IMPROVING LIVES. BUILDING COMMUNITY. to be the best utility in the country

FINANCE & AUDIT COMMITTEE

8th Floor, 21 West Church Street, Jacksonville, FL 32202
February 11, 2022 | 9:00 am – 11:00 am

WELCOME

Meeting Called to Order Adoption of Agenda (Action) Approval of Minutes – October 15, 2021 (Action)	Marty Lanahan, Chair
Safety Briefing	Melissa Charleroy, Board Services Manager

COMMENTS / PRESENTATIONS

Comments from the Public	Public

FOR COMMITTEE CONSIDERATION

Ernst & Young 2021 Audit Results	John DiSanto, Managing Director, Ernst & Young
Rates – Cost of Service Update FY23 Budget Assumptions	Juli Crawford, Director, Financial Planning & Analysis
Audit Services Update	Steve Tuten, Director, Audit Services Lee Montanez, Manager, Internal Audit
Ernst & Young Agreement for Professional Services (Action)	Ted Phillips, Chief Financial Officer

ADDITIONAL INFORMATION

Ethics Officer's Report

JEA Code of Conduct

Electric System and Water & Sewer System Reserve Fund Report

JEA Energy Market Risk Management Policy Report

CLOSING CONSIDERATIONS

Announcements – Next Meeting May 13, 2022	Marty Lanahan, Chair
Committee Discussion ▪ Ernst & Young ▪ Audit Services	 John DiSanto, Ernst & Young Steve Tuten and Lee Montanez, Audit Services
Adjournment	

UPCOMING COMMITTEE AGENDA ITEMS

FY23 Budget Presentation
FY23 Proposed Rate and Fee Adjustments

Finance & Audit Committee
February 11, 2022

If you experience any technical difficulties during the meeting, contact Ontario Blackmon at (904) 665-4203 or JEA's WebEx Support Team at webexsupport@jea.com.

Safety Briefing

Melissa Charleroy
Board Services Manager

Safety Briefing

JEA

In the event of an emergency, JEA Security will call 911 and coordinate any required evacuation

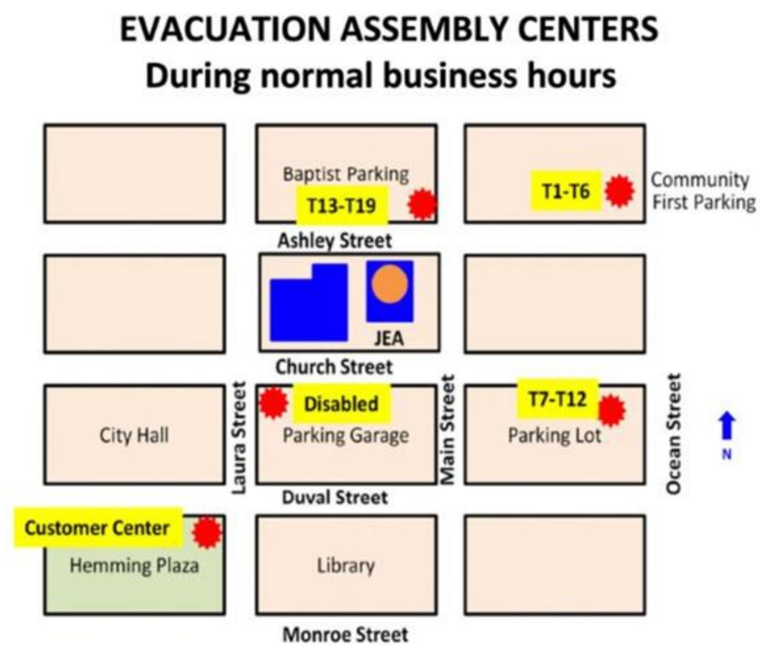
Emergency Evacuation Route (use stairwell)

Assembly Location: Parking Lot (corner of Church & Ocean St.)

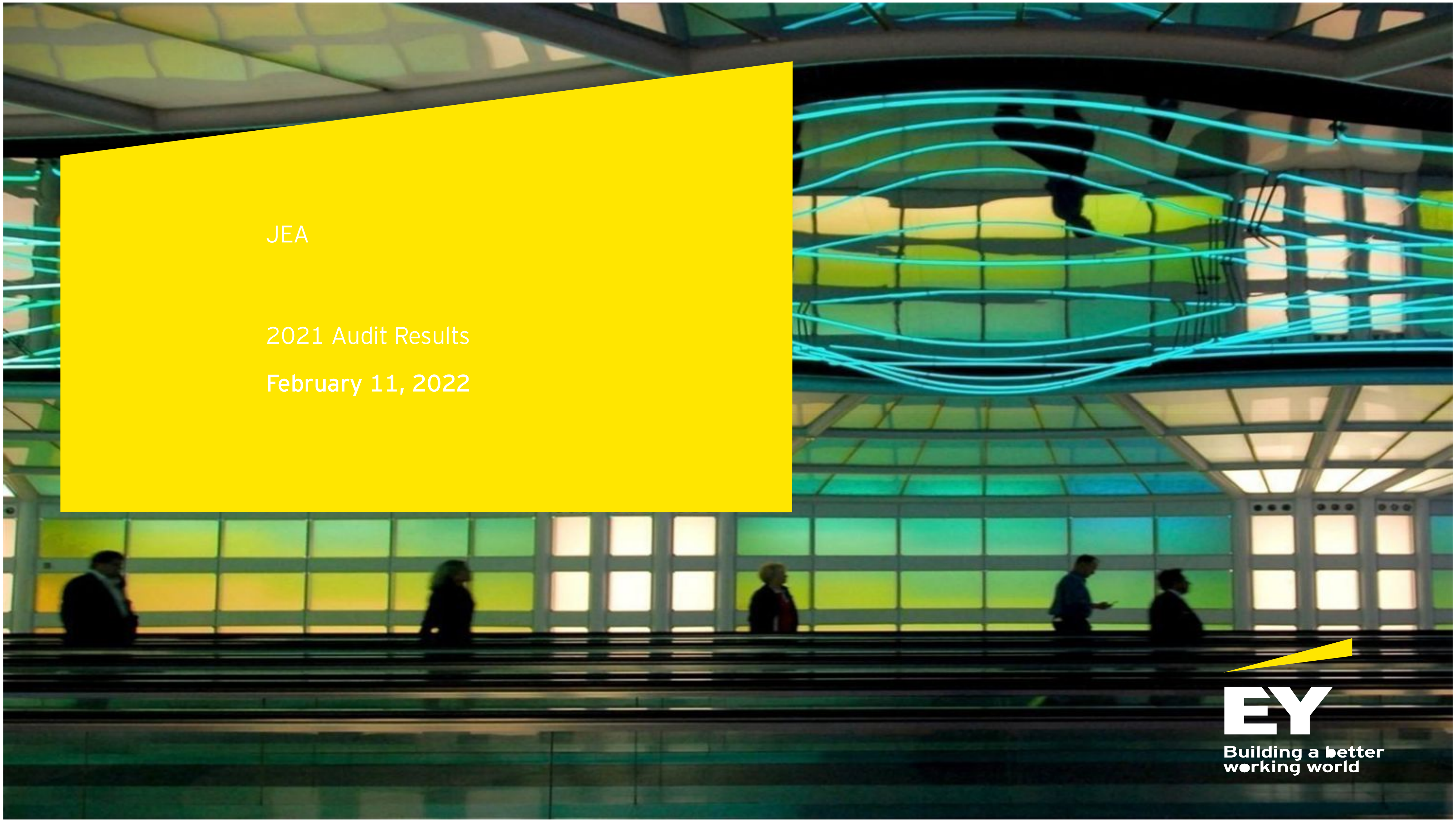
Safety or Medical Assistance: Notify JEA Security Officer

