4) is the total interest credit on the sum of (1), (2), and (3) above. The interest credits shall be computed at an annual rate of 4%, compounded annually. Interest is credited by no later than the end of each Plan Year. Interest credits under this paragraph (4) will continue to accrue for Participants whose employment terminates after the completion of at least five (5) years of Vesting Service from such Participant's Vested Termination Date until the benefit commencement date. Interest credits under this paragraph (4) will not continue to accrue for Participants whose employment terminates before the completion of at least five (5) years of Vesting Service, subject only to the provisions of Section 2.05.

Conversion of any portion of a Tier Two Accrued Benefit to the normal form of benefit payment (annuity) contained in Section 5.01, will be calculated using the interest discount and mortality rates used by the Plan to fund the Plan for the year the annuity payment is made, currently the RP-2000 Combined Healthy Annuitant mortality table with generational projections from 2000 using scale AA and based on a 50/50 unisex blend of male and female mortality rates and 7.00% interest discount rate. The Committee may change this basis for any future Plan year by adopting a resolution that sets the revised interest discount and mortality basis to be used for funding for that year.

1.40 Tier One Benefit

means the defined benefit determined under the Tier One Accrued Benefit formula.

Group A Employees – Effective February 25, 2013, Tier One Benefits may continue to be accrued by an Employee who as of February 24, 2013 had:

(1) reached age sixty (60) with five (5) years of service, or

(2) attained age fifty-five (55) with twenty (20) years of service, or

(3) completed thirty (30) years of service regardless of age.

An Employee who satisfies the foregoing condition is referred to as a "Group A Employee."

Group B Employees – An Employee who does not meet the definition of a Group A Employee but who had completed twenty (20) years of service as of February 24, 2013 and was less than fifty-five (55) years of age as of that date, may continue to accrue Tier One Benefits. However, such an Employee is not eligible to select the BACKDROP option provided in Section 5.07. Such an Employee is referred to as a "Group B Employee."

Group C Employees – A Participant who had accrued Tier One Benefits in the Plan prior to February 25, 2013, but who does not meet the definition of a Group A or Group B Employee, has his (her) Tier One Benefits frozen in amount effective February 25, 2013. Distribution of frozen Tier One Benefits shall be governed by the provisions of the Plan otherwise applicable to Tier One Benefits. A Participant whose Tier One Benefit was frozen as of February 25, 2013, will be eligible to accrue Tier Two Benefits effective February 25, 2013. A Participant with frozen Tier One Benefits is referred to as a "Group C Employee."

In no event shall the Tier One Accrued Benefit be less than the Tier One Accrued Benefit earned as of September 30, 2003, determined under the provisions of the Plan in effect as of that date.

1.41 <u>Tier Two Benefit</u>
means the cash balance benefit determined under the Tier Two Accrued Benefit formula.

Effective February 25, 2013, Tier Two Benefits may be accrued by:

(1) An Employee who had his(her) Tier One Benefits frozen as of February 24, 2013 (i.e., Group C Employees); and

(2) Any Employee newly hired or rehired on or after February 25, 2013. Any Employee described in this clause (2) is referred to as a "Group D Employee."

1.42 <u>Transfer Cap</u>
means the statutory limitation that allows only a combined total of the first 150 transfer employees of SJRPP and/or JEA to make an election to remain in the retirement plan of his(her) prior employer. Thus, until the Transfer Cap applies:

(1) an SJRPP employee who transfers employment to JEA may elect to remain in this Plan (i.e., Transfer Participant), and

(2) a JEA employee who transfers employment to SJRPP may elect to remain in the JEA Plan.

1.43 <u>Transfer Participant</u>
means an employee of the Sponsor whose employment is transferred to JEA, and who elects in accordance with Section 2.02 to continue participating in the Plan. The ability to participate in the Plan as a Transfer Participant is statutorily limited by the Transfer Cap. As of October 1, 2015, the Transfer Cap had not been met.

1.44 <u>Trust or Trust Agreement</u>
means any agreement between the Trustee(s) and the Sponsor established for the purpose of funding the benefits under the Plan.

1.45 <u>Trustee(s)</u>
means the trustee(s) appointed by the Sponsor, or any substitute or successor trustee(s).

1.46 <u>Vested Termination Date</u>
means the date on which a Participant terminates employment with the Sponsor (or a Transfer Participant terminates employment with JEA) after accruing at least five years of Vesting Service, for any reason other than death, disability or retirement.

1.47 <u>Vesting Service</u>
means the number of Years of Employment (as defined in Section 1.48) determined as of each employment anniversary date (or reemployment anniversary date, if applicable), during which an Employee has completed at least 1,000 Hours of Employment. In the event employment is terminated, and the Employee is subsequently reemployed, the Vesting Service to which he(she) was entitled as of his(her) termination date shall be credited pursuant to Section 2.05. Additional Vesting Service may be credited through purchase, as provided in Section 2.04.

1.48 <u>Year of Employment</u>
means a 12-month period (each, a computation period) commencing on an Employee's date of employment (or reemployment date, if applicable) and each subsequent 12-month period commencing on the anniversary of such date. For each such 12-month period, it shall be immaterial whether the Employee is still employed on the last day of the 12-month period. No more than one (1) Year of Employment shall be credited for any 12-month period.

SECTION 2

ELIGIBILITY AND PARTICIPATION

2.01 Eligibility

Each Employee who was a Participant in the Plan on September 30, 2015, shall continue to be a Participant in this amended and restated Plan. Each such Participant's date of participation, as established under the provisions of the Plan in effect when the Participant first became eligible to participate, shall be unaffected by the Employer's adoption of this amended and restated Plan.

Each other Employee shall be eligible to become a Participant in the Plan on the first day of the Employee's regular (not temporary or contract) employment with the Sponsor, provided the Employer shall not currently be making contributions on behalf of such Employee to another retirement plan.

2.02 Participation

Each Employee shall automatically become a Participant in the Plan on the date such Employee fulfills the eligibility requirements for participation.

Notwithstanding the preceding paragraph, an Employee whose employment was transferred to the Sponsor from JEA and who was a participant in the JEA Plan shall have the option to forgo participation in the Plan and continue to participate in the JEA Plan subject to the Transfer Cap. If no election is made to forgo participation in the Plan, or an election is not available due to the application of the Transfer Cap, the Employee will become a Participant in the Plan when eligible. Such election to forgo participation in the Plan must be made within thirty (30) days of transfer of employment. If such Employee becomes a Participant in the Plan, Vesting Service and Benefit Service will be accrued only for periods of employment with the Sponsor.

Until such time as the Transfer Cap applies, a Participant whose employment is transferred from the Sponsor to JEA shall have the option to continue to participate in the Plan while employed by JEA, and in that event shall be treated as a Transfer Participant. Such election must be made within thirty (30) days of transfer of employment. If such Participant does not elect to remain in the Plan, or if such election is not available due to application of the Transfer Cap, such Participant shall be deemed a Limited Participant, and his(her) benefits under the Plan shall be determined in accordance with Section 2.03.

A reemployed former Participant shall participate in the Plan immediately upon reemployment, subject to the eligibility requirements in Section 2.01 above.

Participation in the Plan shall not give any Employee the right to be retained in the employ of the Employer, nor to have any right or interest in the Fund other than as provided in this Plan.

2.03 Limited Participants

(1) A Participant shall become a Limited Participant as of the later of (i) the date of his (her) employment transfer to JEA, or (ii) if applicable, the date that the Participant elected not to continue participation in the Plan.

(2) A Limited Participant shall be eligible to receive Termination Benefits, as provided in Section 3.05.

(3) A Limited Participant's Accrued Benefit shall be determined according to the Plan provisions in effect on the date immediately preceding the Participant's transfer to JEA based on Benefit Service, Vesting Service, and Final Average Earnings as of the date of transfer.

2.04 Purchase of Vesting Service

Effective October 1, 2001, an Employee may elect to purchase Vesting Service credit for years of prior employment with SJRPP as a temporary or contract employee in which 1,000 Hours of Employment were earned, by paying to the Plan an amount equal to the then applicable Participant Contribution rate (currently 4%) times Earnings as of the date of purchase. Such election to purchase may be made by making application to the Committee within two years following the effective date of this provision or within two years following the Employee's date of employment as a regular Employee, if later. Payment for Vesting Service credit purchased pursuant to this paragraph may be made through payroll deductions not exceeding five years in length or through lump-sum payments, or a combination of both.

Effective October 1, 2003, an Employee may elect to purchase Vesting Service credit for years of prior "co-op" employment with JEA that involved assignment to the SJRPP project, in which 1,000 Hours of Employment were earned, by paying to the Plan an amount equal to the then applicable Participant Contribution rate (currently 4%) times Earnings as of the date of purchase. Such election to purchase may be made by making application to the Committee within two years following the effective date of this provision or within two years following the Employee's date of employment as a regular Employee, if later. Payment for Vesting Service credit purchased pursuant to this paragraph may be made through payroll deductions not exceeding five years in length or through lump-sum payments, or a combination of both.

Effective October 1, 2015, an Employee may elect to purchase additional Vesting Service, up to a maximum of two (2) years total, for time spent performing active Military Service, subject to all of the following terms and conditions:

(1) The Employee must be vested and eligible for benefits under the Plan.

(2) The Military Service may be active duty wartime or non-wartime military service, provided however, that no additional Vesting Service may be purchased for non-wartime Military Service in excess of one (1) year. Further, the Employee must have completed, by a date that is prior to the Employee's most recent date of hire with SJRPP or JEA, the Military Service for which additional Vesting Service is

purchased.

(3) The length of active Military Service shall be the total number of years, months, and days from and including the date of entry into active Military Service through the date of discharge from active military service. If the service includes a partial year, it shall be determined as a fraction of a year. The length of service shall be calculated as follows:

$$A + \{[B + (C/30)] / 12\}$$

Where:
A: is the total complete years of service;
B: is the total complete months of service in excess of complete years; and
C: is the total days of service in excess of complete months.

(4) The Employee cannot purchase additional Vesting Service for any military service for which the Employee also receives credit under any other federal, state, or local retirement or pension system where length of service is a factor in determining the amount of benefits received under such other system. For this purchase, the term "other federal, state, or local retirement or pension system" shall be defined and interpreted by reference to Section 112.65(2), Florida Statutes, or any successor to that statute. Thus, for example, federal social security benefits shall not be considered to be an "other federal, state, or local retirement or pension system."

(5) If an Employee has frozen Tier One Benefits and/or is accruing Tier Two Benefits, then the Employee may only purchase additional Vesting Service for Tier Two Benefits.

(6) To purchase the additional Vesting Service, the Employee shall deposit to the Plan an amount equal to:

(a) *For Tier One Benefits (if applicable to the Employee):* A lump sum amount equal to the actuarial present value of the additional projected benefits and rights derived from the crediting of additional Vesting Service for the Military Service. That actuarial present value calculation shall use a risk-free discount rate as represented by the closing yield of 30-year U.S. Treasury constant maturity instruments as of the last published date of the month prior to the month in which the amount is deposited into the fund. The closing yields shall be those published by the U.S. Department of the Treasury on its website. Furthermore, that actuarial present value calculation shall be without pre-retirement decrements and shall use the *RP-2014 Healthy Annuitant and Employee Mortality Tables (Total) for Males* with *MP-2014 Mortality Improvement Scale for Males*; or

(b) For *Tier Two Benefits (if applicable to the Employee):* A lump sum amount equal to the total pay credits (Employer and Employee) for the number of years of Vesting Service being purchased for the Military Service. The pay credits shall be determined based on the pay credit rate in effect on the date on which the amount is deposited into the fund times the annual Earnings paid for the Plan Year prior to the year in which the amount is deposited into the fund times the number of years of Military Service being purchased. In the event such prior Plan Year Earnings does not represent a full year, the annual Earnings paid may be considered the annualized rate of Earnings in effect as of the last date of the month prior to the month in which the amount is deposited into the Fund. No interest shall be charged on the total pay credits as calculated in this clause (b).

(7) The Employee's payment for the purchase of the additional Vesting Service may be made through after-tax payroll deductions not exceeding five (5) years in length, or through lump-sum payments, or through a combination of both.

(8) The Employee must make an application to the Committee for the purchase of the additional Vesting Service in such form and manner as the Committee prescribes, and must supply such supporting documentation and make such certifications as the Committee shall determine necessary, to permit the Committee to determine whether the Employee has satisfied the conditions for purchase of the additional Vesting Service, the length of Vesting Service that may be purchased, and the cost to be paid by the Employee for same.

(9) The Employee must make the application, and make full payment to the Plan, for the additional Vesting Service, prior to the commencement of the Employee's retirement benefits under the Plan.

2.05 <u>Reemployment</u>

Vesting and Benefit Service Credits for Reemployed Former Participants: For any Participant who has terminated employment and is subsequently reemployed by the Employer:

(1) if he(she) was entitled to a vested Termination Benefit described in Section 3.05, and the payment of such Termination Benefit has not yet commenced, then he(she) shall be entitled to Vesting Service and Benefit Service accrued as of the date of termination of his(her) previous employment, and shall again participate and accrue Tier Two Benefits after the date of reemployment, in accordance with the terms of the Plan; or

(2) if he(she) was entitled to a vested Termination Benefit described in Section 3.05, and the payment of such Termination Benefit has commenced, then upon later reemployment, the Vesting Service and Benefit Service accrued at the date of termination of the previous employment shall be restored, with future Tier Two Benefit accruals, only if he(she) repays to the Fund the value of the Termination Benefits that he(she) has received within a legally-permissible time period

established by the Committee, with interest at 5%, or a higher rate as set by the Secretary of the Treasury, from the date of the payment to the date of repayment. The repayment time period established by the Committee may be determined by reference to a period of time following reemployment and/or by reference to a number of consecutive Breaks in Service following the date the Termination Benefit had been paid. If repayment is not made within the time period established by the Committee, Benefit Service shall not be restored, but the reemployed Employee shall be eligible to participate in the Plan immediately upon reemployment and shall retain vested status for future Tier Two Benefit accruals; or

(3) if he(she) was not entitled to a vested Termination Benefit as described in Section 3.05, or elected to waive such Termination Benefit in favor of a return of Participant Contributions in accordance with Section 3.05(4), and received a refund of Participant Contributions, then he(she) shall be entitled to Vesting Service and Benefit Service accrued as of the date of termination of his(her) previous employment, with future Tier Two Benefit accruals, only if he(she) repays to the Fund the Participant Contributions within a time period established by the Committee (as described in paragraph (2) above) with interest at 5%, or a higher rate as set by the Secretary of the Treasury, from the date of the refund of Participant Contributions to the date of repayment. If repayment is not made within the time period established by the Committee, Benefit Service shall not be restored but the reemployed Participant shall be eligible to participate in the Plan immediately upon reemployment and shall retain Vesting Service as of previous termination of employment for future Tier Two Benefit accruals; or

(4) if he(she) was not entitled to a vested Termination Benefit and did not receive a refund of Participant Contributions, then he(she) shall be entitled to Vesting Service and Benefit Service accrued as of the date of termination of the previous employment, and shall again participate and accrue Tier Two Benefits after the date of reemployment according to the terms of the Plan.

(5) In the event a Participant is reemployed after receiving retirement benefits, benefit payments shall continue in the same form and manner as in effect immediately prior to the reemployment date; provided, however, that with respect to Tier One Benefits, at the close of each Plan Year prior to the Participant's later termination of employment (each, a "determination date"), the Accrued Benefit shall be recomputed based on Final Average Earnings and total Benefit Service as of such determination date. Such recomputed Accrued Benefit shall be offset by the Actuarial Equivalent value (as determined under Section 1.02(1)) of the total benefit distributions made through each such determination date, and shall be paid to the Participant commencing after each determination date. In no case, however, shall the Participant's recomputed net benefit be less than the initial retirement benefit computed and received. Additionally:

(a) With respect to Tier One Benefits, prior to the Participant's third year of reemployment, the Final Average Earnings used to recompute the Accrued

Benefit shall be based on the Participant's Earnings prior to initial retirement to the extent necessary to complete a 36-month history of Earnings; provided, however, that for a Participant who had elected BackDROP, no Benefit Service shall be credited for the BackDROP Period and Earnings during the BackDROP Period shall always be excluded from the Earnings history taken into account when recomputing the Accrued Benefit.

(b) No recomputation of the Accrued Benefit will be performed until the reemployed Participant completes at least 1,000 Hours of Employment in a Year of Employment during the reemployment period.

SECTION 3

RETIREMENT DATES AND BENEFITS

A Participant who retires or terminates employment may be eligible for benefits as described in this Section 3.

The determination of the Accrued Benefit to which any Participant or Beneficiary is entitled shall be governed by the Plan in effect on the date of the Participant's termination of employment, subject to the provisions of Section 2.02.

The Accrued Benefit rights of any Participant as of September 30, 2015, shall not be reduced or eliminated as a result of the adoption by the Employer of this amended and restated Plan. Notwithstanding any other section of this Plan, in no event will a Participant be entitled to receive benefits under this Plan which are in part or in whole based upon any service with respect to which the Participant is already receiving, or will receive in the future, a retirement benefit or pension from another retirement system or plan, in compliance with Chapter 112, Part VII of the Florida Statutes.

3.01 Normal Retirement

Normal Retirement under the Plan shall mean retirement from employment on the Normal Retirement Date. Payment of the retirement benefit shall be governed by the following provisions:

(1) Normal Retirement Date:

Refer to Section 1.30 for the definition of Normal Retirement Date.

(2) Benefit Amount:

A Participant's normal retirement benefit shall be equal to the Accrued Benefit (Section 1.01) determined as of the Normal Retirement Date.

(3) Benefit Payments:

Retirement benefits shall be payable bi-weekly. The first payment shall be made on the first day of the month following or coincident with the Participant's Normal Retirement Date, or as soon as administratively practicable. All payments shall be made as provided in Section 5.01, Normal Form of Benefit Payment.

3.02 Early Retirement

A Participant may retire on or after the Early Retirement Date, provided that he(she) makes a written election on a form furnished by the Committee to have retirement benefits payable as governed by the following provisions:

(1) Early Retirement Date:

The date on which a Participant has terminated employment and both attained age fifty-five (55) and completed ten (10), but less than twenty (20), years of Vesting Service.

(2) Benefit Amount:

A Participant's early retirement benefit shall be equal to the Accrued Benefit determined as of the Early Retirement Date, reduced by the Early Payment Reduction (Section 1.15).

(3) Benefit Payments:

Retirement benefits shall be payable bi-weekly. The first payment shall be made on the first day of the month following or coincident with the Participant's Early Retirement Date or as soon as administratively practicable; provided, however, that a Participant may elect in writing to defer the commencement of benefits to any date prior to the Participant's Normal Retirement Date in which case the first payment shall be made on the first day of the month following or coincident with the date to which commencement was deferred. Notwithstanding the foregoing, in no event may a Participant defer his(her) benefits later than the Required Beginning Date provided in Section 5.05. All payments shall be made as provided in Section 5.01, Normal Form of Benefit Payment.

(4) Grandfather Election:

Effective November 21, 2000, Participants who were hired as Employees prior to October 1984, the date this Plan was first adopted, and who are age 50 or older as of termination of employment may elect to purchase a special (no reduction) early retirement benefit in accordance with the following terms and conditions:

(a) The Participant shall make application to the Plan for this Section 3.02(4) special early retirement benefit.

(b) The Participant shall remit to the Plan an amount equal to the difference between the actuarial present value of the total benefits to be paid to the Participant combining this special early retirement provision with earned existing benefits, and the actuarial present value of the projected benefit held by the Plan for such Participant. Such actuarial values shall be determined by the actuary for the Plan in accordance with rules and procedures adopted by the Committee.

(c) The Participant's special early retirement benefit shall be equal to the Accrued Benefit determined as of the date of employment termination, without reduction for early retirement, payable biweekly starting at the later of termination of employment or the first of a month set by the Participant no sooner than the first of the month following the Participant's attainment of age fifty-five (55).

(d) The special early retirement benefit will be payable in accordance with the provisions contained in Section 5.01, Normal Form of Benefit Payment.

3.03 Delayed Retirement

For a Participant who retires after the Normal Retirement Date, payment of the retirement benefit shall be governed by the following provisions:

(1) Delayed Retirement Date:

The date on which a Participant actually retires from the employ of the Employer after the Normal Retirement Date.

(2) Benefit Amount:

A Participant's delayed retirement benefit shall be equal to the Accrued Benefit determined as of the Delayed Retirement Date.

(3) Benefit Payments:

Retirement benefits shall be payable bi-weekly. The first payment shall be made on the first day of the month following or coincident with the Participant's Delayed Retirement Date, and all payments shall be made as provided in Section 5.01, Normal Form of Benefit Payment.

3.04 Disability

A Participant who becomes totally and permanently disabled after meeting the requirements for Early Retirement eligibility in accordance with Section 3.02(1) will be eligible for Early Retirement governed by the provisions of Section 3.02.

3.05 Termination of Employment

A Participant whose employment terminates before the completion of at least five (5) years of Vesting Service shall not be entitled to any Termination Benefit under the Plan except a refund of Participant Contributions, if any.

A Participant whose employment terminates after the completion of at least five (5) years of Vesting Service, for any reason other than death, disability or retirement under the Plan, shall be entitled to a Termination Benefit equal to the Participant's Accrued Benefit determined as of the Vested Termination Date. If the vested Accrued Benefit of a terminated Participant is equal to zero, the terminated Participant shall be deemed to have received a distribution of the single-sum actuarial present value of the vested Accrued Benefit.

Termination Benefits under the Plan shall be determined as follows:

(1) Benefit Amount:

A Participant's Termination Benefit shall be equal to the Accrued Benefit (Section 1.01) determined as of the Vested Termination Date.

(2) Benefit Payments:

The Termination Benefit (if any) shall be payable bi-weekly. The first payment shall be made on the first day of the month following or coincident with the date of the Participant's attainment of age sixty-five (65). All payments shall be made as provided in Section 5.01, Normal Form of Benefit Payment.

(3) Payment Elections:

A terminated Participant who terminated employment prior to reaching Normal Retirement Date or Early Retirement Date and who has ten (10) or more years of Vesting Service may elect, at or after attaining age fifty-five (55), to receive retirement benefits equal to the Accrued Benefit, reduced by the Early Payment Reduction (Section 1.15), and payable in accordance with Section 3.02(3).

(4) Forfeiture and Refund Option:

A terminated Participant with a Vested Termination Date who has vested Accrued Benefits remaining in the Plan, and who has not attained eligibility for benefits under Section 3.01 or 3.03 may request a forfeiture of their vested benefits rights in exchange for the receipt of a refund of all of their Participant Contributions made to the Plan during their term of employment without interest. Making the forfeiture and refund election will result in no further benefit entitlements under the Plan, subject to the reemployment provisions in Section 2.04. Refunds are subject to the provisions of Section 5.04 "Direct Rollovers".

3.06 Maximum Benefit Limitation

(1) Notwithstanding any other provision of this Plan to the contrary, the annual benefit otherwise payable to a Participant under this Plan at any time shall not exceed the maximum annual benefit, as described in this Section 3.06.

The limitations in this Section 3.06 are intended to comply with the provisions of Section 415 of the Code so that the maximum benefits provided by this Plan (and by other plans of the Employer required to be aggregated therewith under Code Section 415) shall be exactly equal to the maximum annual benefit allowed under Code Section 415. If there is any discrepancy between this Section 3.06 and Code Section 415 and Treasury regulations thereunder, such discrepancy shall be resolved in such a way as to give full effect to the provisions of Code Section 415.

The value of any benefits forfeited as a result of the application of this Section 3.06 shall be used to decrease future Employer contributions to the Plan.

(2) The maximum annual benefit, expressed in the form of a straight life annuity, with no ancillary benefits, provided by Employer contributions, including Employer pick-up contributions, for an Employee with ten (10) or more years of participation at age sixty-five (65) will not exceed the dollar limit under Code Section 415(b)(1)(A), automatically adjusted for annual cost-of-living increases.

A limitation as adjusted under Code Section 415(d) will apply to Limitation Years ending with or within the calendar year for which the adjustment applies. The automatic annual adjustment shall apply to Participants who have had a separation from employment.

(a) If the benefit the Participant would otherwise accrue in a Limitation Year would produce an annual benefit in excess of the maximum annual benefit, the benefit will be limited (or the rate of accrual reduced) to a benefit that does not exceed the maximum annual benefit.

(b) If a Participant is, or has ever been, covered under more than one defined benefit plan maintained by the Employer, the sum of the Participant's annual benefits from all such defined benefit plans may not exceed the maximum annual benefit. Where the Participant's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the maximum annual benefit applicable at that age, the accrual of the Participant's benefit under this Plan shall be reduced so that the Participant's combined benefits will equal the maximum annual benefit.

(c) Effective October 1, 2007, the application of the provisions of this revised Section 3.06(2) shall not cause the maximum annual benefit for any Participant to be less than the Participant's accrued benefit under all the defined benefit plans of the Employer as of the end of the last Limitation Year beginning before October 1, 2007.

(d) To the extent provided in, and subject to the exceptions provided in, Section 1.415(b)-1(c)(4) and (5) of the Treasury Regulations, where a benefit is payable in a form other than a straight life annuity, the benefit shall be adjusted to an actuarially equivalent straight life annuity that begins at the same time as such other form of benefit and is payable on the first day of each month before applying the limitations of this Section 3.06.

For a Participant who has or will have distributions commencing at more than one annuity starting date, the annual benefit shall be determined as of each such annuity starting date (and shall satisfy the limitations of this Section 3.06 as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other annuity starting dates. For this purpose, the determination of whether a new starting date has occurred shall be made without regard to Treasury regulation 1.401(a)-20, Q&A 10(d), and with regard to Treasury regulation 1.415(b)-1(b)(1)(iii)(B) and (C).

No actuarial adjustment to the benefit shall be made for (A) survivor benefits payable to a surviving spouse under a qualified joint and survivor annuity to the extent such benefits would not be payable if the Participant's benefit were paid in another form; (B) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, preretirement incidental death benefits, and postretirement medical benefits); or (C) the inclusion in the form of benefit of an automatic benefit increase feature, provided the form of benefit is not subject to Code Section 417(e)(3) and would otherwise satisfy the limitations of this Section 3.06, and the amount payable under the form of benefit in any Limitation Year shall not exceed the limits of this Section 3.06 applicable at the annuity starting date, as increased in subsequent years pursuant to Code Section 415(d). For this purpose, an automatic benefit increase feature is included in a form of benefit if the form of benefit provides for automatic, periodic increases to the benefits paid in that form.

The determination of the annual benefit shall take into account social security supplements described in Code Section 411(a)(9) and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant Treasury Regulation Section 1.411(d)-4, Q&A-3(c), but shall disregard benefits attributable to employee contributions (unless picked-up) or rollover contributions as specified in the regulations under Code section 415.

(i) The determination of actuarial equivalence of forms of benefits other than a straight life annuity shall be made in accordance with the following subsections:

(A) In the case of a benefit form to which Code Section 417(e)(3) does not apply, the actuarially equivalent straight life annuity will be determined as follows:

1. If the annuity starting date of the Participant's form of benefit occurs before October 1, 2006, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount:

I. The interest rate and mortality table specified in Section 1.02 for adjusting benefits in the same form; or

II. A five-percent (5%) interest rate assumption and the applicable mortality table defined in

Treasury Regulation Section 1.417(e)-1(d)(2), for that annuity starting date.

2. If the annuity starting date of the Participant's form of benefit occurs on or after October 1, 2006, the actuarially equivalent straight life annuity is equal to the greater of:

I. The annual amount of the straight life annuity (if any) payable to the Participant under the Plan commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit; or

II. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Participant, computed using a five-percent (5%) interest rate assumption and the applicable mortality table described in Treasury Regulation Section 1.417(e)-1(d)(2) for that annuity starting date.

(B) In the case of a benefit form to which Code Section 417(e)(3) applies, the actuarially equivalent straight life annuity will be determined as follows:

1. If the annuity starting date of the Participant's form of benefit occurs on or after October 1, 2006, the actuarially equivalent straight life annuity is equal to the greatest of:

I. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and mortality table in Section 1.02, for adjusting benefits in the same form;

II. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a five-and-one-half percent (5½%) interest rate assumption and the applicable mortality table in Treasury Regulation Section 1.417(e)-1(d)(2); or

III. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate for the distribution under Treasury Regulation Section 1.417(e)-1(d)(3) and the applicable mortality table defined in Treasury Regulation Section 1.417(e)-1(d)(2), divided by 1.05.

2. If the annuity starting date of the Participant's form of benefit occurs between October 1, 2004 and September 30, 2006, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount:

I. The interest rate and mortality table specified in Section 1.02, for adjusting benefits in the same form; and

II. A five-and-one-half-percent (5½%) interest rate assumption and the applicable mortality table defined in Treasury Regulation Section 1.417(e)-1(d)(2).

However, if the Participant's annuity starting date is on or after October 1, 2004 and before December 31, 2004, the application of this subparagraph 2. shall not cause the amount payable under the Participant's form of benefit to be less than the benefit calculated under the Plan taking into account the limitations of this Section 3.06, except that the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the

Participant's form of benefit, computing using whichever of the following produces the greatest annual amount: (x) the interest rate and mortality table specified in Section 1.02, for adjusting benefits in the same form; (y) the applicable interest rate and mortality table in the Plan; and (z) the applicable interest rate defined in Section 1.02 (as in effect on September 30, 2004) and the applicable mortality table defined in Section 1.02.

(3) Except as provided in subsection (4) below, which imposes additional limitations on the amounts payable to Participants with less than ten (10) years of participation, the foregoing limitation in subsection (2) above is not applicable with respect to any Participant whose annual benefit under this Plan, and any other defined benefit plan maintained by the Employer, is less than $10,000.00, and such Participant has not at any time participated in any defined contribution plan, within the meaning of Section 415(k) of the Code, maintained by the Employer. If any Participant has less than ten (10) years of participation with the Employer, the $10,000.00 amount referenced in the preceding sentence shall be replaced with the amount determined by multiplying $10,000.00 by a fraction (x) the numerator of which is the number of years (or part thereof) of participation with the Employer, but never less than one (1) and (y) the denominator of which is ten (10).

(4) In the event any Participant has less than ten (10) years of participation in this Plan and predecessor plans hereto, the dollar limitation otherwise applicable under subsection (2) above will be reduced by multiplying such limitation by a fraction, the numerator of which is the number of such Participant's years of participation or part thereof, but never less than one (1), and the denominator of which is ten (10). The limitation will not be reduced so that it is less than the Participant's Accrued Benefit under the Plan. This subsection (4) will, to the extent required by the Secretary of the Treasury, be applied separately to each change in benefit structure hereunder. This subsection (4) will not apply to income received from the Plan as a pension, annuity, or similar allowance as a result of the Participant becoming disabled or benefits received by the Beneficiaries, survivors, or the estate of the Participant as a result of the death of the Participant.

(5) In the event subsection (3) does not apply, if the benefit under the Plan begins before the Participant attains age sixty-two (62), the dollar limitation in subsection (2) will be adjusted as follows:

(a) If the annuity starting date for the Participant's benefit occurs in a Limitation Year beginning before October 1, 2007, the dollar limitation for the Participant 's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the

Employee's annuity starting date that is the actuarial equivalent of the subsection (2) dollar limitation (adjusted under subsection (4) for years of participation less than ten, if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount:

(i) The interest rate and mortality rate specified in Section 1.02; or

(ii) A five-percent (5%) interest rate assumption and the applicable mortality table as defined in Section 1.02.

(b) If the annuity starting date for the employee's benefit occurs in a limitation year beginning on or after October 1, 2007, the dollar limitation referred to in subsection (2) for the Participant's annuity starting date is the lesser of (x) the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the dollar limitation (adjusted under subsection (4) for years of participation less than ten (10), if required) with actuarial equivalence computed using a five-percent (5%) interest rate assumption and the applicable mortality table for the annuity starting date as defined in Section 1.02 (and expressing the Participant's age based on completed calendar months as of the annuity starting date), and (y) the dollar limitation referred to in subsection (2) (adjusted under subsection (4) for years of participation less than ten (10), if required) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the immediately commencing straight life annuity under the Plan at age sixty-two (62), both determined without applying the limitations of this Section 3.06.

(c) This subsection (5) will not apply to income received from the Plan as a pension, annuity, or similar allowance as a result of the Participant becoming disabled or amounts received from the Plan by the Beneficiary, survivors, or the estate of the Participant as a result of the death of the Participant.

(d) This subsection (5) shall not reduce the prior law limitation, if applicable to a Participant, of:

(i) $75,000.00 if the benefit begins at or after age fifty-five (55); or

(ii) if the benefit begins before age fifty-five (55), the equivalent of the $75,000.00 limitation for age fifty-five (55).

(e) Notwithstanding any other provisions of this subsection (5), the age-adjusted dollar limit applicable to a Participant shall not decrease on account of any increase in age or the performance of additional services.

(6) In the event that subsection (3) does not apply, if the benefit under the Plan begins after age sixty-five (65), the dollar limitation in subsection (2) will be adjusted as follows:

(a) If the annuity starting date for the Participant's benefit occurs in a Limitation Year beginning before October 1, 2007, the dollar limitation referred to in subsection (2) for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the subsection (2) dollar limitation (adjusted under subsection (4) for years of participation less than ten (10), if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount:

(i) the interest rate and mortality table specified in Section 1.02.; or

(ii) a five-percent (5%) interest rate assumption and the applicable mortality table as defined in Section 1.02.

(b) If the annuity starting date for the Participant's benefit occurs in a Limitation Year beginning on or after October 1, 2007, the dollar limitation at the Participant's annuity starting date is the lesser of (a) the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the subsection (2) dollar limitation (adjusted under subsection (4) for years of participation less than ten (10), if required) with actuarial equivalence computed using a five-percent (5%) interest rate assumption and the applicable mortality table for the annuity starting date as defined in Section 1.02 (and expressing the Participant's age based on completed calendar months as of the annuity starting date), and (b) the subsection (2) dollar limitation (adjusted under (4) for years of participation less than ten (10), if required) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the immediately commencing straight life annuity under the Plan at age sixty-five (65), both determined without applying the limitations of this Section 3.06. For this purpose, the adjusted immediately commencing straight life annuity under the Plan at the Participant's annuity starting date is the annual amount of such annuity payable to the Participant, computed disregarding the Participant's accruals after age sixty-five (65), but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing straight life annuity under the Plan at age sixty-five (65) is the annual amount of such annuity that would be payable under the Plan to a hypothetical participant who is age sixty-five (65) and has the same accrued benefit as the Participant.

(7) Notwithstanding the other requirements of subsections (5) and (6), no adjustment shall be made to the subsection (2) dollar limitation to reflect the probability of a Participant's death between the annuity starting date and age sixty-two (62), or between age sixty-five (65) and the annuity starting date, as applicable, if benefits are not forfeited upon the death of the Participant prior to the annuity starting date. To the extent benefits are forfeited upon death before the annuity starting date, such an adjustment shall be made.

(8) A Participant shall be credited with a year of participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (A) the Participant is credited with at least the number of hours of service for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, and (B) the Participant is included as a participant under the eligibility provisions of the Plan for at least one day of the accrual computation period. If these two conditions are met the portion of a year of participation credited to the Participant shall equal the amount of benefit accrual service credited to the Participant for such accrual computation period. A participant who is permanently and totally disabled within the meaning of Code Section 415(c)(3)(C)(i) for an accrual computation period shall receive a year of participation with respect to that period. In no event shall more than one year of participation be credited for any 12-month period.

3.07 Cost-of-Living Increases

A Participant eligible to receive Tier One Benefits on or after October 1, 2003, under the provisions of Sections 3.01, 3.02, or 3.03 shall be entitled to a 1% cost of living increase each year payable on the first benefit payment coincident with or next following the fifth anniversary of the Participant's retirement and separation from service. A Participant whose Tier One Benefits have been frozen shall receive the benefit provided in this Section only on the Tier One portion of his or her benefit. The benefit provided in this Section shall not apply to Tier Two Benefits.

When a retired Participant who was entitled to the benefit provided in this Section dies more than five years after retirement and separation from service, the surviving joint annuitant (if any) shall also be entitled to a continuation of the annual cost-of-living adjustment benefit provided in this Section, which shall continue to be applied annually to the surviving joint annuitant's benefit payments. If a retired Participant who was entitled to the benefit provided in this Section dies prior to reaching the fifth anniversary of his or her retirement and separation from service, the surviving joint annuitant (if any) shall be entitled to commence the annual cost-of-living adjustment benefit provided in this Section beginning with the first surviving annuitant payment coincident with or next following the fifth anniversary of the Participant's retirement and separation from service.

3.08 Closure or Sale of SJRPP

Notwithstanding any other provision of this Plan, if the SJRPP power plant is sold, shut down, or closed, the Normal Retirement Date shall be the date the Participant attains age fifty-five (55), or such earlier date provided in the definition of Normal Retirement Date, whichever shall occur first. In such an event, a Participant will be eligible for commencement of benefits upon the earliest eligibility based on the benefits accrued to the date of separation and based on the Plan provisions in effect on the date of separation. This provision shall not result in the loss or diminution of accrued benefits.

SECTION 4

DEATH BENEFITS: PRERETIREMENT SURVIVOR ANNUITY

The surviving Eligible Spouse of a Participant who dies after attaining a vested right to an Accrued Benefit, but before benefit payments commence, shall receive a death benefit as further described in Sections 4.01, 4.02 and 4.03 below. If there is no surviving Eligible Spouse, no death benefits shall be payable except a refund of Participant Contributions, if any.

4.01 Active Participant

(1) Benefit Amount:

If a Participant with a vested Accrued Benefit dies (i) prior to retirement under the provisions of Section 3.01, 3.02, 3.03, or 3.04 or termination of employment and (ii) *on or before* reaching Earliest Retirement Age, the surviving Eligible Spouse shall receive a benefit equal to that which would have been payable if the Participant had:

(a) separated from service on the date of death,

(b) survived to the Earliest Retirement Age,

(c) retired at the Earliest Retirement Age with an immediate 75% joint-and-survivor annuity, according to Option D of Section 5.03, and

(d) died on the following day;

provided, however, that if payment to the Eligible Spouse commences prior to the date the Participant would have reached the Normal Retirement Date, the Early Payment Reduction shall be applied as if the Participant had reached the Normal Retirement Date.

If a Participant with a vested Accrued Benefit dies (i) prior to retirement under the provisions of Section 3.01, 3.02, 3.03, or 3.04 or termination of employment and (ii) *after* reaching Earliest Retirement Age, the surviving Eligible Spouse shall receive a benefit equal to that which would have been payable if the Participant had retired with an immediate 75% joint-and-survivor annuity, according to Option D of Section 5.03, on the day before the Participant's date of death; provided, however, that if payment to the Eligible Spouse commences prior to the date the Participant would have attained the Normal Retirement Date, the Early Payment Reduction shall be applied as if the Participant had attained the Normal Retirement Date.

(2) Benefit Payments:

Benefit payments under this Section shall be payable bi-weekly. The first payment shall be made on the first day of the month following or coincident with the Participant's Earliest Retirement Age; provided, however, that the surviving Eligible Spouse may elect in writing to defer the commencement of benefits to a later date (but in no event later than the Required Beginning Date provided in Section 5.05(2)).

4.02 Vested Terminated Participant

(1) Benefit Amount:

If a terminated Participant with a vested Accrued Benefit dies (i) prior to retirement under the provisions of Section 3.01, 3.02, 3.03, or 3.04 and (ii) *on or before* reaching Earliest Retirement Age, the surviving Eligible Spouse shall receive a benefit equal to that which would have been payable if the Participant had:

(a) survived to the Earliest Retirement Age,

(b) retired at the Earliest Retirement Age with an immediate 75% joint-and-survivor annuity, according to Option D of Section 5.03, and

(c) died on the following day.

If a Participant with a vested Accrued Benefit dies (i) prior to retirement under the provisions of Section 3.01, 3.02, 3.03, or 3.04 and (ii) *after* reaching Earliest Retirement Age, the surviving Eligible Spouse shall receive a benefit equal to that which would have been payable if the Participant had retired with an immediate 75% joint-and-survivor annuity, according to Option D of Section 5.03, on the day before the Participant's date of death.

(2) Benefit Payments:

Benefit payments under this Section shall be payable bi-weekly. The first payment shall be made on the first day of the month following or coincident with the Participant's Earliest Retirement Age; provided, however, that the surviving Eligible Spouse may elect in writing to defer the commencement of benefits to a later date (but in no event later than the Required Beginning Date provided in Section 5.05(2)).

4.03 Retired Participant

(1) Benefit Amount:

If a Participant who has retired under the provisions of Section 3.01, 3.02, 3.03 or 3.04 dies before benefit payments commence, the surviving Eligible Spouse shall receive a benefit equal to that which would have been payable if the Participant had commenced receiving a 75% joint-and-survivor annuity according to Option D of Section 5.03 on the day before the Participant's date of death. If a retired Participant dies after the benefit commencement date, no death benefit shall be payable, except as provided by the terms (if any) of the annuity form elected.

(2) Benefit Payments:

Benefit payments under this Section shall be payable bi-weekly. The first payment shall be made on the first day of the month following the date of the Participant's death; provided, however, that the surviving Eligible Spouse may elect in writing to defer the commencement of benefits to a later date (but in no event later than the Required Beginning Date provided in Section 5.05(2)).

4.04 HEART Act Provisions

Notwithstanding any other provision of the Plan to the contrary, Contributions, benefits, and service credit with respect to qualified military service (as such term is defined for purposes of Code Section 414(u)), shall be provided in accordance with Code Section 414(u).

Effective for deaths occurring on or after January 1, 2007, if a Participant dies while performing qualified military service, the survivors of the Participant are entitled to any additional benefits (other than Contributions relating to the period of qualified military service and other than as specifically provided below) provided under the Plan as if the Participant had resumed employment with the Employer as of the day preceding the date of his or her death and then terminated employment on account of his or her death ("deemed reemployment date").

(1) Vesting Service:

For purposes of this Section 4.04, a Participant who is described in Section 4.04 will, upon his or her deemed reemployment date, receive credit for Vesting Service purposes with respect to his or her period of military service.