Hazard & Situational Awareness

Cell Phone & Computer Etiquette



Be Prepared for Emergencies


JEA
2021 Audit Results
February 11, 2022
EY
Building a better
working world

Executive summary

Key audit matters

- Adoption of GASB 84 (Fiduciary Activities)
- Use of JEA internal audit

Areas of emphasis

- Revenue recognition
- Accounts and unbilled receivable and related allowance for doubtful accounts
- Derivatives instruments and hedging activities
- Pollution remediation obligations
- Pension and OPEB plan accounting and reporting
- Investments
- Capital assets
- Legal reserves
- Plant Vogtle PPA
- SJRPP and Plant Scherer Asset Retirement Obligations

Looking forward

- Adoption of GASB 87 (Leases)

Confidential – Ernst & Young LLP


Required Communications
6 JEA 2021 audit results
Confidential — Ernst & Young LLP
EY

Area	Comments
▸ Auditor's responsibility under generally accepted auditing standards, including a discussion of the type of auditor's report we are issuing and the reasons for any modification to our report	Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you. We issued an unqualified opinion on JEA's financial statements on January 27, 2022 for the year ended September 30, 2021.
▸ Key audit matters	No matters to be communicated,
▸ Changes to the audit strategy, timing of the audit and significant risks identified	Our audit strategy is consistent with the plan communicated during the October 2021 meeting.
▸ Matters relevant to our evaluation of the entity's ability to continue as a going concern	We did not identify any events or conditions that led us to believe there was substantial doubt about JEA's ability to continue as a going concern.

All communications are to be made annually unless marked otherwise.

** Communicate when event occurs, and consider need for separate communications within the presentation.

Confidential — Ernst & Young LLP

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices, including: ▸ Accounting policies ▸ Accounting estimates	During fiscal year 2021, management has implemented GASB 84, Fiduciary Activities. GASB 84 requires the inclusion of fiduciary fund financial statements for the SJRPP Pension Plan within the consolidated financial statements of JEA. EY has reviewed and audited the 2021 and 2020 plan financial statements included with the JEA financial report and related plan disclosures.
▸ Related party relationships and transactions	We noted no significant matters regarding JEA's relationships and transactions with related parties.
▸ Changes to the terms of the audit with no reasonable justification for the change	None.
▸ Significant unusual transactions**	We are not aware of any significant unusual transactions executed by JEA.
▸ Difficult or contentious matters subject to consultation or use of EY specialist outside of the core audit team	During fiscal year 2021, we obtained concurrence with our Professional Practice Group on the following matters: ▸ Exclusion of JEA's OPEB plan with respect to GASB 84 Additionally, we engaged internal specialists for the following areas: ▸ Hedge effectiveness and valuation ▸ Environmental liabilities ▸ Pension and OPEB

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Area	Comments
▸ Material corrected misstatements related to accounts and disclosures ▸ Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial	As a result of our testing of the fair value and discounted cash flows related to fuel hedges, we identified the following uncorrected misstatement, considered by management to be immaterial: Dr: Deferred Revenues – Fair Value of Fuel Hedges $2,912,820 Cr: Other Assets – Fuel Hedges $2,912,820 The Energy Authority ("TEA") identified an understatement of revenue during their discussions with their auditors on accounting for their reserves. Therefore, there is an uncorrected misstatement of earnings from TEA, considered by management to be immaterial, within the JEA financial statements. Dr: Other assets $9,350,000 Cr: Earnings from TEA $9,350,000
▸ Significant deficiencies and material weaknesses in internal control over financial reporting	No material weaknesses have been identified.
▸ Our responsibility, procedures performed, the results of those procedures and any reporting to be included in our auditor's report relating to other information included in the annual report	We have reviewed JEA's Supplementary Information and Required Supplementary Information and found the information presented to be consistent with information in the audited financial statements.

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Area	Comments
▸ New accounting pronouncements	No issues have been identified with regard to management's application of new accounting pronouncements (GASB 84 on Fiduciary Activities).
▸ Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention** ▸ Disagreements with management and significant difficulties encountered in dealing with management when performing the audit** ▸ Management's consultations with other accountants**	None.
▸ Other material written communications with management	Refer to Appendix C for of all material inquires and communications with management.
▸ Other matters**	There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.
▸ Obtain information relevant to the audit	None noted.
▸ Independence matters	No independence matters identified.

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Area	Comments
▸ AICPA ethics ruling regarding third-party service providers	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.
▸ Representations we are requesting from management	We expect to obtain from management a letter of representations related to the 2021 audit after this meeting.
▸ Fraud and noncompliance with laws and regulations (illegal acts)**	We are not aware of any matters that require communication.

As required, provided above is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *The Auditor's Communication With Those Charged With Governance,* and other applicable auditing standards. This communication is intended solely for the information and use of the audit committee and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

All communications are to be made annually unless marked otherwise.

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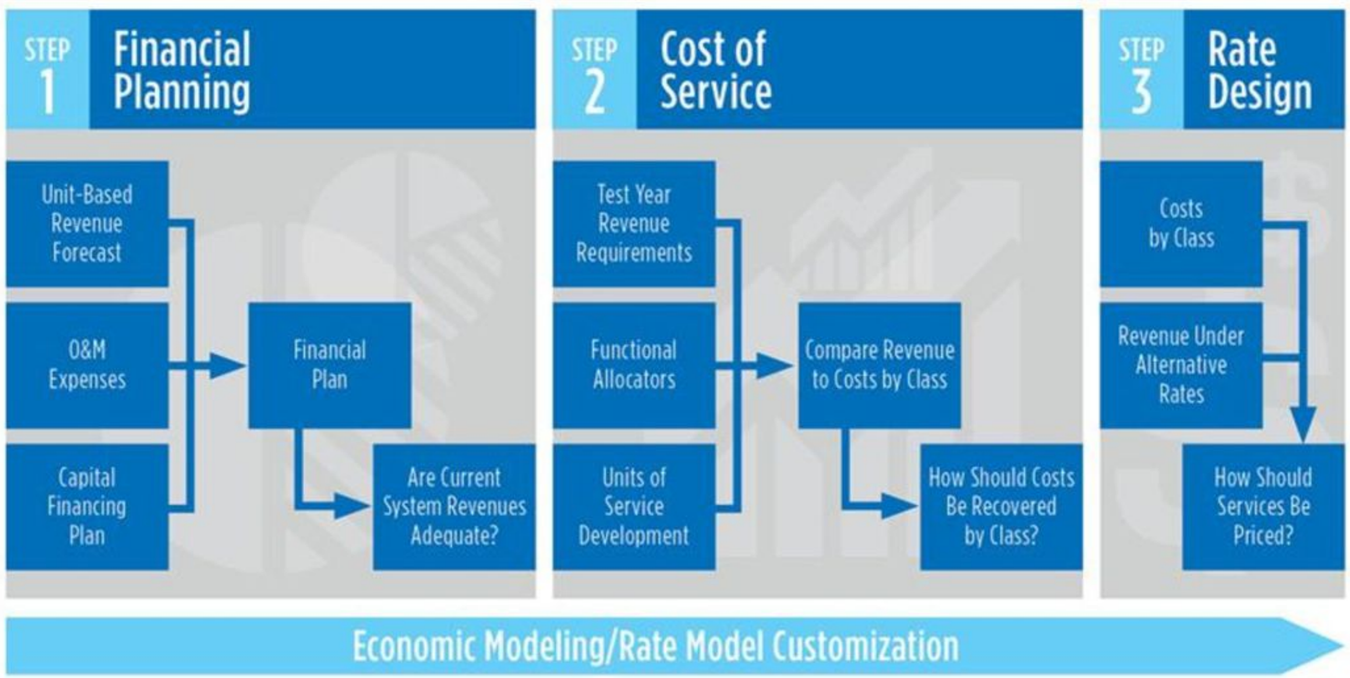
Rates
Cost of Service Update

Juli Crawford
Director, Financial Planning & Analysis

Deliver Business Excellence

Typical Cost of Service (COS) & Rate Study Process



Cost of Service & Rate Study	Status Typically updated every 5 years
Water & Wastewater	2018-2019
Water & Sewer Capacity	Completed 2021
Electric	Underway
District Energy Systems	Underway
Water & Wastewater	2023-2024

JEA is currently in Step 2 for electric and District Energy Systems - determining how much cost should be assigned to each class and what rate component should recover that cost by assigning known costs or creating cost allocators based on several factors such as load research that indicates how much each class drives the need for capacity

Preliminary Electric Cost of Service Study Results

Results are base rates only (not including fuel)

Customer Class	Demand Load	Unit COS	2023 Revenues	Net COS	Undercollected / (Overcollected)	%
Residential (RS)	**All kW of firm power**	**$ 84.88**	**$ 431,332,062**	**$ 470,420,406**	**$ 39,088,344**	**8%**
General Service (GS)	**Less than 75kW of firm power**	**69.35**	**85,501,411**	**83,852,933**	**(1,648,478)**	**-2%**
General Service Demand (GSD)	**75kW or more of firm power**	**49.76**	**152,753,839**	**129,467,615**	**(23,286,224)**	**-18%**
General Service Large Demand (GSLD)	*1MW or more of firm power*	*40.42*	*60,013,850*	*53,769,177*		
Curtailable (CS)	*1MW or more of curtailable power*	*42.55*	*3,678,665*	*3,934,640*		
Interruptible (IS)	*1MW or more of interruptible power*	*33.59*	*21,638,098*	*21,403,655*		
General Service Large Demand Total	**1MW or more of power**	***38.40***	**85,330,614**	**79,107,473**	**(6,223,141)**	**-8%**
Interruptible Extra Large Demand (ISXLD)	**50 MW or more of interruptible power**	**34.69**	**8,025,139**	**10,267,543**	**2,242,404**	**22%**
Other (SL/OS/Other)	**Street lights, Internal JEA, DES Plants, etc.**	**64.85**	**20,677,911**	**18,849,123**	**(1,828,788)**	**-10%**
Wholesale						
Total		**$ 63.56**	**$ 783,620,976**	**$ 791,965,093**	**$ 8,344,117**	**1.1%**

Initial Observations

Residential indicates largest need for increases

GS, GSD, and GSLD are over-recovering their cost of service

Known Areas to Address

Cost recovery in fixed charges - Customer and Demand Charges

Curtailable / Interruptible rate riders

Legacy discount riders (R5)

Evaluate potential for real-time pricing

Review cost and time basis for time-of-use (TOU) rates

All potential changes must be evaluated based on the capabilities of the upgraded billing system (C2M)

Conclusions from Rate Gap Analysis

N/A indicates information not available - N/U indicates rate was not utilized

Utilities in comparison include public institutions and bond funding, some with separate connection costs, utility penalties, and escalation factors

Entity	Location	Consumption Rate ($/ton-hr)	Demand Rate ($/ton)	Total Rate ($/ton-hr)
District Energy	St. Paul, MN	$0.1000	$26.69	$0.366
Orlando Utilities Commission	Orlando, FL	$0.1360	$36.41	$0.318
Austin Energy	Austin, TX	$0.2700	N/U	$0.270
San Antonio Water System	San Antonio, TX	$0.1200	$18.40	$0.260
U of Iowa	Iowa City, Iowa	$0.2527	N/A	$0.253
JEA	**Jacksonville, FL**	**$0.1060**	**$20.00**	**$0.206**
TECO – Texas Medical Center	Houston, TX	$0.1669	N/A	$0.167

Recommendations

JEA's current rates are lower than industry peers and do not account for future inflations of cost to generate

JEA rates accept utility cost risk from customer without compensation

Jacobs recommends changes to rates to promote JEA's growth strategy for District Energy

Known Areas to Address

Restructuring consumption and demand charges

Establish standard customer connection terms

Identification of capital plan for growth

Rate Restructuring Approach

Review COS	Review results by class and unit costs of service Develop annual revenue targets by class
Review Tariff	Deep dive of current tariff with Rates team Identify list of issues and what is working well
Proposed Changes	Develop list of proposed rate and tariff changes Consider future needs related to customer owned generation and electrification
Feedback Loop	Socialize proposed changes with other JEA teams for feedback
Rate Design	Develop Strategic Roadmap for rate restructuring Develop communication plan

Board Review and Approval Timeline

February 11th	May 13th	Summer 2022	Fall 2022
Finance & Audit Committee	Finance & Audit Committee	Board Meeting	Board Meeting
Cost of Service/Rate Study Progress Report	Cost of Service/Rate Study Final Report	Call for Rate Hearing	Rate Hearing

FY23 Budget Assumptions

Juli Crawford
Director, Financial Planning & Analysis

Improving Lives. Building Community.