(2) Benefit Service:

For purposes of this Section 4.04, a Participant who is described in Section 4.04 will not, upon his or her deemed reemployment date, receive credit for Benefit Service purposes with respect to his or her period of military service.

(3) Differential Wage Payments:

Effective on or after January 1, 2009:

(a) an individual receiving a differential wage payment, as defined in Code Section 3401(h)(2), shall be treated as an Employee of the Employer making the payment;

(b) the differential wage payment shall be treated as Earnings for purposes of Sections 1.14 and 3.06 of the Plan, and as compensation for purposes of Code Section 415 and any other Code Section that references the definition of compensation under Code Section 415 (but only to the extent the payments do not exceed the amount the individual would have received had he or she continued to perform services for the Employer); and

(c) the Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment.

SECTION 5

PAYMENT OF BENEFITS

5.01 Normal Form of Benefit Payment

(1) Without Eligible Spouse:

The normal form of benefit payment for a Participant who does not have an Eligible Spouse (Section 1.16) on the date benefit payments begin shall be an annual annuity payable for life, which shall be the Actuarial Equivalent of a 75% joint-and-survivor annuity (Option D of Section 5.03) assuming a Beneficiary equal in age to the Participant.

A Participant may waive the normal form of payment described in the preceding paragraph by electing a Section 5.03 option in accordance with Section 5.02, in which case the retirement benefit shall be paid in accordance with the terms of the option elected.

(2) With Eligible Spouse:

The normal form of benefit payment for a Participant who has an Eligible Spouse (Section 1.16) on the date benefit payments begin shall be a 75% joint-and-survivor annuity (i.e., a benefit payable in accordance with Option D of Section 5.03, with the Eligible Spouse, as the Beneficiary, receiving a 75% survivor annuity after the Participant's death).

A Participant may elect, in writing, within the time period specified in Section 5.02, to waive the joint-and-survivor annuity, in which event the retirement benefit shall be payable according to the terms of the Section 5.03 option elected. A waiver of the joint-and-survivor annuity will be subject to the following requirements:

(a) the waiver must be signed by both the Participant and the Eligible Spouse;

(b) the Eligible Spouse's consent must acknowledge the effect of the waiver; and

(c) the Eligible Spouse's consent must be witnessed by a Plan representative or a notary public; provided that spousal consent shall not be required if the Participant provides the Committee with satisfactory evidence that such consent cannot be obtained because:

(i) the Participant does not have an Eligible Spouse;

(ii) the Eligible Spouse cannot be located; or

(iii) such other circumstances as are prescribed by Treasury regulations.

5.02 Election of Optional Retirement Benefits

(1) Election Right:

A Participant, together with the Eligible Spouse (if applicable), may elect, or may revoke a prior election and make a new election, at any time within ninety (90) days before benefit payments commence, to have benefits paid under one of the optional methods of payment described in Section 5.03 instead of under the normal form of payment provided in Section 5.01. The benefit shall be paid in accordance with the terms of the option elected.

(2) Election Information:

Information concerning the terms and relative financial effect of the options set forth in Section 5.03 shall be provided no later than thirty (30) days before, and no earlier than ninety (90) days before, a Participant's benefit commencement date. If this information is not supplied within that time frame, the Participant shall have ninety (90) days after the time the information is supplied during which to make or revoke an election. If the Participant requests additional information before the end of the ninety (90) day period, the Participant shall have ninety (90) days after the time the additional information is supplied to make or revoke an election.

(3) Election and Revocation Procedures:

Written election of any option or revocation of an earlier election and election of a new option by the Participant shall be acknowledged in writing by the Eligible Spouse (if applicable) and shall be filed with and acknowledged in writing by the Committee, in accordance with rules adopted by the Committee and uniformly applied. The date an option is to be made effective shall be stated in the written election.

(4) Limitations on Elections:

(a) No option under Section 5.03 may be elected unless the distribution is for a term not exceeding the life expectancy of the Participant or the Participant and Beneficiary (if applicable) measured as of the annuity payment starting date. If the Participant's spouse is not the designated Beneficiary, then the option elected must distribute at least fifty percent (50%) of the Accrued Benefit within the life expectancy of the Participant.

(b) If the Participant dies after distribution of his(her) interest has commenced, the remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(c) If the Participant dies before distribution of his(her) interest commences, the Participant's entire interest will be distributed no later than five (5) years after the Participant's death except to the extent that an election is made to receive distributions in accordance with (i) or (ii) below:

(i) if any portion of the Participant's interest is payable to a designated Beneficiary, distributions may be made in substantially equal installments over the life or life expectancy of the designated Beneficiary commencing no later than one year after the Participant's death;

(ii) if the designated Beneficiary is the Participant's surviving spouse, the date distributions are required to begin in accordance with (i) above shall not be earlier than the Participant's Normal Retirement Date, and, if the spouse dies before payments begin, subsequent distributions shall be made as if the spouse had been the Participant.

(d) The retirement benefit election by a Participant shall be null and void, and the provisions of Section 5.01, Normal Form of Benefit Payment, shall apply if the Participant's designated Beneficiary should die before benefit payments commence.

(e) For purposes of Section 5.02(4)(c) above, payments will be calculated by use of the return multiples specified in Section 1.72-9 of the Income Tax Regulations. Life expectancy of a surviving spouse may be recalculated annually. In the case of any other designated Beneficiary, life expectancy will be calculated at the time payment first commences and payments for any twelve (12) consecutive-month period will be based on such life expectancy minus the number of whole years passed since distribution first commenced.

5.03 <u>Description of Options</u>

The amount of any benefit payments under Option A, B or C below shall be the Actuarial Equivalent of the benefit that would otherwise be payable to the Participant in accordance with a 75% joint-and-survivor annuity, assuming a Beneficiary equal in age to the Participant, as described in Option D below:

(1) Option A — Lump-sum Option available only for distribution of Tier One Benefits: If the single-sum Actuarial Equivalent of a Participant's or surviving Eligible Spouse's vested Tier One Accrued Benefit is not greater than $10,000, the Participant or surviving Eligible Spouse may elect a single-sum settlement; provided, however, the settlement is made due to termination of Plan participation and constitutes the entire actuarial present value of the vested Tier One Accrued Benefit or surviving Eligible Spouse's benefit. On January 1, 1996, and on January 1, of each succeeding year, the dollar limitation of this paragraph 5.03(1) in effect on the preceding December 31 shall be adjusted to reflect any increase in the Consumer Price Index for Urban Consumers (CPI-U) for the twelve (12)

months period ended on the preceding September 30, and such adjusted dollar limitation shall be operable for the ensuing calendar year.

(2) Option B — Life Annuity Option: A bi-weekly retirement benefit payable to the Participant for life.

(3) Option C — 10-Year-Certain-and-Life Option: A bi-weekly retirement benefit payable to the Participant for life; in the event of death within ten (10) years after benefit commencement, the same bi-weekly benefit amount shall be payable for the balance of the ten (10) year period to the Beneficiary.

(4) Option D — Joint-and-Survivor Option: A bi-weekly retirement benefit payable to the Participant for life, with a previously designated percentage (100%, 75%, 66-2/3% or 50%) of the benefit amount continuing automatically to the Beneficiary for life after the death of the Participant.

(5) Option E — Partial Lump-Sum Option:

(a) The Participant may elect to receive up to fifteen percent (15%) in increments of five percent (5%) of the actuarial present value of the Participant's retirement benefits as a one-time, lump-sum payment upon retirement, with the Participant's remaining retirement benefits to be paid according to the terms of the annuity option elected that shall be actuarially reduced to reflect the lump-sum payment made to the Participant.

(b) A Participant who elects a partial lump sum under Option E shall not be eligible, entitled or permitted to participate in the BACKDROP set forth in Section 5.07. A Participant who elects to participate in the BACKDROP shall not be permitted to elect a partial lump sum under Option E.

(6) Option F — Lump-sum Option available only for distribution of Tier Two Benefits: the Participant or surviving Eligible Spouse may elect a single-sum payment of his/her entire Tier Two Accrued Benefit.

5.04 Direct Rollovers

The distributee of a single-sum payment under the Plan (including but not limited to single-sum payments under Section 5.03 or a refund of Participant Contributions) may elect, in a form and manner prescribed by the Plan's administrative procedures, to have any portion of such payment paid directly to an eligible retirement plan specified by the Participant in a direct rollover if such payment is an eligible rollover distribution. The direct rollover election shall be subject to the following restrictions:

(i) the distributee of an eligible rollover distribution of less than $200 shall not have the right to elect a direct rollover;

(ii) a distributee may elect a direct rollover of a portion (less than 100%) of an eligible rollover distribution only if the portion to be rolled over equals or exceeds $500; and

(iii) a distributee may elect only one direct rollover for each eligible rollover distribution.

(1) Eligible Rollover Distribution:

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (ii) any distribution to the extent such distribution is required under Code Section 401(a)(9); (iii) the portion of any distribution that is not includible in gross income; and (iv) any other distribution(s) that is reasonably expected to total less than $200 during a year.

Notwithstanding clause (iii) in the foregoing paragraph, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax Employee contributions which are not includible in gross income. However, such portion may be transferred only to (X) a traditional individual retirement account or annuity described in Code Sections 408(a) or (b) or a Roth individual retirement account or annuity described in Code Section 408A; or (Y) to a qualified defined contribution, defined benefit, or annuity plan described in Code Sections 401(a) or 403(a) or to an annuity contract described in Code Section 403(b), if such plan or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

The term eligible rollover distribution shall include any distribution to a designated Beneficiary which would be treated as an eligible rollover distribution by reason of Code Section 402(c)(11), or Code Sections 403(a)(4)(B), 403(b)(8)(B), or 457(e)(16)(B), if the requirements of Code Section 402(c)(11) were satisfied.

Amounts transferred from a trust under a plan qualified under Code Section 401(a) to a nonqualified foreign trust are treated as a distribution from the transferor plan.

(2) Eligible Retirement Plan:

An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), a qualified trust described in Code Section 401(a), an annuity plan described in Code Section 403(a), or an annuity contract described in Code Section 403(b) that accepts the distributee's eligible rollover distribution; an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A) and which agrees to separately account for amounts transferred into such plan from this Plan; or, with respect to distributions on or after January 1, 2008, a Roth individual retirement account described in Code Section 408A(b) that accepts the distributee's eligible rollover distribution. This definition of eligible retirement plan also will apply to a distribution made to a surviving spouse, to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, or to a non-spouse Beneficiary (but for a non-spouse Beneficiary, eligible retirement plan shall be limited to individual retirement accounts and individual retirement annuities).

(3) Distributee:

A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under an applicable domestic relations order are distributees with regard to the interest of the spouse or former spouse. Furthermore, effective January 1, 2007, solely with respect to an eligible retirement plan which is an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b) and which satisfies the requirements of Code Section 402(c)(11), a distributee also will include the Employee's or former Employee's non-spouse Beneficiary.

(4) Nonspouse Beneficiary Rollover:

A designated Beneficiary who is not the Participant's surviving spouse is a distributee with respect to the interest of the designated Beneficiary if the distribution that is otherwise an eligible rollover distribution is made by a direct trustee-to-trustee transfer ("direct rollover") to an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b) that is established for the purposes of receiving the distribution on behalf of the designated Beneficiary. Distributions from the plan to a non-spouse Beneficiary are not eligible for a sixty-day rollover. A non-spouse Beneficiary may not rollover an amount which is a required minimum distribution.

(5) Trust Beneficiary:

If the Participant's named Beneficiary is a trust that satisfies the requirements to be a designated Beneficiary under Code Section 401(a)(9)(E), the plan may make a direct rollover to an individual retirement account on behalf of the trust.

(6) Direct Rollover:

A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(7) Limitation on Mandatory Distribution:

Effective March 28, 2005, notwithstanding any other provision of this Plan, the maximum amount of any mandatory distribution (as defined in Code Section 401(a)(31)) payable under the Plan, if applicable, shall be $1,000.

5.05 <u>When Benefit Payments Must Start</u>

(1) Generally, payment of benefits under the Plan shall begin not later than the sixtieth (60^{th}) day after the close of the latest Plan Year in which:

(a) the Participant attains age sixty-five (65);

(b) occurs the fifth (5^{th}) anniversary of the Participant's commencement of participation; or

(c) the Participant terminates employment.

(2) Required Minimum Distributions:

Notwithstanding Section 5.05(1), or any other inconsistent provisions of the Plan, the requirements of this Section 5.05(2) concerning the minimum distribution requirements of Code Section 401(a)(9) shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. All distributions required under this Section 5.05(2) shall be determined and made in accordance with the Plan's reasonable and good-faith interpretation of the minimum distribution requirements of Code Section 401(a)(9) and the Regulations issued thereunder. This Section 5.05(2) requires that the entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's required beginning date.

Benefits paid in accordance with this Section 5.05(2) may be paid, to the extent possible, in accordance with the normal form of benefit payment described in Section 5.01, as well as the optional forms of benefit payment described in Section 5.03. For purposes of calculating the Participant's distributions pursuant to this Section 5.05(2), the life expectancy and joint and last survivor life expectancies are computed by using the applicable tables found in Section 1.401(a)(9)-9 of the Treasury regulations.

(a) Required Beginning Date:

For purposes of this Section 5.05(2), the required beginning date of a Participant is the April 1 of the calendar year following the calendar year in which the later of the following two events occurs: (i) the Participant attains age 70½; or (ii) the Participant terminates employment.

(b) Death of Participant Before Distributions Begin:

If the Participant dies before distributions begin, the Participant's entire interest will be distributed in accordance with Section 4 of this Plan. Notwithstanding the foregoing, under no circumstances will distributions begin later than:

(i) If the Participant's surviving spouse is the participant's sole designated Beneficiary, then, unless an earlier date is provided in Section 4 of the Plan, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, if later.

(ii) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, then, unless an earlier date is provided in Section 4 of the Plan, distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iii) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 5.05(2)(b), with the exception of Section 5.05(2)(b)(i), shall apply as if the surviving spouse were the Employee.

For purposes of this Section 5.05(2)(b), and 5.05(2)(e), distributions are considered to begin on the Participant's required beginning date, as described in Section 5.05(2)(a) (or, if Section 5.05(2)(b)(iv) applies, the date distributions are required to begin to the surviving spouse under

Section 5.05(2)(b)(i)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 5.05(2)(b)(i)), the date distributions are considered to begin is the date distributions actually commence.

(c) Determination of Amount to be Distributed Each Year:

(i) General Annuity Requirements:

If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(A) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Sections 5.07(2)(d) or (e);

(C) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(D) payments will either be non-increasing or increase only as follows:

1. by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

2. to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 5.05(2)(d) dies or is no longer the Participant's Beneficiary pursuant to a qualified domestic relations order within the meaning of Code Section 414(p);

3. to provide cash refunds of Participant contributions upon the Participant's death; or

4. to pay increased benefits that result from a Plan amendment.

(ii) Amount Required to be Distributed by Required Beginning Date:

The amount that must be distributed on or before the Participant's required beginning date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 5.05(2)(b)(i) and (ii)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's Accrued Benefit as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's required beginning date.

(iii) Additional Accruals After First Distribution Calendar Year:

Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(d) Requirements for Annuity Distributions That Commence During Participant's Lifetime:

(i) Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse:

If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a non-spouse Beneficiary, annuity payments to be made on or after the Participant's required beginning date, as such term is described in Section 5.05(2)(a), to the designated Beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of Section 1.401(a)(9)-6 of the Treasury regulations.

(ii) Period Certain Annuities:

Unless the Participant's spouse is the sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the annuity starting date. If the Participant's spouse is the Participant's sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 5.05(2)(d)(ii), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the calendar year that contains the annuity starting date.

(e) Requirements for Minimum Distributions Where Participant Dies Before Date Distributions Begin:

(i) Participant Survived by Designated Beneficiary:

Except to the extent a shorter period is provided in Section 4 of the Plan, if the Participant dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described in section 5.05(2)(b)(i) or 5.05(2)(b)(ii), over the life of the designated Beneficiary or over a period certain not exceeding:

(A) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(B) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the annuity starting date.

(ii) No Designated Beneficiary:

If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin:

If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the participant's sole designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 5.05(2)(e) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to section 5.05(2)(b)(i).

(f) Definitions:

(i) Designated Beneficiary:

The designated Beneficiary is the individual who is designated as the Beneficiary under Plan and is the designated beneficiary within the meaning of Code Section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(ii) Distribution Calendar Year:

A distribution calendar year is a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 5.05(2)(b).

5.06 Designation of Beneficiary

(1) Each Participant who elects Option C or Option D under Section 5.03 shall, on the form provided for that purpose, signed and filed with the Committee, designate a Beneficiary to receive the benefits, if any, payable in the event of death and may change the designation from time to time before payments commence, each change to be made in writing on a form provided for that purpose and filed with the Committee, revoking any earlier designations by the Participant.

(2) Beneficiary designations will be governed by the following:

(a) If a Participant does not have an Eligible Spouse, then the Participant shall designate a Beneficiary as specified above.

(b) If a Participant has an Eligible Spouse, in the absence of any valid designation to the contrary the Eligible Spouse shall automatically be the Beneficiary to the Participant.

(c) If a Participant has an Eligible Spouse but wishes to designate someone other than the Eligible Spouse as a Beneficiary, such election may he made subject to the following requirements:

(i) the election to designate a Beneficiary other than the Eligible Spouse must be signed by both the Participant and the Participant's Eligible Spouse;

(ii) the Eligible Spouse's consent must acknowledge the effect of the election; and

(iii) the Eligible Spouse's consent must be witnessed by a Plan representative or a notary public; provided that spousal consent shall not be required if the Participant provides the Committee with satisfactory evidence that such consent cannot be obtained because the Participant does not have an Eligible Spouse, the Participant's Eligible Spouse cannot be located, or such other circumstances as are prescribed by Treasury regulations.

(d) If, subsequent to the designation of a Beneficiary, a Participant should later (between the time of designation and the time of benefit commencement) acquire an Eligible Spouse but the consent of the then current Eligible Spouse is not received by the Committee, then the automatic election of (b) above will apply—the Eligible Spouse will be the Beneficiary and the prior designation will be deemed revoked.

(e) If a Participant and the Beneficiary should die as a result of a common disaster, both deaths taking place within ninety (90) days of the disaster, and the Participant had designated a contingent Beneficiary, then the contingent Beneficiary shall receive the commuted value of the

Participant's benefit as of the date of death. If no Beneficiary is designated in the manner provided above, or if no Beneficiary designated by the Participant survives, the Committee shall direct the payment of remaining benefits, if any, to the Eligible Spouse of the deceased; if none, then to the surviving children of the deceased or on their behalf as provided in Section 10.05, Legally Incompetent; if none, then no further benefits are applicable.

(3) In the event the Committee is unable to make payments to the Beneficiary designated according to Section 5.05(1), the Committee may direct the payment of remaining benefits, if any, to the estate of the deceased or may elect to have a court of competent authority determine to whom payments should be made.

5.07 BACKDROP

(1) There is hereby created a BACKDROP retirement option (the "BACKDROP") to the Plan, which shall allow any Participant with Tier One Benefits who is a Group A Employee and who has worked beyond Normal Retirement Date to retire and elect retirement benefits calculated as if the Participant had actually retired at an earlier date as provided under Section 5.07(4).

(2) A Participant shall forgo the accrual of additional benefits under the Plan after the commencement of the BACKDROP Period in exchange for the BACKDROP benefit.

(3) An eligible Participant may elect to participate in the BACKDROP by submitting the following: (i) a signed and dated letter of resignation, and (ii) a properly completed BACKDROP retirement application.

(4) A Participant's BACKDROP Period shall not (i) commence at any date earlier than the Normal Retirement Date and (ii) exceed sixty (60) months, and shall end on the date of retirement.

(5) BACKDROP Benefit

(a) The Participant's BACKDROP benefit is equal to the accumulation of retirement benefits the Participant would have received over the BACKDROP Period had the Participant actually retired at the commencement of the BACKDROP Period plus the amount of interest to be credited pursuant to Section 5.07(5)(b) below.

(b) For each year of BACKDROP, the Participant's BACKDROP accumulations shall be credited with interest at the Plan's earned actuarial rate of return for that year, but, in no event, shall such rate of return be less than a negative four percent (-4%) rate of return per annum or more than a positive four percent (+4%) rate of return per annum, as determined by the Committee.

(6) Provided the Participant has satisfied all requirements set forth in this Section, the Plan shall disburse the accumulated amount of the Participant's BACKDROP benefits to the Participant in a single sum amount, either through a cash payment or direct rollover, less any taxes required to be remitted to the Internal Revenue Service, within ninety (90) days from the date of retirement or as soon as practical thereafter.

SECTION 6

CONTRIBUTIONS

6.01 Participant Contributions

Effective October 1, 2003, an amount equal to four percent 4% of each Participant's Earnings shall be excluded from the Participant's gross income for Federal Income Tax purposes, and contributions in the amount of such exclusions shall be made to the Plan by the Employer as picked up contributions pursuant to Section 414(h) of the Code. For all purposes of the Plan, however, such Contributions shall be designated Participant Contributions.

6.02 Employer Contributions

Contributions by the Employer that are deemed necessary to fund all Plan benefits shall be paid to the Trustee on the basis of the recommendations of an actuary. All Contributions shall be irrevocable and shall be used for the exclusive benefit of Participants and their Beneficiaries, subject to the provisions of Section 10.10 of the Plan.

6.03 Funding Policy

The Sponsor shall establish and maintain, or shall delegate the responsibility to establish and maintain, a funding policy and method, which may include investment objectives and which shall result in the Plan being managed on a sound actuarial basis, consistent with the requirements of Article X, Section 14 of the Florida Constitution and Chapter 112, Part VII, Florida Statutes.

SECTION 7

MANAGEMENT AND ADMINISTRATION

7.01 Identification of the Fiduciaries

The parties listed below are the named fiduciaries of the Plan who have authority to control and manage the operation and administration of the Plan.

(1) The Sponsor

(2) The Committee

(3) The Trustee

(4) The investment consultant, if any, authorized by the Plan Sponsor or its delegate to assist with the investment of the Plan's assets, but only (i) if (and only to the extent that) the investment consultant is in fact exercising authority to control and manage the operation and administration of the Plan, or (ii) if (and only to the extent that) the investment consultant is a fiduciary under applicable Florida or federal law

(5) The actuary for the Plan, but only (i) if (and only to the extent that) the actuary is in fact exercising authority to control and manage the operation and administration of the Plan, or (ii) if (and only to the extent that) the actuary is a fiduciary under applicable Florida or federal law

7.02 General Fiduciary Duties

(1) Fiduciaries shall act with the care, skill, prudence and diligence under the circumstances that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims.

(2) In the course of administration of the Plan, fiduciaries may delegate in writing such duties and responsibilities to other parties.

(3) Each fiduciary is responsible for the duties and responsibilities that are specifically allocated to him(her) under this Section 7, and is responsible for no other duties under the Plan.

(4) A fiduciary may serve in more than one fiduciary capacity with respect to the Plan.

7.03 Responsibilities of the Sponsor

The Sponsor shall authorize Contributions to the Fund in accordance with Section 6 and the CBA. The Sponsor or its delegate shall appoint an actuary who shall have the responsibility for the preparation of the actuarial statements. The Sponsor shall appoint and supervise the Trustee(s) and the Committee.

7.04 Responsibilities of the Committee

(1) Committee Makeup:

The Plan shall be administered by an administrative committee, referred to as "Committee," consisting of at least three persons (who may be, but need not be, Participants). The members of the Committee shall be appointed by and serve at the pleasure of the Sponsor. Any member of the Committee may resign or may be removed by the Sponsor. Any person appointed to be a member of the Committee shall signify his(her) acceptance in writing to the Sponsor. Any member of the Committee may resign by delivering his(her) written resignation to the Sponsor.

The Sponsor shall designate one member of the Committee as chairman and the Committee may select a secretary (who may be, but need not be, a member of the Committee) to keep records or otherwise to assist in the performance of the Committee's duties. The members of the Committee shall serve without compensation for their services.

A majority of the Committee members shall constitute a quorum for the conduct of business. At least two concurring votes shall be required for a decision. All meeting shall be conducted in accordance with Section 286.011, Florida Statutes.

(2) Committee Administrative Functions:

The Committee shall be responsible for the administrative functions of the Plan. The Committee shall have complete control of the administration of the Plan with all powers necessary to carry out its duties properly. Such powers shall include interpreting the provisions of the Plan and resolving all questions concerning the Plan. The Committee shall determine the eligibility of Participants to benefits of this Plan and the benefits to which any Participant or Beneficiary may be entitled. All interpretations, determinations and decisions of the Committee shall be final, conclusive and binding on Participants and all other persons claiming any interest under the Plan, subject to the claims procedures set forth below. Actions of the Committee shall be made in a uniform and nondiscriminatory manner.

The Committee shall prepare and distribute information concerning the Plan to the Participants in such manner as it shall deem appropriate, including distribution not less than every two years of a summary plan description as required by Section 112.66, Florida Statutes. Employees and Participants may consult with the Committee on any matter relating to the Plan.

To enable the Committee to perform its functions, the Sponsor shall supply full and timely information on all matters relating to the compensation and employment of all Participants, their retirements, deaths or other causes of termination of employment, and any other pertinent facts required by the Committee.

A Participant applying for benefits shall complete the form(s) required by the Committee.

The Committee shall maintain accounts showing the fiscal transactions of the Plan and shall keep in convenient form such data as may be necessary for actuarial valuations with respect to the operation and administration of the Plan. At the request of the Sponsor, the Committee shall prepare a report annually showing in reasonable summary the financial condition of the Plan, giving a brief account of the operation of the Plan for the past Plan Year, and providing any further information that the Sponsor may require.

The Committee may adopt other rules and regulations as may be appropriate in performing its duties. The Committee shall be entitled to rely upon all tables, valuations, certificates, reports, advice and opinions furnished by the actuary, qualified public accountant, comptroller and attorney selected or approved by the Sponsor.

Subject to the provisions of the Trust Agreement, the Committee shall determine the manner in which funds shall be disbursed.

The Committee may authorize one or more of its members or any agent to make any payment in its behalf, or to execute or deliver any instrument, including a requisition for funds from the Trustee.

All Plan assets shall be held in trust for the exclusive benefit of Plan participants and shall be invested at the direction of the Committee acting in its capacity as Plan fiduciary.

The Committee generally fulfills the functions of the "plan administrator" and the "board" as those terms are defined in Section 112.625, Florida Statutes.

7.05 Responsibilities of the Trustee

The Trustee shall discharge its duties and responsibilities as set forth in the Trust Agreement.

7.06 Claims Procedure

(1) Initial Stage:

In the event the Committee denies a claim for benefits submitted by a Participant or Beneficiary ("Claimant"), the Committee shall provide adequate notice in writing to the Claimant within a reasonable time after receipt of the claim, setting forth, in a manner calculated to be understood by the Claimant, the following:

(a) specified reason(s) for the denial;

(b) specific reference(s) to Plan provisions on which the denial is based;

(c) a description of any materials or information necessary to perfect the claim and why they are necessary; and

(d) an explanation of the review procedure of the Plan.

(2) Appellate Stage:

A Claimant shall have 60 days to appeal a denial of a claim for benefits to the Committee. A Claimant or his duly authorized representative must request an appeal in writing to the Committee and shall be allowed to review pertinent documents and submit issues and comments in writing. The Committee shall afford the Claimant a full and fair review of the claim for benefits, and shall make a decision on review as promptly as possible, but in no event later than 60 days following the written request for review. The decision on review shall be in writing and shall include specific reasons for the decision and specific references to Plan provisions on which the decision is based, and shall be written in a mariner calculated to be understood by the Claimant.

SECTION 8

TRUST FUND AND TRUSTEE

8.01 Trust Fund

The assets of the Fund shall be administered by the Trustee in accordance with the provisions of the Trust Agreement. The Fund shall consist of all Employer and Participant Contributions to the Fund, as provided in Section 6, and earnings from investments.

8.02 Amendment of Trust Agreement

The Sponsor shall have the right at any time, by an instrument in writing duly executed, acknowledged and delivered to the Trustee, to modify, alter or amend the Plan and the Trust Agreement, in whole or in part; provided, however, that the duties, powers or liability of the Trustee shall not be substantially increased without its written consent. No amendment shall cause any part of the principal or income of the Fund to revert to the Sponsor, except as provided in Section 10.10.

8.03 Discontinuance of Trust Agreement

The Sponsor expressly reserves the right to terminate the Plan and Trust Agreement at any time. On termination of the Plan, in whole or in part, the Trustee shall, on instructions from the Committee, continue to administer the Fund until all benefits for affected Participants and their Beneficiaries have been provided, in accordance with Section 9.02. The Trust Agreement may then be terminated, and any remaining funds shall be deemed to be due to actuarial error in accordance with the Internal Revenue Service regulations and shall revert to the Employer.

SECTION 9

AMENDMENT AND TERMINATION OF THE PLAN

9.01 Amendment of the Plan

The Sponsor has the right at any time by action of JEA to amend any or all of the provisions of the Plan or terminate the Plan in its entirety; provided that no amendment shall authorize or permit any part of the Fund to be diverted for purposes other than for the exclusive benefit of Participants and their Beneficiaries. Also, no amendment shall cause any portion of the Fund to revert to the Employer, except such amounts as may remain in the Fund after termination of the Plan and after all liabilities under the Plan have been satisfied in accordance with Section 9.02.

Any Plan amendment that changes any vesting schedule under the Plan shall not reduce the nonforfeitable percentage of any Participant's Accrued Benefit (determined as of the later of the date such date such amendment is adopted or becomes effective). Any Plan amendment that eliminates an optional form of benefit will not be effective with respect to the Accrued Benefits of Participants as of the amendment effective date.

9.02 Termination of the Plan

(1) The Sponsor expects this Plan to be continued indefinitely but, of necessity, reserves the right by action of JEA to terminate the Plan and Contributions to the Plan at any time. In the event of the termination or partial termination of the Plan, the rights of all affected Participants to Accrued Benefits determined as of the date of such termination or partial termination, to the extent funded as of such date, shall be nonforfeitable. No such action shall alter the Plan or its operation with respect to Participants who have previously retired under this Plan, except as required under the partial plan termination rules under the Code.

(2) In the event of a dissolution, merger or consolidation without any provision being made for the continuance of the Plan, the Plan shall terminate, and the Trustee shall proceed in the manner herein provided.

(3) Upon receipt of written notice of termination, the Committee shall arrange for the Fund to be apportioned and distributed after preparing a list of Participants, showing for each, as of the date of Plan termination, the following:

(a) For each Participant and Beneficiary receiving payment of benefits, the amount and terms of such benefits.

(b) For each terminated Participant entitled to a deferred benefit, the amount, commencement date and terms of payment of such benefit.

(c) For each active Participant, the amount of his(her) Accrued Benefit.

(4) In the event of termination of the Plan, the Committee shall allocate the assets of the Fund among the applicable Participants and their Beneficiaries under the Plan in the following order:

Priority Class (A): The portion of Participants' Accrued Benefits that is derived from Participant Contributions.

Priority Class (B): In the case of benefits payable as an annuity, equally among Participants and Beneficiaries whose benefits were in pay status.

Priority Class (C): Equally among active Participants who are eligible for Normal Retirement but have not yet retired.

Priority Class (D): Equally among all other vested Accrued Benefits of both active and terminated Participants.

Priority Class (E): All other nonvested Accrued Benefits under the Plan.

The Committee shall distribute the assets of the Fund to provide in full the benefits in each priority class. If the assets are insufficient to provide the benefits in full for any class, such assets are to be allocated in full to provide such uniform percentage of benefits to the extent possible. Any residual assets of the Plan (after all liabilities of the Plan to Participants and their Beneficiaries have been satisfied) shall be returned to the Employer.

(5) On termination of the Plan, if the Sponsor establishes or participates in an appropriately qualified employee pension or annuity plan ("successor plan") for the benefit of Participants in this Plan who are or were Employees of the Sponsor, and the successor plan provides minimum benefits that are not less in value than the Plan Termination Benefits, then the Sponsor may elect to transfer the designated asset amounts to the successor plan.

SECTION 10

MISCELLANEOUS

10.01 Headings

The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of Plan provisions.

10.02 Construction

In the construction of this Plan, the masculine shall include the feminine and the singular the plural in all cases where such meanings would be appropriate.

10.03 Assignment and Alienation of Benefits

No benefits paid to a Participant or Beneficiary shall be subject to the claim of or any legal process of any creditor of the Participant or Beneficiary, except as provided under Section 10.04. No Participant or Beneficiary shall have any right to alienate, commute or assign any benefit distributions. If any Participant shall attempt to dispose of his(her) benefits or the right to receive such benefits, or in the event there should be an effort to seize such benefits or the right to receive such benefits by attachment, execution or other legal or equitable process, except as provided under Section 10.04, such a right may be transferred, at the discretion of the Committee, to the Beneficiary, if any, designated by the Participant, or to the spouse, children, or other dependents of the Participant, in such shares as the Committee may appoint. The Committee may revoke its appointment at any time and make further appointments, which may include the Participant.

10.04 Qualified Domestic Relations Order

The restrictions of Section 10.03, Assignment and Alienation of Benefits, shall not apply to a Qualified Domestic Relations Order ("QDRO") as defined in Code Section 414(p), and those other domestic relations orders permitted to be so treated by the Committee in accordance with the provisions of the Retirement Equity Act of 1984. Further, to the extent provided under a QDRO, a former spouse of a Participant shall be treated as the spouse or surviving spouse for all purposes of the Plan.

The provisions of the Plan shall be fully applicable to any alternate payee entitled to benefits pursuant to a QDRO, subject only to the express terms of such order. Copies of documents, announcements, descriptive materials and other general information given to or generally made available to Participants under the Plan which the Committee determines, in its sole discretion, would be applicable to or affect an alternate payee shall be furnished to the alternate payee.

With respect to the administration of the Plan as applied to alternate payees:

(1) None of the payments, benefits or rights of any alternate payee shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process or any other legal or equitable process available to any creditor of such alternate payee. No alternate payee shall have the right to alienate,

anticipate, commute, pledge, encumber or assign any of the benefits or payments to be received contingently or otherwise, under the Plan, and the provisions of Section 10.03 prohibiting the alienation or assignment of benefits by a Participant or his(her) beneficiary shall be fully applicable to every alternate payee under a QDRO.

(2) Alternate payees shall have the right to exercise any election, privilege, option or direction rights of a Participant under the Plan.

(3) Except as specifically provided for in a QDRO, an alternate payee shall have no right to interfere with the exercise by the Participant or by any beneficiary of their respective rights, privileges and obligations under the Plan.

10.05 Legally Incompetent
If any Participant or Beneficiary is a minor or, in the judgment of a court of competent jurisdiction, is otherwise legally incapable of personally receiving and giving a valid receipt for any payment due him(her), the Committee may, unless claim shall have been made by a duly appointed guardian, direct that the payments be made to such person's spouse, child, parent, brother or sister, or any other person who certifies in writing to the Committee that he(she) has assumed responsibility for the expenses of such Participant or Beneficiary.

10.06 Discrimination
The Sponsor, through the Committee, shall administer the Plan in a uniform and consistent manner with respect to all Participants and shall not permit discrimination in favor of officers, stockholders or highly paid Participants.

10.07 Forfeitures
Forfeitures arising from any cause shall not be applied to increase the benefits any Participant would otherwise receive. Forfeitures shall be applied to reduce the current or future year's Contributions.

10.08 Disappearance of Participant or Beneficiary
Should a Participant or Beneficiary receiving or entitled to receive benefits disappear and fail to respond within sixty (60) days to a written notice sent by the Committee by registered or certified mail, informing him(her) of the entitlement to receive benefits, the Committee may pay such benefits, or any portion thereof that the Committee determines to be appropriate, to the dependents of the Participant or Beneficiary, whichever is applicable, with regard to the needs of such dependents, until such Participant or Beneficiary is located or until such benefits have been paid in full, whichever occurs first.

10.09 Compliance with Applicable Laws
The Sponsor, through the Committee, shall interpret and administer the Plan in such manner that the Plan shall remain in compliance with Sections 401 and 501 of the Code and all other applicable laws, regulations and rulings.

10.10 Return of Plan Assets to the Sponsor

The assets of the Plan shall be held for the exclusive purpose of providing benefits to Participants and their Beneficiaries, and shall never be returned to the Sponsor except:

(1) where the contribution was conditioned on the initial qualification of the Plan by the Internal Revenue Service, such contribution may be returned within one year after the date of denial of qualification of the Plan;

(2) in accordance with Section 9.02;

(3) where the contribution was made by a mistake of fact, such contribution shall be returned within one year after payment of such contribution; or

(4) where the contribution was conditioned upon the deductibility of the contribution under the Code, such contribution, to the extent disallowed, may be returned upon request within one year of the denial.

10.11 Merger

In the event of any merger or consolidation of the Plan with any other Plan, or the transfer of assets or liabilities by the Plan to another Plan, each Participant shall be entitled to receive (assuming that the Plan then terminated) a benefit immediately after the merger, consolidation or transfer that is equal to or greater than the benefit such Participant would have been entitled to receive immediately before the merger, consolidation or transfer (assuming that the Plan had then terminated), provided such merger, consolidation or transfer took place after the Effective Date.

10.12 Not a Contract of Employment

The Plan shall not be deemed to constitute a contract between the Employer and any Participant or other person in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time, and to treat him(her) without regard to the effect such treatment might have upon him(her) as a Participant in the Plan.

10.13 Internal Revenue Service Approval

This Plan is made on the condition that the Plan shall be approved and qualified by the Internal Revenue Service as meeting the requirements of the Code and the regulations issued thereunder. In the event qualification is not obtained or cannot be obtained by amendment, this Plan shall become null and void and of no effect.

10.14 Indemnity

The Sponsor hereby agrees to assume liability for, and does hereby indemnify, protect, save and keep harmless each member of the Committee and his(her) respective successors and assigns from and against any and all liabilities, obligations, losses, expenses, damages, penalties, taxes, claims, actions, suits, costs, expenses or disbursements (including legal fees and expenses) of any kind and nature whatsoever that may be imposed on, incurred by or asserted against such member (whether or not such member is also indemnified by any other person) that in any way relate to or arise out of this Plan or the administration of the Plan or Fund, or the action or inaction of such member hereunder, except only in the case of willful misconduct or gross negligence on the part of such member in the performance of his(her) duties.

10.15 Adjustments

If, after benefits have become payable under this Plan, the Committee determines that the age, sex, period of service or any other relevant fact with respect to a Participant or Beneficiary has been misstated, the retirement annuity shall be adjusted to that which would have been payable on the basis of the facts. Any overpayment by the Fund, together with interest at the rate of five percent (5%) per year, shall be charged against any further payments to be made; any underpayment of prior payments, together with interest at the rate of five percent (5%) per year, will be paid in a single sum to the person entitled to receive such distribution.

10.16 Compliance Amendments

The Employer shall adopt appropriate amendments to the Plan document necessary to facilitate any collective bargaining agreement and to maintain compliance with the Internal Revenue Code provisions applicable to tax qualified governmental retirement plans, upon the recommendation of the Committee. No such compliance amendment shall vary the terms of either Tier One or Tier Two outlined in this Plan or any applicable Collective Bargaining Agreement, nor shall any such compliance amendment be interpreted or applied in a manner which reduces accrued benefits. Any proposed plan amendment shall be submitted to the Union and Employer in advance of its submission to the Board.

IN WITNESS WHEREOF, the Sponsor has caused this Plan to be duly executed as of the __________ day of ____________, 2016, but effective as of the 1st day of October 2015.

SPONSOR:

ST. JOHNS RIVER POWER PARK SYSTEM

BY:________________________________

ATTEST:____________________________

JEA Board Resolution No. 2016-02

RESOLUTION APPROVING THE ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN TRUST AGREEMENT AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2015

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan was subsequently amended and restated effective October 1, 2015, and is currently in effect; and

WHEREAS, Section 1.45 of the Plan provides that the Employer will appoint a Trustee to the Plan; and

WHEREAS, Section 8.01 of the Plan provides that all Employer and Participant contributions to the Plan will be held in a trust fund, and the assets of such trust fund will be administered by the Trustee for the Plan; and

WHEREAS, the Employer had previously appointed Wachovia Bank, National Association, to serve as Trustee with respect to the Plan pursuant to a Trust Agreement dated May 12, 2005 (the "Trust Agreement"); and

WHEREAS, Wells Fargo Bank N.A., as the successor-in-interest to Wachovia Bank, National Association pursuant to corporate combination, has been serving as trustee of the Trust; and

WHEREAS, the Employer desires to restate the Trust Agreement to formally name Wells Fargo Bank N.A. as Trustee, and to update the terms of the Trust Agreement for technical and operational compliance; and

WHEREAS, Section 8.02 of the Plan grants the authority to amend the Trust Agreement to the Employer; and

WHEREAS, the Employer's obligation and power to amend the Trust Agreement is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "St. Johns River Power Park System Employees' Retirement Plan Trust Agreement Amended and Restated Effective October 1, 2015" and its exhibits; and

WHEREAS, the JEA Board of Directors has reviewed the Trust Agreement and its exhibits and has been advised that all necessary prerequisites to adoption of the Trust Agreement and its exhibits have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts, the "St. Johns River Power Park System Employees' Retirement Plan Trust Agreement Amended and Restated Effective October 1, 2015" and its exhibits attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "St. Johns River Power Park System Employees' Retirement Plan Trust Agreement Amended and Restated Effective October 1, 2015" and its exhibits attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

St. Johns River Power Park System
Employees' Retirement Plan
TRUST AGREEMENT

Restated Effective: 10/01/2015

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ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN

TRUST AGREEMENT
(Directed Trustee)

This restated Trust Agreement is made and entered into effective as of October 1, 2015 for the St. Johns River Power Park System Employees' Retirement Plan (the "Plan") by and between St. Johns River Power Park System (the "Employer") and Wells Fargo Bank N.A. (the "Trustee").

WITNESSETH:

WHEREAS the Employer previously established the Plan related to this Trust Agreement; and

WHEREAS the Employer had previously appointed Wachovia Bank, National Association, to serve as trustee with respect to the Plan pursuant to a Trust Agreement dated May 12, 2005 (the "Trust"); and

WHEREAS, the Trustee, as the successor-in-interest to Wachovia Bank, National Association pursuant to corporate combination, has been serving as trustee of the Trust; and

WHEREAS, the Employer desires to restate the Trust, and Trustee desires to continue serving as trustee of the Trust in accordance with the terms of this restated Trust Agreement; and

WHEREAS, notwithstanding that the Plan is a governmental plan not subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Plan and Trust are subject to Florida law, including the Florida Protection of Public Employee Retirement Benefits Act, Part VII, Chapter 112, Florida Statutes ("Florida Act"), which incorporates and applies certain ERISA standards.

NOW, THEREFORE, in consideration of mutual covenants and agreements herein contained, the parties agree as follows:

ARTICLE I – GENERAL

Sec. 1.1 **Acceptance of Trust**. The Trustee accepts its continued appointment as such. Such continued trusteeship and the restated terms hereof shall be effective as of the date set forth above. The Trustee shall have no duties or responsibilities over any assets it has not received, or in the future does not receive.

Sec. 1.2 **Part of Plan**. This Trust forms a part of the Plan, and is used to fund benefits thereunder. The Employer warrants that it has furnished the Trustee with a true and correct copy of the Plan as currently in effect. The Employer agrees that promptly upon the adoption of any amendment to the Plan it will furnish the Trustee with a copy of the amendment and with appropriate evidence of its due adoption. No amendment of the Plan may change the rights, duties, and liabilities of the Trustee without its written consent. The Trustee may rely on the latest Plan documents in its possession without further inquiry or verification. If any provision of the Plan conflicts with any provision of the Trust, the provisions of the Trust shall control.

Sec. 1.3 **Participating Employers**. If the Plan provides that additional employers may participate in the Plan, and any such additional employers are actually covered by the Plan, the Employer and the other employers are referred to herein as the "Participating Employers." The Employer has the authority to act for all Participating Employers designated under the Plan, if any, with respect to the execution of this Trust Agreement. Any expenses connected with the operation or administration of the Trust Fund may be apportioned among the Participating Employers in any manner determined by the Employer in its discretion. All indemnifications herein, to the extent legally permissible, shall be made jointly and severally by the Participating Employers. Sec. 8.1 shall apply separately to each Participating Employer.

Sec. 1.4 **Certification of Fiduciaries and Administrator**. The Employer will certify to the Trustee the name of the entity(ies) or person(s) who has(have) the authority to direct the Trustee as to the investment of the Trust Fund, as provided in Sec. 4.3 (each is a Named Fiduciary with respect to the Plan and Trust), as well as the name of the person or persons who have the authority on behalf of the Employer to communicate with the Trustee with respect to any other matter relating to the Trust. The Employer acknowledges that it is an Administrator and a Named Fiduciary of the Plan within the meaning of ERISA and applicable Florida law, and the Trustee shall recognize the Employer in both such capacities unless and until receipt from the Employer of a certification evidencing the appointment of some other or additional entity or entities or person or persons as an Administrator and/or a Named Fiduciary. The Employer shall provide the Trustee with a specimen signature of each of the persons referred to above. The Trustee may rely on the latest relevant certification without further inquiry or verification.

Sec. 1.5 Construction and Applicable Law. This Trust is intended to constitute a qualified trust under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") and to be entitled to tax exemption under Section 501(a) thereof. The Trustee may assume, until advised to the contrary, that the Trust is so qualified and is entitled to such tax exemption. Although the Plan is a exempt governmental plan, it is also intended that this Trust be in full compliance with applicable requirements of ERISA, as certain ERISA requirements are incorporated by the Florida Act. This Trust Agreement shall be construed and administered consistent with such intent. It shall also be construed and administered according to the applicable laws of the state of Florida and applicable local laws and ordinances, to the extent that such laws are not preempted by the laws of the United States of America; and all controversies, disputes, and claims arising hereunder shall be submitted to the United States Federal District Court for the Middle District of Florida; provided, however, that if jurisdiction does not lie with the Middle District, the controversy shall be filed in the 4th Judicial Circuit, in and for Duval County, Florida. Capitalized terms, unless defined herein, shall have the same meaning as in ERISA.

ARTICLE II – TRUST FUND

Sec. 2.1 Composition. All property acceptable to the Trustee and received by it to be held in trust hereunder, together with all investments made and all earnings and accumulations thereon, shall continue to be held and administered by the Trustee, in trust, in a fund referred to herein as the "Trust Fund," in accordance with the terms and provisions hereof. The Trust Fund shall be held, administered, and disbursed by the Trustee without distinction between principal and income. Assets transferred from a predecessor trustee shall remain invested in the same investments, including in any equity securities of the Trustee, as the predecessor trustee had utilized unless a Named Fiduciary or Investment Manager directs the Trustee otherwise. Notwithstanding the preceding sentence, debt securities of the Trustee shall be disposed of as directed by a Named Fiduciary or Investment Manager unless such securities are held in an account managed by a qualified professional asset manager pursuant to prohibited transaction class exemption 84-14 or subject to another prohibited transaction exemption.

Sec. 2.2 Contributions. The Trustee shall accept and deposit cash received on behalf of the Trust (e.g., transfer from a prior Trustee, contributions, and loan repayments) upon written direction from the Employer or its authorized agent. The Trustee shall have no duty to require any contributions to be made to it, to determine that the contributions (including rollover contributions) received by it comply with the provisions of the Plan or with any resolution of the board of directors governing the Employer providing therefor, or to collect any contributions payable to it pursuant to the Plan. The Trustee shall be a directed trustee with respect to contributions pursuant to ERISA §403(a)(1) and the Administrator shall be the fiduciary responsible for directing the Trustee regarding any obligation to collect contributions. The responsibilities of the Trustee shall be limited solely to the property actually received by it.

ARTICLE III – TRUSTEE

Sec. 3.1 General Responsibility. The general responsibilities of the Trustee shall be as follows:

(a) Except as expressly otherwise provided herein, the entity designated by the Employer shall manage and control the assets of the Plan held in the Trust Fund, and the Trustee shall be subject to the directions of the Employer as Named Fiduciary or an Investment Manager, if applicable, at all times regarding the investments of the Trust Fund and other matters noted herein. Subject to such direction, The Trustee shall generally have all of the powers of owners with respect to securities or properties held in the Trust Fund and the Trustee shall have no authority or power to exercise discretion as to the selection and retention of investments of the Trust Fund or the acquisition or disposition of any portion of the Trust Fund. Such discretion and authority shall rest solely with the Named Fiduciary or the Investment Manager responsible for such investments. The Trustee shall not be liable for any losses incurred upon investments, provided the Trustee executes the directions of the Named Fiduciary or Investment Manager, as applicable, pursuant to the terms of the Trust.

(b) The Trustee shall hold, administer, invest and reinvest, and disburse the Trust Fund in accordance with the powers and subject to the restrictions stated herein.

(c) The Trustee shall disburse monies and other properties from the Trust Fund on direction of the Employer at the time or times to the payee or payees specified by the Employer in directions to the Trustee in such form as the Trustee may reasonably require. Such directions may also be issued by a recordkeeper for the Plan or other designee acting as agent for the Employer for this purpose. The Trustee shall be under no liability for any distribution made by it pursuant to such directions and shall be under no duty to make inquiry as to whether any distribution made by it pursuant to any such direction is made pursuant to the provisions of the Plan. The receipt by the payee shall constitute a full acquittance to the Trustee. The Trustee shall have no responsibility or liability to find Participants and Beneficiaries who have not claimed benefits due to them; such responsibility shall rest solely with the Employer, the Administrator, and/or other Named Fiduciaries, as applicable under the circumstances.

(d) The Trustee in its capacity as such shall have no responsibility or authority with respect to the operation and administration of the Plan, and the rights, powers and duties of the Trustee shall be governed solely by the terms of this Trust Agreement without reference to the provisions of the Plan, except for Plan provisions incorporated into, referred to by, or not inconsistent with, this Trust Agreement.

Sec. 3.2 Duties of Trustee. The Trustee shall discharge its duties with respect to the Trust solely in the interests of the Participants and Beneficiaries and for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan.

Sec. 3.3 Appointment of Ancillary Trustees and Custodians. The Employer may name an individual or corporate trustee as ancillary trustee of any property of the Trust Fund if the Trustee consents to the appointment. Naming of such ancillary trustee shall be subject to formal appointment thereof by the Employer. Any ancillary trustee so appointed shall have such rights, powers, discretion, responsibilities, and duties as are delegated to it in the instrument evidencing the appointment. Any such ancillary trustee shall be answerable to the Trustee for all monies, assets, or other property entrusted to it or received by it in connection with the administration of the Trust. The Employer may remove any such ancillary trustee and may appoint a successor at any time or from time to time as to any or all of the assets, in each case subject to formal appointment of the successor by the Employer. Any instrument designating an ancillary trustee may contain such provisions with respect to payment of income and principal to the Trust, payment of expenses with respect to ancillary trust property, termination of the ancillary trust, and administrative powers of the ancillary trustee as the Employer, in the exercise of its discretion, may deem appropriate and consistent with the provisions of this Trust Agreement. The Employer, with the Trustee's consent, may also direct the Trustee to utilize the services of a corporate custodian to maintain custody of all or a portion of the Trust Fund. The Trustee shall not be liable for any acts or omissions of any custodian appointed by the Employer and the Employer agrees to indemnify and hold the Trustee harmless, to the extent permitted by applicable law, against any liability arising out of the acts or omissions of any custodian that the Employer directs the Trustee to utilize.

Sec. 3.4 Compensation and Expenses. The Trustee shall receive reasonable compensation for services provided under this Trust Agreement as specified in the current Fee Schedule attached hereto as and incorporated herein as Exhibit "A", which Fee Schedule may be amended from time to time in the future by written agreement of the Employer and the Trustee. The Trustee shall be entitled to reimbursement for all reasonable and necessary costs, expenses, and disbursements incurred by it in the performance of such services. Such compensation and reimbursements, to the extent the Employer does not object to same in good faith within sixty (60) days of being notified of same, shall be paid from the Trust Fund if not paid directly by the Employer, and shall constitute a lien upon the Trust Fund until paid.

Sec. 3.5 Records and Accountings. The following provisions shall apply to the records and accounting for the Trust:

(a) The Trustee shall keep accurate records and accounts of all investments, receipts, and disbursements, and other transactions hereunder, and all records, books, and accounts relating thereto shall be open to inspection by any person designated by the Employer at all reasonable times. As soon as reasonably practicable following the close of each monthly, quarterly, and annual accounting period of the Trust, and as soon as reasonably practicable after the resignation or removal of a Trustee has become effective, the Trustee shall file with the Employer and with the Administrator a written or electronic account setting forth all investments, receipts, disbursements, and other transactions effected by it during such year, or during the part of the year to the date the resignation or removal is effective, as the case may be, and containing a description of all securities purchased and sold, the cost or net proceeds of sale, the securities and investments held at the end of such period, and the cost of each item thereof as carried on the books of the Trustee. If the fair market value of an asset in the Trust Fund is not available when necessary for accounting or reporting purposes, the fair value of the asset shall be determined in accordance with the Investment Policy Statement (described in Sec. 4.1 herein), subject to Section 112.661(17), Florida Statutes. The Trustee shall not be responsible for determining such fair value and shall be entitled to rely on the fair value determined by the Named Fiduciary with the statutory responsibility for such determination. If there is a disagreement between the Trustee and anyone as to any act or transaction reported in an accounting, the Trustee shall have the right to have its account settled by a court of competent jurisdiction.

(b) Upon the expiration of ninety (90) days from the date of filing such annual or other account, the Trustee shall be forever released and discharged, to the extent permitted by applicable law, from any liability or accountability to anyone with respect to the propriety of its acts or transactions shown in such account except with respect to any acts or transactions as to which the Administrator shall within such ninety-day period file with the Trustee a written statement claiming negligence, willful misconduct or lack of good faith on the part of the Trustee. With respect to alleged breaches under ERISA (and amendments thereto), the Trustee shall be entitled to rely upon the statutes of limitations set forth therein.

Sec. 3.6 Record Retention. The Trustee shall retain its records relating to the Trust as long as necessary for the proper administration thereof and at least for any period required by ERISA or other applicable law.

ARTICLE IV – INVESTMENTS

Sec. 4.1 General Scope of Trustee Powers. The Trustee shall have all powers necessary for the performance of its duties, and pursuant to directions of an entity or person(s) properly authorized to direct the Trustee, the Trust Fund may be invested in any securities and other property of whatsoever kind and nature that is an "authorized investment." For this purpose, an "authorized investment" is any investment which is described in the Plan's current Investment Policy Statement, a copy of which is attached hereto and incorporated herein as Exhibit "B", and which is in compliance with Section 112.661, Florida Statutes. The Investment Policy Statement may be amended from time to time. The Employer will cause a copy of any amendment or restatement of the Investment Policy Statement to be delivered to the Trustee. Subject to the foregoing, the Trustee shall have the following rights and powers:

(a) **To Carry Securities in Nominee Form.** To purchase, hold and carry investments for the Trust Fund in the name of the Trustee, or in the name of any nominee or nominees selected by the Trustee, without Trust designation in any such case.

(b) **To Vote Securities.** To execute and deliver, on behalf of the Trust, any vote or proxy or similar rights incident to ownership of any securities held by the Trust, provided that such securities shall be voted only to the extent and as directed (i) in the case of an Investment Account, by the Investment Manager for that account, or (ii) by a Named Fiduciary, or (iii) in all other cases, by the Employer. If no written voting directions from the applicable entity or individual are timely received by the Trustee, such security shall not be voted. For purposes of this Trust, "similar rights incident to ownership" shall include the tender of shares, exercise or sale of stock or subscription rights or conversion privileges, opposition or consent to join in any plan of reorganization, including becoming a member of any stockholder's or bondholder's committee, or acceptance of new securities issued pursuant to any plan of reorganization, liquidation, merger or consolidation, or any other corporate action.

(c) **To Segregate Funds for Proper Purposes.** To segregate any parts or portion of the Trust Fund in the investment selected by the Employer, a Named Fiduciary, or Investment Manager, as applicable, for ease of proper administration.

(d) **To Sue and Defend and Be Indemnified on That Account.** To institute or defend any proceedings at law or in equity concerning the Trust Fund or the assets thereof at the sole cost and expense of the Trust Fund, and except as provided below, to compromise, settle and adjust any claims or liabilities asserted by or against the Trust Fund or the Trustee on such terms and for such sums or amounts as the Trustee shall deem proper; provided, however, that any action initiated by the Trustee arising out of the investment of Plan assets shall be commenced only upon written directions of the Employer. The Employer shall also have the sole fiduciary responsibility to determine whether the Trust should participate as a class member in a class action lawsuit and hereby directs the Trustee to opt in to such classes unless the Employer notifies the Trustee otherwise. The Employer hereby indemnifies and holds the Trustee harmless, to the extent permitted by applicable law, against all expenses and liabilities which the Trustee may sustain or anticipate sustaining when instituting, maintaining, or defending any suit, action or other legal proceedings.

(e) **To Purchase, Sell or Otherwise Dispose of Assets as Directed.** To purchase, sell, exchange, or otherwise dispose of any investment of the Trust Fund, or of the several beneficial interests, but solely for such price and on such terms as the Employer, a Named Fiduciary, or Investment Manager, as applicable, may direct.

(f) **To Employ Agents, Servants and Attorneys**. With the consent of the Employer, to select and employ or retain such agents, servants, or attorneys as necessary or advisable in connection with the management and operation of the Trust herein created, and to pay reasonable fees, commissions, or salaries incurred on account thereof from the Trust as an expense of trust administration. Such consent of the Employer shall not be required if the Trustee reasonably determines that the transaction(s) giving rise to such engagement is adversarial in nature.

(g) **To Value Assets and the Trust Fund**.

(1) To determine, as of the last day of each Plan Year and on such additional dates as designated by the Plan, the fair market value of the assets of the Trust Fund which are publicly traded, as defined in Treas. Reg. §54.4975-7(b)(iv). The Trustee is directed to reflect Plan assets received through an in-kind transfer from a prior trustee in the Trust records of the Plan at the cost basis provided by the prior trustee and market value as of the date of transfer. The Trustee may rely on valuations provided to it from investment funds without undertaking an independent valuation of such funds. The Trustee

shall similarly determine the value of Trust assets invested in its or its affiliate's common or collective funds. The Administrator shall have the sole fiduciary responsibility to value all other Trust assets that are not publicly traded as defined above. The Administrator shall be responsible for hiring an independent appraiser to assist it in its valuation responsibilities to the extent required by law or the Plan, deemed prudent by the Administrator. The Administrator shall provide to the Trustee for the preparation of any trust reports the value of any assets over which it has valuation responsibility along with any additional information as requested. The Administrator may have a third party recordkeeper act as its agent to inform the trustee of the value of any asset over which it has valuation responsibility (e.g., loans). Any valuation made by the Trustee or Administrator in good faith shall be binding and conclusive upon all parties to the Plan and this Trust Agreement and upon all persons interested or who may become interested, directly, or indirectly, in the Trust hereby created.

(2) As a matter of convenience, the Trustee may include on its reports the value of assets for which it does not maintain custody (if any), including but not limited to investments in common or collective funds not administered by the Trustee, limited partnerships, and unregulated investment funds ("Special Investment"). The Trustee may account for a Special Investment by means of "mirror image" recordkeeping in order to include the Special Investment's value on a composite statement for the Plan that includes all of the Plan's other investments. The Employer directs the Trustee to report those assets solely as a recordkeeping item on the account statements. The Trustee is not responsible for the accuracy of the information provided by the asset's custodian or other source, and does not certify that any information provided by the custodian or other source is true or correct, notwithstanding any subsequent statement to the contrary regarding the Special Investment. The Employer agrees to indemnify and hold the Trustee harmless, to the extent permitted by applicable law, from any and all liability resulting from errors caused by inaccurate reporting, failure of the asset's custodian to provide accurate information, and other errors and omissions related to the information supplied to the Trustee by the asset's custodian or other reporting source.

(h) **To Distribute Beneficial Interests**. To pay to Participants or their designated Beneficiaries all or a portion of the Participants' beneficial interests in the Plan at the direction of the Administrator, and to withhold and pay any taxes due to the proper taxing authority as required by law.

(i) **To Pay Fees and Expenses**. To pay from the Trust Fund all costs, fees, expenses, taxes, and other charges and expenses of administration and distribution of the Trust Fund, including the Trustee's own fees, to the extent such amounts are not paid directly by the Employer, but only if the Employer has not objected in good faith to same within 60 days of being notified of same. The Trustee shall further be entitled to reimburse itself for or on account of any such item of disbursement from the Trust Fund from time to time. To the extent not paid by the Employer, the Trustee's fees shall constitute a lien upon the Trust Fund until paid, and the Employer hereby authorizes the Trustee to deduct any trustee's fees that are 60 days or more past due and to which the Employer has not objected in good faith within 60 days of being notified of such fees.

(j) **To Hold and Deposit Funds**. To hold uninvested such cash funds as is reasonably necessary during the period of time in which a benefit distribution or other check is outstanding, an investment transaction is pending, or any similar transaction is in progress, or as directed by the Employer or its designee to meet the anticipated cash requirements of the Plan from time to time, and to deposit such funds or any part thereof, either separately or together with other trust funds under the control of the Trustee in its own deposit department or to deposit the same in its name as Trustee in such other depositories as the Employer may direct, without incurring liability for payment of interest thereon, notwithstanding that the Trustee or a related entity may directly or indirectly benefit from any float that accrues, all in accordance with usual and customary banking and fiduciary practices. The Employer acknowledges and approves that any such float shall constitute part of the Trustee's compensation for its services and is in addition to the fees and expenses charged directly to the Employer or the Plan by the Trustee and its affiliates.

(k) **To Provide Ancillary Services**. With the Employer's consent, to provide ancillary services to the Trust for not more than reasonable compensation.

(l) **To Use Collective Trust Funds as Directed**. Solely pursuant to directions of an individual or entity authorized to direct the Trustee, to invest in any collective investment fund or funds, including common and group trust funds, which consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts qualified and tax exempt under the Internal Revenue Code of 1986, including any such fund or funds presently in existence or hereafter established, and which are maintained by a bank or trust company supervised by a state or federal agency, notwithstanding that the bank or trust company is the Trustee, Agent, or is otherwise a party in interest of the Plan, including Wells Fargo Bank, N.A. or an affiliate of Wells Fargo Bank, N.A. The assets so invested shall be subject to all the provisions of the instruments establishing such funds as they may be amended from time to time. Such instruments of group trusts as they may be amended from time to time are hereby incorporated and made a part of the governing Plan documents as if fully set forth therein. The combining of money and other assets of the Trust with money and other assets of other qualified trusts in such fund or funds is specifically authorized.

(m) **To Invest in Mutual Funds.** Solely pursuant to directions of an individual or entity authorized to direct the Trustee, to invest in shares of any registered investment company whether or not the Trustee or any of its affiliates is an advisor to, or other service provider to, such company and receives compensation from such company for the services provided.

(n) **Reserved**.

(o) **To Rely upon Instructions and Documents**. To rely in good faith upon written and oral instruction received from the Employer, a Named Fiduciary, or Administrator, and any other person or entity that the Trustee determines in good faith to have the authority to act on behalf of the Employer, a Named Fiduciary, or Administrator, without duty to inquire further as to the facts or other information provided it.

(p) **To Invest in Life Insurance.** To invest in life insurance policies on the lives of Participants, but only if authorized by both the Plan and applicable law and only as directed by the Administrator.

Sec. 4.2 Appointment of Investment Manager. The Employer may appoint one or more parties that are registered as investment advisers under the Investment Advisers Act of 1940, banks, or insurance companies to serve as an Investment Manager (as defined by reference to ERISA). The appointment of any such Investment Manager and investment of the Trust Fund pursuant to such appointment shall be subject to the following, notwithstanding any provisions of this Trust Agreement to the contrary:

(a) Written notice of each such appointment shall be given to the Trustee a reasonable time in advance of the effective date of the appointment. Such notice shall state what portion of the Trust Fund is to be invested by the Investment Manager and shall direct the Trustee to segregate such portion of the Trust Fund into a separate account for such Investment Manager. Each such separate account is referred to as an “Investment Account.”

(b) The Trustee shall not act on any direction or instruction of the Investment Manager until the Trustee has been furnished with an acknowledgment in writing by the Investment Manager that it is a fiduciary with respect to the Plan.

(c) There shall be a written agreement between the Employer and each Investment Manager. The Employer shall provide the Trustee with evidence of the appointment of the Investment Manager.

(d) Among other matters, each such agreement with an Investment Manager shall provide that:

(1) all directions given by an Investment Manager to the Trustee shall be in writing, signed by an officer or partner of the Investment Manager or by such other person as may be designated in writing by the Investment Manager. Directions given electronically shall be deemed to be “in writing.”

(2) all settlement of purchases and sales shall be in the city where the Trustee is located, or such other place as the Trustee may direct;

(3) the Trustee is to retain title to all assets included in an Investment Account, as well as physical custody of such assets unless otherwise agreed to in writing; and

(4) the Employer, by written notice to the Investment Manager and the Trustee, may modify or terminate the authority of the Investment Manager.

(e) Payment of the cost of the acquisition, sale, or exchange of any security or other property for an Investment Account shall be charged to that Investment Account unless the agreement between the Employer and Investment Manager provides otherwise.

(f) So long as the appointment of an Investment Manager is in effect, the Investment Manager shall have full power, discretion, and authority to direct the Trustee as to, and full responsibility for, investment of its Investment Account and for the retention and disposition of any assets at any time included in its Investment Account. The Investment Manager may direct the Trustee to invest in equity securities of the Trustee or collective or mutual funds that hold equity securities of the Trustee. The Investment Manager may also direct the Trustee to invest in debt securities of the Trustee if the Investment Manager qualifies as a qualified professional asset manager under prohibited transaction class exemption 84-14 or satisfies another prohibited transaction exemption.

(g) The Investment Manager shall direct the Trustee with respect to the tendering, voting, and other appurtenant rights applicable to all stocks and other securities in the Investment Account.

(h) The Trustee shall make available to an Investment Manager copies of or extracts from such portions of its accounts, books, or records relating to the Investment Account of such Investment Manager as necessary or appropriate in connection with the exercise of the Investment Manager's function, or as the Employer may direct.

(i) All charges (other than those covered in subsection (e) hereof) against each Investment Account shall be made in such proportions as the Employer may direct from time to time.

(j) If the authority of an Investment Manager is terminated and a successor Investment Manager is not appointed, the Employer shall assume investment discretion and responsibility over the assets held in an Investment Account and the Investment Account shall be treated as a Named Fiduciary Account under Sec. 4.3. Until receipt of written notice of the termination of the authority of an Investment Manager, the Trustee shall be fully protected in assuming the continuing authority of such Investment Manager.

(k) Any direction by an Investment Manager shall be complete as to the terms with respect thereto, and the Trustee shall have no obligation whatsoever to invest or otherwise manage any asset of an Investment Account.

(l) An Investment Manager shall be entitled to receive such reasonable compensation for its services as may be agreed upon with the Employer. Such compensation shall be paid from the Trust Fund if not paid directly by the Employer. The Trustee shall not be responsible for determining the reasonableness of any compensation to be paid to an Investment Manager.

(m) The Employer agrees to indemnify the Trustee for and to hold it harmless, to the extent permitted by applicable law, against any and all liabilities, losses, costs, or expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against the Trustee at any time by reason of actions taken in accordance with directions of an Investment Manager or action omitted because no such directions are given.

Sec. 4.3 Directions of a Named Fiduciary. The Employer shall have authority to direct the Trustee as to, and shall be the Named Fiduciary with respect to, the investment and reinvestment of all of the Trust Fund; provided, however, that the Employer may appoint one or more additional Named Fiduciaries that shall have authority to direct the Trustee as to the investment and reinvestment of all or a part of the Trust Fund. The Trustee shall have no responsibility or authority to invest or reinvest any portion of the Trust Fund. The Named Fiduciary may direct the Trustee to invest in equity securities of the Trustee or collective or mutual funds that hold equity securities of the Trustee. The designation of a Named Fiduciary by the Employer and the investment of the Trust Fund pursuant to a direction by a Named Fiduciary shall be subject to the following, notwithstanding any provisions of this Trust Agreement to the contrary:

(a) If the Employer appoints another Named Fiduciary, written notice of each such appointment shall be given to the Trustee a reasonable time in advance of the effective date of the appointment. Such notice shall state what portion of the Trust Fund is to be invested by the Named Fiduciary and shall direct the Trustee to segregate such portion of the Trust Fund into a separate account for such Named Fiduciary. Each such separate account is referred to in this section as a "Named Fiduciary Account."

(b) All directions given by a Named Fiduciary to the Trustee shall be in writing, signed by the duly authorized person or persons as evidenced by a certificate furnished pursuant to Section 1.4 hereof. Directions given electronically shall be deemed to be "in writing."

(c) All settlement of purchases and sales are to be in the city where the Trustee is located, or such other place as the Trustee may direct.

(d) In all events the Trustee is to retain physical custody of or title to all assets comprising a Named Fiduciary Account.

(e) The Employer, by written notice to the other Named Fiduciary and the Trustee, may terminate the authority of a Named Fiduciary as to investments.

(f) Payment of the cost of the acquisition, sales, or exchange of any security for a Named Fiduciary Account shall be charged to such Account.

(g) So long as the appointment is in effect of a Named Fiduciary who has authority to direct the Trustee as to investment of a Named Fiduciary Account, the Named Fiduciary shall have full power and authority to direct the Trustee as to, and full responsibility for, investment of its Named Fiduciary Account and for the retention and disposition of any assets at any time included in its Named Fiduciary Account.

(h) The Named Fiduciary shall direct the Trustee with respect to voting, tender, and other appurtenant rights on all stocks and other securities in a Named Fiduciary Account.

(i) The Trustee shall make available to a Named Fiduciary copies of or extracts from such portion of its accounts, books, or records relating to the Named Fiduciary Account of such Named Fiduciary as necessary or appropriate in connection with the exercise of the Named Fiduciary's function, or as the Employer may direct.

(j) All charges (other than those covered in subsection (f) above) against each Named Fiduciary Account shall be made in such proportions as the Employer may direct from time to time.

(k) If the authority of a Named Fiduciary is terminated and a successor Named Fiduciary is not appointed, the Employer shall assume investment discretion and responsibility over the assets held in a Named Fiduciary Account. Until receipt of written notice of the termination of the authority of a Named Fiduciary, the Trustee shall be fully protected in assuming the continuing authority of such Named Fiduciary.

(l) Any direction by a Named Fiduciary shall be complete as to its terms, and the Trustee shall have no obligation whatsoever to invest or otherwise manage any assets of a Named Fiduciary Account.

(m) If the fair market value of an asset in a Named Fiduciary Account is not available when necessary for accounting and reporting purposes, the fair value of the asset shall be determined in good faith by the Administrator, assuming an orderly liquidation at the time of such determination.

(n) The Trustee shall not be liable for any action it takes or refrains from taking in accordance with proper directions of the Employer or any of its authorized agents (including delegates and appointees). The Trustee shall not be required to pay interest on any portion of the Plan assets held in the Trust that is held un-invested at the direction of the Employer or any of its authorized agents (including delegates and appointees). The Employer shall fully indemnify the Trustee and hold it harmless, to the extent permitted by applicable law, from loss or liability, including reasonable legal fees and costs, which the Trustee sustains in discharging its duties and responsibilities under this Trust Agreement, unless such loss or liability results from the Trustee's violation of the terms of this Trust Agreement or violation of applicable law.

Sec. 4.4 No Directions by Participants and Beneficiaries. The Plan does not allow Participants and/or Beneficiaries to direct the investment of any Plan accounts or any portion of the Trust Fund.

Sec. 4.5 No Loans to Participants. The Plan does not authorize loans to Participants.

Sec. 4.6 No Employer Securities. There are no Employer securities held in the Trust nor shall there be any Employer securities held in the Trust in the future.

ARTICLE V – CO-TRUSTEES

Sec. 5.1 Co-trustee. The Trustee shall be the sole trustee under this Trust Agreement. If another entity (including all persons, corporate or individual) is appointed by the Employer as a trustee of the Plan, the Trustee and the other entity shall not be considered co-trustees. Rather, each trustee shall be solely responsible for the assets it possesses and for purposes of allocating fiduciary responsibility and liability, the Trust Fund shall be considered as two separate trusts, each governed solely by the trust agreement applicable to that portion of the overall Trust Fund. If any assets of the Trust are to be transferred to another trustee, before the appointment of any such entity shall be effective, the Trustee shall be furnished with written evidence satisfactory to it of the appointment of such person as a trustee and of such entity's acceptance of the trusteeship. The Employer shall be responsible for notifying any trustee of the termination of another trustee and for redistributing the Trust Fund among the remaining trustees or any successor trustee.

Sec. 5.2 Bonding. Any individual appointed as Trustee hereunder shall give such bond for the faithful performance of duty hereunder as the Employer shall require. The premium therefore shall be paid from the Trust Fund if not paid directly by the Employer.

ARTICLE VI – CHANGE IN TRUSTEE

Sec. 6.1 Resignation. The Trustee may resign at any time by giving one hundred twenty (120) days' advance written notice to the Employer, or such shorter period of time as may be mutually agreed upon by the Employer and the Trustee.

Sec. 6.2 Removal. The Employer may remove any Trustee by giving sixty (60) days' advance written notice to the person being removed, or such shorter period of time as may be mutually agreed upon by the Employer and the Trustee.

Sec. 6.3 Successor. In the event of the resignation or removal of a Trustee, the Employer shall promptly appoint a successor within no less than forty-five (45) days of the date of the notice of resignation or removal or within such shorter period of time as may be required to prevent a vacancy in the position of trustee; if no appointment of a successor is made by the Employer within a reasonable time after resignation or removal of the Trustee, either the Trustee or the Employer may petition any court of competent jurisdiction on an emergency basis to appoint a successor, after such notice, if any, solely to the Employer and the retiring or removed Trustee, as such court may deem proper and suitable. The retiring or removed Trustee shall be furnished with written notice from the Employer or the court, as the case may be, of the appointment of the successor, and shall also be furnished with written evidence of the successor's acceptance of the trusteeship.

Sec. 6.4 Duties on Succession. Every successor trustee accepting a trusteeship under this Trust Agreement shall have all the right, title, powers, duties, exemptions, and limitations of the Trustee hereunder. No predecessor trustee shall have any right, title, or interest in the Trust Fund except as hereinafter provided in the case of the replacement of a sole trustee. If a trustee being replaced is then the sole trustee hereunder, such trustee shall, upon the appointment and acceptance of a successor trustee, transfer and deliver the assets of the Trust Fund to the successor, after reserving such reasonable amount as it shall in good faith deem necessary to provide for its anticipated final fees and expenses and any sums chargeable against the Trust Fund for which it may be liable. Any predecessor trustee shall do all acts necessary to vest title of record in the successor trustee. The Trustee shall not be in any way liable or responsible for anything done or omitted to be done by any trustee prior the Trustee's acceptance of the trusteeship, nor shall the Trustee have any duty to examine the administration of the Trust prior to such acceptance. If the Trustee is a successor trustee, the Trustee may retain all existing investments of the Trust, including any securities of the Trustee which were held by the predecessor trustee, unless directed otherwise by the Employer. The Employer shall indemnify and hold the Trustee harmless, to the extent permitted by applicable law, for any liability arising out of the acts or omissions of any predecessor trustee.

Sec. 6.5 Changes in Organization of Trustee. If any corporate trustee acting hereunder is merged with another corporation or association, or is succeeded by another corporation or association, through consolidation or otherwise, the acquiring corporation or association shall thereupon become Trustee hereunder. When authorized by statute or court order any corporate trustee acting hereunder may permit itself to be succeeded as such corporate trustee by another corporation or association in which case the acquiring corporation or association shall thereupon become Trustee hereunder. In each case the acquiring corporation or association shall be Trustee of the Trust as though specifically so named herein. Notwithstanding the foregoing provisions of this section, an acquiring corporation or association shall become Trustee hereunder only if it has trust powers and is formed under the laws of the United States of America or any subdivision thereof.

ARTICLE VII – MISCELLANEOUS

Sec. 7.1 **Benefits May Not Be Assigned or Alienated.** Except as otherwise expressly permitted by the Plan or by law, the interests of persons entitled to benefits under the Plan or this Trust Agreement may not in any manner whatsoever be assigned or alienated, whether voluntarily or involuntarily, or directly or indirectly.

Sec. 7.2 Uncashed Payments. In the event that any payment or disbursement is made from the Trust pursuant to Section 3.1(c) and such payment or disbursement is not presented for payment for a period of no less than six (6) months following the date of issue, the Trustee may redeposit the funds in the Trust unless otherwise directed by the Administrator. Any benefit of a Participant or Beneficiary that is redeposited shall be forfeited; provided that such benefit, unadjusted for earnings or losses, shall be reinstated if a claim is made by the Participant or Beneficiary for the forfeited benefit. In such event, the Administrator shall be responsible for tracking the amount of the benefit and the source of the funds to be applied to the reinstated benefit, whether from current forfeitures, earnings or additional contributions to the Trust.

Sec. 7.3 Incompetent Payee. If in the opinion of the Administrator a person to whom the Trustee is directed to make one or more payments is disabled from caring for his or her affairs because of mental condition, physical condition, or age, the Administrator may direct that payment due such person be made to such person's guardian, conservator, or other legal personal representative, including under a Uniform Transfer or Gifts to Minors Act or similar law, upon furnishing the Administrator with evidence satisfactory to the Administrator of such status. Prior to the furnishing of such evidence, the Trustee may be directed by the Administrator to make payments due the person under disability, for such person's use and benefit, to any person or institution then in the opinion of the Administrator caring for or maintaining the person under disability. The Trustee shall have no liability with respect to payments so made. The Trustee shall have no duty to make inquiry as to the competence of any person to whom it is directed to make payment.

Sec. 7.4 Evidence. Evidence required of anyone under this Trust Agreement may be by certificate, affidavit, document, or other instrument which the person acting in reliance thereon considers to be pertinent and reliable, and to be signed, made, or presented by the proper party.

Sec. 7.5 **Written Direction.** If a provision of this Trust Agreement requires that a communication or document be provided to the Trustee in writing or written form, that requirement may also be satisfied by a facsimile transmission, electronic mail or other electronic transmission of text (including electronic records attached thereto), if the Trustee reasonably believes such communication or document has been signed, sent or presented (as applicable) by any person or entity authorized to act on behalf of the Employer or Administrator. If this Trust Agreement requires that a communication or document be signed, an electronic signature satisfies that requirement. Any electronic mail or other electronic transmission of text will be deemed signed by the sender if the sender's name or electronic address appears as part of, or is transmitted with, the electronic record. The Trustee will not incur any liability to anyone resulting from actions taken in good faith reliance on such communication or document. Nor shall the Trustee incur any liability in executing instructions from any person or entity authorized to act on behalf of the Employer or Administrator prior to receipt by it of notice of the revocation of the written authority of such person or entity.

Sec. 7.6 Dealings of Others with Trustee. No person (corporate or individual) dealing with the Trustee shall be required to see to the application of any money paid or property delivered to the Trustee or to determine whether the Trustee is acting pursuant to any authority granted to it under this Trust Agreement.

Sec. 7.7 Audits. The Employer shall have the right to cause the books, records, and accounts of the Trustee that relate to the Plan to be examined and audited by auditors designated by the Employer at such times as the Employer may determine, and the Trustee shall make such books, records, and accounts available for such purposes at all reasonable times.

Sec. 7.8 **Trustee Warranty Against Conviction.** A person accepting trusteeship hereunder warrants that such person has not been convicted of or imprisoned for a crime preventing such person under the provisions of ERISA or other applicable law from serving as Trustee hereunder.

Sec. 7.9 **Corporate Change and Litigation.** The Employer will timely notify the Trustee of any change in corporate structure or collective bargaining agreements that may have impact on the Plan. In addition, the Employer will notify the Trustee of any pending significant litigation against the Plan or any fiduciary to the Plan, and disclose the details of such litigation to the Trustee in a timely fashion.

Sec. 7.10 Successors. The provisions of this Trust Agreement shall be binding on the Employer and its successors. If a successor to the Employer or a purchaser of all or substantially all of the Employer's assets elects to continue the Plan, such successor or purchaser shall be substituted for the Employer under this Trust Agreement.

Sec. 7.11 Waiver of Notice. Any notice required under this Trust Agreement may be waived by the person entitled thereto.

Sec. 7.12 Headings. Headings at the beginning of articles and sections are for convenience of reference, shall not be considered a part of this Trust Agreement, and shall not influence its construction.

Sec. 7.13 **Use of Compounds of Word "Here".** Use of the words "hereof", "herein", "hereunder", or similar compounds of the word "here" shall mean and refer to the entire Trust Agreement unless the context clearly indicates otherwise.

Sec. 7.14 Construed as a Whole. The provisions of this Trust Agreement shall be construed as a whole in such manner as to carry out the provisions thereof and shall not be construed separately without relation to the context.

Sec. 7.15 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed an original. Such counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by any one counterpart.

Sec. 7.16 **Fees Paid to Trustee and Affiliates.** The Employer, in its fiduciary capacity, acknowledges that the Trustee and its affiliates may receive, directly or indirectly, fees and expenses from mutual funds in which the Plan is invested and from the investment advisers and service providers of such funds. Such fees and expenses are in addition to the fees and expenses charged directly to the Employer or the Plan by the Trustee and its affiliates. The adoption of this restated Trust Agreement by the Employer shall constitute the Employer's approval of such additional fees and expenses, provided that the Employer had, prior to the payment of such fees and expenses, received a current prospectus for the mutual funds and a disclosure of the fees charged directly to the Employer or Plan by the Trustee and its affiliates.

Sec. 7.17 Information Exchange and Security. The Trustee shall reasonably rely on the information provided by the Employer and its authorized agent in performing its duties in this Trust Agreement. Any confidential or sensitive information must be exchanged between the Trustee and the Employer in a secure manner that is acceptable to the Trustee and the Employer with respect to information security. Both parties agree to comply with all applicable laws and conform to generally accepted information security standards for the processing of Employer and participant information, and to work cooperatively in addressing any issues regarding the security and safekeeping of such information. The Employer acknowledges that timely receipt of appropriate information is a prerequisite to the performance of the Trustee's duties under this Trust Agreement. The Employer agrees to promptly and securely provide any information reasonably requested by the Trustee to enable the fulfillment of its responsibilities under this Trust Agreement, and to sign certifications and other documentation related to the responsibilities expressed in this Trust Agreement. The Trustee shall have no obligation to perform any of the services described in or contemplated by this Trust Agreement, unless and until a reasonable time after all information it reasonably may request has been provided by the Employer or its authorized agent.

Sec. 7.18 Force Majeure. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible or liable for any losses to the Trust Fund resulting from any event beyond the reasonable control of the Trustee, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, eminent domain or similar extraordinary action by any governmental authority; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Trust's property; or the breakdown, failure or malfunction of any utility, telecommunication, or computer systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or poor or incomplete data provided by the Employer; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event.

ARTICLE VIII – AMENDMENT AND TERMINATION

Sec. 8.1 No Diversion. The Trust Fund shall be for the exclusive purpose of providing benefits to Participants under the Plan and their Beneficiaries and defraying reasonable expenses of administering the Plan. Such expenses may include premiums for the bonding of Plan officials, if applicable, as described in ERISA. No part of the corpus or income of the Trust Fund may be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries or payment of Plan expenses, and no amendment shall be effective if it causes such diversion. Notwithstanding the foregoing:

(a) If any contribution or portion thereof is made by the Employer by a mistake of fact, the Trustee shall, upon written direction of the Employer, return such contribution or portion thereof to the Employer within one year after the payment of the contribution to the Trustee. However, earnings attributable to such contribution or portion thereof shall not be returned to the Employer but shall remain in the Trust Fund, and the amount returned to the Employer shall be reduced by any losses attributable to such contribution or portion thereof.