To Be the Best Utility in the Nation

CORE VALUES

SAFETY
We put the physical and emotional wellbeing of people first, both at and away from the workplace.

RESPECT
We treat others with courtesy and respect, seeking diverse perspectives and helping bring out the best in everyone.

INTEGRITY
We place the highest standard on ethics and personal responsibility, worthy of the trust our customers and colleagues place in us.

STRATEGIC FOCUS AREAS

Develop an UNBEATABLE TEAM
- Exceptional work culture
- Diversity, equity & inclusion
- Employee development
- Employee engagement
- Strong labor relations
- *'Work from Wherever'* approach
- Long-term workforce planning

Deliver BUSINESS EXCELLENCE
- Affordable rates
- Sound financial decisions
- Integrated Resource Plan
- Resilient/reliable infrastructure
- Technology, tools & data
- New business opportunities
- Real estate portfolio

Earn CUSTOMER LOYALTY
- Ease of doing business
- Environmental stewardship
- Economic development
- Community engagement
- Stakeholder relationships
- JEA brand management

Key FY23 Budget Assumptions

Load forecast effectively flat for electric, water, wastewater, and reclaimed water

Assumes increase for chilled water rates, 1.5% electric base rate increase, & stable water / wastewater / reclaimed rates

Assumes use of revolving credit facility to support a largely internally funded capital plan

Fuel and purchased power forecast assumes stable fuel charge adjustments in FY23 averaging $35.25/MWh and Vogtle Unit 3 online in last quarter of FY23

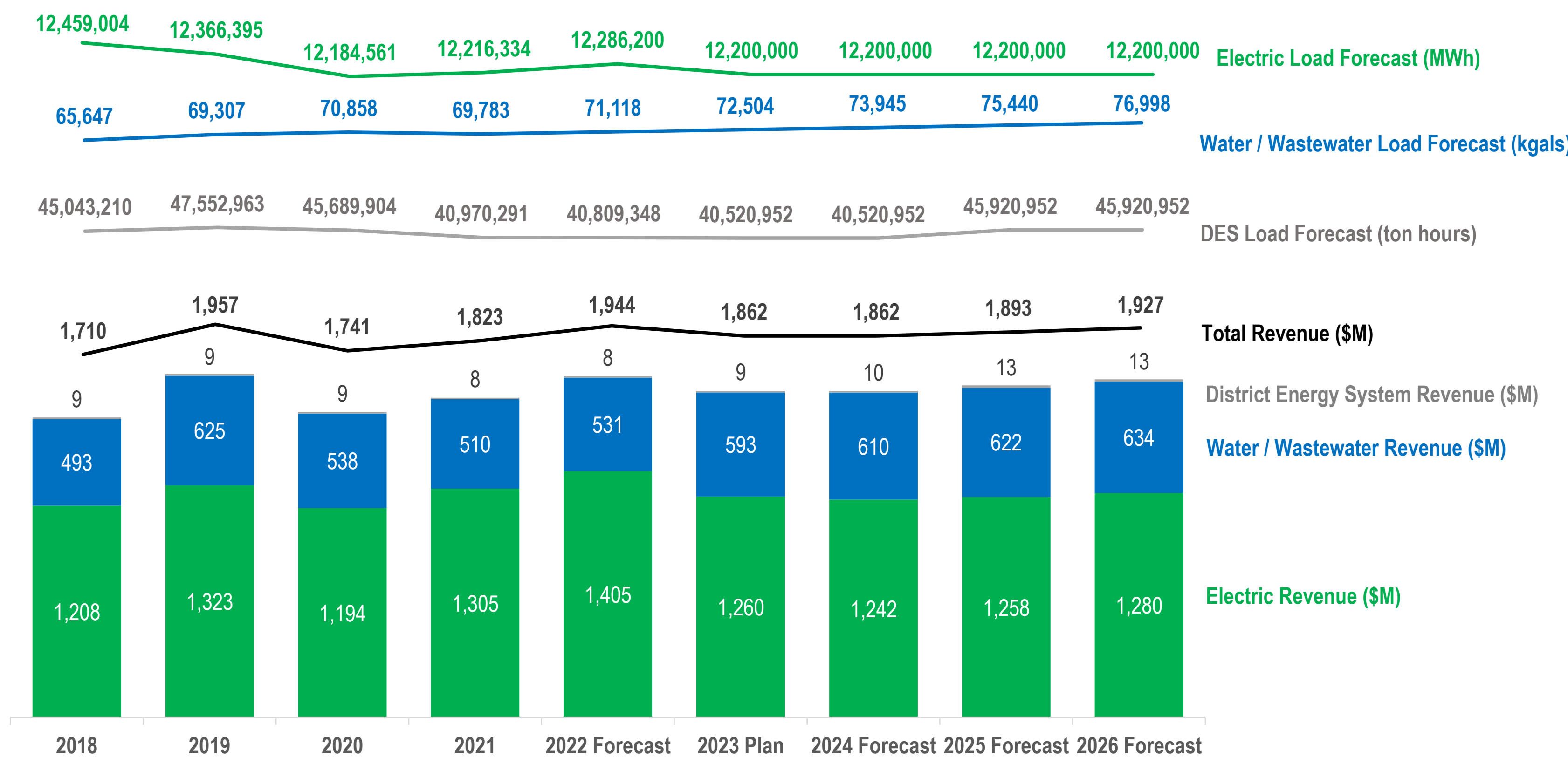
Non-Fuel Purchased Power includes Scherer and SJRPP debt payments, FPL capacity, MEAG power purchase agreement payments, and an estimated $130 million contribution to the non-fuel purchased power rate stabilization fund

Continued focus on achieving O&M efficiencies and strategic objectives

Continued focus on effective completion of capital projects with increases primarily driven by recommended Water Integrated Resource Plan actions and economic development infrastructure investments

Sales and Revenue

Relatively Flat Load and Revenue Forecast



Board Review and Approval Timeline

February 11th — Finance & Audit Committee
Finance & Audit Committee Report on Budget Assumptions

February - May — Internal
Finalize FY23 Budget Recommendations

May 13th — Finance & Audit Committee
Final Review of the FY2023 Budget Recommendations

May 24th — Board Meeting
FY2023 Budget Review and Request Approval from Full Board

July 1st — City Council
Transmit JEA Board Approved Budget to City Council President

Audit Services Update

Steve Tuten
Director, Audit Services

Lee Montanez
Manager, Internal Audit

Enterprise Risk Management (ERM)

Top Enterprise Risks – Updates to be presented in May

Risk Awareness Training – Conducted in Two Phases

- Phase One – Introductory/Refresher Classes
- Phase Two – Assessing Business Unit Risk Assessments

Governance, Risk, and Compliance (GRC) Application – HighBond

- Go-Live
  - ERM module – estimated April
  - Internal Audit module – July
  - Technology Services Cybersecurity module – September

Forensic Audit & Investigations (FAI)

- Nine open cases / Four referred to City of Jacksonville Office of Inspector General (OIG)
- Seven cases have been closed
- JEA/OIG update

Internal Audit (IA) Plan Status for Q1

JEA

Completed Audits and Engagements with Rating	
Plant Vogtle Consulting Report*	No Rating
Treasury Cash Management & Investments*	Well-Managed
Combined Electric and Water/Wastewater Asset Management*	Needs Improvement
JEA Performance Pay Audit	No Rating
External Audit Assistance - EY	No Rating

In-Process Audits and Engagements w/Status	
The Energy Authority (TEA) Audit	Reporting
Procurement Services	Testing
Appointed Timecard Entry	Testing
IA/ERM & Forensic Audit Collaboration	Ongoing
C2M Project Tracking	Ongoing
System Protections and Controls	Planning
Data Center, Storage, and Backups	Planning
Receivables and Collections	Planning

Upcoming Audits and Engagements

Project Accounting
Debt Management
Fiber Network Resiliency
Fleet Services
Appointed Hiring Process
Green-e Agreed-Upon Procedures Engagement

Cancelled or Postponed Audits and Engagements

None

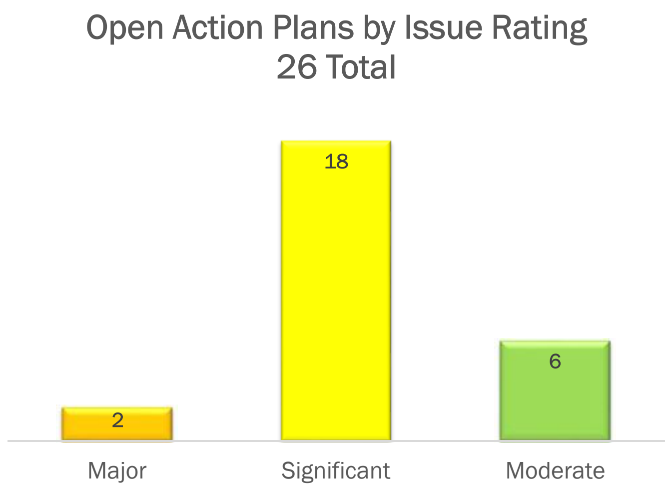
*FY2021 Audits and Engagements completed after September 30, 2021

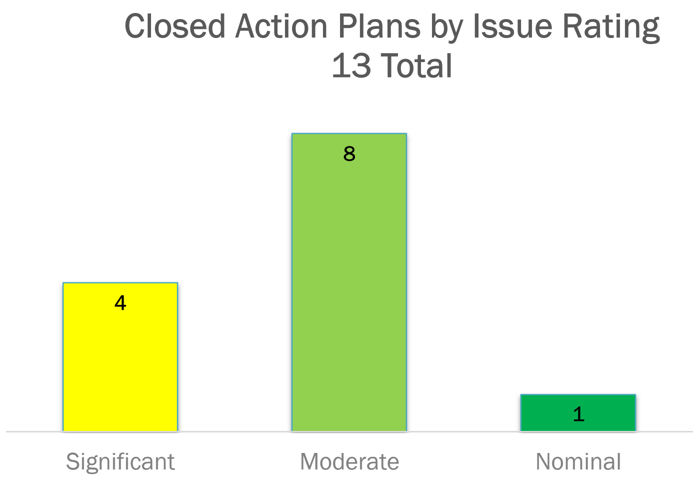
On track to complete the FY22 Audit Plan

IA - Completed Audits and Engagements for Q1

Audit or Engagement	Rating	Good Practice Observed	Key Observation
Plant Vogtle Consulting Report	No Rating	All principal payments sampled were properly reviewed, approved, paid on time, and within budget	Process improvement opportunity related to documenting the reconciliation process, related to the Power Purchase Agreement and defining roles of other JEA groups in the process
Treasury Cash Management & Investments Audit	Well-Managed	The Treasury Cash Management & Investments team, although few in number, effectively execute a high volume of Treasury functions	Process improvement opportunities related to clearing unreconciled items and improving the unclaimed property process
Combined Electric and Water/Wastewater Asset Management Audit	Needs Improvement	The Electric and Water/Wastewater Asset Management teams work well with their business partners by soliciting relevant feedback from its users which aids in the development of the Mobile Asset 360 application	Process improvement opportunity related to the creation of a cohesive Enterprise-wide Asset Management Data Program
JEA Performance Pay Audit	No Rating	Human Resources was diligent in the delivery of key performance pay data	None
External Audit Assistance (EY)	No Rating	Per Jessica Stephens, Auditor-in-Charge for the JEA external audit, our Senior Internal Auditor, David Arnold did a great job with all tasks assigned to him and was willing to help with any additional assignments	In discussing future expectations with EY, we will increase our budgeted hours from 215 to 350 this year, to account for planning work assistance during August and September

IA - Open/Closed Audit Report Issues





Closed Action Plan Highlights

Audit Name	Description
Treasury Cash Management & Investments	Process improvement opportunities related to clearing unreconciled items on bank account reconciliations and unclaimed property were implemented
Investment Recovery Operations	The obsolete asset liquidation process was improved by ensuring all surplus equipment is properly recorded, documentation requirements are consistent, and segregation of duties exist between the recording and sale of an asset
Procurement Inventory Control	Technological improvements were made in Oracle Enterprise Asset Management (eAM) to add lead time information to work orders, allowing JEA's engineering groups to determine when to order materials

Ernst & Young Agreement for Professional Services

Ted Phillips
Chief Financial Officer

JEA FINANCE & AUDIT COMMITTEE MINUTES
October 15, 2021

The Finance & Audit Committee of JEA met at 9:00 am on Friday, October 15, 2021 on the 8th Floor, 21 W. Church Street, Jacksonville, Florida. The meeting was properly noticed, and the public was invited to attend this meeting in-person at the physical location and virtually via WebEx. Attendees were required to wear masks and CDC guidelines and social distancing were required at the meeting location.