(b) Contributions by the Employer are conditioned upon initial qualification of the Plan under Code Section 401(a). If the Plan receives an adverse determination letter from the Internal Revenue Service with respect to such initial qualification, the Trustee shall, upon written direction of the Employer, return the amount of such contribution to the Employer within one year after the date of denial of qualification of the Plan; provided, however, that the application for qualification must have been submitted to the Internal Revenue Service by the time prescribed by law. For this purpose, the amount to be so returned shall be the contributions actually made, adjusted for the investment experience of, and any expenses chargeable against, the portion of the Trust Fund attributable to the contributions actually made.

(c) Contributions by the Employer are conditioned upon the deductibility of each contribution under Code Section 404 to the extent applicable. To the extent the deduction is disallowed, the Trustee shall, upon written direction of the Employer, return such contribution to the Employer within one year after the disallowance of the deduction. However, earnings attributable to such contribution (or disallowed portion thereof) shall not be returned to the Employer but shall remain in the Trust Fund, and the amount returned to the Employer shall be reduced by any losses attributable to such contribution (or disallowed portion thereof).

In the case of any such return of contributions, the Employer shall cause such adjustment to be made for the benefit of Participants as it determines to be fair and equitable under the circumstances.

Sec. 8.2 Amendment. Subject to the provisions of Sec. 8.1 hereof, this Trust Agreement may be amended at any time or from time to time and in any manner by a written agreement of the Trustee and the Employer, in the case of a corporation, by action of the governing board of directors or by an officer duly authorized to make such an amendment by action of the governing board of directors, which specifically states that it is an amendment of this Trust Agreement. The provisions of any such amendment may be made applicable to the Trust Fund as constituted at the time of the amendment as well as to the part of the Trust Fund subsequently acquired.

Sec. 8.3 **Termination of Plan**. If the Plan is terminated, this Trust shall nevertheless continue in effect until the Trust Fund has been distributed in accordance with the provisions of the Plan pursuant to directions under Sec. 3.1(c) hereof.

Sec. 8.4 **Transfer to Other Funding Agency**. If pursuant to directions under Sec. 3.1(c) hereof the entire Trust Fund is transferred to a funding agency for the Plan that is not a Trustee, this Trust shall thereupon terminate.

IN WITNESS WHEREOF, the Employer and the Trustee have caused this restated Trust Agreement to be executed by their duly authorized officials, effective as of the day and year above written.

St. Johns River Power Park System (the "Employer")

By: ___________________________________

Print Name: ____________________________

Print Title: _____________________________

And by: _______________________________

Print Name: ____________________________

Print Title: _____________________________

WELLS FARGO BANK, N.A.

By: ___________________________________

Print Name: ____________________________

Print Title: _____________________________

And by: _______________________________

Print Name: ____________________________

Print Title: _____________________________

Exhibit "A"

Fee Schedule

Exhibit "B"

Investment Policy Statement
for the
St. Johns River Power Park System Employees' Retirement Plan

IMAGE DOCUMENT	
Acct #	2552
Doc #	33
Doc Date	7-1-09
Notes	

Wachovia Bank, National Association
Benefit Services
Fee Agreement
for

St Johns River Power Park System Employees Retirement Plan

A copy of the Wachovia printed Fee Schedule is attached and Employer acknowledges receipt of such. Wachovia shall be paid the fees that are set forth herein and in the attached Fee Schedule in effect at the time such services are rendered. Unless fees are paid by the Employer, such payment shall be made by the Plan and Wachovia may deduct fees due for services rendered directly from the Plan assets. Fees for services rendered shall be payable upon presentation of invoices by Wachovia and shall be subject to late payment penalties as provided in said Fee Schedule. Past due fees may be deducted from the Plan assets. Wachovia retains the right to revise its fee schedule from time to time.

Fees are calculated monthly on the basis of actual market value of the Plan assets on the last day of the month at one-twelfth the applicable rates set forth on the Fee Schedule.

Employer acknowledges that it has reviewed the fees to be paid for the services rendered under this Agreement and finds those fees to be reasonable.

Employer agrees that all non-public information relating to Wachovia and the services to be provided by Wachovia to the Plan, including the fees and other financial arrangements described herein, shall remain confidential, and shall not be disclosed by Employer to any third parties without the prior written consent of Wachovia, except as may be required by law or an order of a court, governmental agency or regulatory body.

Employer shall also be liable for all Plan-related out-of-pocket expenses. These expenses will include, but are not limited to, expenses relating to the services provided by Wachovia such as postage, telephone charges, and travel expenses.

In the event that full payment is not made when due, Wachovia reserves the right to withhold services from Employer until such payment is made.

See the Funding Policy/Short Term Investment Agreement/Investment Authorization and Agreement and Disclosure Statement, published Fee Schedules and fund prospectuses for additional charges on assets that are invested in mutual funds.

Attached to this Agreement are the currently published fee schedules.

Wachovia Bank, National Association

By: Mary Lou Dixon

Title: Vice President

St Johns River Power Park System

By: Bill Hagman

Title: Director Employee Services

By: Jerry McMullen

Title: Mgr Payroll + Benefit Services

July 1, 2009
Date Fee Commences

Wachovia Traditional 7/2005

WACHOVIA

TRADITIONAL DIRECTED TRUSTEE FEE SCHEDULE

Asset-Based Charges
- First $10 million at 12.5 basis points
- Next $20 million at 7.5 basis points
- Next $70 million at 5 basis points
- Over $100 million will be negotiated

Account Charges
- Annual Account Base Fee — $500 per account over one

Activity Charges
- Transaction Fee:
  - Book entry buy, sale, maturity — $10 per transaction
  - Physical buy, sale, maturity — $15 per transaction
  - Mortgage back pay down — $10 per pay down

All accounts will be subject to a minimum annual fee for the above services of $20,000

Cash Management Services
- Daily investments in sweep vehicles are made in Evergreen Money Market Mutual Funds as directed in the Investment Authorization and Agreement. For applicable charges please read prospectus. For non-Evergreen Money Market Funds a charge of 30 basis points will be applied to balances invested.

Ancillary Fees

Plan Distribution / Tax Reporting
- Monthly or Periodic Distributions (per distribution) — $2 plus postage
- Non-Periodic Distributions
  - Cash — $20 plus postage
  - In Kind Stock — $30 plus postage
- Plan Expense Payments — $10 plus postage
- Outgoing Wire Transfers/Deposits (except direct deposits, GIC and Mutual Fund Investments) — $25
- Stop-payment Charge — $20

Reporting
- Standard reporting
  - Accrual Accountings Based on Valuation Frequency — No Charge
  - Quarterly Transactions and Assets Statements — No Charge

Account Maintenance — $75 per ledger

Plan Termination or Transfers to Successor Trustee
- A reasonable charge based upon the nature of the work performed, extent of involvement by the bank and any out-of-pocket expenses will be assessed prior to the termination or transfer of the account

Services Not Detailed Above
- Quoted on billable time and out-of-pocket expenses hourly charge of $75.00.

Fees quoted do not include out-of-pocket expenses incurred.
Fees quoted are subject to Wachovia's review and execution of a satisfactory agreement.

Traditional Directed Trustee Fee Schedule 7/2005

INVESTMENT POLICY STATEMENT

St. Johns River Power Park System
Employees' Retirement Plan

Approved on 7/2015

By the SJRPP Pension Plan Retirement Committee

EXECUTIVE SUMMARY

Type of Plan: Defined Benefit Plan

Plan Sponsor: St. Johns River Power Park System (SJRPP)

Time Horizon: Greater than 5 years

Actuarial Return: 7.00%

Asset Allocation:

	Lower Limit	Target Allocation	Upper Limit
	Percentage of Plan Market Value		
Domestic Large-Cap Equity			
Blend	23	28	33
Growth			
Value			
Mid-Cap Equity	6	11	16
Small/Mid-Cap Equity	3	8	13
International Equity	3	8	13
Total Equity	**50**	**55**	**60**
Fixed Income & Cash (1)	**40**	**45**	**50**

(1) For asset allocation purposes, cash and money market funds in the deposit and disbursement (non-managed cash) account will be included as part of the fixed income allocation.

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the SJRPP Pension Plan Retirement Committee (Committee) in effectively supervising, monitoring and evaluating the investment of the Retirement Plan (Plan) assets. The Plan's investment program is defined in the various sections of the IPS by:

1. Stating in a written document the Committee's expectations, objectives and guidelines for the investment of all Plan assets.

2. Setting forth an investment structure for managing all Plan assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.

3. Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Plan assets are managed in accordance with stated objectives.

4. Encouraging effective communication between the Committee, the investment consultant (Consultant) and hired money managers.

5. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.

6. Complying with all fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may have an impact on the Plan's assets.

BACKGROUND

The Plan is a defined benefit plan established on October 1, 1984 to cover the employees of the St. Johns River Power Park System. The Committee will discharge its responsibilities under the Plan solely in the long-term interests of Plan participants and their beneficiaries.

Key Information

Name of Plan:	St. Johns River Power Park System Employees' Retirement Plan
Plan Sponsor:	St. Johns River Power Park System (SJRPP)
Related Retirement Plans:	None

STATEMENT OF OBJECTIVES

This IPS has been arrived at after consideration by the Committee of the financial implications of various policies, and describes the prudent investment process the Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the plan a sufficient level of overall diversification and total investment return over the long-term. The objectives are:

1. Maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on Plan assets.

2. Seek a fully funded status with regard to actuarial obligations.

3. Have the ability to pay all benefit and expense obligations when due.

4. Maintain flexibility in determining the future level of contributions.

5. Maximize return within reasonable and prudent levels of risk in order to minimize contributions.

6. Control the costs of administering the plan and managing the investments.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years. Interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's target asset allocation is based on this long-term perspective. There is a requirement to maintain sufficient liquid reserves to provide for the payment of benefits that are expected to become payable in the near term because of a significant number of plan participants who will become eligible for early or normal retirement benefits.

Risk Tolerances

The Committee recognizes some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. These factors were:

- St. Johns River Power Park System provides electric power to the region and should not experience significant fluctuations in demand for that service.

- St. Johns River Power Park System's strong financial condition enables it to adopt a long-term investment perspective.

- Demographic characteristics of participants suggest a below average risk tolerance due to the older-than-average work force.

- Actuarial data related to future projected benefit payments, along with future projected expenses of the Plan, are greater than forecasted investment income projections. Therefore, liquidity requirements are material over the next ten years, which implies that the Committee should carefully consider risk profiles.

In summary, SJRPP's status as an electric generating facility, current financial condition, demographics and several other factors suggest collectively the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives but the need for intermediate liquidity must also be considered.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is at least 7.00%. The target rate of return for the Plan has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS.

The Committee recognizes that market performance varies and a 7.00% rate of return may not be achieved during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section. Over a complete business cycle, the Plan's overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, should perform above a customized index comprised of market indices weighted by the target asset allocation of the Plan.

ASSET CLASS GUIDELINES

The Committee believes long-term investment performance, in large part, is primarily a function of asset class mix. The Committee has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History shows that while interest-generating investments, such as bond portfolios, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long (five years or greater).

The following seven asset classes were selected.

Money Market
Intermediate Government Bonds
Intermediate Corporate Bonds
Large Cap Blend
Mid Cap Blend
Small Cap Growth
International Equity

Rebalancing to Meet Target Asset Allocation

The percentage allocation to each asset class may vary as much as plus or minus 5% depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the target asset allocation of the Plan. If there are no cash flows, the allocation of the Plan will be reviewed quarterly and adjusted, if necessary.

If the Committee judges cash flows to be insufficient to bring the Plan within the target allocation ranges, the Committee shall decide whether to effect transactions to bring the target allocation within the threshold ranges.

The Treasury Department has the ability to place up to $5,000,000 into the deposit and disbursement (non-managed cash) account from existing investments in anticipation of required future distributions.

DUTIES AND RESPONSIBILITIES

Committee

As fiduciaries under the Plan, the primary responsibilities of the Committee are:

1. Prepare and maintain this investment policy statement.
2. Prudently diversify the Plan's assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the Plan.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Office of the Treasurer/JEA

At the direction of the SJRPP Pension Plan Retirement Committee, the JEA Treasury Department has the responsibility for allocating cash flow by adding to under weighted asset classes below their targets when adding funds or reducing over weighted asset classes when removing funds.

Investment Consultant

The Committee may retain an objective, third-party Consultant to assist the Committee in managing the overall investment process. The Consultant will be responsible for guiding the Committee through a disciplined and rigorous investment process to assist the Committee in meeting the fiduciary responsibilities outlined above. The Consultant will provide the Committee with the quantitative facts, performance analysis and capital markets data necessary to evaluate the performance of the plan's investment managers and portfolio specialists. The Consultant will also assist in developing and maintaining an asset allocation strategy.

Investment Managers

As distinguished from the Committee and Consultant, who are responsible for managing the investment process, investment managers are responsible for making investment decisions, e.g. security selection, price and buy-sell decisions.

The Committee and SJRPP's investment managers shall discharge their responsibilities in the same manner as if SJRPP were governed by the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Although the Committee acknowledges that ERISA does not apply to SJRPP as a governmental pension plan, it hereby imposes the fiduciary provisions of ERISA upon each investment manager whose performance shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Each investment manager, unless the manager is a mutual fund, commingled account or collective trust, shall acknowledge, in writing, that it is a named fiduciary of the plan.

The specific duties and responsibilities of each investment manager are:

1. Manage the assets under their supervision in accordance with the guidelines and objectives outlined in this investment policy statement and their respective Service Agreements, Prospectus or Trust Agreement.

2. Exercise full investment discretion with respect to assets under management.

3. If managing a separate account (as opposed to a mutual fund or a commingled account), seek approval from the Committee prior to purchasing and/or implementing the following securities and transactions:

    - Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.

    - Securities lending; pledging securities.

    - Investments for the purpose of exercising control of management.

4. Vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the Plan as described in this IPS. Each investment manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.

5. Communicate to the Committee all material changes pertaining to the fund it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in

which the Committee is interested.

6. Effect all transactions for the Plan subject "to best price and execution." If a manager utilizes brokerage from the Plan assets to effect "soft dollar' transactions, detailed records will be kept and communicated to the Committee.

7. Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like retirement Plans with like aims in accordance and compliance with Florida Statutes and all applicable laws, rules, and regulations.

8. If managing a separate account (as opposed to a mutual fund or a commingled account), acknowledge co-fiduciary responsibility by signing and returning a copy of this IPS.

9. Fixed income, separate account investment managers should hold securities with an investment grade rating (BBB or equivalent) by a major rating service. Securities with ratings reduced beneath the investment grade classification after purchase should be sold by the portfolio manager within a reasonable period of time as determined by the manager. It is the manager's responsibility to notify the Committee in writing immediately after a security is downgraded below the policy guidelines. The written explanation should describe the manager's intentions regarding the disposition of the security being downgraded.

Custodian

Custodians are responsible for the safekeeping of the Plan's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration.

2. Value the holdings.

3. Collect all income and dividends owed to the Plan.

4. Settle all transactions (buy-sell orders) initiated by the Investment Manager.

5. Provide at least quarterly, reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

INVESTMENT MANAGER SELECTION

The Committee will apply the following due diligence criteria in selecting each money manager or mutual fund.

1. *Regulatory oversight*: Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.

2. *Correlation to style or peer group*: The product should be highly correlated to the asset class of the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the manager to the appropriate peer group.

3. *Performance relative to a peer group*: The product's performance should be evaluated against the peer group's median manager return, for 3-year and 5-year cumulative periods.

4. *Performance relative to assumed risk*: The product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the appropriate index risk-adjusted performance.

5. *Minimum track record*: The product's inception date should be greater than three years.

6. *Assets under management*: The product should have at least $75 million under management.

7. *Holdings consistent with style*: The screened product should have no more than 20% of the portfolio invested in "unrelated" asset class securities. For example, a Domestic Large-Cap Growth product should not hold more than 20% in cash, fixed income and international securities.

8. *Expense ratios/fees*: The fees of the mutual funds in the plan should not be in the 3rd or 4th quartile (most expensive) of their peer group.

9. *Stability of the organization*: There should be no perceived organizational problems – the key personnel of the portfolio management team should be in place for at least two years.

CONTROL PROCEDURES

Performance Objectives

The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate manager performance from a long-term perspective.

The Committee is aware that the ongoing review and analysis of the investment managers is just as important as the due diligence implemented during the manager selection process. The performance of the investment managers will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than semi-annually, the Committee will meet to review whether each manager continues to conform to the search criteria outlined in the previous section; specifically:

1. The manager's adherence to the Plan's investment guidelines;

2. Material changes in the manager's organization, investment philosophy and/or personnel; and,

3. Any legal, SEC and/or other regulatory agency proceedings affecting the manager.

The Committee has determined it is in the best interest of the Plan's participants that performance objectives be established for each investment manager. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund). The value of assets allocated to each manager will be based upon the target percentages noted below.

Asset Class	Index	Peer Group	Target
Large-Cap Equity			
Blend	S&P 500	Large-Cap Blend	28%
Growth	Russell 1000 Growth	Large-Cap Growth	0%
Value	Russell 1000 Value	Large-Cap Value	0%
Mid-Cap Equity	S&P 400	Mid-Cap Blend	11%
Small/Mid-Cap Equity	Russell 2500 Value	Small/Mid-Cap Value	8%
International Equity	MSCI EAFE, MSCI AC World x US		8%
Fixed Income	Barclay's Aggregate A+, Barclay's Aggregate, or Barclay's Intermediate Government/Credit	Intermediate-Term Bond	45%
Money Market	90 day T-Bills	Money Market Database	0%

A manager will be placed on a Watchlist and a thorough review and analysis of the investment manager will be conducted, when any of the following occurs:

1. A manager performs below their appropriate index for two of the following time periods - 1 year, 3 year or 5-year cumulative period. Index managers will perform within a 15 basis point error band, plus management fees applicable to the fund, of the manager's applicable benchmark.

2. A manager's 5-year Alpha is negative.

3. A manager's 5-year Sharpe falls below appropriate index.

4. There is a material change in the professionals managing the portfolio.

5. There is a significant decrease in the product's assets.

6. There is an indication the manager is deviating from his/her stated style and/or strategy.

7. There is an increase in the product's fees and expenses.

8. Any extraordinary event occurs that may interfere with the manager's ability to fulfill their role in the future.

A manager evaluation may include the following steps:

1. A letter to the manager asking for an analysis of their underperformance.

2. An analysis of recent transactions, holdings and portfolio characteristics to determine the cause for underperformance or to check for a change in style.

3. A meeting with the manager, which may be conducted on-site, to gain insight into organizational changes and any changes in strategy or discipline.

The Committee has the discretion to terminate any manager at any time with or without cause based on the Committee's evaluation of what is in the best interest of the retirement plan. A manager will be terminated if it is on the Watchlist for four consecutive quarters. However, the committee may choose not to terminate if an exception is appropriate to avoid detrimental impact to the funds or risk adjusted returns are above the appropriate index for the same period.

Measuring Costs

The Committee will review at least annually all costs associated with the management of the Plan's investment program, including:

1. Expense ratios of each investment option against the appropriate peer group.

2. Custody fees: The holding of the assets, collection of the income and disbursement of payments.

3. Whether the manager is demonstrating attention to "best execution" in trading securities.

SECTION 112.661, FLORIDA STATUTES

The Committee has adopted the following additional provisions to comply with Section 112.661, Florida Statutes:

EXPECTED ANNUAL RATE OF RETURN: For each actuarial valuation, the Committee shall determine the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. This determination is to be filed with the Department of Management Services, the plan sponsor and the consulting actuary.

MATURITY AND LIQUIDITY REQUIREMENTS: The investment portfolio will be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To the degree reasonable, an attempt will be made to match investment maturities with anticipated cash flow requirements.

THIRD-PARTY CUSTODIAL AGREEMENTS: All assets shall be held by a third party custodian selected by the Committee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities are to be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money in hand at conclusion of the transaction.

MASTER REPURCHASE AGREEMENT: All approved institutions and dealers transacting repurchase agreements shall perform as stated in the Master Repurchase Agreement.

BID REQUIREMENT: To the extent reasonable, the Committee shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid is to be selected.

INTERNAL CONTROLS: The Committee shall establish a system of internal controls which shall be in writing and be a part of the Plan's operational procedures. These internal controls are designed to prevent losses of funds, which might arise from fraud, error, and misrepresentation, by third parties or imprudent actions by the Committee or employees of the plan sponsor.

CONTINUING EDUCATION: The Committee encourages continuing education of its members in the areas of investments and Committee responsibilities.

REPORTING: The Custodian's valuation report is to be filed annually with the plan sponsor. This report is also available to the public.

FILING OF INVESTMENT POLICY: Once adopted by the Committee, this Investment Policy Statement shall be promptly filed with the Department of Management Services, plan sponsor, consulting actuary, investment managers, and the Directed Trustee/Custodian.

VALUATION OF ILLIQUID INVESTMENTS: The Committee defines an illiquid investment as one for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Should an investment become illiquid or in the event that the fund acquires an illiquid investment, the Committee shall develop the methodology for valuation as set forth in the criteria in Section 215.47(6), Florida Statutes (the SBA/FRS methodology for valuation).

INVESTMENT POLICY REVIEW

The Committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Prepared:

Charles N Murphy II
Consultant, Graystone Consulting

Date: 7/27/2015

Approved:

Consultant, Graystone Consulting

Chairman, SJRPP Pension Committee

Date: 7-27-15

APPENDIX A

Glossary

Alpha
The statistical measure of a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection.
Basis Point
1.00% = 100 Basis Points

Beta
The statistical measure of the volatility, or sensitivity, of rates of return on a portfolio or security in comparison to a market index. The beta value measures the expected change in return per one percent change in the return on the market. Thus, a portfolio with a beta of 1.1 would move 10% more than the market.

Broad Fixed Income
Funds that diversify their assets among several fixed income sectors - usually government, corporate, and high yield domestic obligations.

Duration
A measure of the sensitivity of a bond's market value or price relative to movements in interest rates, also stated as the weighted average term to payment of all cash flows for a bond. The value of a given bond is more sensitive to interest rate changes as duration increases, i.e. longer duration bonds have greater interest rate volatility than shorter duration bonds. Duration is always shorter than maturity except for zero coupon bonds.

Emerging Markets
Managers who primarily concentrate on investments in newly emerging second and third world countries in the regions of the Far East, Africa, Europe, and Central and South America. These portfolios are characterized by aggressive risk/return profiles that generate high volatility in search of high returns.

ERISA
The Employee Retirement Income Security Act is a 1974 law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the Pension Benefit Guaranty Corporation, and established guidelines for the management of pension funds.

Fiduciary
Indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person. For example, the relationship

between a trustee and the beneficiaries of the trust.

> *Any person who (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets, (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan, or has the authority to do so, or (3) has any discretionary authority or responsibility in the administration of a plan.*

Global Bond
Funds that invest in fixed income securities, primarily from developed countries around the world, including the U.S.

Intermediate Bond
Fixed income funds of investment grade securities that have a duration of more than 3.5 but less than 6.0 years or an average effective maturity of more than 4.5 but less than 7.0 years.

International Equity
Funds that invest in non-U.S. stocks, primarily in developed countries around the world. Although, most international funds include an allocation to emerging markets as well.

Large-Cap Blend
Equity funds that invest in stocks that represent the largest 5% of the top 5,000 U.S. stocks and where the P/E and P/B is comparable to that of the S&P 500.

Large-Cap Growth
Equity funds that invest in stocks that represent the largest 5% of the top 5,000 U.S. stocks and where the P/E and P/B is greater than that of the S&P 500.

Large-Cap Value
Equity funds that invest in stocks that represent the largest 5% of the top 5,000 U.S. stocks and where the P/E and P/B is less than that of the S&P 500.

Market Capitalization
A common stock's current price multiplied by the number of shares outstanding. It is the measure of a company's total value on a stock exchange.

Mid-Cap Equities
Equity funds that invest in stocks that represent those firms between 5% and 20% according to size of the top 5,000 U.S. stocks.

Modern Portfolio Theory (MPT)
Essential to portfolio theory is the relationship between risk and return and the assumption that investors must be compensated for assuming risk. This portfolio approach shifts

emphasis from analyzing the characteristics of individual investments to determining the statistical relationships among the individual securities that comprise the overall portfolio.

Quality Rating

The rank assigned a security by rating services such as Moody's and Standard & Poor's. The rating may be determined by such factors as: (1) the likelihood of fulfillment of dividend, income, and principal payment obligations, (2) the nature and provisions of the issue, and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, and BBB) are considered "Investment Grade" because they are eligible bank investments as determined by the Comptroller of the Currency.

Real Estate

Funds that invest primarily in REIT equity instruments. The characteristics of these funds are more representative of small-cap stocks than direct investment in a diversified portfolio of real estate comprised of farm, residential, and commercial properties.

Risk-Free Rate of Return

The return on a 90-day Treasury bills. This is used as a proxy for no risk due to its U.S. Government issuance and short-term maturity. The term is really a misnomer since nothing is free of risk. It is utilized since certain economic models require a "risk-free" point of departure. See Sharpe Ratio.

Sharpe Ratio

Statistical measure of risk-adjusted return. It is calculated by subtracting the Risk-Free Return (usually 3 Month Treasury Bill) from the portfolio return, then dividing the resulting "excess return" by the portfolio's total risk level (standard deviation). The result is a measure of return gained per unit of total risk taken. The Sharpe Ratio can be used to compare the relative performance of managers. If two managers have the same level of risk but different levels of excess return, the manager with the higher Sharpe Ratio would be preferable.

Short-Term Fixed Income

Fixed income funds of investment grade securities that have a duration of more than 1.0 but less than 3.5 years or an average effective maturity of more than 1.0 but less than 4.0 years. Also, used as a proxy for GICs, Stable Value Funds and Money Markets.

Small-Cap Equities

Equity funds that invest in stocks that represent the smallest 80% of the top 5,000 U.S. stocks.

Standard Deviation

Statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard Deviation is used as an estimate of risk since it measures the width of the range of returns. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio's risk. If returns are normally distributed (i.e. have a bell-shaped curve distribution), then approximately 2/3 of the returns would occur within plus or minus one Standard Deviation from the sample mean.

JEA Board Resolution No. 2016-03

RESOLUTION APPROVING AMENDMENT NO. 7 TO ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002 AND READOPTED ON AUGUST 21, 2003

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on six occasions thereafter, and is currently in effect; and

WHEREAS, Section 10.16 of the Plan requires the Employer to adopt amendments to the Plan necessary to maintain compliance with the Internal Revenue Code provisions applicable to tax-qualified governmental retirement plans; and

WHEREAS, the Internal Revenue Code requires that the Plan be retroactively amended to add language concerning the availability of a direct rollover distribution of lump sum benefit payments from the Plan to another eligible retirement plan; and

WHEREAS, Section 9.03 of the Plan grants the authority to amend the Plan to the Employer; and

WHEREAS, the Employer's obligation and power to amend the Plan is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "Amendment No. 7 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" ("Amendment") to amend the Plan's governing document to incorporate the aforementioned changes to the Plan; and

WHEREAS, the JEA Board of Directors has reviewed the Amendment and has been advised that all necessary prerequisites to adoption of the Amendment have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the "Amendment No. 7 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "Amendment No. 7 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:_________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

AMENDMENT NO. 7
TO
ST. JOHNS RIVER POWER PARK SYSTEM
EMPLOYEES' RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002
AND READOPTED ON AUGUST 21, 2003

WHEREAS, St. Johns River Power Park System ("SJRPP"), as Sponsor, previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on six occasions thereafter, and is currently in effect; and

WHEREAS, SJRPP wishes to retroactively amend the Plan to implement certain compliance-related changes necessary to preserve the Plan's tax-qualified status; and

WHEREAS, Sections 9.03 and 10.16 of the Plan grant the authority to amend the Plan to SJRPP, which authority is exercisable by action of JEA; and

WHEREAS, JEA has approved and authorized the Plan amendment embodied herein.

NOW, THEREFORE, in consideration of the premises and acting pursuant to the reserved powers in the Plan, SJRPP hereby amends the Plan as follows:

1. **Direct Rollovers:** Section 5.05 of the Plan is hereby replaced with the following provisions, generally effective September 30, 2002:

5.05 Direct Rollover.
The distributee of a single-sum payment under the Plan (including but not limited to single-sum payments under Section 5.03 or a refund of Participant Contributions) may elect, in a form and manner prescribed by the Plan's administrative procedures, to have any portion of such payment paid directly to an eligible retirement plan specified by the Participant in a direct rollover if such payment is an eligible rollover distribution. The direct rollover election shall be subject to the following restrictions:

(i) the distributee of an eligible rollover distribution of less than $200 shall not have the right to elect a direct rollover;
(ii) a distributee may elect a direct rollover of a portion (less than 100%) of an eligible rollover distribution only if the portion to be rolled over equals or exceeds $500; and
(iii) a distributee may elect only one direct rollover for each eligible rollover distribution.

(1) **Eligible rollover distribution**: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (ii) any distribution to the extent such distribution is required under Code Section 401(a)(9); (iii) the portion of any distribution that is not includible in gross income; and (iv) any other distribution(s) that is reasonably expected to total less than $200 during a year.

Notwithstanding clause (iii) in the foregoing paragraph, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax Employee contributions which are not includible in gross income. However, such portion may be transferred only to (X) a traditional individual retirement account or annuity described in Code Sections 408(a) or (b) or a Roth individual retirement account or annuity described in Code Section 408A; or (Y) to a qualified defined contribution, defined benefit, or annuity plan described in Code Sections 401(a) or 403(a) or to an annuity contract described in Code Section 403(b), if such plan or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

The term eligible rollover distribution shall include any distribution to a designated Beneficiary which would be treated as an eligible rollover distribution by reason of Code Section 402(c)(11), or Code Sections 403(a)(4)(B), 403(b)(8)(B), or 457(e)(16)(B), if the requirements of Code Section 402(c)(11) were satisfied.

Amounts transferred from a trust under a plan qualified under Code Section 401(a) to a nonqualified foreign trust are treated as a distribution from the transferor plan.

(2) **Eligible retirement plan**: An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), a qualified trust described in Code Section 401(a), an annuity plan described in Code Section 403(a), or an annuity contract described in Code Section 403(b) that accepts the distributee's eligible rollover distribution; an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A) and which agrees to separately account for amounts

transferred into such plan from this Plan; or, with respect to distributions on or after January 1, 2008, a Roth individual retirement account described in Code Section 408A(b) that accepts the distributee's eligible rollover distribution. This definition of eligible retirement plan also will apply to a distribution made to a surviving spouse, to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, or to a non-spouse Beneficiary (but for a non-spouse Beneficiary, eligible retirement plan shall be limited to individual retirement accounts and individual retirement annuities).

(3) **Distributee**: A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under an applicable domestic relations order are distributees with regard to the interest of the spouse or former spouse. Furthermore, effective January 1, 2007, solely with respect to an eligible retirement plan which is an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b) and which satisfies the requirements of Code Section 402(c)(11), a distributee also will include the Employee's or former Employee's non-spouse Beneficiary.

(4) **Nonspouse Beneficiary rollover**: A designated Beneficiary who is not the Participant's surviving spouse is a distributee with respect to the interest of the designated Beneficiary if the distribution that is otherwise an eligible rollover distribution is made by a direct trustee-to-trustee transfer ("direct rollover") to an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b) that is established for the purposes of receiving the distribution on behalf of the designated Beneficiary. Distributions from the plan to a non-spouse Beneficiary are not eligible for a sixty-day rollover. A non-spouse Beneficiary may not rollover an amount which is a required minimum distribution.

(5) **Trust Beneficiary**: If the Participant's named Beneficiary is a trust that satisfies the requirements to be a designated Beneficiary under Code Section 401(a)(9)(E), the plan may make a direct rollover to an individual retirement account on behalf of the trust.

(6) **Direct rollover**: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(7) **Limitation on mandatory distribution**: Effective March 28, 2005, notwithstanding any other provision of this Plan, the maximum amount of any mandatory distribution (as defined in Code Section 401(a)(31)) payable under the Plan shall be $1,000.

2. Except as specifically amended herein, all other provisions of the Plan remain in full force and effect.

IN WITNESS WHEREOF, SJRPP has caused this Amendment to be duly executed by its duly authorized officer this ___ day of ____________, 2016.

ST. JOHNS RIVER POWER PARK

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

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Delores Pass Kesler, JEA Board Secretary

Form Approved

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Legal Counsel

JEA Board Resolution No. 2016-04

RESOLUTION APPROVING AMENDMENT NO. 8 TO ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002 AND READOPTED ON AUGUST 21, 2003

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on seven occasions thereafter, and is currently in effect; and

WHEREAS, Section 10.16 of the Plan requires the Employer to adopt amendments to the Plan necessary to maintain compliance with the Internal Revenue Code provisions applicable to tax-qualified governmental retirement plans; and

WHEREAS, the Internal Revenue Code requires that the Plan be retroactively amended to describe the required minimum distributions that must be made under the Internal Revenue Code and the regulations issued thereunder to certain participants, and the manner in which such required minimum distributions will be calculated and paid; and

WHEREAS, Section 9.03 of the Plan grants the authority to amend the Plan to the Employer; and

WHEREAS, the Employer's obligation and power to amend the Plan is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "Amendment No. 8 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" ("Amendment") to amend the Plan's governing document to incorporate the aforementioned changes to the Plan; and

WHEREAS, the JEA Board of Directors has reviewed the Amendment and has been advised that all necessary prerequisites to adoption of the Amendment have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the "Amendment No. 8 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "Amendment No. 8 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

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Delores Pass Kesler, JEA Board Secretary

Form Approved

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Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

AMENDMENT NO. 8 TO ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002 AND READOPTED ON AUGUST 21, 2003

WHEREAS, St. Johns River Power Park System ("SJRPP"), as Sponsor, previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on seven occasions thereafter, and is currently in effect; and

WHEREAS, SJRPP wishes to retroactively amend the Plan to implement certain compliance-related changes necessary to preserve the Plan's tax-qualified status; and

WHEREAS, Sections 9.03 and 10.16 of the Plan grant the authority to amend the Plan to SJRPP, which authority is exercisable by action of JEA; and

WHEREAS, JEA has approved and authorized the Plan amendment embodied herein.

NOW, THEREFORE, in consideration of the premises and acting pursuant to the reserved powers in the Plan, SJRPP hereby amends the Plan effective January 31, 2011, as follows:

1. **When Benefit Payments Must Start:** The following provisions are hereby added to the end of Section 5.07:

(2) **Required Minimum Distributions.** Notwithstanding Section 5.07(1), or any other inconsistent provisions of the Plan, the requirements of this Section 5.07(2) concerning the minimum distribution requirements of Code Section 401(a)(9) shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. All distributions required under this Section 5.07(2) shall be determined and made in accordance with the Plan's reasonable and good-faith interpretation of the minimum distribution requirements of Code Section 401(a)(9) and the Regulations issued thereunder. This Section 5.07(2) requires that the entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's required beginning date.

Benefits paid in accordance with this Section 5.07(2) may be paid, to the extent possible, in accordance with the normal form of benefit payment described in Section 5.01, as well as the optional forms of benefit payment described in Section 5.03. For purposes of calculating the Participant's distributions pursuant to this Section 5.07(2), the life expectancy and joint and last survivor life expectancies are computed by using the applicable tables found in Section 1.401(a)(9)-9 of the Treasury regulations.

(a) **Required Beginning Date.**

For purposes of this Section 5.07(2), the required beginning date of a Participant is the April 1 of the calendar year following the calendar year in which the later of the following two events occurs: (i) the Participant attains age 70½; or (ii) the Participant terminates employment.

(b) **Death of Participant Before Distributions Begin.**

If the Participant dies before distributions begin, the Participant's entire interest will be distributed in accordance with Section 4 of this Plan. Notwithstanding the foregoing, under no circumstances will distributions begin later than:

(i) If the Participant's surviving spouse is the participant's sole designated Beneficiary, then, unless an earlier date is provided in Section 4 of the Plan, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, if later.

(ii) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, then, unless an earlier date is provided in Section 4 of the Plan, distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iii) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 5.07(2)(b), with the exception of

Section 5.07(2)(b)(i), shall apply as if the surviving spouse were the Employee.

For purposes of this Section 5.07(2)(b), and 5.07(2)(e), distributions are considered to begin on the Participant's required beginning date, as described in Section 5.07(2)(a) (or, if Section 5.07(2)(b)(iv) applies, the date distributions are required to begin to the surviving spouse under Section 5.07(2)(b)(i)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 5.07(2)(b)(i)), the date distributions are considered to begin is the date distributions actually commence.

(c) **Determination of Amount to be Distributed Each Year.**

(i) **General Annuity Requirements.**

If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(A) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Sections 5.07(2)(d) or (e);

(C) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(D) payments will either be non-increasing or increase only as follows:

1. by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

2. to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 5.07(2)(d) dies or is no longer the Participant's Beneficiary pursuant to a qualified domestic relations order within the meaning of Code Section 414(p);

3. to provide cash refunds of Participant contributions upon the Participant's death; or

4. to pay increased benefits that result from a Plan amendment.

(ii) **<u>Amount Required to be Distributed by Required Beginning Date</u>**.

The amount that must be distributed on or before the Participant's required beginning date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 5.07(2)(b)(i) and (ii)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's Accrued Benefit as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's required beginning date.

(iii) **<u>Additional Accruals After First Distribution Calendar Year</u>.**

Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(d) **<u>Requirements for Annuity Distributions That Commence During Participant's Lifetime</u>.**

(i) **<u>Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse</u>**

If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a non-spouse Beneficiary, annuity payments to be made on or after the Participant's required beginning date, as such term is described in Section 5.07(2)(a), to the designated Beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of Section 1.401(a)(9)-6 of the Treasury regulations.

(ii) **<u>Period Certain Annuities</u>.**

Unless the Participant's spouse is the sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the annuity starting date. If the Participant's spouse is the Participant's sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 5.07(2)(d)(ii), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and Spouse's attained ages as of the

Participant's and Spouse's birthdays in the calendar year that contains the annuity starting date.

(e) **Requirements for Minimum Distributions Where Participant Dies Before Date Distributions Begin.**

(i) **Participant Survived by Designated Beneficiary.**

Except to the extent a shorter period is provided in Section 4 of the Plan, if the Participant dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described in section 5.07(2)(b)(i) or 5.07(2)(b)(ii), over the life of the designated Beneficiary or over a period certain not exceeding:

(A) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(B) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the annuity starting date.

(ii) **No Designated Beneficiary.**

If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) **Death of Surviving Spouse Before Distributions to Surviving Spouse Begin.**

If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the participant's sole designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 5.07(2)(e) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to section 5.07(2)(b)(i).

(f) **Definitions.**

(i) **Designated Beneficiary.**

The designated Beneficiary is the individual who is designated as the Beneficiary under Plan and is the designated beneficiary within the meaning of Code Section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(ii) **Distribution Calendar Year.**

A distribution calendar year is a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 5.07(2)(b).

2. Except as specifically amended herein, all other provisions of the Plan remain in full force and effect.

[THIS SPACE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, SJRPP has caused this Amendment to be duly executed by its duly authorized officer this ____ day of ___________, 2016.

ST. JOHNS RIVER POWER PARK

By:_________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Legal Counsel

JEA Board Resolution No. 2016-05

RESOLUTION APPROVING AMENDMENT NO. 9 TO ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002 AND READOPTED ON AUGUST 21, 2003

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on eight occasions thereafter, and is currently in effect; and

WHEREAS, Section 10.16 of the Plan requires the Employer to adopt amendments to the Plan necessary to maintain compliance with the Internal Revenue Code provisions applicable to tax-qualified governmental retirement plans; and

WHEREAS, the Internal Revenue Code requires that the Plan be retroactively amended to provide a definition of compensation for purposes of the annual compensation and benefit limits imposed under Sections 401(a)(17) and 415 the Internal Revenue Code and the regulations issued thereunder; and

WHEREAS, the Internal Revenue Code requires that the Plan be retroactively amended to provide guidance concerning the methods which must be used to determine the actuarial equivalence of the optional forms of benefit available under the Plan; and

WHEREAS, Section 9.03 of the Plan grants the authority to amend the Plan to the Employer; and

WHEREAS, the Employer's obligation and power to amend the Plan is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "Amendment No. 9 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" ("Amendment") to amend the Plan's governing document to incorporate the aforementioned changes to the Plan; and

WHEREAS, the JEA Board of Directors has reviewed the Amendment and has been advised that all necessary prerequisites to adoption of the Amendment have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the "Amendment No. 9 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "Amendment No. 9 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

AMENDMENT NO. 9
TO
ST. JOHNS RIVER POWER PARK SYSTEM
EMPLOYEES' RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002
AND READOPTED ON AUGUST 21, 2003

WHEREAS, St. Johns River Power Park System ("SJRPP"), as Sponsor, previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on eight occasions thereafter, and is currently in effect; and

WHEREAS, SJRPP wishes to retroactively amend the Plan to implement certain compliance-related changes necessary to preserve the Plan's tax-qualified status; and

WHEREAS, Sections 9.03 and 10.16 of the Plan grant the authority to amend the Plan to SJRPP, which authority is exercisable by action of JEA; and

WHEREAS, JEA has approved and authorized the Plan amendment embodied herein.

NOW, THEREFORE, in consideration of the premises and acting pursuant to the reserved powers in the Plan, SJRPP hereby amends the Plan as follows, effective October 1, 2007 (or on such other dates specifically referenced herein):

1. **Compensation:** A new defined term "Compensation" is added to Section 1 of the Plan to read as follows:

<u>Compensation</u>
means a Participant's base salary or wages, including Employee contributions that are picked up by the Employer pursuant to Code Section 414(h), but not including overtime, expense allowances, or other extra pay or bonuses, paid or made available by the Employer to an Employee for personal services rendered in the course of employment with the Employer. Compensation shall be determined before applying any salary reduction agreed to by the Employee pursuant to a plan described in Sections 457, 403(b), 125, 132(f)(4) or 414(h) of the Code or any pre-tax contributions made by an Employee to an employee welfare benefit plan. For the purpose of applying the limitations set forth in Sections 401(a)(17) and 415 of the Code, Compensation shall not include any elective deferral (as defined in Section 402(e)(3) of the Code), and any amount which is contributed or deferred by the Employer at the election of the Participant and which is not includible in the gross income of the Participant by reason of Sections 125, 132(f)(4), 402(e)(3), 402(h)(1)(B) or 457 of the Code. Effective October 1, 2007, the amount of an Employee's Compensation for purposes of the Plan during any

Plan Year shall not exceed the limit set forth in Section 401(a)(17)(A) of the Code, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code.

2. **Maximum Benefit Limitation:** Paragraphs (1) through (6) of Section 3.06 are deleted and replaced with the following:

(1) Notwithstanding any other provision of this Plan to the contrary, the annual benefit otherwise payable to a Participant under this Plan at any time shall not exceed the maximum annual benefit, as described in this Section 3.06.

The limitations in this Section 3.06 are intended to comply with the provisions of Section 415 of the Code so that the maximum benefits provided by this Plan (and by other plans of the Employer required to be aggregated therewith under Code Section 415) shall be exactly equal to the maximum annual benefit allowed under Code Section 415. If there is any discrepancy between this Section 3.06 and Code Section 415 and Treasury regulations thereunder, such discrepancy shall be resolved in such a way as to give full effect to the provisions of Code Section 415.

The value of any benefits forfeited as a result of the application of this Section 3.06 shall be used to decrease future Employer contributions to the Plan.

(2) The maximum annual benefit, expressed in the form of a straight life annuity, with no ancillary benefits, provided by Employer contributions, including Employer pick-up contributions, for an Employee with ten (10) or more years of participation at age sixty-five (65) will not exceed the dollar limit under Code Section 415(b)(1)(A), automatically adjusted for annual cost-of-living increases. A limitation as adjusted under Code Section 415(d) will apply to Limitation Years ending with or within the calendar year for which the adjustment applies. The automatic annual adjustment shall apply to Participants who have had a separation from employment.

(a) If the benefit the Participant would otherwise accrue in a Limitation Year would produce an annual benefit in excess of the maximum annual benefit, the benefit will be limited (or the rate of accrual reduced) to a benefit that does not exceed the maximum annual benefit.

(b) If a Participant is, or has ever been, covered under more than one defined benefit plan maintained by the Employer, the sum of the Participant's annual benefits from all such defined benefit plans may not exceed the maximum annual benefit. Where the

Participant's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the maximum annual benefit applicable at that age, the accrual of the Participant's benefit under this Plan shall be reduced so that the Participant's combined benefits will equal the maximum annual benefit.

(c) Effective October 1, 2007, the application of the provisions of this revised Section 3.06(2) shall not cause the maximum annual benefit for any Participant to be less than the Participant's accrued benefit under all the defined benefit plans of the Employer as of the end of the last Limitation Year beginning before October 1, 2007.

(d) To the extent provided in, and subject to the exceptions provided in, Section 1.415(b)-1(c)(4) and (5) of the Treasury Regulations, where a benefit is payable in a form other than a straight life annuity, the benefit shall be adjusted to an actuarially equivalent straight life annuity that begins at the same time as such other form of benefit and is payable on the first day of each month before applying the limitations of this Section 3.06.

For a Participant who has or will have distributions commencing at more than one annuity starting date, the annual benefit shall be determined as of each such annuity starting date (and shall satisfy the limitations of this Section 3.06 as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other annuity starting dates. For this purpose, the determination of whether a new starting date has occurred shall be made without regard to Treasury regulation 1.401(a)-20, Q&A 10(d), and with regard to Treasury regulation 1.415(b)-1(b)(1)(iii)(B) and (C).

No actuarial adjustment to the benefit shall be made for (A) survivor benefits payable to a surviving spouse under a qualified joint and survivor annuity to the extent such benefits would not be payable if the Participant's benefit were paid in another form; (B) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, preretirement incidental death benefits, and postretirement medical benefits); or (C) the inclusion in the form of benefit of an automatic benefit increase feature, provided the form of benefit is not subject to Code Section 417(e)(3) and would otherwise satisfy the limitations of this Section 3.06, and the amount payable under the form of benefit in any Limitation Year shall not exceed the limits of this Section 3.06 applicable at the annuity starting date, as increased in subsequent years pursuant to Code Section 415(d). For this purpose, an automatic benefit increase feature is included in a form of benefit if the form of benefit provides for automatic, periodic increases to the benefits paid in that form.

The determination of the annual benefit shall take into account social security supplements described in Code Section 411(a)(9) and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant Treasury Regulation Section 1.411(d)-4, Q&A-3(c), but shall disregard benefits attributable to employee contributions (unless picked-up) or rollover contributions as specified in the regulations under Code section 415.

(i) The determination of actuarial equivalence of forms of benefits other than a straight life annuity shall be made in accordance with the following subsections:

(A) In the case of a benefit form to which Code Section 417(e)(3) does not apply, the actuarially equivalent straight life annuity will be determined as follows:

1. If the annuity starting date of the Participant's form of benefit occurs before October 1, 2006, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount:

I. The interest rate and mortality table specified in Section 1.02 for adjusting benefits in the same form; or

II. A five-percent (5%) interest rate assumption and the applicable mortality table defined in Treasury Regulation Section 1.417(e)-1(d)(2), for that annuity starting date.

2. If the annuity starting date of the Participant's form of benefit occurs on or

after October 1, 2006, the actuarially equivalent straight life annuity is equal to the greater of:

I. The annual amount of the straight life annuity (if any) payable to the Participant under the Plan commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit; or

II. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Participant, computed using a five-percent (5%) interest rate assumption and the applicable mortality table described in Treasury Regulation Section 1.417(e)-1(d)(2) for that annuity starting date.

(B) In the case of a benefit form to which Code Section 417(e)(3) applies, the actuarially equivalent straight life annuity will be determined as follows:

1. If the annuity starting date of the Participant's form of benefit occurs on or after October 1, 2006, the actuarially equivalent straight life annuity is equal to the greatest of:

I. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and mortality table in Section 1.02, for adjusting benefits in the same form;

II. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a five-and-one-half percent (5½%) interest rate assumption and the applicable mortality table in Treasury Regulation Section 1.417(e)-1(d)(2); or

III. The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate for the distribution under Treasury Regulation Section 1.417(e)-1(d)(3) and the applicable mortality table defined in Treasury Regulation Section 1.417(e)-1(d)(2), divided by 1.05.

2. If the annuity starting date of the Participant's form of benefit occurs between October 1, 2004 and September 30, 2006, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount:

I. The interest rate and mortality table specified in Section 1.02, for adjusting benefits in the same form; and

II. A five-and-one-half-percent (5½%) interest rate assumption and the applicable mortality table defined in Treasury Regulation Section 1.417(e)-1(d)(2).

However, if the Participant's annuity starting date is on or after October 1, 2004 and before December 31, 2004, the application of this subparagraph 2. shall not cause the amount payable under the Participant's form of benefit to be less than the benefit calculated under the Plan taking into account the limitations of this Section 3.06, except that the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computing using whichever of the following produces the greatest annual amount: (x) the interest rate and mortality table specified in Section 1.02, for adjusting benefits in the same form; (y) the applicable interest rate and mortality table in the Plan; and (z) the applicable interest rate defined in Section 1.02 (as in effect on September 30, 2004) and the applicable mortality table defined in Section 1.02.

(3) Except as provided in subsection (4) below, which imposes additional limitations on the amounts payable to Participants with less than ten (10) years of participation, the foregoing limitation in subsection (2) above is not applicable with respect to any Participant whose annual benefit under this Plan, and any other defined benefit plan maintained by the Employer, is less than $10,000.00, and such Participant has not at any time participated in any defined contribution plan, within the meaning of Section 415(k) of the Code, maintained by the Employer. If any Participant has less than ten (10) years of participation with the Employer, the $10,000.00 amount referenced in the preceding sentence shall be replaced with the amount determined by multiplying $10,000.00 by a fraction (x) the numerator of which is the number of years (or part thereof) of participation with the Employer, but never less than one (1) and (y) the denominator of which is ten (10).

(4) In the event any Participant has less than ten (10) years of participation in this Plan and predecessor plans hereto, the dollar limitation otherwise applicable under subsection (2) above will be reduced by multiplying such limitation by a fraction, the numerator of which is the number of such Participant's years of participation or part thereof, but never less than one (1), and the denominator of which is ten (10). The limitation will not be reduced so that it is less than the Participant's Accrued Benefit under the

Plan. This subsection (4) will, to the extent required by the Secretary of the Treasury, be applied separately to each change in benefit structure hereunder. This subsection (4) will not apply to income received from the Plan as a pension, annuity, or similar allowance as a result of the Participant becoming disabled or benefits received by the Beneficiaries, survivors, or the estate of the Participant as a result of the death of the Participant.

(5) In the event subsection (3) does not apply, if the benefit under the Plan begins before the Participant attains age sixty-two (62), the dollar limitation in subsection (2) will be adjusted as follows:

(a) If the annuity starting date for the Participant's benefit occurs in a Limitation Year beginning before October 1, 2007, the dollar limitation for the Participant 's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Employee's annuity starting date that is the actuarial equivalent of the subsection (2) dollar limitation (adjusted under subsection (4) for years of participation less than ten, if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount:

(i) The interest rate and mortality rate specified in Section 1.02; or

(ii) A five-percent (5%) interest rate assumption and the applicable mortality table as defined in Section 1.02.

(b) If the annuity starting date for the employee's benefit occurs in a limitation year beginning on or after October 1, 2007, the dollar limitation referred to in subsection (2) for the Participant's annuity starting date is the lesser of (x) the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the dollar limitation (adjusted under subsection (4) for years of participation less than ten (10), if required) with actuarial equivalence computed using a five-percent (5%) interest rate assumption and the applicable mortality table for the annuity starting date as defined in Section 1.02 (and expressing the Participant's age based on completed calendar months as of the annuity starting date), and (y) the dollar limitation referred to in subsection (2) (adjusted under subsection (4) for years of participation less than ten (10), if required) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the immediately commencing straight life annuity under the Plan at age sixty-two (62), both determined without applying the limitations of this Section 3.06.

(c) This subsection (5) will not apply to income received from the Plan as a pension, annuity, or similar allowance as a result of the Participant becoming disabled or amounts received from the Plan by the Beneficiary, survivors, or the estate of the Participant as a result of the death of the Participant.

(d) This subsection (5) shall not reduce the prior law limitation, if applicable to a Participant, of:

(i) $75,000.00 if the benefit begins at or after age fifty-five (55); or

(ii) if the benefit begins before age fifty-five (55), the equivalent of the $75,000.00 limitation for age fifty-five (55).

(e) Notwithstanding any other provisions of this subsection (5), the age-adjusted dollar limit applicable to a Participant shall not decrease on account of any increase in age or the performance of additional services.

(6) In the event that subsection (3) does not apply, if the benefit under the Plan begins after age sixty-five (65), the dollar limitation in subsection (2) will be adjusted as follows:

(a) If the annuity starting date for the Participant's benefit occurs in a Limitation Year beginning before October 1, 2007, the dollar limitation referred to in subsection (2) for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the subsection (2) dollar limitation (adjusted under subsection (4) for years of participation less than ten (10), if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount:

(i) the interest rate and mortality table specified in Section 1.02.; or

(ii) a five-percent (5%) interest rate assumption and the applicable mortality table as defined in Section 1.02.

(b) If the annuity starting date for the Participant's benefit occurs in a Limitation Year beginning on or after October 1, 2007, the dollar limitation at the Participant's annuity starting date is the lesser of (a) the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the subsection (2) dollar limitation (adjusted under subsection (4) for years of participation less than ten (10), if required) with actuarial equivalence computed using a five-percent (5%) interest rate assumption and the applicable mortality table for the annuity starting date as defined in Section 1.02 (and expressing the Participant's age based on completed calendar months as of the annuity starting date), and (b) the subsection (2) dollar limitation (adjusted under (4) for years of participation less than ten (10), if required) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the immediately commencing straight life annuity under the Plan at age sixty-five (65), both determined without applying the limitations of this Section 3.06. For this purpose, the adjusted immediately commencing straight life annuity under the Plan at the Participant's annuity starting date is the annual amount of such annuity payable to the Participant, computed disregarding the Participant's accruals after age sixty-five (65), but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing straight life annuity under the Plan at age sixty-five (65) is the annual amount of such annuity that would be payable under the Plan to a hypothetical participant who is age sixty-five (65) and has the same accrued benefit as the Participant.

(7) Notwithstanding the other requirements of subsections (5) and (6), no adjustment shall be made to the subsection (2) dollar limitation to reflect the probability of a Participant's death between the annuity starting date and age sixty-two (62), or between age sixty-five (65) and the annuity starting date, as applicable, if benefits are not forfeited upon the death of the Participant prior to the annuity starting date. To the extent benefits are forfeited upon death before the annuity starting date, such an adjustment shall be made.

(8) A Participant shall be credited with a year of participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (A) the Participant is credited with at least the number of hours of service for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, and (B) the Participant is included as a participant under the eligibility provisions of the Plan for at least one day of the

accrual computation period. If these two conditions are met the portion of a year of participation credited to the Participant shall equal the amount of benefit accrual service credited to the Participant for such accrual computation period. A participant who is permanently and totally disabled within the meaning of Code Section 415(c)(3)(C)(i) for an accrual computation period shall receive a year of participation with respect to that period. In no event shall more than one year of participation be credited for any 12-month period.

3. Except as specifically amended herein, all other provisions of the Plan remain in full force and effect.

IN WITNESS WHEREOF, SJRPP has caused this Amendment to be duly executed by its duly authorized officer this ____ day of ___________, 2016.

ST. JOHNS RIVER POWER PARK

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Legal Counsel

JEA Board Resolution No. 2016-06

RESOLUTION APPROVING AMENDMENT NO. 10 TO ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002 AND READOPTED ON AUGUST 21, 2003

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on nine occasions thereafter, and is currently in effect; and

WHEREAS, Section 10.16 of the Plan requires the Employer to adopt amendments to the Plan necessary to maintain compliance with the Internal Revenue Code provisions applicable to tax-qualified governmental retirement plans; and

WHEREAS, the Internal Revenue Code requires that the Plan be retroactively amended to include technical details concerning the vesting and benefit service and differential wage payments received by Participants performing qualified military service, pursuant to the federal Heroes Earnings Assistance and Relief Tax Act of 2008; and

WHEREAS, Section 9.03 of the Plan grants the authority to amend the Plan to the Employer; and

WHEREAS, the Employer's obligation and power to amend the Plan is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "Amendment No. 10 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" ("Amendment") to amend the Plan's governing document to incorporate the aforementioned changes to the Plan; and

WHEREAS, the JEA Board of Directors has reviewed the Amendment and has been advised that all necessary prerequisites to adoption of the Amendment have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the "Amendment No. 10 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "Amendment No. 10 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

AMENDMENT NO. 10
TO
ST. JOHNS RIVER POWER PARK SYSTEM
EMPLOYEES' RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002
AND READOPTED ON AUGUST 21, 2003

WHEREAS, St. Johns River Power Park System ("SJRPP"), as Sponsor, previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on nine occasions thereafter, and is currently in effect; and

WHEREAS, SJRPP wishes to retroactively amend the Plan to implement certain compliance-related changes necessary to preserve the Plan's tax-qualified status; and

WHEREAS, Sections 9.03 and 10.16 of the Plan grant the authority to amend the Plan to SJRPP, which authority is exercisable by action of JEA; and

WHEREAS, JEA has approved and authorized the Plan amendment embodied herein.

NOW, THEREFORE, in consideration of the premises and acting pursuant to the reserved powers in the Plan, SJRPP hereby amends the Plan as follows:

1. Death Benefits: The following provisions are hereby added to the end of Section 4:

4.04 **<u>HEART Act Provisions</u>.**

Notwithstanding any other provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u).

Effective for deaths occurring on or after January 1, 2007, if a Participant dies while performing qualified military service, as such term is defined for purposes of Code Section 414(u), the survivors of the Participant are entitled to any additional benefits (other than contributions relating to the period of qualified military service and other than as specifically provided below) provided under the Plan as if the Participant had resumed employment with the Employer as of the day preceding the date of his or her death and then terminated employment on account of his or her death ("deemed reemployment date").

(a) **<u>Vesting Service</u>.** For purposes of this Section 4.04, a Participant who is described in Section 4.04 will, upon his or her deemed reemployment date, receive credit for Vesting Service purposes with respect to his or her period of military service.

(b) **Benefit Service.** For purposes of this Section 4.04, a Participant who is described in Section 4.04 will not, upon his or her deemed reemployment date, receive credit for Benefit Service purposes with respect to his or her period of military service.

(c) **Differential Wage Payments.** Effective on or after January 1, 2009:

(i) an individual receiving a differential wage payment, as defined in Code Section 3401(h)(2), shall be treated as an Employee of the Employer making the payment;

(ii) the differential wage payment shall be treated as Earnings for purposes of Sections 1.14 and 3.06 of the Plan, and as compensation for purposes of Code Section 415 and any other Code Section that references the definition of compensation under Code Section 415 (but only to the extent the payments do not exceed the amount the individual would have received had he or she continued to perform services for the Employer); and

(iii) the Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment.

2. Except as specifically amended herein, all other provisions of the Plan remain in full force and effect.

[THIS SPACE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, SJRPP has caused this Amendment to be duly executed by its duly authorized officer this ___ day of _________, 2016.

ST. JOHNS RIVER POWER PARK

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Legal Counsel

JEA Board Resolution No. 2016-07

RESOLUTION APPROVING AMENDMENT NO. 11 TO ST. JOHNS RIVER POWER PARK SYSTEM EMPLOYEES' RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002 AND READOPTED ON AUGUST 21, 2003

WHEREAS, the St. Johns River Power Park System ("Employer") previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on ten occasions thereafter, and is currently in effect; and

WHEREAS, Section 9.03 of the Plan grants the authority to amend the Plan to the Employer; and

WHEREAS, the Employer wishes to amend the Plan retroactively to codify the Employer's existing operations concerning application of the Plan's early payment reduction factors, and to correct a prior typographical error in a date reference; and

WHEREAS, the Employer's obligation and power to amend the Plan is exercisable by action of JEA; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt the document attached hereto entitled "Amendment No. 11 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" ("Amendment") to amend the Plan's governing document to incorporate the aforementioned changes to the Plan; and

WHEREAS, the JEA Board of Directors has reviewed the Amendment and has been advised that all necessary prerequisites to adoption of the Amendment have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the "Amendment No. 11 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to execute the "Amendment No. 11 to St. Johns River Power Park System Employees' Retirement Plan as Amended and Restated Effective October 1, 2002 and Readopted on August 21, 2003" attached hereto, for and on behalf of the St. Johns River Power Park System; and

BE IT FURTHER RESOLVED that the JEA Board Chair is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is also hereby authorized to execute all implementing documents necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 19th day of January, 2016.

JEA

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, SJRPP Pension Committee Counsel
Akerman, LLP

AMENDMENT NO. 11
TO
ST. JOHNS RIVER POWER PARK SYSTEM
EMPLOYEES' RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2002
AND READOPTED ON AUGUST 21, 2003

WHEREAS, St. Johns River Power Park System ("SJRPP"), as Sponsor, previously adopted the St. Johns River Power Park System Employees' Retirement Plan ("Plan"), which Plan has subsequently been amended and restated effective October 1, 2002, was readopted on August 21, 2003, was subsequently amended on ten occasions thereafter, and is currently in effect; and

WHEREAS, SJRPP wishes to retroactively amend the Plan to implement certain compliance-related changes necessary to preserve the Plan's tax-qualified status; and

WHEREAS, Sections 9.03 and 10.16 of the Plan grant the authority to amend the Plan to SJRPP, which authority is exercisable by action of JEA; and

WHEREAS, JEA has approved and authorized the Plan amendment embodied herein.

NOW, THEREFORE, in consideration of the premises and acting pursuant to the reserved powers in the Plan, SJRPP hereby amends the Plan as follows:

1. Effective January 1, 2003, Paragraph (2) of Section 3.01 is amended to read as follows:

(2) Benefit Amount:
A Participant's normal retirement benefit shall be equal to the Accrued Benefit (Section 1.01) determined as of the Normal Retirement Date.

2. Effective January 1, 2003, Section 1.12 is amended to read as follows:

1.12 **Early Payment Reduction**
means a reduction in Early Retirement benefits that start prior to age 65 to take into account the younger age and earlier commencement of payment, equal to 1/144 for each full month of the first 36 months and 1/288 for each full month of the next 84 months by which the benefit commencement precedes the Participant's 65th birthday.

3. Amendment Number 5 to the Plan, which became effective February 25, 2013, contained two inadvertent incorrect date references to February 29, 2011 as the date by which a Participant must have completed 20 years of service to continue accruing Tier One benefits on or after February 25, 2013 ("Scrivener's Errors"). This paragraph amends Amendment Number 5, effective February 25, 2013, by replacing the two references to

February 29, 2011 with February 24, 2013, as supported by the remainder of Amendment Number 5.

4. Except as specifically amended herein, all other provisions of the Plan remain in full force and effect.

IN WITNESS WHEREOF, SJRPP has caused this Amendment to be duly executed by its duly authorized officer this ____ day of ___________, 2016.

ST. JOHNS RIVER POWER PARK

By:____________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Legal Counsel

Building Community

JEA Operations Report as of December 31, 2015

Board of Directors Meeting January 19, 2016

JEA
Building Community

JEA Safety

(December 31, 2015)

FY2015

- RIR = 1.56
- # of Recordables = 32
- December YTD Recordables = 7

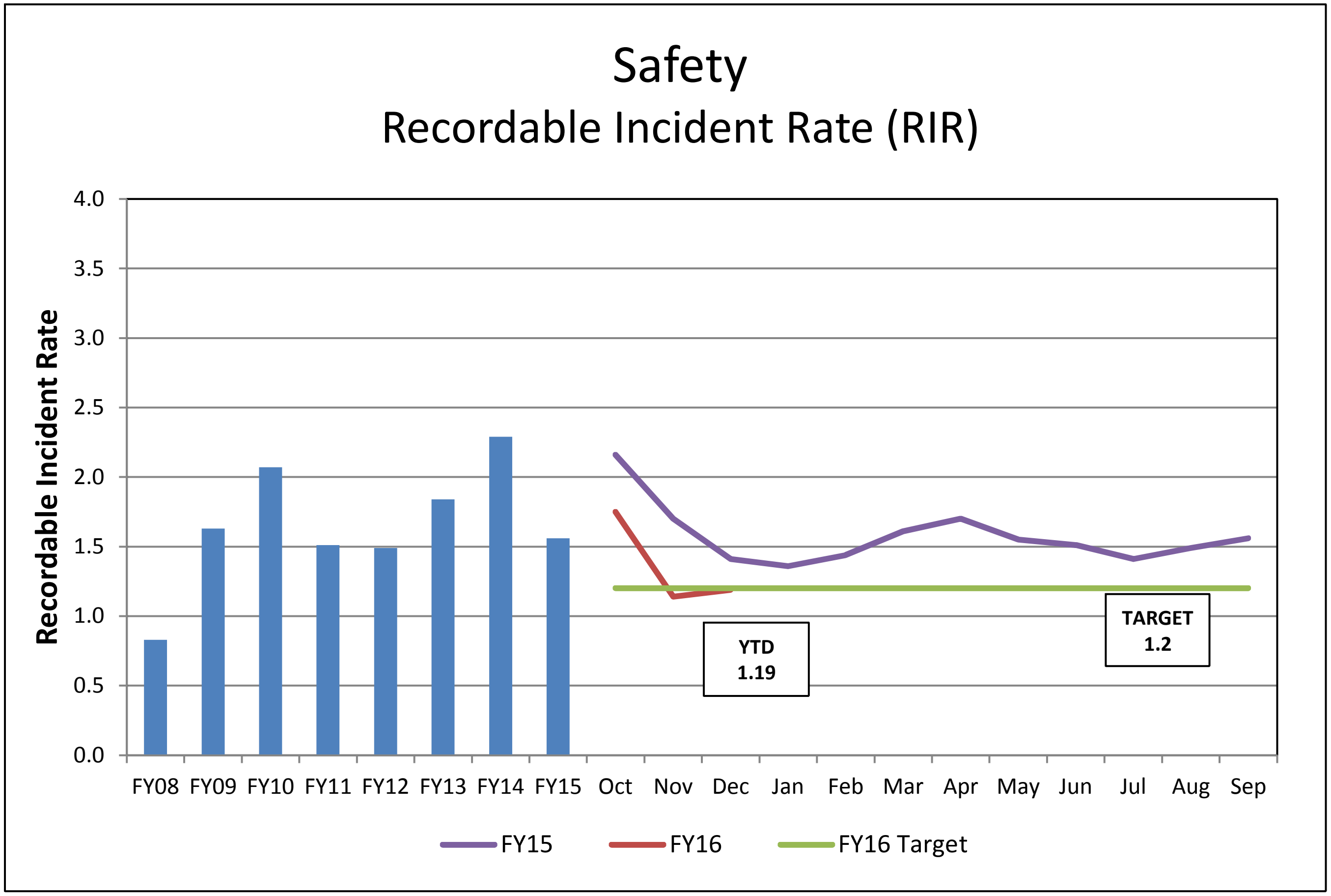
FY2016

- Year to Date Recordables = 6
- December Recordables = 2
- 2 (were) lost time
  - Electric Systems = 3
  - Water/WW Systems = 1
  - Customer Service = 1
  - Finance/Shared Services = 1
- Continuing to “Plan for Zero”
- Increased focus on:
  - Hand/Finger
  - Strains, Sprains, Slip/Trip/Fall
  - 0-5 Year Employees
  - Complacency
  - PPE Use

Industry Benchmark*

Average Municipal Utility RIR is 6.3

Units	FY2016 YTD	FY2016 Target	FY2015	FY2014
RIR	1.19	1.20	1.56	2.29



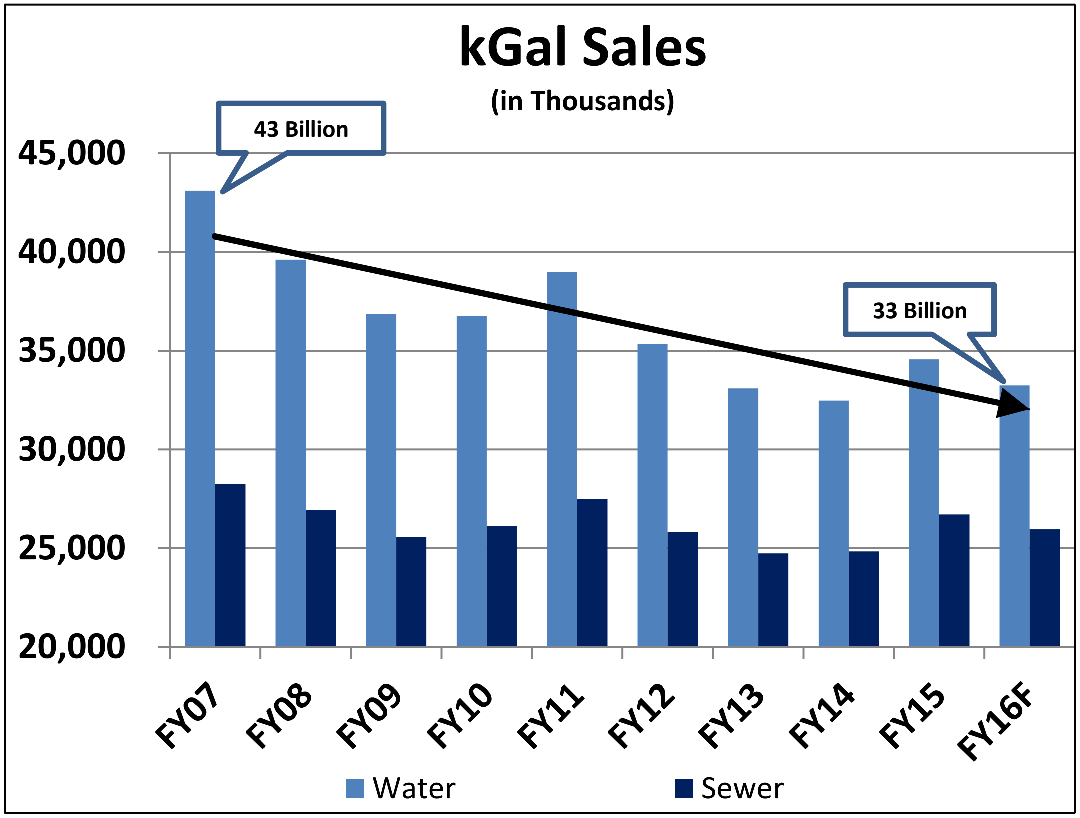
*Provided by Bureau of Statistics

JEA Building Community

JEA Water and Sewer System

kGal Sales

(in Thousands)



Month	FY15	FY16	% Change
Oct	3,051	3,121	2.3%
Nov	2,597	2,641	1.7%
Dec	2,708	2,758	1.8%
Year-to-Date	**8,356**	**8,520**	**2.0%**
Jan	2,502		
Feb	2,238		
Mar	2,732		
Apr	2,765		
May	3,509		
Jun	3,382		
Jul	3,300		
Aug	3,062		
Sep	2,712		
Total/Forecast	**34,558**	**33,523**	

Unit Sales Driver: Rainfall up 5 inches; rain days down 4.

YTD Rain			
	30-Yr. Avg.	FY16	FY15
Inches	9	10	5
Days	22	15	19

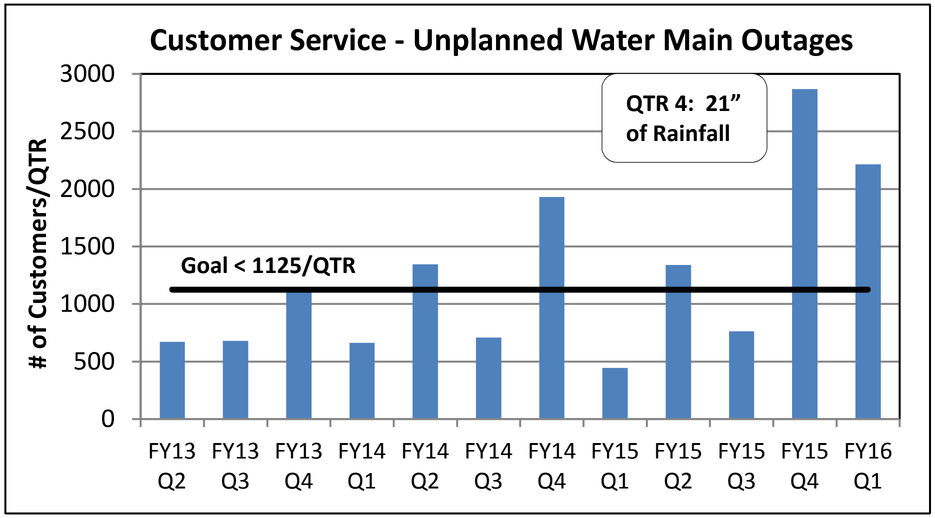
Total System	2.0%
Residential	0.8%
Comm./Industrial	5.1%
Irrigation	(1.9%)

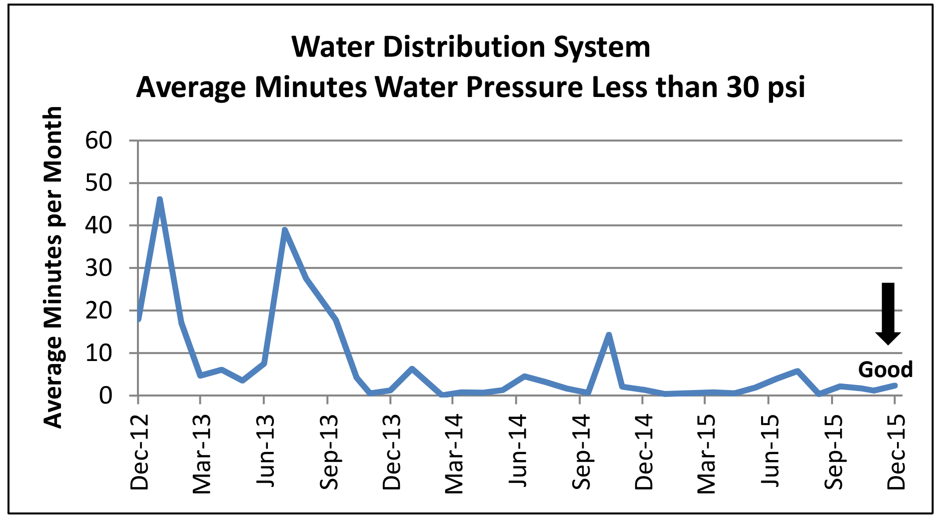
3

JEA
Building Community

Customer Reliability Objectives
Water and Wastewater System

Water Grid Performance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Water Main Outages	# of Customers per Year	2,215	4,500	5,659	4,645

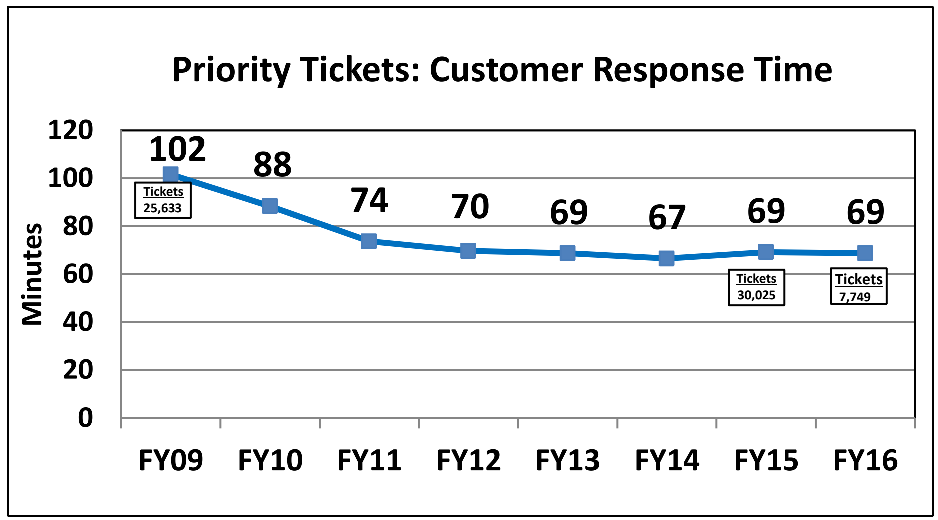




Unplanned Water Outages
# of Customers Affected by Unplanned Outages has increased due to rainfall and ground saturation

Water Pressure (minutes per month < 30 psi)
Measured by 110 pressure monitoring stations in the distribution system. Pressure must be greater than 20 psi, and is expected to be greater than 50 psi.

Customer Response Time
Average time from a customer call to the ticket completion or transfer to a field crew for a more extensive repair



Note: Priority Tickets are defined as an interruption of water or sewer service

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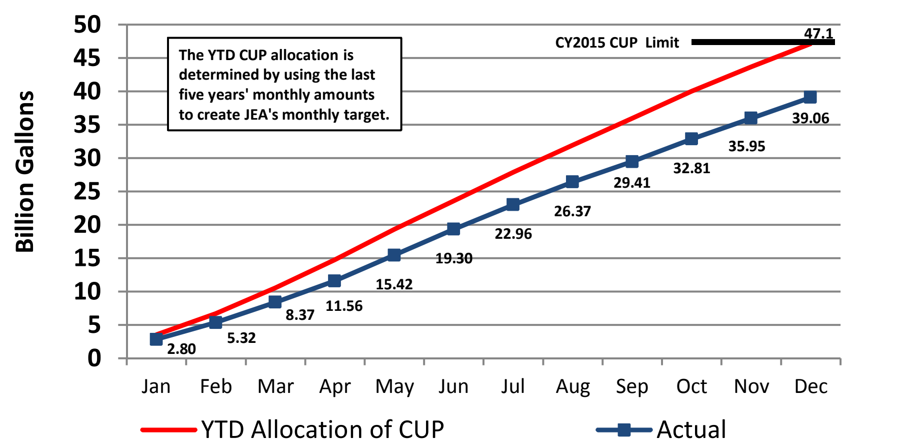
JEA Building Community

Environmental Compliance

Water System – Consumptive Use Permit (CUP)

Compliance	Metric – CY Basis	2016 YTD	2016 Target	2015	2014
Water	CUP Limits (MGD)	CY basis results starting in Jan 2016	**131 limit**	**107** (129 limit)	104 (127 limit)
South Grid	Wellfield Allocation (MGD)		**< 50.23 limit**	**47.50** (<50.23 limit)	51.37 (<61.23 limit)
Reclaim	Usage (MGD)		**15**	**13**	12

2015 Consumptive Use Permit (CUP)



CUP Condition 44: South Grid Wellfield Allocation Limits

Critical Wellfields	2013	2014	2015	Actual 2015
Deerwood III	10.25	9.17	7.00	6.67 ✓
Ridenour	11.00	9.62	6.85	6.66
Oakridge	9.15	7.98	5.65	4.99
Greenland	NA	1.51	4.53	4.27
Brierwood	7.65	6.11	3.02	2.84
Subtotal	**38.05**	**34.39**	**27.05**	**25.43**
Other (12 Well Fields)	**28.68**	**26.84**	**23.18**	**22.07**
Total South Grid	**66.73**	**61.23**	**50.23**	**47.50** ✓
Total System	**126**	**127**	**129**	**107** ✓

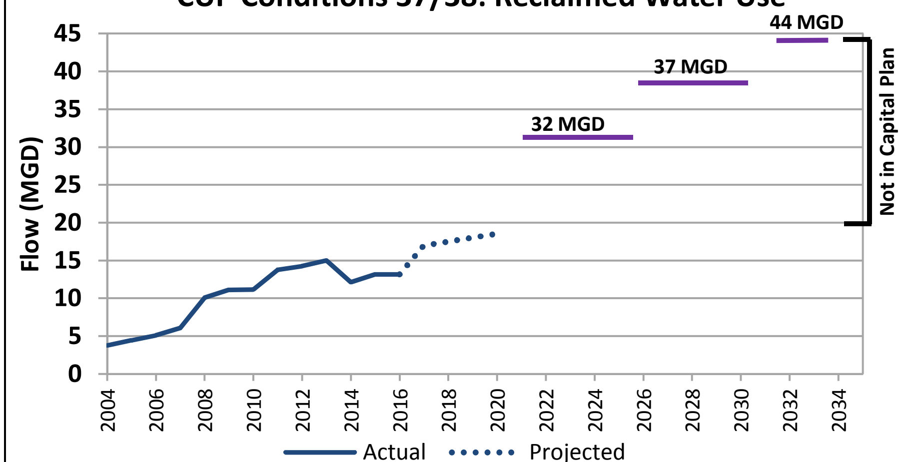
St. Johns River Water Management District CUP

Condition 12: YTD average daily flow is 16% below CY limit of 129 MGD

Condition 44: South Grid Wellfields have annual operational flexibility of 20% above the allocation limits

Conditions 37/38: Use of reclaimed water *"to the maximum extent technologically, economically, and environmentally feasible"*. The annual CUP limit continues to increase beginning in FY21 if 32 MGD is achieved.

CUP Conditions 37/38: Reclaimed Water Use

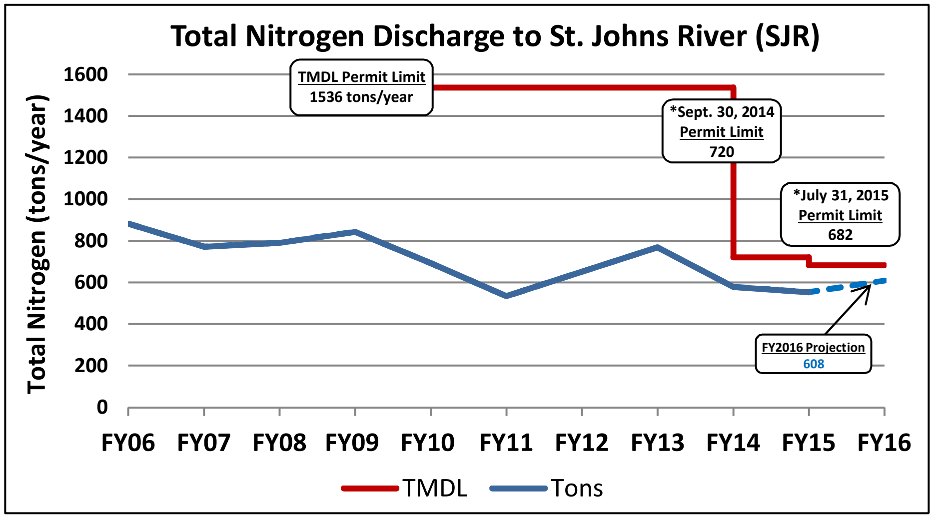


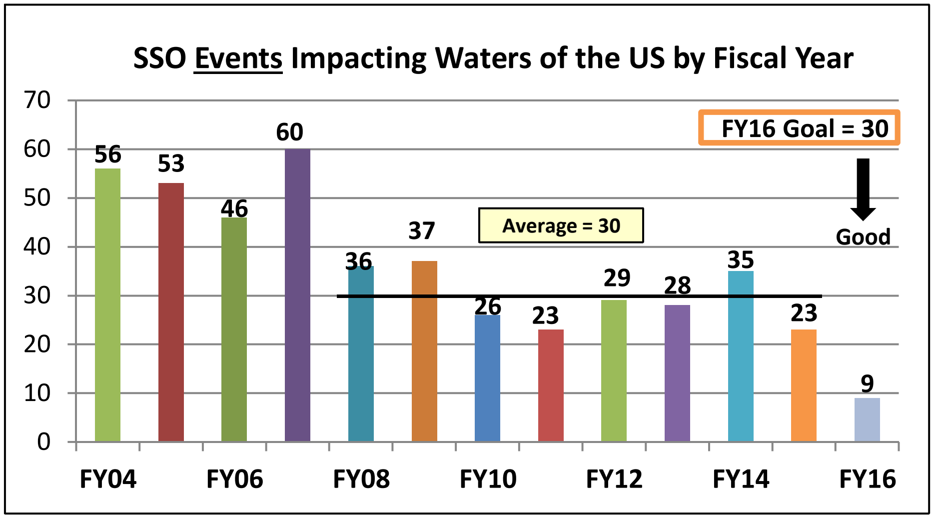
JEA Building Community

Environmental Compliance

Wastewater System

Compliance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Sewer	Nitrogen (N) Tons – FY basis	151	600	553 (TMDL of 682*)	577 (TMDL of 720*)



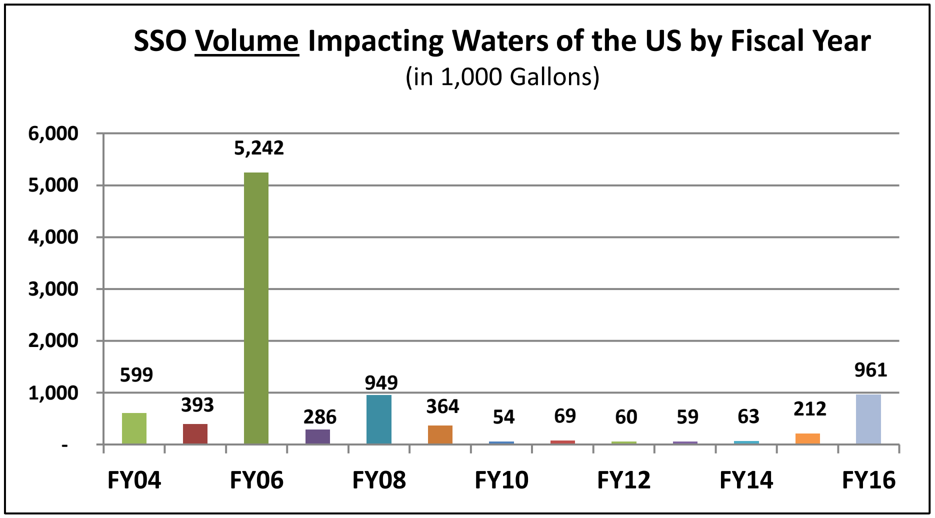


Nitrogen Discharge to St. Johns River

Florida Department of Environmental Protection (FDEP) has reduced the Total Maximum Daily Load (TMDL) to 682 tons with Water Quality Trading Credits allocated to the COJ

Sanitary Sewer Overflows (SSOs)

FY15 SSO achievement of 23 events matches the lowest annual total. A single event in October 2015 has elevated the SSO volume for FY16.