WELCOME

Meeting Called to Order – Committee Chair Marty Lanahan called the meeting to order at 9:00 am. Committee members John Baker and Bobby Stein being present for the meeting constituted a quorum.

Others in attendance in-person were Jay Stowe, Managing Director/CEO, Jody Brooks, Chief Administrative Officer; Ted Phillips, Chief Financial Officer; Laura Schepis, Chief External Affairs Officer; and Regina Ross, Chief Legal Officer, Office of General Counsel. Board members General Joseph DiSalvo and Rick Morales participated via WebEx. Laura Dutton, Chief Strategy Officer; Raynetta Marshall, Chief Operating Officer; Sheila Pressley, Chief Customer Officer; Joe Orfano, Vice President, Financial Services; Wayne Young, Vice President, Environmental Services; Brad Krol, Chief Information Officer; Kurtis Wilson, Vice President, Government Relations; Ricky Erixton, Vice President, Electric Systems; and Stephen Datz, Vice President, Technical Services, participated in the meeting via WebEx.

Adoption of the Agenda – On ***motion*** by Bobby Stein and seconded by John Baker, the agenda was approved.

Approval of Minutes – On ***motion*** by John Baker and seconded by Bobby Stein, the May 14, 2021 Committee meeting minutes were approved.

Safety Briefing and Moment – Kim Wheeler, Director, Preventative Maintenance & Contract Management, provided a Safety Briefing and Moment on slips, trips, and falls.

FOR COMMITTEE CONSIDERATION

Plant Capacity Fee Implementation – Juli Crawford, Director, Financial Planning & Analysis, presented at the September 17, 2021 meeting, the Board approved the plant capacity fee phase-in schedule to be implemented on October 1, 2021. At that meeting, following comments from those affected within the community, the Board requested staff to review the implementation plan. Ms. Crawford provided a review of the implementation plan adjustments requested by the Northeast Florida Builders Association and the First Coast Apartment Association as outlined in the Board materials. Ms. Crawford provided staff's recommendation to defer implementation of the phase-in until the April 1, 2022 scheduled increases and noted if an application is submitted prior to the increase effective date, customers will have 90 days to be ready for service to qualify for the lower capacity fee, and prepayment will be allowed as a nonrefundable deposit for any commercial or multi-family project that has submitted plans to JEA as of February 1, 2022, or residential projects that show an approved building permit as of February 1, 2022. This will require an agreement and the deposit will be held for five years, through April 1, 2027 and is transferrable under certain conditions. Committee members held discussions and Mr. Stein extended appreciation to Committee Chair Lanahan and staff for their work. Ms. Lanahan reiterated that staff is committed to reviewing the plant capacity fee on a more frequent basis. This item was received for information.

Fuel Charge Discussion – Juli Crawford, Director, Financial Planning & Analysis, presented JEA currently sets the fuel cost adjustment annually. To provide transparency to customers and to allow more flexibility for JEA, staff is recommending to move to a monthly fuel cost adjustment, which would allow for the elimination of the Fuel Stabilization Fund. Ms. Crawford noted JEA conducted a survey of other large consumer-owned utilities. Of the seven utilities that responded, the frequency of the fuel adjustment varied, but the majority did not have a Fuel Stabilization Fund. Ms. Crawford reviewed fuel charge adjustment drivers including natural gas, solid fuel, purchase power, Plant Vogtle and solar power replacement. Additionally, Ms. Crawford reviewed fuel mix strategies, FY22 forecast impact to the Fuel Stabilization Fund, and provided a sample of the impact to the customer's bill. Board Members held discussions regarding the purpose of the change in methodology and the need for communication to customers. This presentation was received for information.

Ernst & Young FY2021 Annual Financial Audit Plan – John DiSanto, Managing Director, Ernst & Young, presented the external JEA 2021 Audit Plan. Mr. DiSanto provided an executive summary of the plan including the key business priorities such as 2021 bond refunding, compliance audit of FEMA programs, monitoring of Plant Vogtle accounting and disclosures, upcoming adoption of new GASB pronouncements, expansion of the use of digital audit technology, audit timelines, audit strategy including significant risks identified, new accounting standards related to leases, internal audit assistance, and required communications. Board Members held discussions related to the Plant Vogtle audit and cybersecurity risks. This presentation was received for information.

FY22 Internal Audit Plan – Steve Tuten, Director, Audit Services, opened the presentation and provided a review of Enterprise Risk Management efforts. Mr. Tuten thanked Frank DiBenedetto and Jessica Vick for their work.

Mr. Stein stepped out at 9:48 am and returned at 9:53 am.

Lee Montanez, Manager, Internal Audit, led the discussion with a review of the internal audit role and risk-based planning steps. Mr. Montanez provided a review of the proposed FY22 audit plan which includes seven audits, seven consulting/special projects, and four recurring activities which cover Finance, Energy, Technology Services, and Supply Chain. Internal Audit will also be leading the audit for The Energy Authority. Details of the proposed audit plan are outlined in the Board materials. Board members held discussions regarding additional audit work for Plant Vogtle later in FY22.

On ***motion*** by John Baker and seconded by Bobby Stein, the FY22 Internal Audit Plan was approved.

ADDITIONAL INFORMATION

Audit Services Update – Provided for information only

Ethics Officer's Report – At the request of Committee Chair Lanahan, Walette Stanford, Director, Ethics, provided information on secondary employment.

Electric System and Water & Sewer System Reserve Fund Report – Provided for information only

JEA Energy Risk Management Policy Report – Provided for information only

CLOSING CONSIDERATIONS

Announcements – Next Meeting February 11, 2022

Committee Discussion

At 9:56 am, Ms. Lanahan asked the Committee to enter into Executive Session. All meeting participants were excused excluding JEA Board Members and Regina Ross.

- Ernst & Young – At 9:57 am, Mr. DiSanto engaged the Committee.

- Director, Audit Services – At 10:07 am, Mr. Tuten and Mr. Montanez engaged the Committee.