JEA
Building Community

JEA Water and Sewer System

Financial Results and Cost Metrics

($ in thousands)

Revenues	FY16 Forecast		FY15 Actual	FY16 Budget	FY16F vs FY15 ($)	Variance (%)
Water & Sewer Revenues	$ 387,417		$ 393,167	$ 383,162	$ (5,750)	-1.5%
Other Revenue	35,308		43,750	34,529	(8,442)	-19.3%
Total Revenues	**$ 422,725**	1	**$ 436,917**	**$ 417,691**	**$ (14,192)**	**-3.3%**
			$5M			
Select Expenses						
O & M Expense	$ 135,797	2	$ 127,174	$ 138,368	$ (8,623)	-6.8%
Net Revenues	**$ 261,661**		**$ 278,471**	**$ 275,985**	**$ (16,810)**	**-6.0%**
			$(14M)			
Capital Expenditures	**$ 174,854**	4	**$ 100,806**	$ 175,000	$ (74,048)	-73.5%
Debt Service	$ 100,369	3	$ 101,108	$ 105,370	$ 739	-0.7%

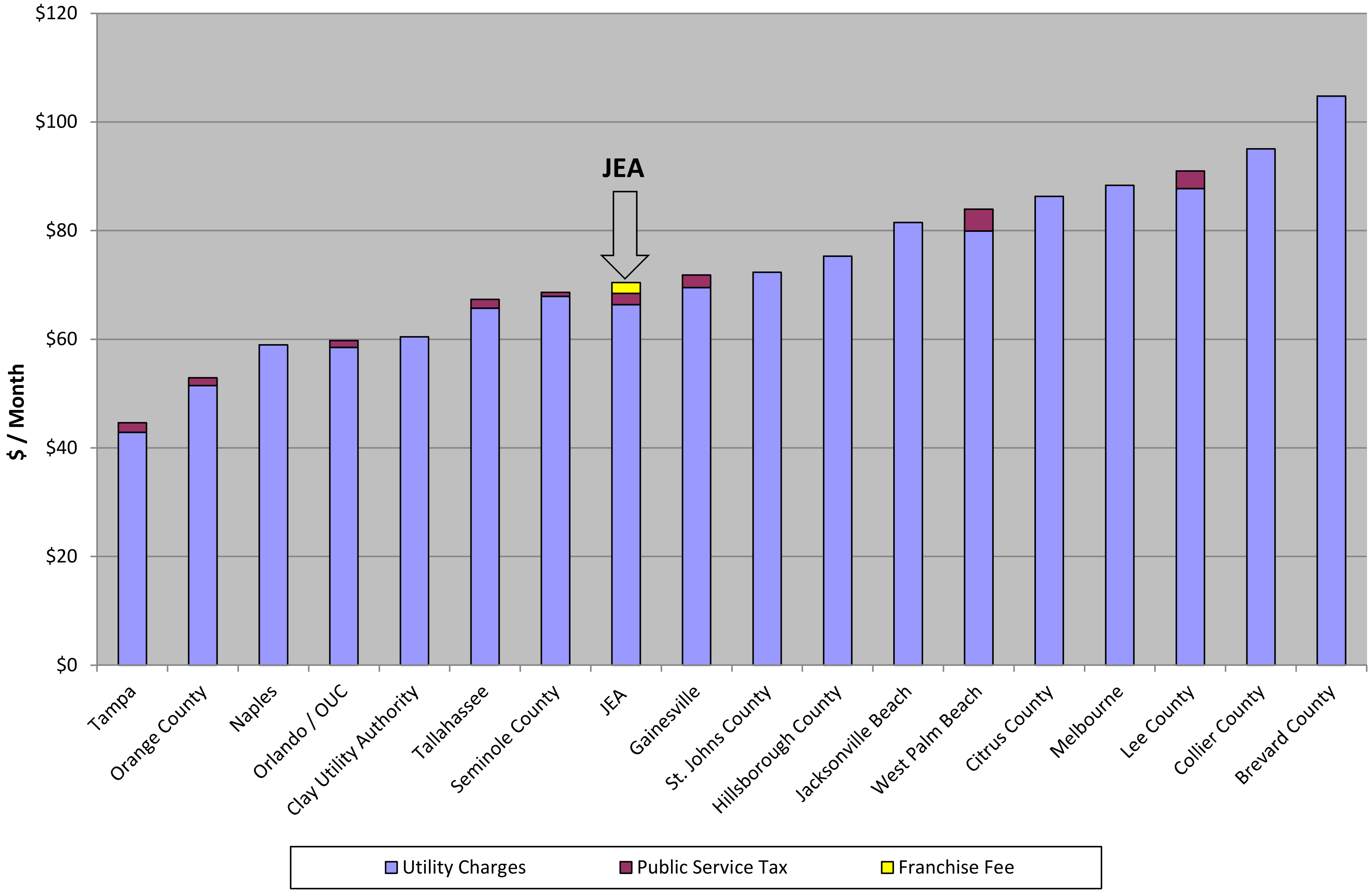
Depreciation
$132 million

Metrics	FY16 Forecast
Coverage:	2.6x
Days Cash/Liquidity:	165 / 284
Debt/Asset:	53% (2% lower)
Total Debt:	$1.6B ($33M lower)

Cost / KGal	Water	Sewer
Target	$ 3.98	$ 7.26
Forecast	4.85	8.19
Difference	$ (0.87)	$ (0.93)

Water & Sewer Rates in Florida

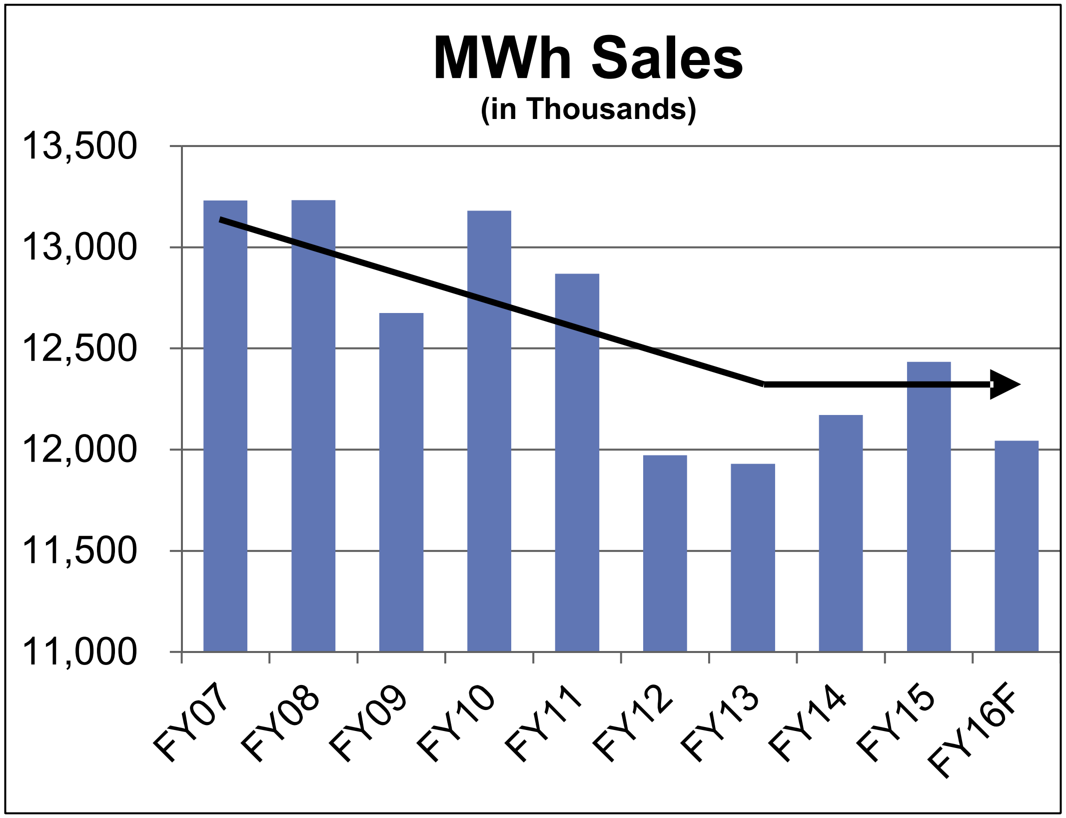
Residential Service with a 5/8" meter and 6 kgals of Consumption
Residential Rates as of January 2016



Building Community

JEA Electric System

MWh Sales



Month	FY15	FY16	% Change
Oct	971,595	952,515	(2.0%)
Nov	895,617	923,705	3.1%
Dec	943,753	922,956	(2.2%)
Year-to-Date	**2,810,965**	**2,799,176**	**(0.4%)**
Jan	1,035,621		
Feb	934,102		
Mar	898,524		
Apr	954,803		
May	1,062,459		
Jun	1,187,741		
Jul	1,254,252		
Aug	1,212,295		
Sep	1,083,446		
Total/Forecast	**12,434,208**	**12,043,349**	

Unit Sales Driver: Degree days 13% lower than last year.

YTD Degree Days		
30-yr. Avg.	**FY15**	**FY16**
775	736	644

Total System	**(0.4%)**
Residential	(4.1%)
Comm./Industrial	2.3%
Interruptible	2.1%
Wholesale (FPU)	(3.1%)

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JEA Building Community

JEA FY2016 Performance Objectives Electric System Reliability Metrics

T&D Grid Performance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Customer Outage Frequency	# of Outages per Year	1.6	1.8	1.7	1.7
Electric Outage Duration	# of Minutes out per Year	79	80	99	71
Transmission Line Faults	# of Faults per 100 miles	2.4	3.0	1.7	2.4
$CEMI_5$	% Customers > 5 outages per yr	0.98	1.25	2.1	2.34

Electric Service Reliability

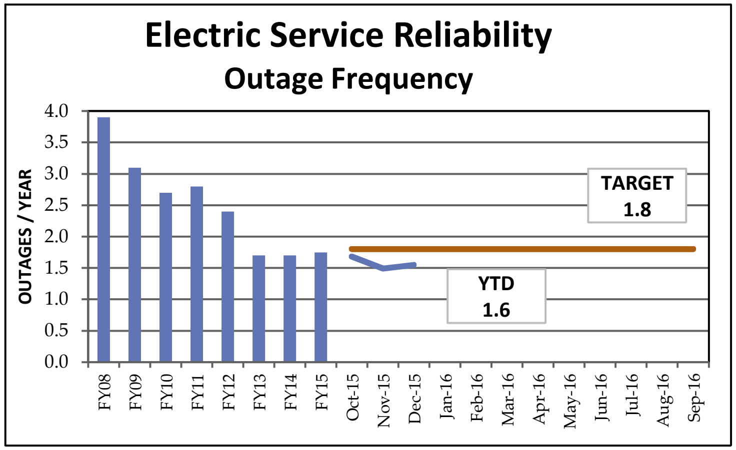
- Outage frequency and duration have been reduced significantly over the last 8 years; running flat this year and near the FY2016 targets.
- The typical JEA customer sees 1.6 outages per year and a total outage duration of 79 minutes
- $CEMI_5$: 4,473 (.98%) of our customers have experienced more than 5 outages in the past 12 months

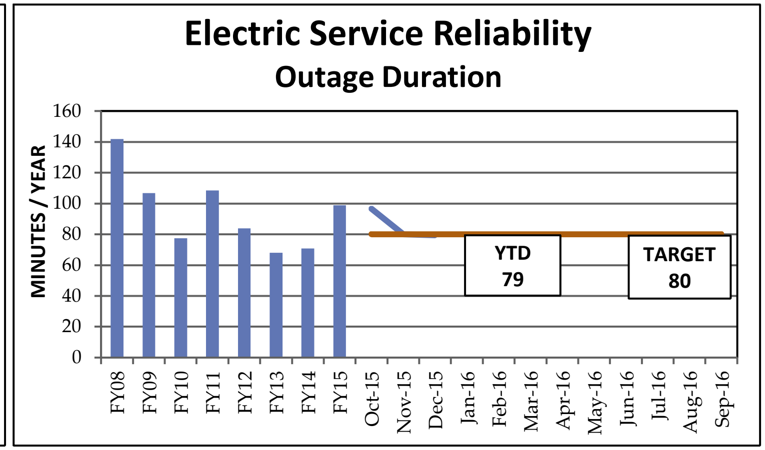
Transmission Line Reliability

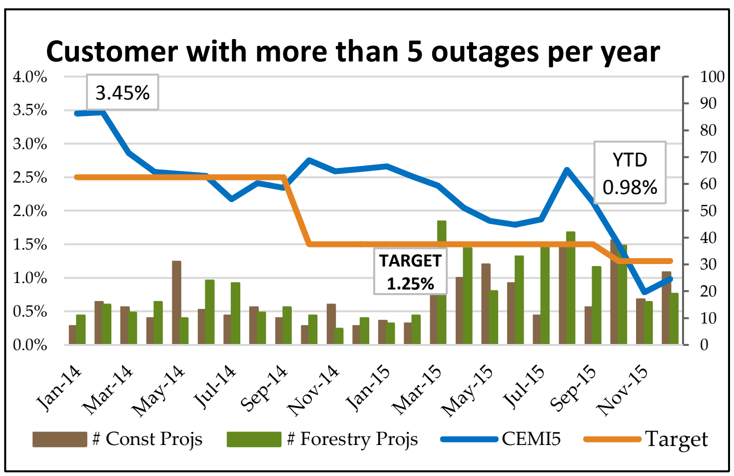
- Overall downward trend over the last eight years
- YTD (2.4) running below the FY16 target

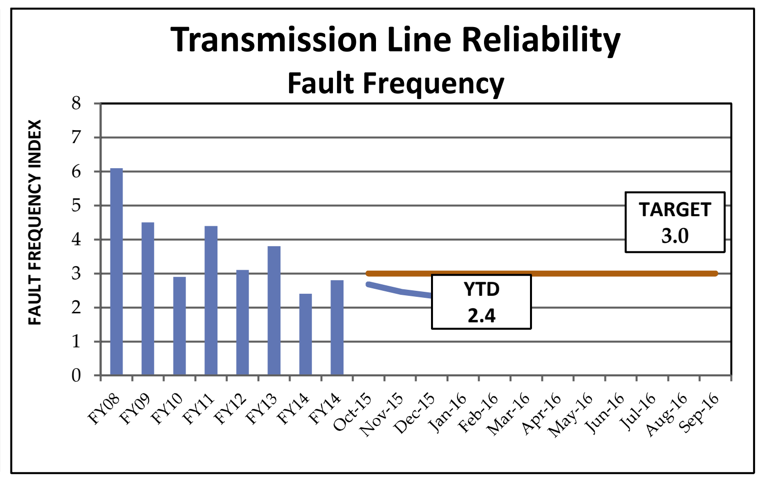
Other Operational Metrics

- Continue showing favorable trends over time









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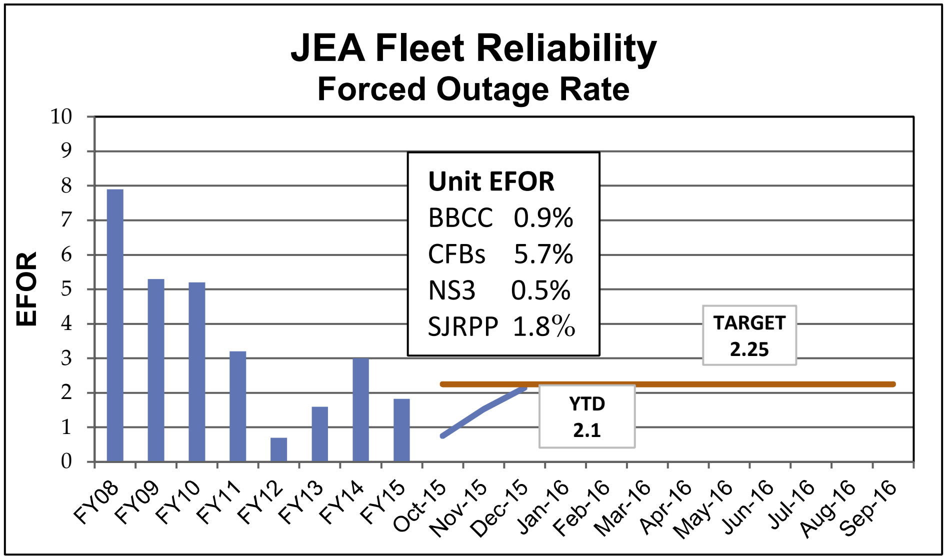
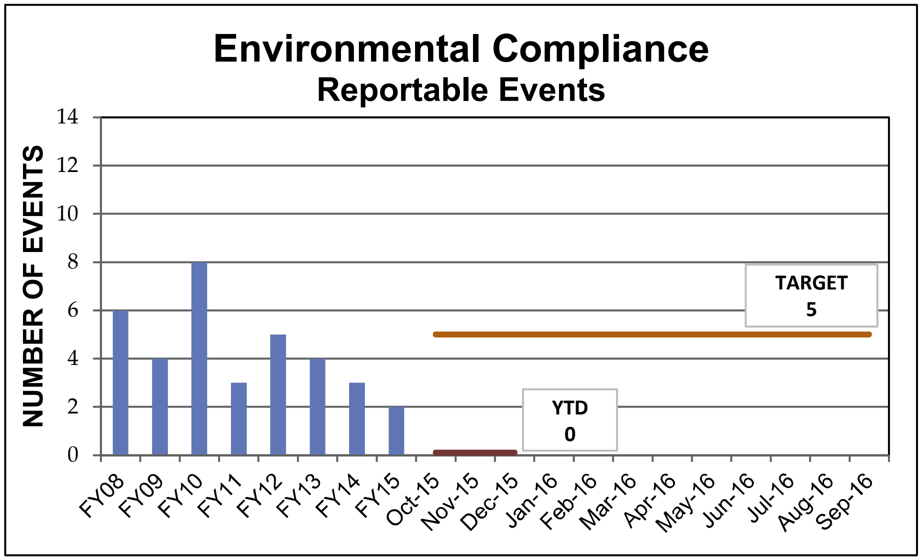
JEA Building Community

JEA FY2016 Performance Objectives Electric System Reliability Metrics

Generating Plant Performance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Generation Fleet Reliability	Forced Outages Rate	2.1	2.25	1.8	3.0
Environmental Compliance	Permit Exceedances	0	5	2	3





Generating Fleet Reliability

- The JEA fleet Forced Outage Rate is in line with prior 5-year performance and under FY2016 target of 2.25
- Planned outage work successfully completed last fall on all three Northside Units. Outages planned for Spring on the Brandy Branch and SJRPP Units.
- High unit reliability contributes to lower fuel and non-fuel expenses

Environmental Compliance

- Excellent environmental performance in prior years, with no air permit violations
- No reportable events so far in FY2016.
- JEA is actively engage in and preparing for all new and emerging environmental regulations.

JEA
Building Community

JEA Electric System
Financial Results and Cost Metrics

($ in thousands)

Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16 vs FY15 ($)	Variance (%)
Fuel Revenue	$ 462,001 [1]	$ 486,362 [2]	$ 485,631	$ (24,361)	-5.0%
Base Revenue	714,415	741,411	711,502	(26,996)	-3.6%
Other Revenue	47,615	38,183	51,716	9,432	24.7%
Total Revenues	**$ 1,224,031**	**$ 1,265,956**	**$ 1,248,849**	**$ (41,925)**	**-3.3%**
		$(25M)			
Select Expenses					
Fuel Expense	$ 384,159	$ 441,076	$ 460,315	$ 56,917	12.9%
Fuel Fund Transfers	77,841	45,286	25,255	(32,555)	
O & M Expense	210,993	191,764	222,827	(19,229)	-10.0%
Non-fuel Purchased Power	104,577	114,804	113,015	10,227	8.9%
Net Revenues	**$ 434,381**	**$ 461,604**	**$ 405,311**	**$ (27,223)**	**-5.9%**
		$29M			
Capital Expenditures	$ 156,134	$ 116,728	$ 153,200 [3]	$ (39,406)	-33.8%
Debt Service	$ 184,351	$ 175,779	$ 185,614	$ (8,572)	-4.9%

Financial Metrics	FY16 Forecast
Coverage:	2.4x
Days Cash/Liquidity:	225 / 344
Debt/Asset:	66% (2% lower)
Total Debt:	$3.0B ($150M lower)

Electric Costs / MWh	Non-Fuel
Target	$ 49.44
Actual	54.84
Difference	$ (5.40)

Fuel Fund ($ in millions)	
Beginning Balance	$ 151
Surplus/(Deficit)	135
Fuel Credit	(57)
Ending Balance	$ 229

[1] Net of $57 million fuel credit in October bill
[2] Net of $50 million fuel credit in FY15
[3] Council approved limit for capital expenditures in FY15 is $170 million

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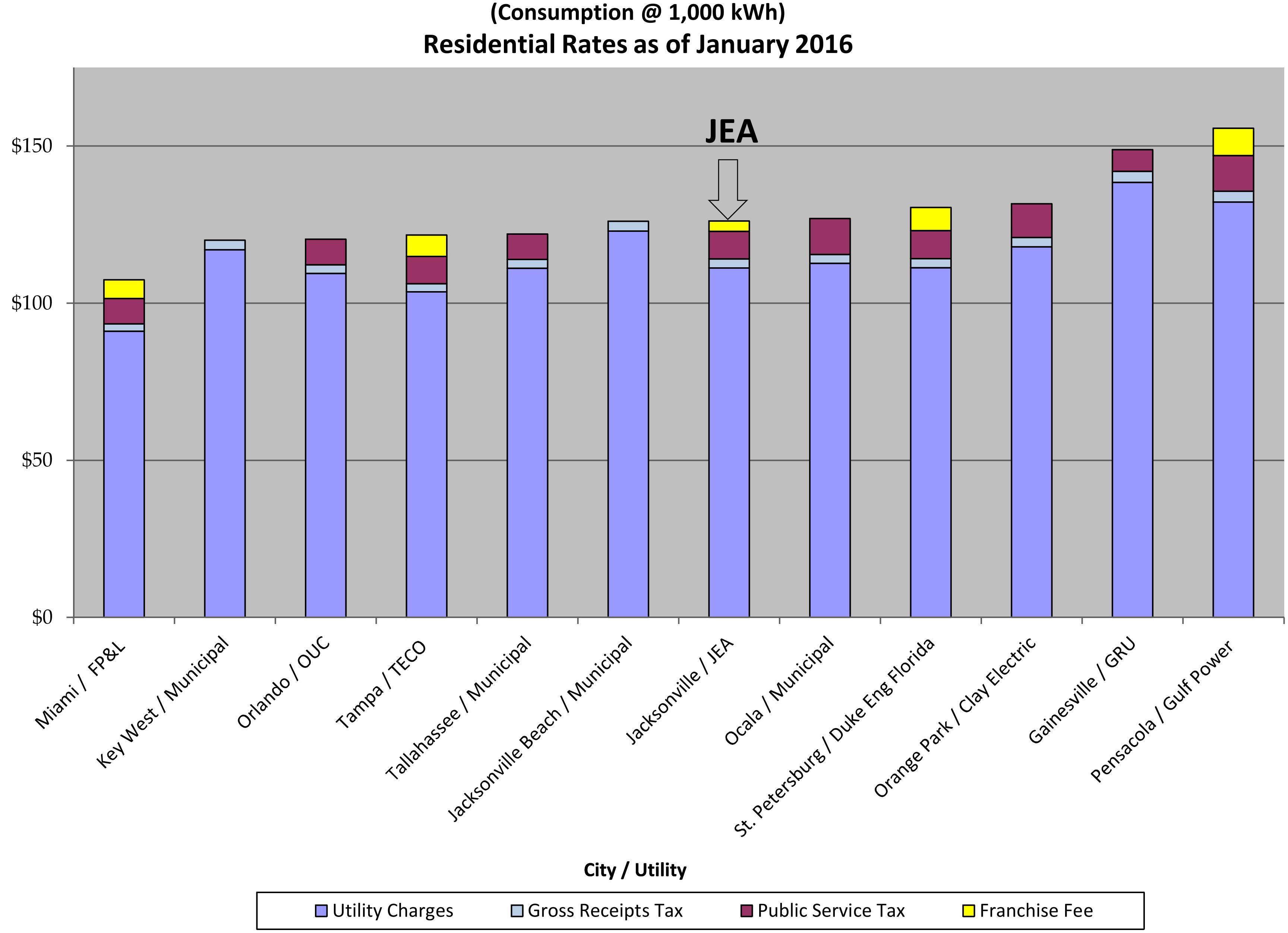
Florida Utilities Monthly Residential Electric Bill Comparison



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Customer Experience

Presenter: Monica Whiting

Date: January 2016

FY16 Customer Satisfaction Goal

Achieve 1st Quartile Ranking for JD Power Customer Satisfaction Index for both Residential and Business Studies

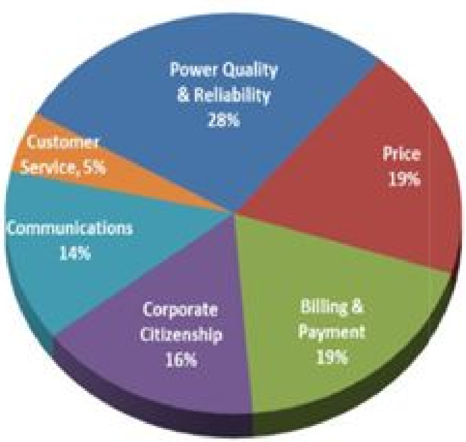
Residential (R)

FY14		FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
3Q	647	1Q	692	2Q	698							2Q	698

Business (B)

FY14		FY15		Wave 1		Wave 2		FY16 YTD	
1Q	682	1Q	705	1Q	771			1Q	771

Residential



Business

2016 Residential # of companies ranked: 137
2016 Business # of companies ranked: 87

1Q= 1st quartile 2Q= 2nd quartile 3Q = 3rd quartile 4Q = 4th quartile

Achieve 1st Quartile Ranking on All Drivers

Be Easy to Do Business With

Customer Service

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	1Q	775	1Q	777							1Q	777
B	1Q	754	1Q	768							1Q	768

Power Quality & Reliability

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	2Q	736	2Q	744							2Q	744
B	2Q	736	1Q	783							1Q	783

Empower Customers to Make Informed Decisions

Billing & Payment

	FY15		Wave 1								FY16 YTD	
R	1Q	755	2Q	753							2Q	753
B	1Q	756	1Q	775							1Q	775

Communication

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	1Q	653	2Q	660							2Q	660
B	1Q	648	1Q	705							1Q	705

Price

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	2Q	615	2Q	619							2Q	619
B	1Q	650	1Q	682							1Q	682

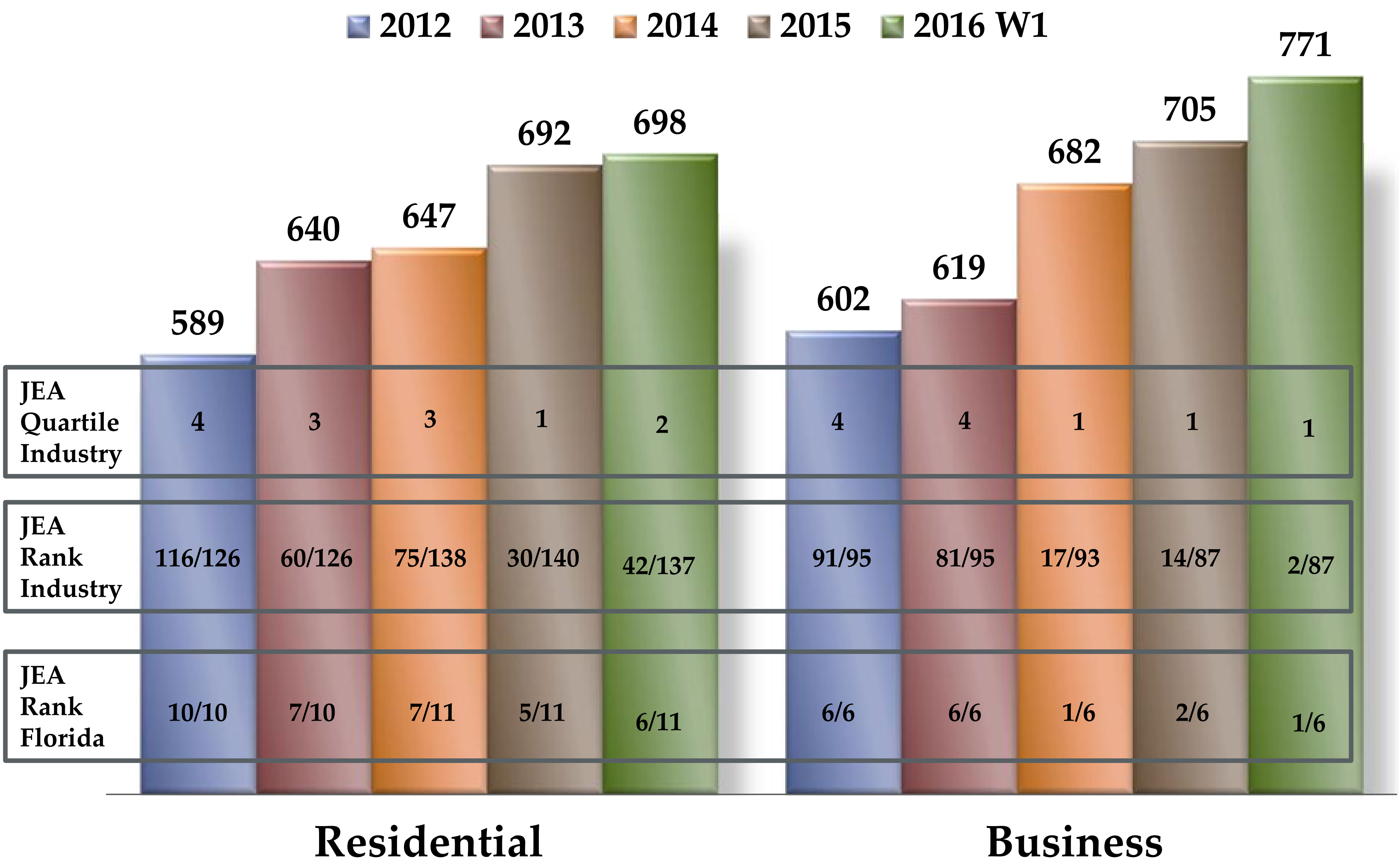
Demonstrate Community Responsibility

Corporate Citizenship

	FY15		Wave 1								FY16 YTD	
R	2Q	634	2Q	655							2Q	655
B	1Q	673	1Q	699							1Q	699

Note: All FY16 business drivers are estimated using JD Power data from mTab.

Customer Satisfaction Index Scores



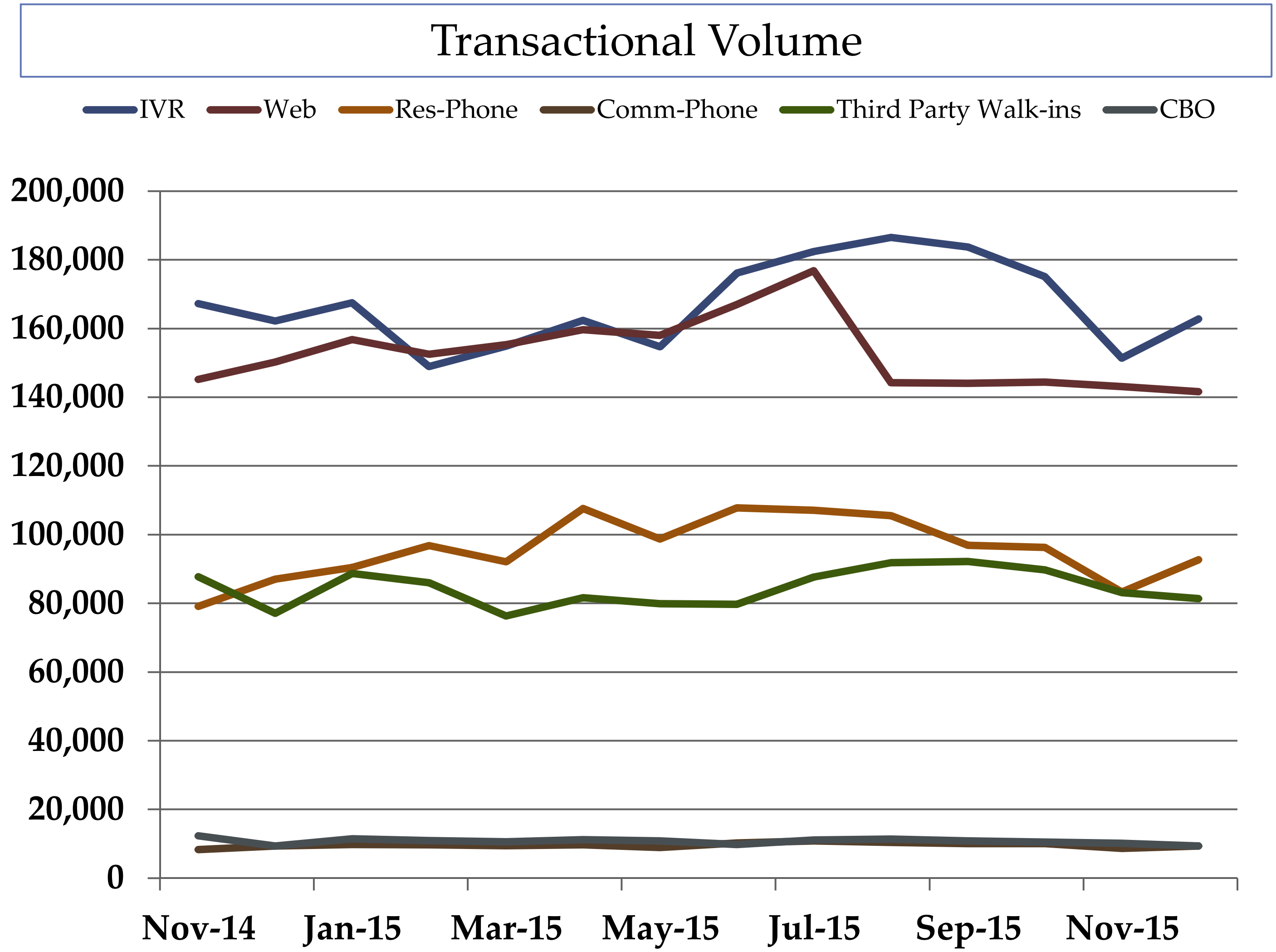
Easy to do Business With

Customer Service

Providing multiple contact channels allows the customer to interact with JEA in a way that's easiest for them.

Customer Satisfaction Rating: 8s-10s by Channel - JDP

	FY15	FY16	Ind.
Phone	60.8%	63.1%	58.7%
IVR	68.5%	75.2%	58.7%
Web	74.0%	63.2%	61.7%



Easy to do Business With

Customer Service

Accurately addressing a customer's needs the first time produces a positive customer experience

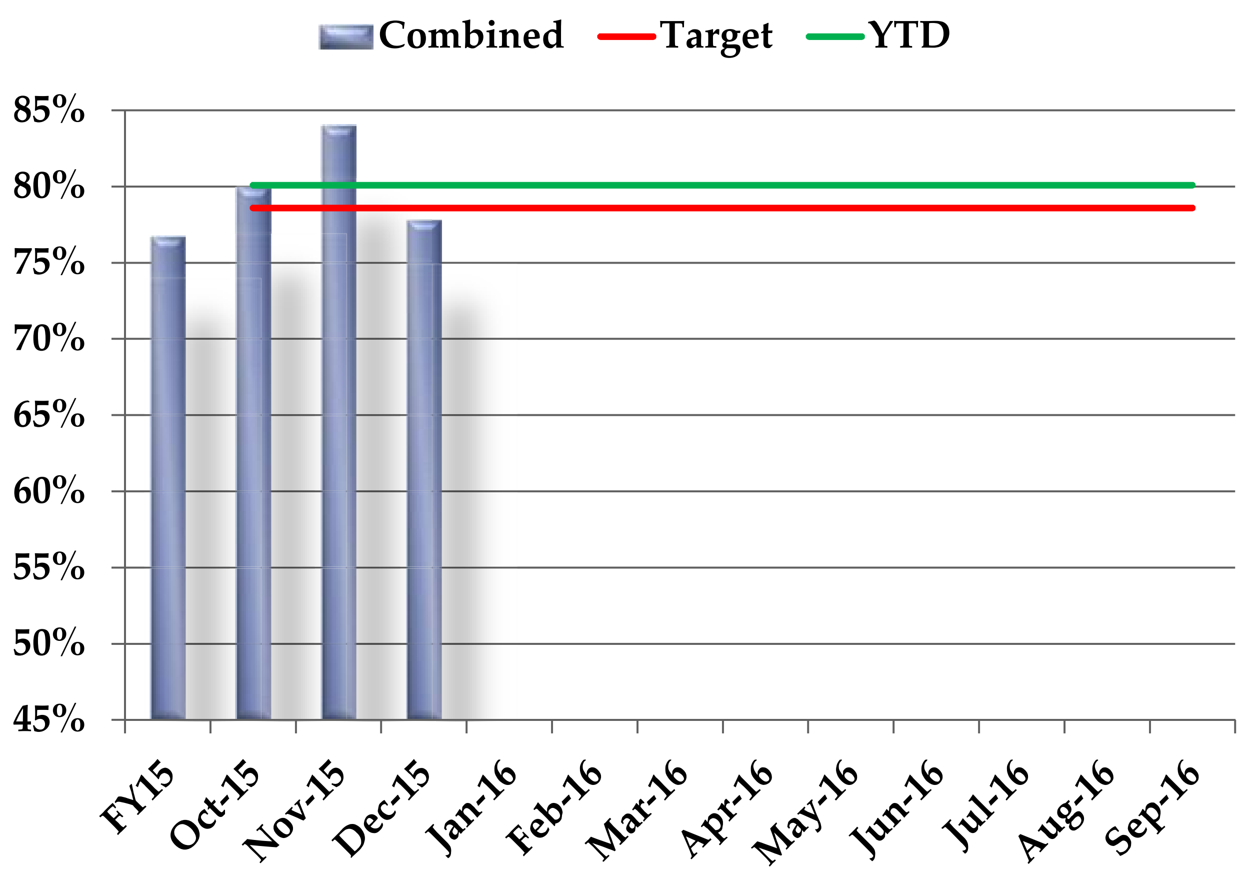
FY2016 YTD

Residential CC	75.1%
Branches	87.5%
Commercial CC	73.8%
IVR	86.7%
jea.com	76.1%
Overall	80.1%

JD Power FCR

	FY15	FY16	Ind.
Res CC/IVR	74.3%	67.8%	71.9%
Jea.com	80.2%	74.2%	73.6%
Bus	73.8%	69.2%	67.0%

First Contact Resolution
Branches, Call Centers, and jea.com



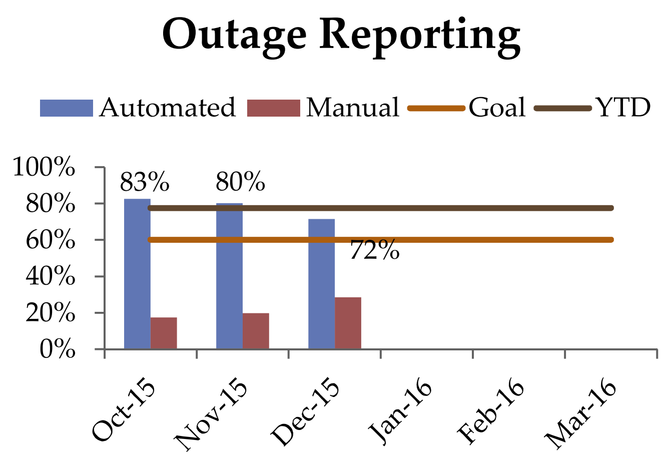
Easy to do Business With

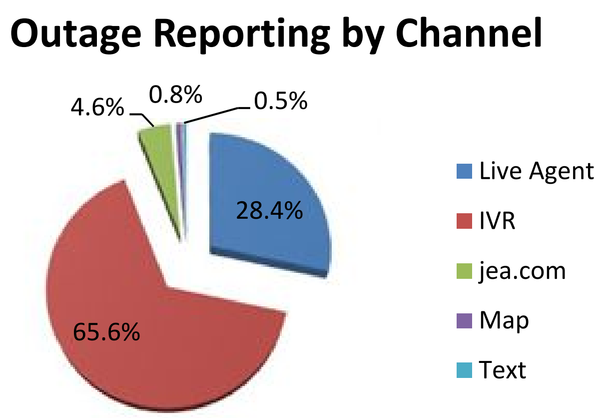
Power Quality & Reliability

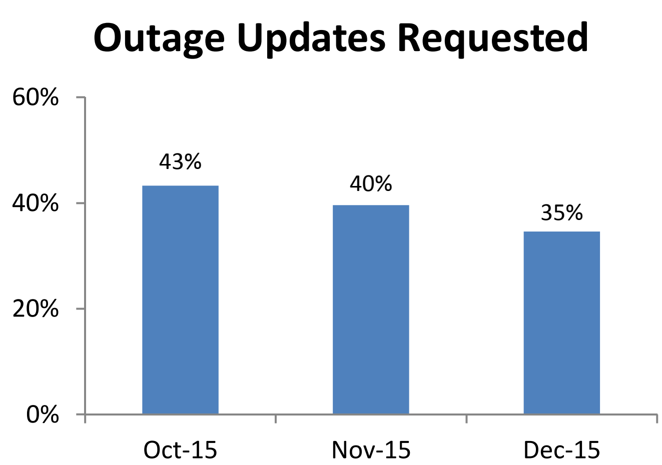
Customers are more satisfied when receiving additional information when reporting an outage and when given updates when power is restored.

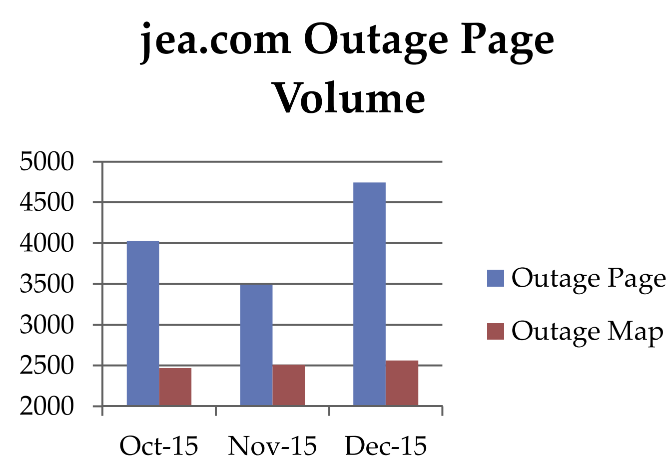
JD Power
"Keeping you informed about outage"

Score	FY15	FY16	Ind.
8 – 10	36.1%	36.2%	31.2%
< 5	24.1%	21.1%	19.3%









Empowering Customers to Make Informed Decisions

Billing & Payment: Customer Solutions

Customer Solution Participation	FY16 Goal	FY16 YTD
e-Billing Participation	72,600	63,568
Levelized Bill Participation	20,186	18,247
AutoPay Participation	36,640	30,661
JEA MyWay Participation	11,235	10,008

Just surpassed 10K enrollment mark for JEA MyWay participation

Promotional campaign underway for JEA MyBudget – January & February

e-Bill promotional campaign scheduled for April & May

	FY16YTD	Industry Benchmark*
e-Bill	16.2%	18.5%
Budget Bill	4.6%	9.0%
Auto Pay	7.8%	13.0%

*2015 IOU Benchmark Average

Empowering Customers to Make Informed Decisions

Communication

Communicating with customers is a key driver of satisfaction and impacts all drivers.

JDP Frequency of Comm Received

FY16 YTD

Not enough	13%
Just right	82%
Too much	5%

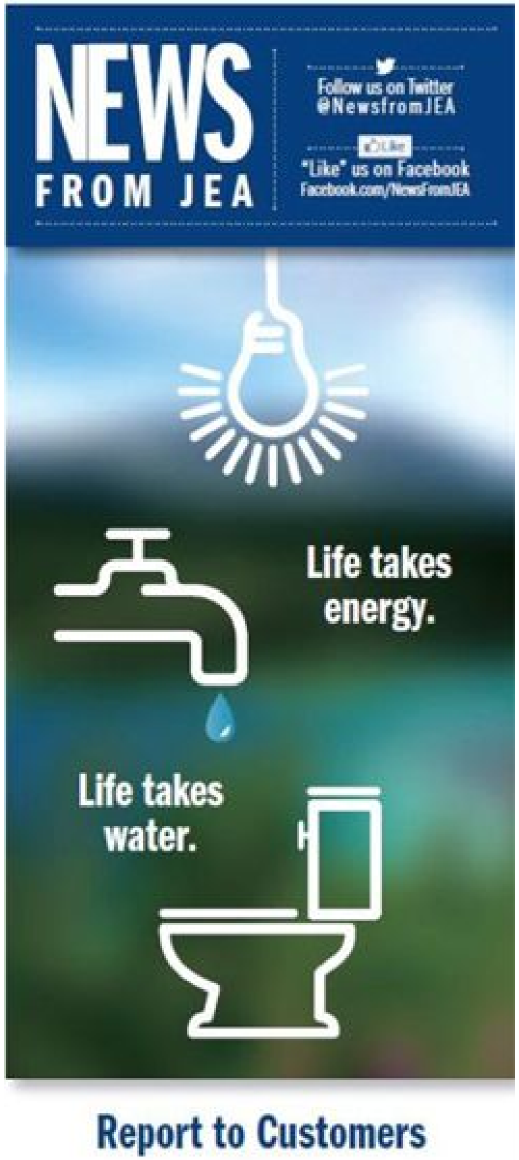
JDP Comm Awareness

Residential

FY13	48.8%
FY14	51.9%
FY15	54.6%
FY16 YTD	52.0%

Commercial

FY13	53.4%
FY14	55.7%
FY15	70.4%
FY16 YTD	54.8%



Communication Channels FY16

Volume: 49,976,823

- **e-Com** (jea.com, email, social) 7,104,253
- **Paid Media** (Radio, TV, Print) 39,485,231
- **Community Engagement** (Events, Workshops) 139,309
- **Other Communication** (Bill Inserts, Brochures, 3,248,030

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Demonstrating Community Responsibility

Corporate Citizenship

Giving back to our community through volunteering is foundational as a community-owned utility

FY16 YTD Volunteers—201

December— 115 Volunteers

- Salvation Army Toy Distribution
- Feeding NE Florida Food Bank
- Annual Holiday Toy Drive
- Annual Adopt a Family project

January—Vol. Events

- Feeding NE Florida Food Bank – January 22
- Dignity U Wear – January 22
- Feeding NE Florida Citrus Drive – January 30

JEA Employee Volunteer Participation

To the right: JEA Employee Ambassadors participated in Councilman Brown's Annual Community Day of Service Event at The Legends Center. Customers were provided with information on the various JEA products and services that could help them save on their monthly utility bills.

JEA Ambassador Program

JEA Ambassadors are engaging customers throughout our community in a greatly expanded way.

FY16 Activities:

- Speakers Bureau—11
- Facility Tours—5
- Community Events—26
- Educational Partnership

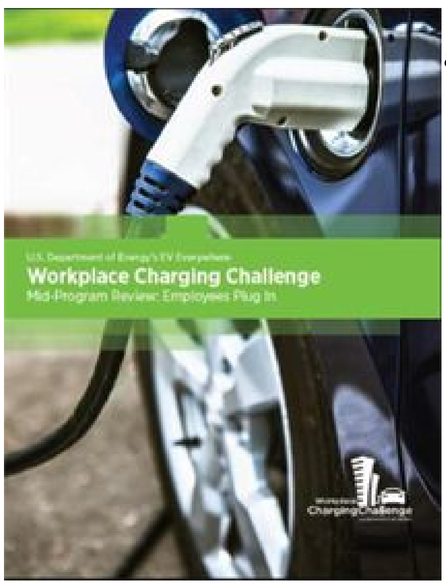
22

Demonstrating Community Responsibility

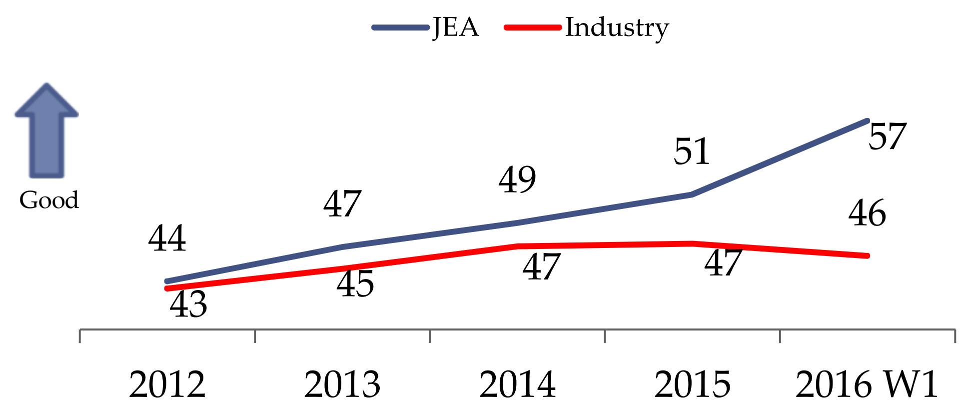
Corporate Citizenship: Environmental

DSM Programs & Participation	FY16 Goal	FY16 YTD
Efficiency Assessment	N/A	1,460
Tracker Participation (Entering Site)	105,000	26,870
Invest Smart	350	46
Shop Smart	62,030	23,643
Neighborhood Energy Efficiency	1,274	289
Electric Vehicle Rebates	55	6
Charging Stations Installed	28	17

JEA "Leads the Charge"
The Department of Energy's Workplace Charging Challenge recognized JEA for supporting the development of the national PEV charging infrastructure.
JEA has promoted workplace charging via channels such as social media and outreach events to the community.

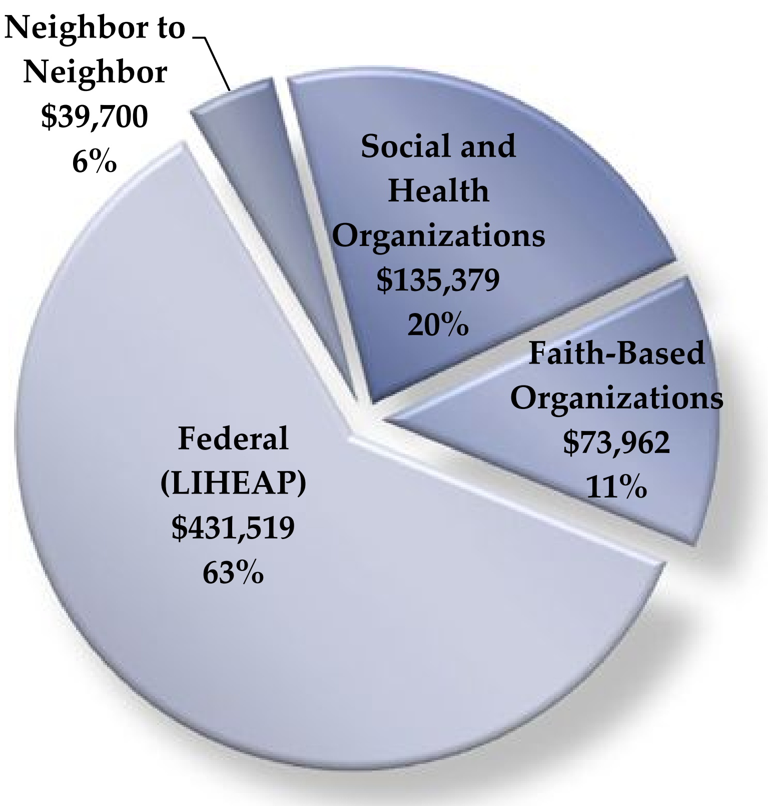


amiliarity with Utility Energy Efficiency or Conservation Programs (%)

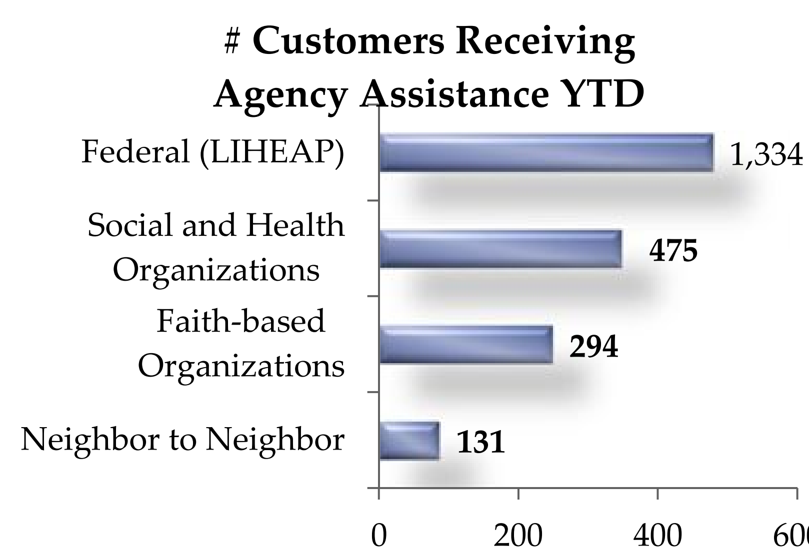


Demonstrating Community Responsibility

Corporate Citizenship: Customer Assistance Funding



26 agencies provided **646** utility payments on behalf of JEA customers in December 2015 totaling **$ 192,314**



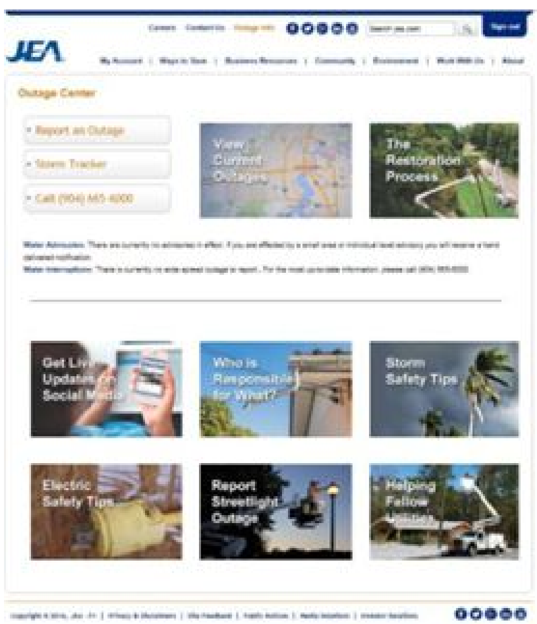
Agency & Federal Customer Assistance FY 16 YTD
$680,561

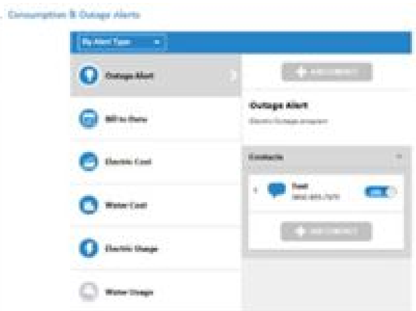
Number of Customers Receiving Agency & Federal Utility Assistance FY 16 YTD
2,234

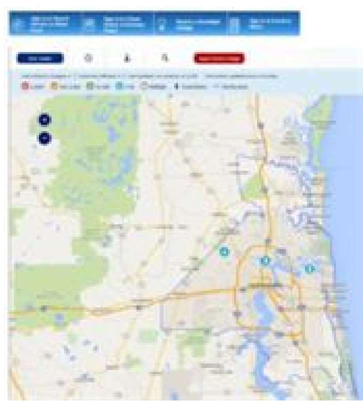
Continuous Improvement

Be Easy To Do Business With

- New “Account Executive Portal” in production
    - Quicker & better response & reports for customers
- Improvements to jea.com search feature
- New Outage Map & Outage Alert Preferences







Recent Customer E-mail

I really like your new Outage Information pages. In the event of a hurricane I can check the area my Daughter lives in and worry or not worry about her. It is always better to actually see something. I have bragged on your sight many times. Do not know how you can to any better. I check my water usage and always can see when Ii do my laundry.

Merry Christmas to all - Barbara

Empower Customers to Make Informed Decisions

- Bill Due Date Reminder – Alert
- 24 Months of Billing History - Now Available on jea.com
    - Recognized by Chartwell for having 3rd most “Liked” Facebook post
    - New expanded solar section on jea.com

Committee Members will meet on the 8th Floor
Other Board Members may join via conference call by dialing 904-665-7100 - No password is needed.

COMPENSATION COMMITTEE AGENDA

DATE: January 5, 2016
TIME: 11:00 – 12:00 PM
PLACE: 21 W. Church Street
8th Floor

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Delores Kesler		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – December 15, 2015	Cheryl Mock	A	
II. NEW BUSINESS			
A. Compensation Committee Charter	Paul McElroy	A	5 mins.
B. Market Definition	Angie Hiers	I	10 mins.
C. FY2016 Pay for Performance Plan: Goals and Compensation	Angie Hiers	A	15 mins.
D. FY2016 CEO Goals	Paul McElroy	A	10 mins.
E. Open Discussion			10 mins.
F. Announcements			
1. Schedule Next Meeting as Appropriate			
G. Adjournment			

JEA COMPENSATION COMMITTEE MINUTES
December 15, 2015

The Compensation Committee of JEA met on Tuesday, December 15, 2015, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

A. Call to Order – Committee Chair Delores Kesler called the meeting to order at 11:00 AM with Members Tom Petway and Kelly Flanagan in attendance. Also present were Paul McElroy, Angie Hiers, Jane Upton, Judi Spann, Gerri Boyce, Rick Lehman, Jacksonville Supervisors Association (JSA) and Robert Campbell, Office of the Council Auditor.

B. Adoption of Agenda – The Agenda was adopted on **motion** by Mr. Petway and second by Ms. Flanagan.

Committee Chair Kesler thanked Angie Hiers, Chief Human Resources Officer, and her team for their hard work in putting together the information for today's meeting.

Agenda Item II – New Business

A. Committee Charter Draft – Paul McElroy, Managing Director/Chief Executive Officer, provided the Committee with an overview of the draft Compensation Committee Charter. Mr. McElroy stated the draft Committee Charter indicates the Board Chair will annually appoint three committee members. The Committee Charter was received for information. A revised charter will be presented at the next meeting for action.

B. JEA Compensation Review – Angie Hiers, Chief Human Resources Officer, presented the JEA Compensation Review, bringing the following topics to the Committee for information: composition of workforce, Collective Bargaining Units and Civil Service protections and benefits of JEA and St. Johns River Power Park employees. Ms. Hiers noted the highly technical nature of the majority of the workforce and the replacement costs of members. Ms. Hiers discussed the JEA Compensation Market Studies, led by Pat Maillis, Director, Employee Services, who has worked with several local and international companies. JEA includes many municipalities, as well as some independently-owned utilities (IOU) in its market studies. JEA utilizes the firms of Towers Watson and Mercer to conduct the studies. JEA management shares the market studies with the Collective Bargaining Units to demonstrate the good faith negotiating strategies of the management team. Ms. Hiers also advised that JEA does not benchmark all jobs each year, but does stay current with market trends and studies. Ms. Hiers shared information pertaining to the CEO agreement benchmarking, as well as the Senior Leadership Team market studies. She indicated that JEA was provided market pricing for all Senior Leadership Team positions and that they were adjusted for geographical location. In reviewing the incentive programs, Ms. Hiers indicated that JEA gleans information from other municipalities, non-profits, IOUs and other local companies with similar revenues. She also provided information related to rankings vs ratings and their relevance to the incentive program. After the presentation, the committee held discussions regarding retention, possible pension change impacts and goal-setting. Mr. McElroy provided a review of the most recent General Counsel opinion regarding Collective Bargaining Units.

C. Announcements – Mr. McElroy provided a brief summary of deliverables for the next meeting which include a definition of JEAs market, the final charter and incentive goals and objectives.

1. The next committee meeting is scheduled on January 5, 2016.

D. Adjournment – With no further business claiming the attention of this Committee, the meeting was adjourned at 11:57 AM.

APPROVED BY:

____
Delores Kesler, Committee Chair
Date: ________________

Submitted by:

____
Cheryl Mock
Executive Assistant

JEA Board of Directors Compensation Committee Charter

Role of the Compensation Committee

The Compensation Committee is appointed by, and is a standing Committee of, the Board of Directors of JEA. The Committee's primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing JEA's compensation policies and strategies. In conjunction with its primary function, it is the responsibility of the Committee to provide an open avenue of communication between the Board and Management. The Compensation Committee shall review and approve various agenda items and make recommendations to the JEA Board for final approval. It will keep the Board apprised of its activities.

Membership

The Committee shall consist of three Board members, appointed annually by the Board Chair. The Board Chair shall appoint one of the Committee members as Chairperson. The Chief Human Resources Officer shall have direct access to Compensation Committee members.

Meetings

The Committee will meet on an as needed basis. The Committee may invite members of Management and/or others to attend meetings and provide pertinent information, as necessary. Meetings shall be subject to open meetings and public information laws.

Responsibilities

The Committee shall:

- Establish, monitor, review and revise, at least annually, performance guidelines for the CEO
- Assist the Board in assessing and evaluating the CEO's performance
- Review and recommend the CEO's compensation, including salary and incentives
- Review and approve compensation plans for the Senior Leadership Team (SLT), including salary and incentives
- Review and approve annual pay for performance program relative to establishing goals, structure and payout amounts
- Approve proposed wages (related to negotiations) to be presented to legislative body for final approval
- Report Committee actions and recommendations to the Board
- Annually review and approve the Committee's Charter, updating as needed

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AGENDA ITEM SUMMARY

December 28, 2015

SUBJECT:	**MARKET DEFINITION**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: The newly created Compensation Committee of the JEA Board of Directors requested that staff provide a clear definition and explanation of the market used for compensation purposes.

Significance: A clearly defined market allows the committee members to understand the information provided regarding the compensation plans of the JEA organization.

Effect: N/A

Cost or Benefit: The information will provide the Compensation Committee members with an understanding of the markets used by JEA, as well as the sources used by JEA for compensation purposes.

Recommended Board action: Staff is providing the documentation for information purposes only, no action is required.

For additional information, contact: Angelia Hiers, Chief Human Resource Officer, 665-4747

Submitted by: PEM/ARH/cwm

Commitments to Action

1. Earn Customer Loyalty
2. Deliver Business Excellence
3. Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

"MARKET" – Relative to Compensation & Benchmarking

MARKET DEFINED

The established or accepted rate of pay for a particular job or job class that considers:

- Similar or same work performed
- Similar region where work is performed
- Number of people available in the employers' locale to perform the work

BENCHMARKING DEFINED

Using market reference points when comparing and analyzing compensation. When benchmarking it is important to:

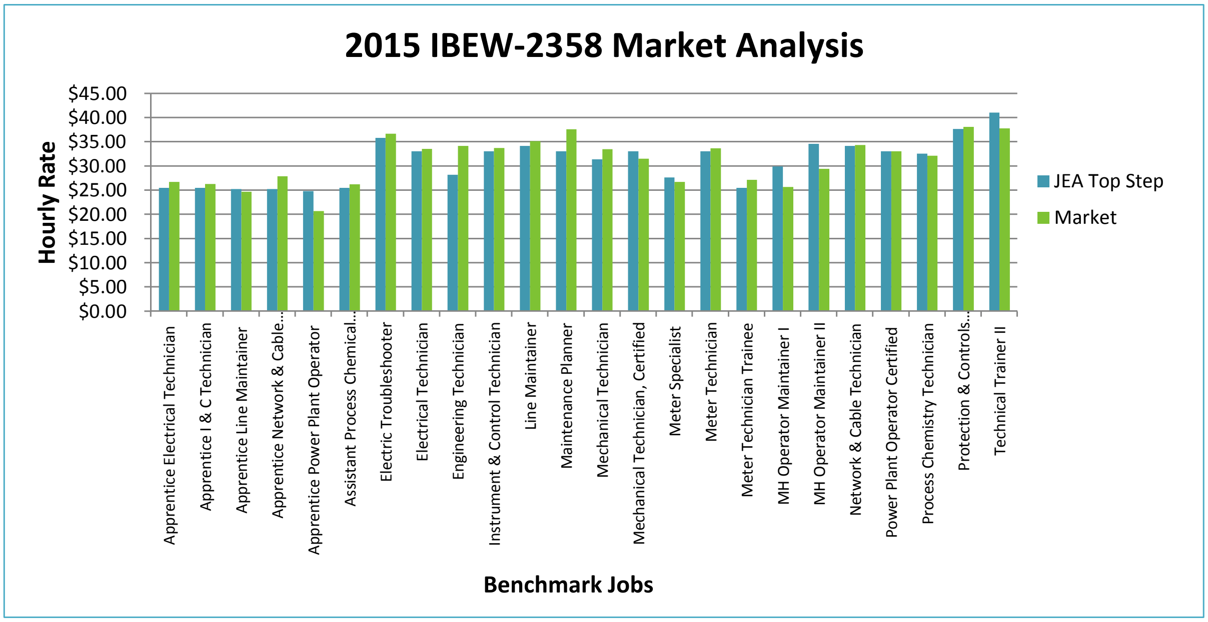
- Select survey sources that are appropriate for the positions being examined
- Match right job, right geographic area, right company size (i.e. revenue, employee base, customer base)
- Use job description content as opposed to title only

JEA

JEA's Market

JEA defines its market as:

- Local utilities and similar industries in the immediate area
- Utilities and similar industries in adjacent areas (may include Alabama and Georgia)
- Other municipalities in the area
- Local companies that are in different lines of business but have same or similar jobs
- JEA uses industry-recognized data sets from Towers Watson, Mercer, Western Management, American Public Power Association (APPA), American Water Works Association (AWWA), Large Public Power Council (LPPC), etc. and also neighboring local municipalities and others to develop the 50th percentile figures around which our compensation structures are built



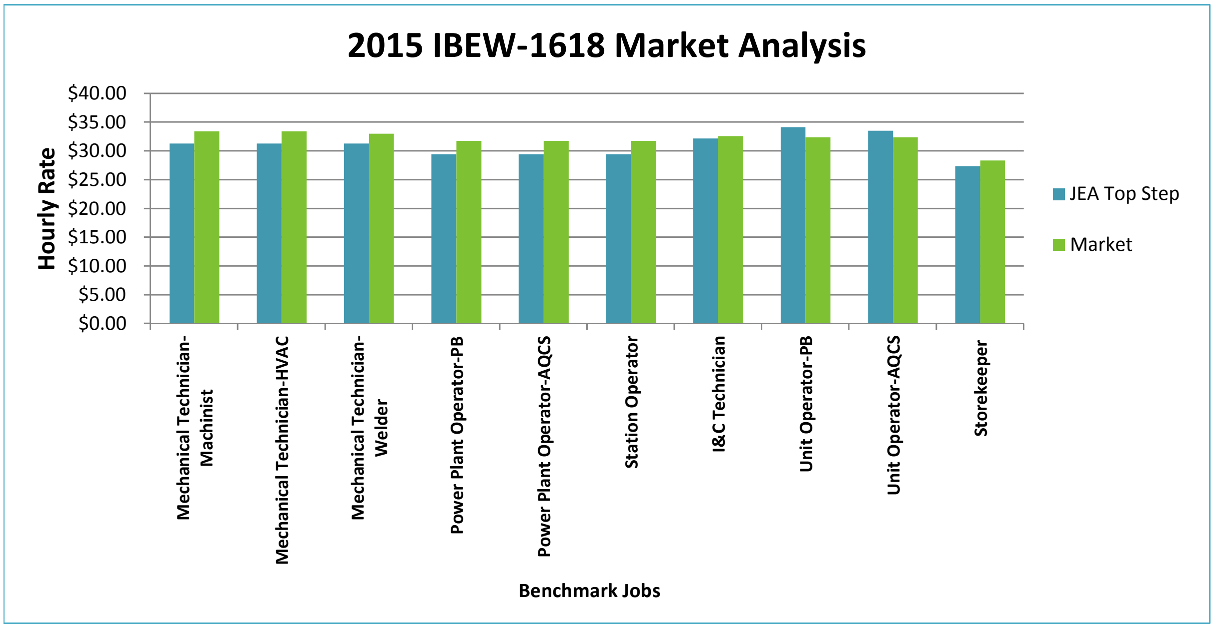
Job Title	JEA Top Step	Market	Compared to Market
Apprentice Electrical Technician	$25.54	$26.73	At Market
Apprentice I & C Technician	$25.54	$26.32	At Market
Apprentice Line Maintainer	$25.27	$24.73	At Market
Apprentice Network & Cable Splicing	$25.27	$27.94	At Market
Apprentice Power Plant Operator	$24.87	$20.70	Above Market
Assistant Process Chemical Technician	$25.54	$26.23	At Market
Electric Troubleshooter	$35.87	$36.68	At Market
Electrical Technician	$33.08	$33.56	At Market
Engineering Technician	$28.22	$34.17	Below Market
Instrument & Control Technician	$33.08	$33.73	At Market
Line Maintainer	$34.18	$35.14	At Market
Maintenance Planner	$33.08	$37.62	Below Market
Mechanical Technician	$31.44	$33.53	At Market
Mechanical Technician, Certified	$33.08	$31.55	At Market
Meter Specialist	$27.66	$26.74	At Market
Meter Technician	$33.08	$33.69	At Market
Meter Technician Trainee	$25.54	$27.15	At Market
MH Operator Maintainer I	$29.95	$25.70	Above Market
MH Operator Maintainer II	$34.59	$29.47	Above Market
Network & Cable Technician	$34.18	$34.36	At Market
Power Plant Operator Certified	$33.08	$33.09	At Market
Process Chemistry Technician	$32.58	$32.16	At Market
Protection & Controls Technician II	$37.72	$38.15	At Market
Technical Trainer II	$41.06	$37.81	At Market

Benchmark data was obtained from:

- **Florida Municipal and Investor Owned Utilities**
- **Southeast US Public and Investor Owned Utilities**

Specifically, the market data sources used included:

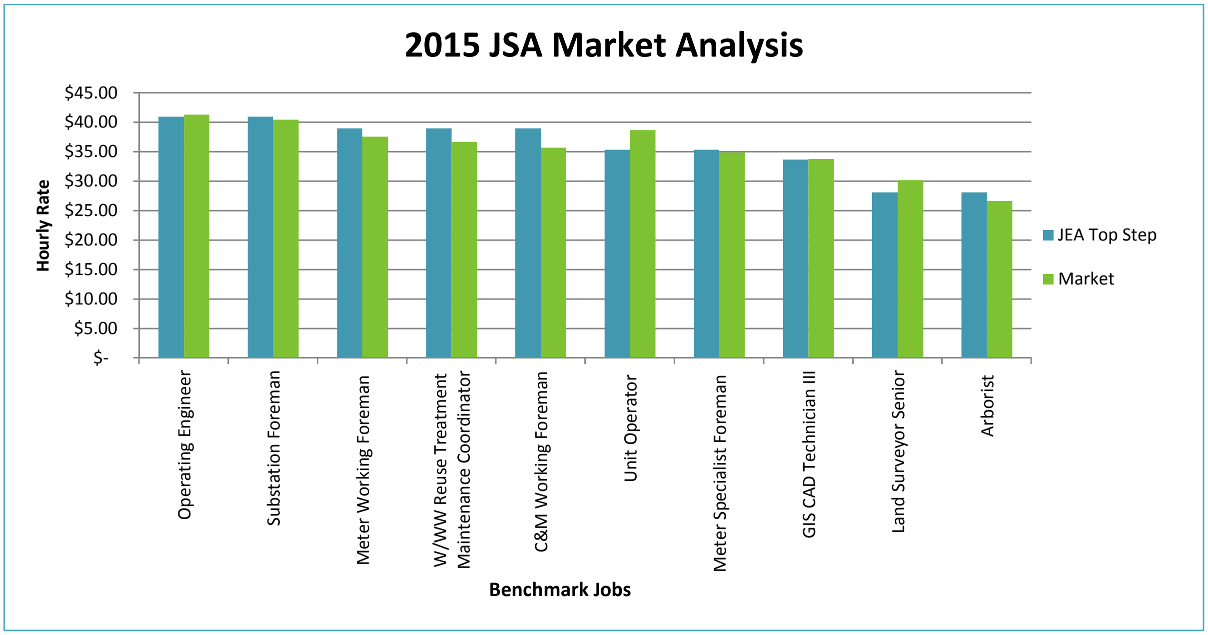
- **City of Tallahassee Electric Utility**
- **Gainesville Regional Utilities**
- **City of Lakeland Electric Utility**
- **Orlando Utilities Commission**
- **Seminole Electric Cooperative Inc.**
- **Three Investor Owned Utilities with operations in Florida and southeast US**



Job Title	JEA Top Step	Market	Compared to Market
Mechanical Technician-Machinist	$31.30	$33.44	At Market
Mechanical Technician-HVAC	$31.30	$33.44	At Market
Mechanical Technician-Welder	$31.30	$33.05	At Market
Power Plant Operator-PB	$29.45	$31.78	At Market
Power Plant Operator-AQCS	$29.45	$31.78	At Market
Station Operator	$29.45	$31.78	At Market
I&C Technician	$32.18	$32.64	At Market
Unit Operator-PB	$34.15	$32.43	At Market
Unit Operator-AQCS	$33.56	$32.43	At Market
Storekeeper	$27.41	$28.38	At Market

Market data was obtained from:

- **Two Investor Owned Utilities with Florida operations**
- **One Investor Owned Utility with operations in a Florida border state**
- **City of Tallahassee Electric Utility**



Job Title	JEA Top Step	Market	Compared to Market
Operating Engineer	$ 40.97	$ 41.34	At Market
Substation Foreman	$ 40.97	$ 40.47	At Market
Meter Working Foreman	$ 39.02	$ 37.60	At Market
W/WW Reuse Treatment Maintenance Coordinator	$ 39.02	$ 36.67	At Market
C&M Working Foreman	$ 39.02	$ 35.71	At Market
Unit Operator	$ 35.38	$ 38.73	At Market
Meter Specialist Foreman	$ 35.38	$ 34.94	At Market
GIS CAD Technician III	$ 33.70	$ 33.83	At Market
Land Surveyor Senior	$ 28.14	$ 30.22	At Market
Arborist	$ 28.14	$ 26.70	At Market

The five (5) market data sources used included:

- **Florida Municipals (2)**

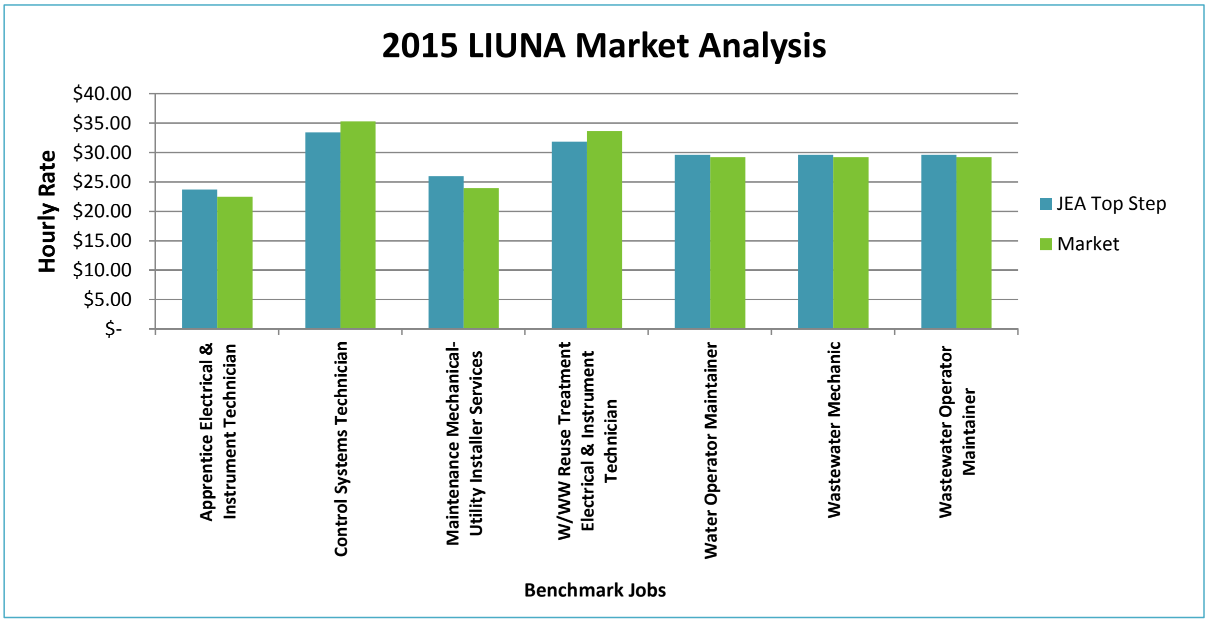
City of Tallahassee, City of Lakeland

- **Florida Utilities (1)**

Gainesville Regional Utility

- **National (2)**

CompData, Towers Watson Energy



Job Title	JEA Top Step	Market	Compared to Market
Apprentice Electrical & Instrument Technician	$ 23.74	$ 22.56	At Market
Control Systems Technician	$ 33.48	$ 35.35	At Market
Maintenance Mechanical-Utility Installer Services	$ 26.03	$ 23.98	At Market
W/WW Reuse Treatment Electrical & Instrument Technician	$ 31.89	$ 33.72	At Market
Water Operator Maintainer	$ 29.66	$ 29.26	At Market
Wastewater Mechanic	$ 29.66	$ 29.26	At Market
Wastewater Operator Maintainer	$ 29.66	$ 29.26	At Market

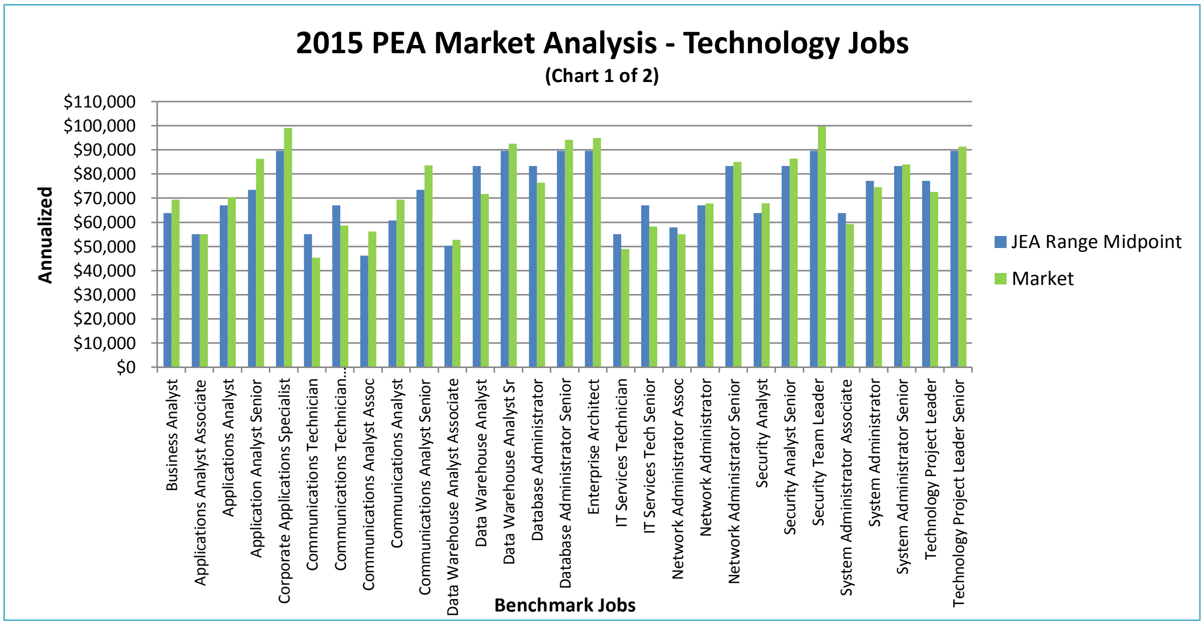
Benchmark data was obtained from:

- **Six (6) Florida Municipal Water and Wastewater Utilities and**
- **Two Confidential Water Surveys:**

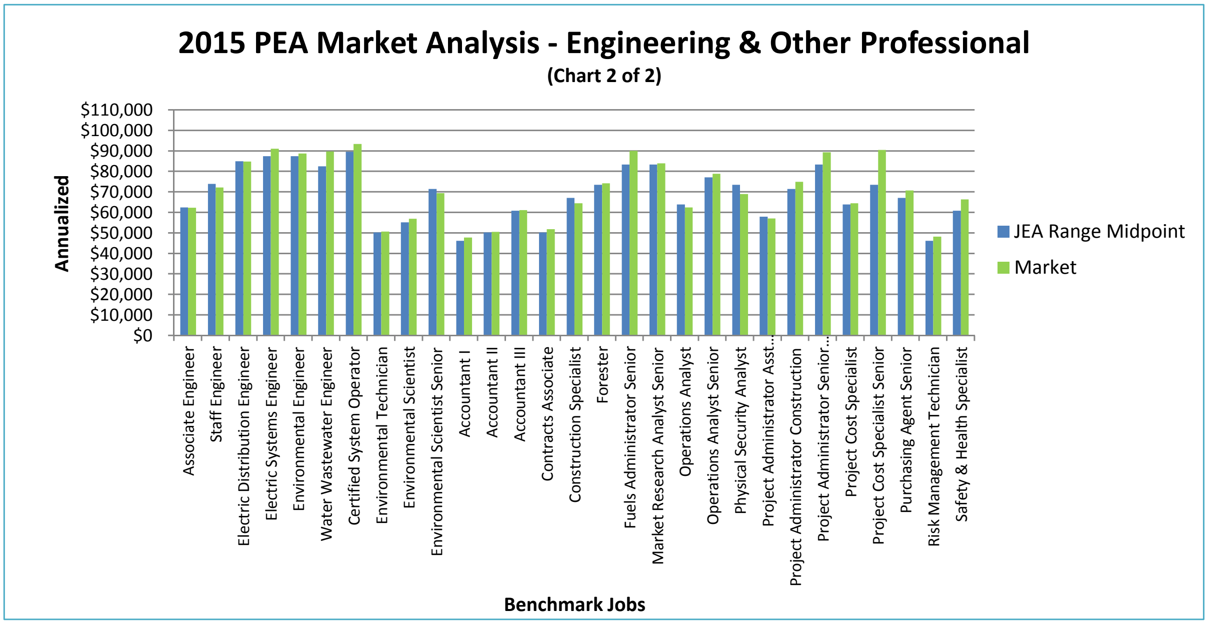
2014 Data Information Solutions Technical, Craft & Clerical Survey
2014 American Water Works Association, Large Water and Wastewater Utilities