Adjournment – With no further business coming before the Committee, Ms. Lanahan declared the meeting adjourned at 10:21 am.

APPROVED BY:

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Marty Lanahan, Committee Chair

Date: ____________________________

Submitted by:

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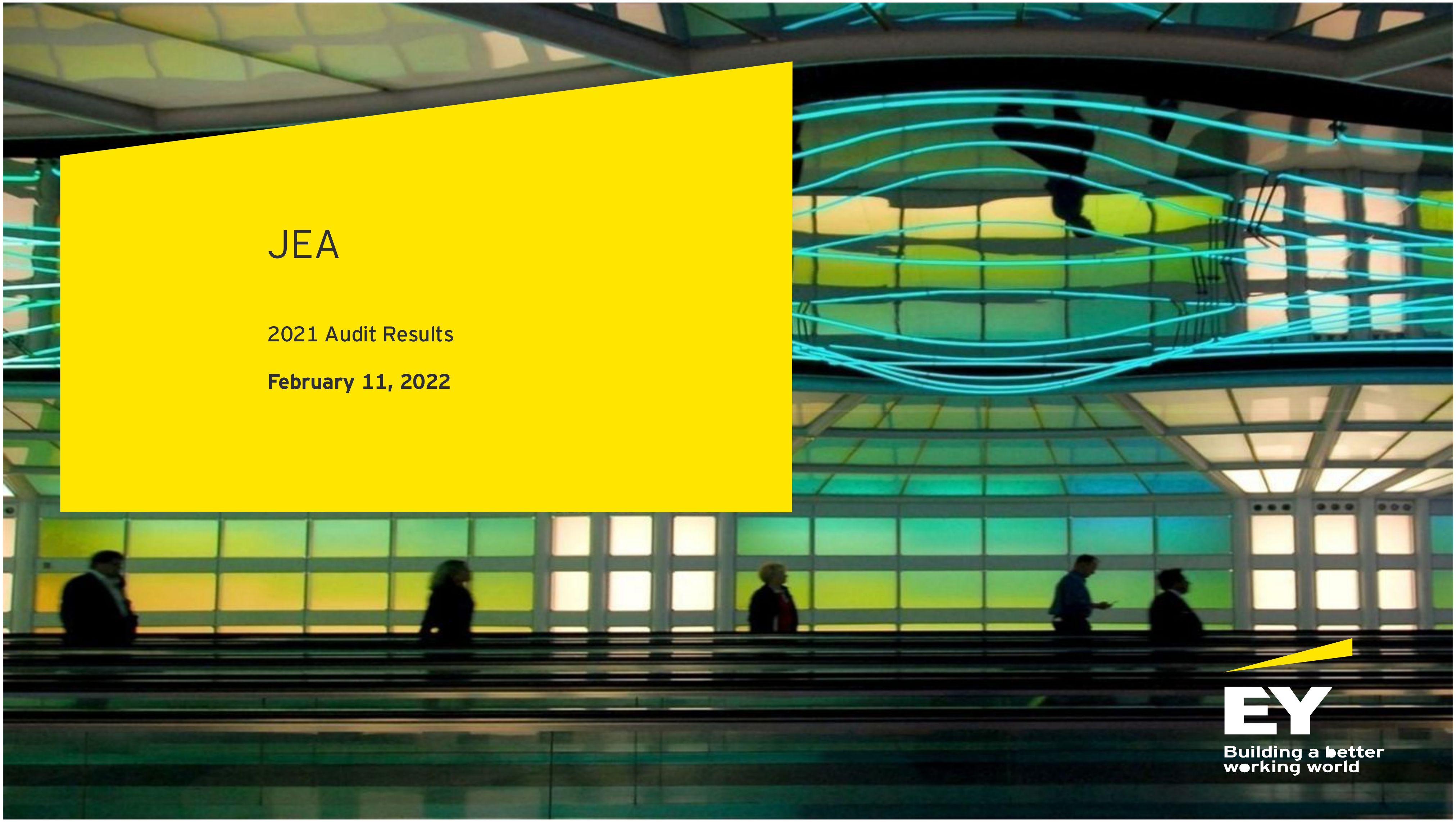
Melissa Charleroy
Board Services Manager

JEA

2021 Audit Results

February 11, 2022




Appendices
A Areas of Emphasis
B The Use of Internal Audit
C Inquiries
D Data Analytics
1 JEA 2021 audit results
Confidential Ernst & Young LLP


Appendix A
Areas of Emphasis
2 JEA 2021 audit results
Confidential Ernst & Young LLP
EY

Areas of Emphasis

Topic	Audit results
Revenue Recognition ▸ Operating revenues are defined as revenues generated from the sale of primary products or services through normal business operations. Nonoperating revenues include investment income, earnings from investments recorded on the equity method, contributions from developers. ▸ Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to stabilization funds. ▸ Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. ▸ Operating revenues include amounts estimated for unbilled services provided during the reporting period.	▸ We believe that JEA's revenue recognition and sales commitments accounting policy and the application thereof are appropriate. ▸ Additionally, we have reviewed the financial statements, including the disclosures relating to revenue recognition and sales commitments, and found them to be appropriate and in conformity with US GAAP. ▸ We utilized data analytics in combination with detailed test of transactions to obtain a full understanding of the flow of revenue transactions.

Confidential – Ernst & Young LLP

Areas of Emphasis

Topic	Audit results
Accounts and Unbilled Receivables and Related Allowance for Doubtful Accounts	▸ We tested the assumptions and inputs used in the unbilled revenue calculation for reasonableness. We also performed procedures over unbilled accounts receivables and assessed the adequacy of the allowance for uncollectible accounts.
Derivative Instruments and Hedging Activities	▸ For the interest rate swaps and fuel hedges entered into this year, we independently corroborated the fair value of swaps with the assistance of our EY valuation professionals. We independently tested the hedge effectiveness of all the swaps in accordance with GASB 53.
Pollution Remediation Obligations	▸ We obtained the schedule of all known and recorded pollution remediation obligations at JEA. Per review of the schedule, we compared the obligations to prior year's accounting records to obtain a better understanding of any significant changes in the account. We also inquired of management regarding any changes or developments during the twelve months ended September 30, 2021. In order to gain comfort over the completeness of the recorded obligation, we engaged our Climate Change and Sustainability Services group to compare the recorded sites to public environmental databases such as the Environmental Protection Agency's (EPA). Through our procedures, there were no issues identified.
Pension and OPEB Plan Accounting and Reporting	▸ We obtained and tested the actuarial valuations, including assessing the reasonableness of the significant assumptions (i.e., discount rate, rate of return, etc.) of the Pension and OPEB plans. 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 (Pension), GASB 75 (OPEB), and GASB 84 (SJRPP). We also tested the existence and valuation of pension and OPEB plan investments.