Specifically, the Florida Municipal Water and Wastewater Utilities data sources were:

- **City of Ocala**
- **Miami Dade County**
- **Orange County**
- **Seminole County**
- **Tallahassee**
- **Gainesville Regional Utility**



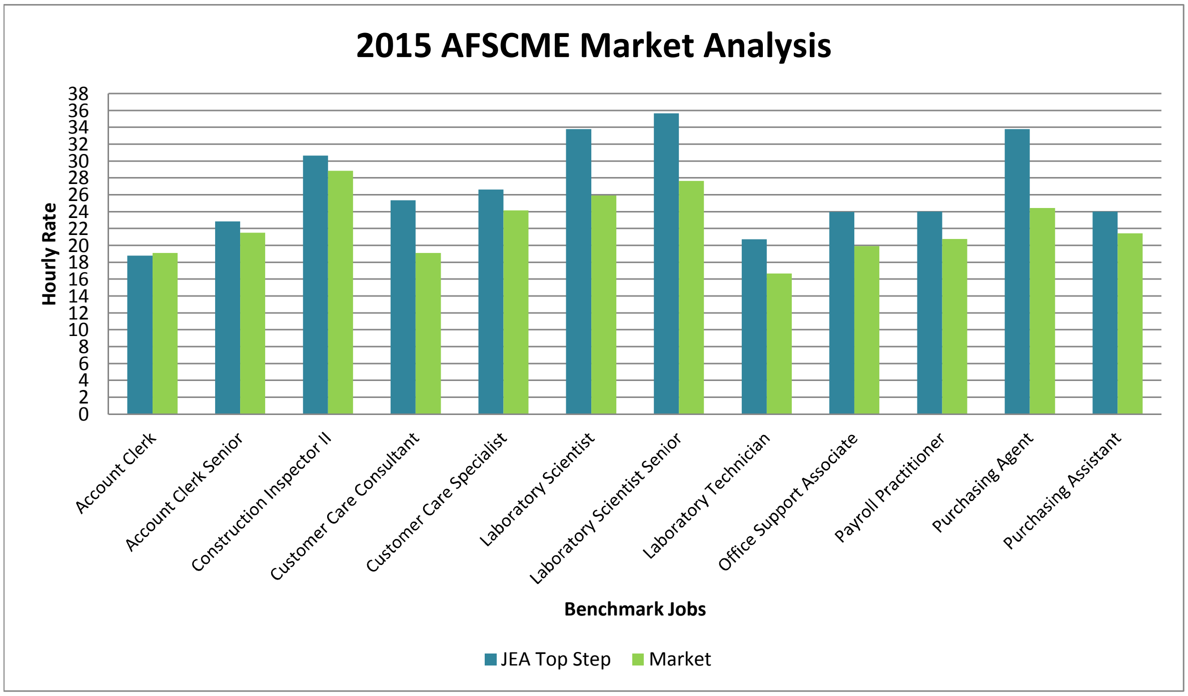
Job Title	JEA Range Midpoint	Market	Compared to Market
Business Analyst	$63,996	$69,477	At Market
Applications Analyst Associate	$55,219	$55,195	At Market
Applications Analyst	$67,194	$70,458	At Market
Application Analyst Senior	$73,572	$86,450	Below Market
Corporate Applications Specialist	$89,757	$99,180	At Market
Communications Technician	$55,219	$45,505	Above Market
Communications Technician Senior	$67,194	$58,805	Above Market
Communications Analyst Assoc	$46,318	$56,335	Below Market
Communications Analyst	$60,904	$69,477	Below Market
Communications Analyst Senior	$73,572	$83,632	Below Market
Data Warehouse Analyst Associate	$50,351	$52,915	At Market
Data Warehouse Analyst	$83,397	$71,868	Above Market
Data Warehouse Analyst Sr	$89,757	$92,720	At Market
Database Administrator	$83,397	$76,538	At Market
Database Administrator Senior	$89,757	$94,240	At Market
Enterprise Architect	$89,757	$94,968	At Market
IT Services Technician	$55,219	$48,988	Above Market
IT Services Tech Senior	$67,194	$58,393	Above Market
Network Administrator Assoc	$58,063	$55,195	At Market
Network Administrator	$67,194	$67,957	At Market
Network Administrator Senior	$83,397	$85,152	At Market
Security Analyst	$63,996	$68,020	At Market
Security Analyst Senior	$83,397	$86,545	At Market
Security Team Leader	$89,757	$99,845	Below Market
System Administrator Associate	$63,996	$59,375	At Market
System Administrator	$77,232	$74,670	At Market
System Administrator Senior	$83,397	$84,012	At Market
Technology Project Leader	$77,232	$72,723	At Market
Technology Project Leader Senior	$89,757	$91,485	At Market



Job Title	JEA Range Midpoint	Market	Compared to Market
Associate Engineer	$62,500	$62,368	At Market
Staff Engineer	$74,000	$72,343	At Market
Electric Distribution Engineer	$85,100	$84,930	At Market
Electric Systems Engineer	$87,500	$91,200	At Market
Environmental Engineer	$87,500	$88,898	At Market
Water Wastewater Engineer	$82,638	$89,866	At Market
Certified System Operator	$89,757	$93,518	At Market
Environmental Technician	$50,351	$50,825	At Market
Environmental Scientist	$55,219	$57,000	At Market
Environmental Scientist Senior	$71,475	$69,477	At Market
Accountant I	$46,318	$47,912	At Market
Accountant II	$50,351	$50,667	At Market
Accountant III	$60,904	$61,212	At Market
Contracts Associate	$50,351	$51,870	At Market
Construction Specialist	$67,194	$64,600	At Market
Forester	$73,572	$74,290	Above Market
Fuels Administrator Senior	$83,397	$90,151	At Market
Market Research Analyst Senior	$83,397	$83,980	At Market
Operations Analyst	$63,996	$62,558	At Market
Operations Analyst Senior	$77,232	$78,945	At Market
Physical Security Analyst	$73,572	$69,106	Above Market
Project Administrator Asst Construction	$58,063	$57,095	At Market
Project Administrator Construction	$71,475	$75,017	At Market
Project Administrator Senior Construction	$83,397	$89,431	At Market
Project Cost Specialist	$63,996	$64,600	At Market
Project Cost Specialist Senior	$73,572	$90,630	Below Market
Purchasing Agent Senior	$67,194	$70,870	At Market
Risk Management Technician	$46,318	$48,355	At Market
Safety & Health Specialist	$60,904	$66,405	At Market

Utilized market data for analysis to include, but not limited to:

Towers Watson General Industry
Towers Watson Energy
Mercer
Independent Energy Human Resources Association
American Public Power Association (APPA)
American Water Works Association (AWWA)



Job Title	JEA Range Midpoint	Market	Compared to Market
Account Clerk	$19	$19	At Market
Account Clerk Senior	$23	$22	Above Market
Construction Inspector II	$31	$29	At Market
Customer Care Consultant	$25	$19	Above Market
Customer Care Specialist	$27	$24	Above Market
Laboratory Scientist	$34	$26	Above Market
Laboratory Scientist Senior	$36	$28	Above Market
Laboratory Technician	$21	$17	Above Market
Office Support Associate	$24	$20	Above Market
Payroll Practitioner	$24	$21	Above Market
Purchasing Agent	$34	$24	Above Market
Purchasing Assistant	$24	$21	Above Market

This sample was benchmarked using data from:

- **Florida Municipals**
- **Florida Utilities**
- **National salary survey sources**

The fifteen (15) market data sources used included:

- **Florida Municipals (7)**

City of Lakeland, City of Ocala, City of Orlando, City of St. Petersburg, City of Tallahassee, Daytona Beach, Hillsborough County

- **Florida Utilities (6)**

Emerald Coast Utility Authority, Ft. Pierce Utility, Gainesville Regional Utility, Kissimmee Utility Authority, Orlando Utilities Commission, TOHO (Tallahassee) Water

- **National (2)**

Towers Watson Energy, Towers Watson General Industry

Building Community

AGENDA ITEM SUMMARY

December 28, 2015

SUBJECT:	**FY2016 PAY FOR PERFORMANCE PLAN: GOALS AND COMPENSATION**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: Pay for Performance programs were introduced at JEA in 1990. The original program and successor programs have served to focus employees and managers on key enterprise-wide measures and objectives.

Significance: The current Pay for Performance program is supportive of JEA's strategic plan, with focus on Customer Satisfaction, Safety and Costs. The program is one way to engage and energize the entire workforce around JEA's strategic objectives.

Effect: The entire JEA workforce is eligible to qualify for the program.

Cost or Benefit: This program is designed to incent employees to achieve established goals, as well as to focus on being "good stewards" of resources, which in turn maximizes value to customers. A payout may only occur if the actual corporate savings minus the earned payout equals or exceeds the amount of any payout. If the organization achieves all company and individual goals, the targeted payout is between 3.3% and 4.8% of salaries.

Recommended Board action: Submitted to the Board for discussion, consideration, and possible action, such as:

- Approve the FY2016 Pay for Performance Program which incorporates changes from the FY2015 plan including:
  - a. removing any payout for less than 100% achievement
  - b. lowering cost targets to prior years' actual and
  - c. reducing targeted pay maximums for ELT and SLT

For additional information, contact: Angelia R. Hiers, Chief Human Resource Officer, 665-4747

Submitted by: PEM/ARH/PLM

JEA
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INTER-OFFICE MEMORANDUM
December 28, 2015

SUBJECT: **FY2016 PAY FOR PERFORMANCE PLAN: GOALS AND COMPENSATION**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Compensation Committee
Delores Kesler, Chair
Tom Petway
Kelly Flanagan

BACKGROUND:
Pay for Performance Programs were introduced at JEA in 1990. The original program and successor programs have successfully served to focus employees and managers on key corporate measures and objectives, as well as to push the organization toward a continuous improvement culture with resulting operational excellence. Since its reinstatement in 2012, following a brief suspension of the program in 2007 due to the economic downturn, the program has continued to incent employees to pursue operational excellence.

As has always been the case at JEA, the program utilizes shared savings to fund the cost of the program. In other words, JEA shared a portion of the savings produced by employees' superior performance, with the employees who produced the savings.

DISCUSSION:
The primary purpose of the pay for performance program is to incent exceptional performance as measured against pre-established goals. These goals will serve to drive both individual and collective focus on important metrics. In FY2016, JEA will continue to focus on the company's strategic initiatives and areas of focus. It is, therefore, recommended that the company continue to focus on five key metrics: Customer Satisfaction, Safety, and Cost per unit of Electricity delivered (Kwh), Cost per unit of Water delivered (Kgal) and Cost per unit of Wastewater collected (Kgal). Exceptional performance in these five metrics clearly furthers JEA's business objectives: keeping employees safe, while delivering essential utility services to our customers in a cost effective and customer friendly manner.

The FY2016 program consists of two performance components, 50% company performance for all employees, and for appointed and managerial employees an additional 50% for individual performance. Pre-defined thresholds of performance for both components must be met in order to receive a payout. This type of pay for performance plan is commensurate with the market and the organization's ability to remain competitive with the local market as well as to attract and retain talent.

1. Customer Satisfaction
   - JEA has elected to measure customer satisfaction using the JD Power Residential Electric Industry Customer Satisfaction Survey,Total Industry.

Ver 3.1 04/24/2015

- JEA FY15 performance improved from the third quartile, to an unprecedented, first quartile for residential customer satisfaction, and continues to improve in the first quartile for the commercial markets.

- JEA FY16 customer satisfaction goal is to maintain, lower 25% of first quartile JDP residential survey while improving at least one position.

2. Safety
   - JEA believes that our employees are our greatest asset. We continue to emphasize safety as a part of everything we do. This continued focus on safety has resulted in JEA maintaining an OSHA recordable incident rate (RIR) for the year (FY15) well below the current average for Public Sector Utilities of 6.1 injuries per 100 employees (RIR of 6.1).

   - The safety performance goal for FY16 is to improve to an RIR of 1.2. The company's Plan for Zero campaign focused on a renewed safety commitment for FY2016. JEA achieved a final RIR of 1.56 in FY2015.

3. Cost Control
   - JEA is committed to holding firm on production costs, as well as, product and service delivery costs, for services delivered, recognizing its impact on our valued customers and their perception of JEA as a contributing community citizen. Wise budget management by each employee, working more effectively and efficiently, and using resources and materials prudently continues to better position JEA to control and reduce the cost of essential utility services.

   - Cost per unit of Electricity delivered (Kwh): No increase from FY15 baseline of $49.44
   - Cost per unit of Water delivered (Kgal): No increase from FY15 baseline of $3.98
   - Cost per unit of Wastewater (Kgal): No increase from FY15 baseline of $7.26

   Attached are the recommended targets and commensurate payout levels for the FY16 Customer Satisfaction, Safety and Cost Control metrics. A payout may only occur if the actual corporate savings minus the earned payout equals or exceeds the amount of any payout and there is sufficient increased operating cash flow to cover any payout.

Total Corporate Savings - Performance Payout ≥ Performance Payout.

$25.8M Corporate Savings - $5.5M ≥ $5.5M

Payouts will be awarded following an audit of FY16 year end results. If JEA employees achieve a meets in all five goal categories, the estimated payout would be $4,600,000 or 3.3% of base pay. If performance is exemplary in all five goal categories, the maximum estimated payout would be $6,700,000 or 4.8% of base pay.

RECOMMENDATION:
Submitted to the Board for discussion, consideration, and possible action, such as:

- Approve the FY2016 Pay for Performance Program which incorporates changes from the FY2015 plan including:
  a. removing any payout for less than 100% achievement
  b. lowering cost targets to prior years' actual and
  c. reducing targeted pay maximums for ELT and SLT

Paul E. McElroy, Managing Director/CEO

PEM/ARH

FY 2016 Performance Program Summary

Summary of Corporate Performance Factors v2

Safety

OSHA Recordable Incident Rate (RIR)
FY12 Results: 1.48 RIR
FY13 Results: 1.78 RIR
FY14 Results: 2.4 RIR
FY15 Results: 1.56 RIR

FY16 Goal: 1.2 ≧ RIR

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
RIR		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
RIR > 1.2	Below	$0	$0	$0	$0	$0	$0
1.2 ≥ RIR > 1.1	Meets	$300	$600	$850	$1,000	$1,375	$1,625
1.1 ≥ RIR > 1.0	Exceeds	$400	$800	$1,130	$1,325	$1,830	$2,165
.99 ≥ RIR	Exemplary	$500	$1,000	$1,410	$1,700	$2,290	$2,705

Customer Satisfaction

JD Power Residential Electric Industry Customer Satisfaction Survey: Total Industry
FY12 Results: No Metric for Customer Satisfaction
FY13 Results: Top of the Third Quartile
FY14 Results: Top 25% of the Third Quartile
FY15 Results: First Quartile

FY16 Goal: Bottom 25% of 1st Quartile

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
SURVEY RANKING		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
Top 25% of second quartile	Below	$0	$0	$0	$0	$0	$0
Bottom 25% of first quartile > 2015	Meets	$300	$600	$850	$1,000	$1,375	$1,625
Bottom 26% - 49% of first quartile	Exceeds	$400	$800	$1,130	$1,325	$1,830	$2,165
Top 26% - 50% of first quartile	Exemplary	$500	$1,000	$1,410	$1,700	$2,290	$2,705

Cost Control: Electric Mwh

Cost per Mwh
FY12 Baseline: $54.73
FY13 Results: $53.92
FY14 Results: $49.81
FY15 Results: $49.44

FY16 Goal: $49.44

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
COST/Mwh		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
cost > $49.44	Below	$0	$0	$0	$0	$0	$0
$49.44 ≥ cost ≥ $48.94	Meets	$300	$600	$850	$1,000	$1,375	$1,625
$48.94 > cost ≥ $48.44	Exceeds	$400	$800	$1,130	$1,325	$1,830	$2,165
$48.43 > cost	Exemplary	$500	$1,000	$1,410	$1,700	$2,290	$2,705

Cost Control: Water Kgal

Cost per Kgal
FY12 Baseline: $4.47
FY13 Results: $4.49
FY14 Results: $4.07
FY15 Results: $3.98

FY16 Goal: $3.98

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
COST/KGL		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
cost > $3.98	Below	$0	$0	$0	$0	$0	$0
$3.98 ≥ cost ≥ $3.91	Meets	$150	$300	$425	$500	$690	$815
$3.91 > cost ≥ $3.84	Exceeds	$200	$400	$565	$665	$920	$1,085
$3.84 > cost	Exemplary	$250	$500	$705	$835	$1,150	$1,355

Cost Control: Wastewater Kgal

Cost per Kgal
FY12 Baseline: $7.96
FY13 Results: $7.53
FY14 Results: $7.34
FY15 Results: $7.26

FY16 Goal: $7.26

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
COST/KGL		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
cost > $7.26	Below	$0	$0	$0	$0	$0	$0
$7.26 ≥ cost ≥ $7.16	Meets	$150	$300	$425	$500	$690	$815
$7.16 > cost ≥ $7.06	Exceeds	$200	$400	$565	$665	$920	$1,085
$7.06 > cost	Exemplary	$250	$500	$705	$835	$1,150	$1,355

Example Overall Payout Opportunity at Meets

Example of FY 16 Payout: Company Performance[1]

JEA Actual Payout	All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
Safety	$300	$600	$850	$1,000	$1,375	$1,625
Customer Satisfaction	$300	$600	$850	$1,000	$1,375	$1,625
Cost Control: Electric	$300	$600	$850	$1,000	$1,375	$1,625
Cost Control: Water	$150	$300	$425	$500	$690	$815
Cost Control: Wasterwater	$150	$300	$425	$500	$690	$815
Total Estimated Payout for Corporate Results	**$1,200**	**$2,400**	**$3,400**	**$4,000**	**$5,505**	**$6,505**

[1]Corporate Results for Managerial / Appointed employees comprises 50% of overall incentive opportunity

Appointed / Managerial:
Example of FY 16 Appointed / Managerial Individual Performance Opportunity[2]

Employee Performance	Grade E	Grade F	Grade G	Grade H	Grade I	Grade J	Grade K
Below	$0	$0	$0	$0	$0	$0	$0
Meets	$1,100	$1,600	$2,200	$3,400	$4,000	$5,500	$6,500
Exceeds	$1,155	$1,680	$2,310	$3,570	$4,200	$5,775	$6,825
Exemplary	$1,210	$1,760	$2,420	$3,740	$4,400	$6,050	$7,150

[2]Individual Performance Results for Appointed / Managerial employees comprises 50% of overall incentive opportunity

Total Estimated Cost for FY 2016 Pay for Performance Program

Payout Potential - JEA Goal Thresholds Are Met & Employee Performance is Satisfcatory

SLT*	No. Emp. 8	$119,608	The total amount represents 3.3.% of salaries
Appointed	No. Emp. 341	$2,517,505	
Non appointed	No. Emp. 1595	$1,914,000	
Total	No. Emp. 1910	**$4,561,547**	

Payout Potential - JEA Goal Thresholds Are Exceeded & Employee Performance is Satisfactory

SLT*	No. Emp. 8	$134,559	The total amount represents 4.1% of salaries
Appointed	No. Emp. 341	$2,939,215	
Non appointed	No. Emp. 1595	$2,552,000	
Total	No. Emp. 1910	**$5,686,250**	

Payout Potential - JEA Goal Thresholds Are Exemplary & Employee Performance is Satisfactory

SLT*	No. Emp. 8	$153,500	The total amount represents 4.8% of salaries
Appointed	No. Emp. 341	$3,380,090	
Non appointed	No. Emp. 1595	$3,190,000	
Total	No. Emp. 1910	**$6,746,755**	

*SLT Pay for Performance is based on the achievement of corporate and individual performance metrics. The payout opportunities are determined as a percent of base salary.

NOTE: All performance payouts are subject to JEA's ability to pay as determined by JEA's Board of Directors with input from JEA's Finance group, and minimum individual

FY 2016 Performance Program Summary

Summary of Corporate Performance Factors v2

Safety

OSHA Recordable Incident Rate (RIR)
FY12 Results: 1.48 RIR
FY13 Results: 1.78 RIR
FY14 Results: 2.4 RIR
FY15 Results: 1.56 RIR

FY16 Goal: 1.2 ≧ RIR

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
RIR		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
RIR > 1.2	Below	0%	0%	0%	0%	0%	0%
1.2 ≥ RIR > 1.1	Meets	.3 - 1.0%	.7 - 1.2%	.7 - 1.2%	.8 - 1.2%	.9 - 1.4%	1.1 - 1.3%
1.1 ≥ RIR > 1.0	Exceeds	.4 - 1.4%	.9 - 1.6%	.9 - 1.5%	1.1. - 1.6%	1.2 - 1.8%	1.4 - 1.7%
.99 ≥ RIR	Exemplary	.4 - 1.7%	1.1 - 2.0%	1.2 - 1.9%	1.4 - 2.0%	1.5 - 2.3%	1.8 - 2.1%

Customer Satisfaction

JD Power Residential Electric Industry Customer Satisfaction Survey: Total Industry
FY12 Results: No Metric for Customer Satisfaction
FY13 Results: Top of the Third Quartile
FY14 Results: Top 25% of the Third Quartile
FY15 Results: First Quartile

FY16 Goal: Bottom 25% of 1st Quartile

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
SURVEY RANKING		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
Top 25% of second quartile	Below	0%	0%	0%	0%	0%	0%
Bottom 25% of first quartile > 2015	Meets	.3 - 1.0%	.7 - 1.2%	.7 - 1.2%	.8 - 1.2%	.9 - 1.4%	1.1 - 1.3%
Bottom 26% - 49% of first quartile	Exceeds	.4 - 1.4%	.9 - 1.6%	.9 - 1.5%	1.1. - 1.6%	1.2 - 1.8%	1.4 - 1.7%
Top 26% - 50% of first quartile	Exemplary	.4 - 1.7%	1.1 - 2.0%	1.2 - 1.9%	1.4 - 2.0%	1.5 - 2.3%	1.8 - 2.1%

Cost Control: Electric Mwh

Cost per Mwh
FY12 Baseline: $54.73
FY13 Results: $53.92
FY14 Results: $49.81
FY15 Results: $49.44

FY16 Goal: $49.44

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
COST/Mwh		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
cost > $49.44	Below	0%	0%	0%	0%	0%	0%
$49.44 ≥ cost ≥ $48.94	Meets	.3 - 1.0%	.7 - 1.2%	.7 - 1.2%	.8 - 1.2%	.9 - 1.4%	1.1 - 1.3%
$48.94 > cost ≥ $48.44	Exceeds	.4 - 1.4%	.9 - 1.6%	.9 - 1.5%	1.1. - 1.6%	1.2 - 1.8%	1.4 - 1.7%
$48.43 > cost	Exemplary	.4 - 1.7%	1.1 - 2.0%	1.2 - 1.9%	1.4 - 2.0%	1.5 - 2.3%	1.8 - 2.1%

Cost Control: Water Kgal

Cost per Kgal
FY12 Baseline: $4.47
FY13 Results: $4.49
FY14 Results: $4.07
FY15 Results: $3.98

FY16 Goal: $3.98

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
COST/KGL		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
cost > $3.98	Below	0%	0%	0%	0%	0%	0%
$3.98 ≥ cost ≥ $3.91	Meets	.1 - .5%	.3 -.6%	.4 - .6%	.4 - .6%	.4 - .7%	.5 - .6%
$3.91 > cost ≥ $3.84	Exceeds	.2 - .7%	.4 - .8%	.5 - .8%	.5 - .8%	.6 - .9%	.7 - .9%
$3.84 > cost	Exemplary	.2 - .8%	.6 - 1.0%	.6 - 1.0%	.7 - 1.0%	.7 - 1.1%	.9 - 1.1%

Cost Control: Wastewater Kgal

Cost per Kgal
FY12 Baseline: $7.96
FY13 Results: $7.53
FY14 Results: $7.34
FY15 Results: $7.26

FY16 Goal: $7.26

		Incentive Opportunity					
		Non-Appointed	Appointed / Managerial				
COST/KGL		All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
cost > $7.26	Below	0%	0%	0%	0%	0%	0%
$7.26 ≥ cost ≥ $7.16	Meets	.1 - .5%	.3 -.6%	.4 - .6%	.4 - .6%	.4 - .7%	.5 - .6%
$7.16 > cost ≥ $7.06	Exceeds	.2 - .7%	.4 - .8%	.5 - .8%	.5 - .8%	.6 - .9%	.7 - .9%
$7.06 > cost	Exemplary	.2 - .8%	.6 - 1.0%	.6 - 1.0%	.7 - 1.0%	.7 - 1.1%	.9 - 1.1%

Example Overall Payout Opportunity at Meets

Example of FY 16 Payout: Company Performance[1]

JEA Actual Payout	All CBU	Grade E-G	Grade H	Grade I	Grade J	Grade K
Safety	.3 - 1.0%	.7 - 1.2%	.7 - 1.2%	.8 - 1.2%	.9 - 1.4%	1.1 - 1.3%
Customer Satisfaction	.3 - 1.0%	.7 - 1.2%	.7 - 1.2%	.8 - 1.2%	.9 - 1.4%	1.1 - 1.3%
Cost Control: Electric	.3 - 1.0%	.7 - 1.2%	.7 - 1.2%	.8 - 1.2%	.9 - 1.4%	1.1 - 1.3%
Cost Control: Water	.1 - .5%	.3 - .6%	.4 - .6%	.4 - .6%	.4 - .6%	.5 -.6%
Cost Control: Wasterwater	.1 - .5%	.3 - .6%	.4 - .6%	.4 - .6%	.4 - .6%	.5 - .6%
Total Estimated Payout for Corporate Results	**1.1 - 4.1%**	**2.7 - 4.8%**	**2.8 - 4.6%**	**3.3 - 4.7%**	**3.5 - 5.4%**	**4.3 -5.1%**

[1]Corporate Results for Managerial / Appointed employees comprises 50% of overall incentive opportunity

Appointed / Managerial:
Example of FY 16 Appointed / Managerial Individual Performance Opportunity[2]

Employee Performance	Grade E	Grade F	Grade G	Grade H	Grade I	Grade J	Grade K
Below	0%	0%	0%	0%	0%	0%	0%
Meets	1.8 - 2.1%	2.1 - 2.9%	2.4 - 3.4%	2.8 - 4.6%	3.3 - 4.7%	3.5 - 5.4%	4.2 - 5.1%
Exceeds	1.9 - 2.2%	2.2 - 3.0%	2.6 - 3.6%	3.0 - 4.9%	3.5 - 5.0%	3.7 - 5.7%	4.5 - 5.4%
Exemplary	2.0 - 2.3%	2.3 - 3.2%	2.7 - 3.8%	3.1 - 5.1%	3.6 - 5.2%	3.9 - 6.0%	4.7 - 5.6%

[2]Individual Performance Results for Appointed / Managerial employees comprises 50% of overall incentive opportunity

Total Estimated Cost for FY 2016 Pay for Performance Program

Payout Potential - JEA Goal Thresholds Are Met & Employee Performance is Satisfcatory

SLT*	No. Emp. 8	$119,608	The total amount represents 3.3.% of salaries
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Payout Potential - JEA Goal Thresholds Are Exceeded & Employee Performance is Satisfactory

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Total	No. Emp. 1910	**$5,686,250**	

Payout Potential - JEA Goal Thresholds Are Exemplary & Employee Performance is Satisfactory

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Total	No. Emp. 1910	**$6,746,755**	

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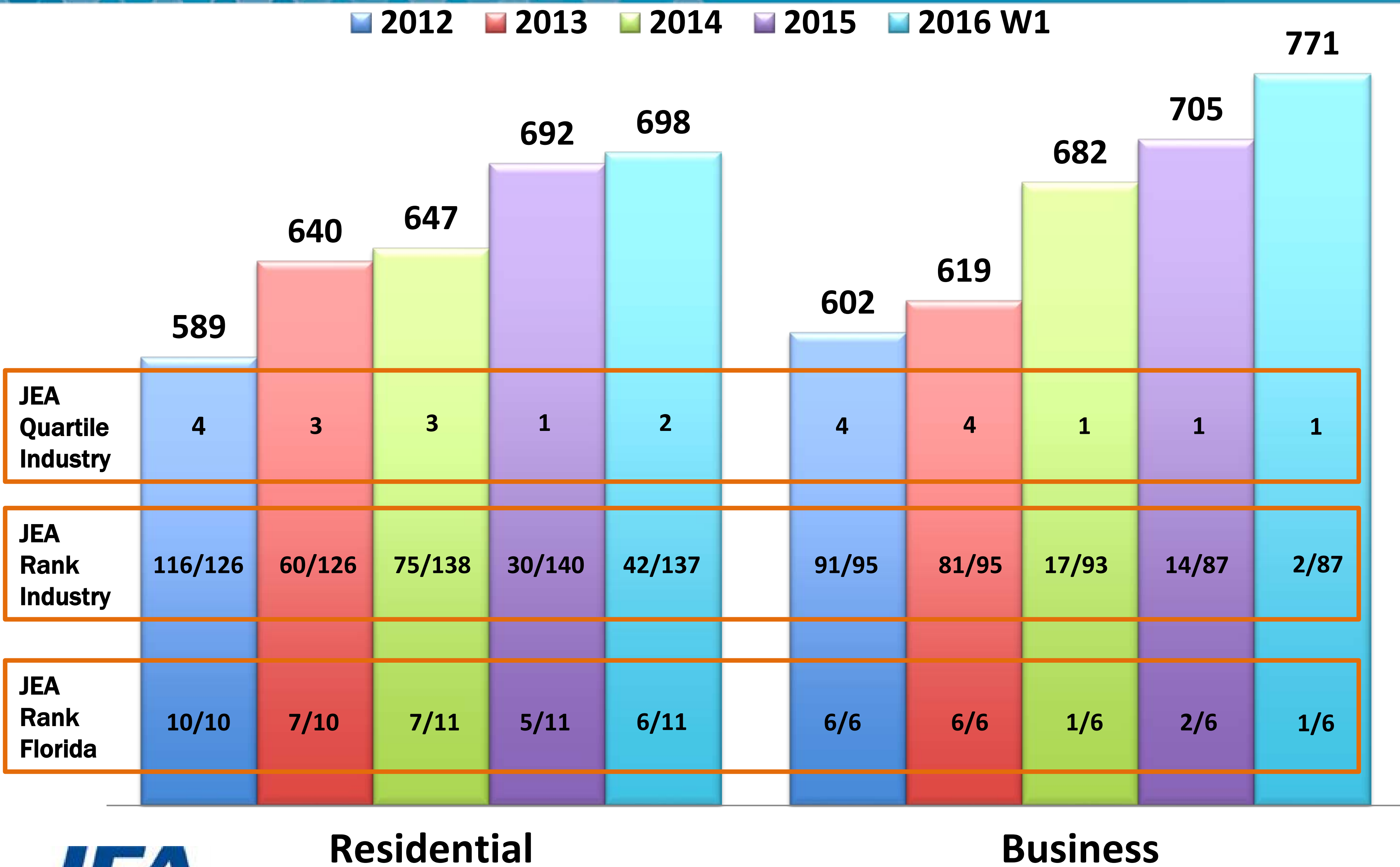
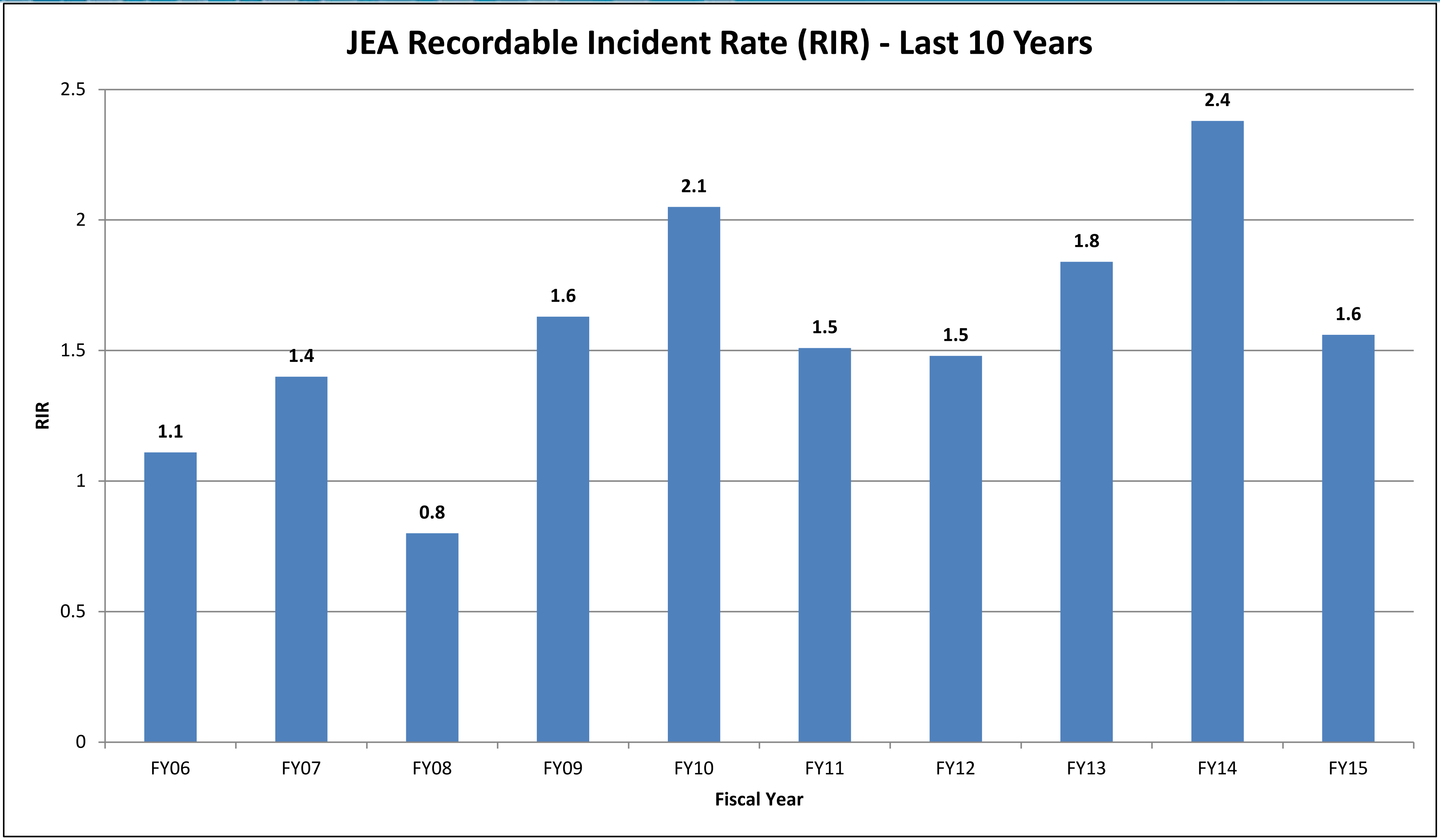
NOTE: All performance payouts are subject to JEA's ability to pay as determined by JEA's Board of Directors with input from JEA's Finance group, and minimum individual

JEA's Customer Satisfaction Ranking



Goal: 2016 1st Quartile Nationally

JEA's Safety Performance



FY2016 Goal: 1.2

*Bureau of Labor Statistics
**Most Recent 2013 Avg

6.3 BLS* Utilities (State and Local Government)**
5.48 American Public Power Association (APPA)
2.1 BLS* Utilities (Private Sector) **

Cost Metrics

Electric	Goal	Actual
FY13	$54.73	$53.92
FY14	$54.73	$49.80
FY15	$54.73	$49.44
FY16	$49.44	

Water	Goal	Actual
FY13	$4.47	$4.49
FY14	$4.47	$4.07
FY15	$4.47	$3.98
FY16	$3.98	

Sewer	Goal	Actual
FY13	$7.96	$7.53
FY14	$7.96	$7.34
FY15	$7.96	$7.26
FY16	$7.26	

JEA

JEA

Building Community

AGENDA ITEM SUMMARY

December 28, 2015

SUBJECT:	**FY2016 CEO GOALS**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: The CEO FY2016 goals were provided to the Board at the October 30 and November 30, 2015 Board Meetings for review and feedback. The Board Member's comments have been incorporated into the attached FY2016 CEO goals. This document is now being presented to the Board for approval, with the knowledge it may be amended by future Board action.

Significance: Consistent with prior years, the FY2016 CEO goals are primarily focused on executing JEA's strategic plan. In addition to providing leadership for JEA to achieve its mission, strive for its vision, and adhere to its values, the CEO will continue efforts to foster a cultural shift towards a more flexible organization.

Effect: The CEO's performance will be measured by the organization's performance in the strategic plan's three areas of focus: develop an unbeatable team, earn customer loyalty, and deliver business excellence.

Cost or Benefit: The CEO goals provide a framework for the overall goals of the organization.

Recommended Board action: It is requested the Board accept and approve the attached FY2016 CEO goals.

For additional information, contact: Melissa Charleroy 904-665-7313

Submitted by: PEM/MMC

Commitments to Action

Ver.2.0D 9/21/2013 jer

FY2016 CEO Goals

GOAL	WEIGHT	NEEDS IMPROVEMENT	MEETS REQUIREMENTS		EXCEEDS REQUIREMENTS	COMMENTS
Scale	%	1	2	3	4	
Exceed budgeted combined[1] annual net revenues (excluding weather contingency), per the "Schedules of Debt Service Coverage", this is a proxy for EBITDA (schedule and source documents attached)	14.3%					
Effectively execute the Capital Investment Plan or Capital Budget (schedule attached)	14.3%					
Improve utility reliability and environmental metrics, per the attached schedule and reported to the Board monthly	14.3%					
Achieve first quartile rankings for Residential and Commercial J.D. Power Customer Satisfaction Ratings	14.3%					
Improve employee satisfaction and engagement, as measured by an independent employee survey	14.3%					
Demonstrate significant progress on the Electric System revenue stabilization plan	14.3%					
Maintain positive and constructive relationships with all key stakeholders	14.2%					
Total	**100%**					

1. Please comment on any other aspect of the CEO's performance, including exceptional performance or other areas that require attention:

2. Please identify the three or four key areas facing the company that you would like the CEO to focus on in his objectives:

   Strategic Focus:

   Talent and Culture:

   Other:

[1] Combined = Electric System plus Water and Sewer System plus District Energy

FY2016 JEA Net Revenues Goal - Excluding Weather Contingency

	FY2016			FY2015	FY2014	FY2013
$ in Millions	**Actual**	**Goal**	**Budget**	**Actual**	**Actual**	**Actual**
Electric System		$415.6	$405.3	$461.6	$389.6	$397.0
Water and Sewer System		$288.7	$273.8	$278.5	$281.7	$276.8
District Energy System		$3.7	$3.5	$3.9	$3.9	$3.4

FY2016 JEA Capital Investment Plan/Budget Execution

	FY2016		FY2015	FY2014
$ in Millions	**Actual**	**Budget**	**Actual**	**Actual**
Electric System		$153.2	$116.7	$86.2
Water and Sewer System		$175.0	$100.8	$76.9
District Energy System		$3.7	$0.9	$0.5

FY2016 JEA Reliability and Environmental Metrics Goal

Electric System	Improvement Yes	Improvement No	Water and Sewer System	Improvement Yes	Improvement No
Customer Outage Frequency			Unplanned Water Main Outages		
Experiencing More than 5 Outages in the Previous Year ($CEMI_5$)			Water Distribution System Pressure		
Customer Outage Duration			Customer Response Time		
Transmission Fault Frequency Index			Consumptive Use Permits		
Fleet Forced Outage Rate			Total Nitrogen Discharge		
Reportable Environmental Events			Sanitary Sewer Overflows		

Note: Assuming general reliability performance will remain consistent with the previous three years, $CEMI_5$ is perhaps the reliability index with the greatest impact on customer satisfaction.

* Customers Experiencing Momentary Interruptions: 5 Times

Electric Systems Reliability

Customer Outage Frequency – The number of extended outages (one minute or longer) experienced by the average JEA customer per year.

Service Reliability – The cumulative number of outage minutes experienced by the average JEA customer per year.

$CEMI_5$ – The percentage of JEA's customers experiencing more than 5 extended outages (one minute or longer) in the last 12 months.

Transmission Fault Frequency Index – The number of transmission line faults experienced per 100 line miles in the last 12 months.

Fleet Forced Outage Rate - The amount of hours as a percentage of total hours, fiscal year-to-date, that JEA generators are not available and running when needed.

Reportable Environmental Events REEs - The number of environmental events that have occurred at power plants, fiscal year-to-date, that are reportable permit violations to FDEP and the EPA.

Water and Sewer Systems Reliability

Unplanned Water Main Outages- # of Customers affected by unplanned water outages per year

Water Distribution System Pressure - Average minutes per month less than 30 psi across a total of 110 monitoring stations across the service area

Customer Response Time - Average annual minutes from a customer call to the ticket completion or transfer to a field crew for a more extensive repair

Consumptive Use Permit (CUP) - Meeting annual CY basis CUP requirements including Total System Limit and South Grid Wellfield Allocation Limits

Total Nitrogen Discharge - Amount of tons of Nitrogen discharged annually to the St. Johns River

Sanitary Sewer Overflow - # of annual sanitary sewer overflow events