Areas of Emphasis

Topic	Audit results
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 material issues identified.
Capital Assets	▸ We tested the capital asset rollforward, which included specific procedures over CWIP additions, CWIP transfers, additions to capital assets and depreciation expense. Through our procedures, there were no issues identified.
Legal Reserves	▸ We obtained an in-house legal letter update from OGC and an external legal letter from Edwards Cohen. Per our review of the obtained legal letter, there were no significant legal matters requiring accrual or disclosure considerations not already included as part of the financial statements and related footnote disclosures.
Plant Vogtle PPA	▸ We believe that JEA's accounting and disclosure related to the Plant Vogtle PPA is appropriate and is in conformity with US GAAP.
SJRPP and Plant Scherer Asset Retirement Obligations	▸ We tested supporting documentation of the SJRPP and Scherer Asset Retirement Obligations to ensure they were complete, accurate and in accordance with GASB 83 Asset Retirement Obligations. We engaged experienced specialists in EY's Climate Change and Sustainability Services (CCaSS) to assess the estimate and component thereof. Through our procedures, there were no issues identified.

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Appendix B
The Use of Internal Audit
6 JEA 2021 audit results
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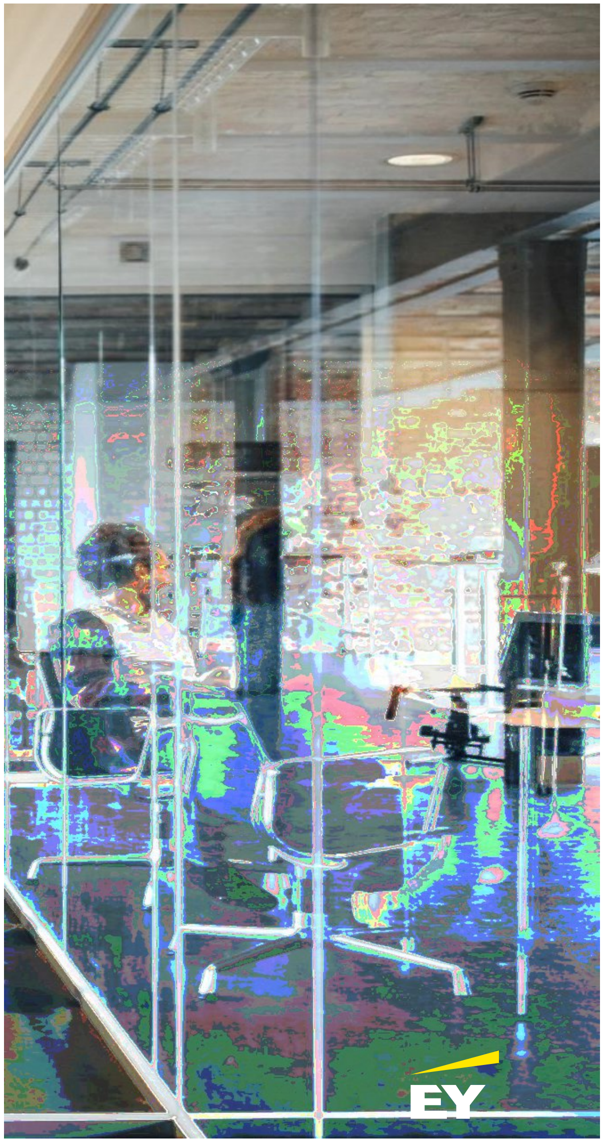
EY

Use of Internal Audit

We have evaluated the competence and objectivity of the internal audit function and its application of a systematic and disciplined approach, including its quality control processes. We have met with internal audit and coordinated the use of internal audit in a direct assistance model in the 2021 audit.

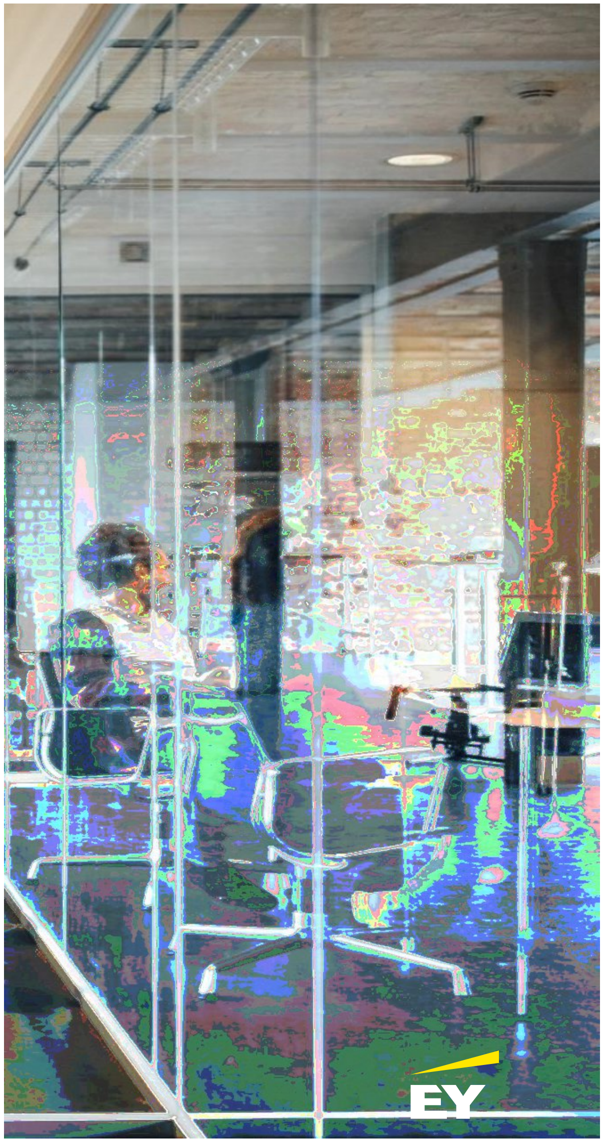
Areas/significant class of transactions where EY have used the work of internal audit	Hours Incurred
▸ Officer Expense Testing	10
▸ Substantive test of details (officer expense testing, costs to be recovered, revenue analytics, fixed asset testing, etc.)	190
Total	200




Appendix C
Inquiries
8 JEA 2021 audit results
Confidential Ernst & Young LLP

Inquiries

We inquired of Audit Committee members regarding your awareness of matters relevant to the audit, including the topics below. No matters were communicated from the Audit Committee to EY.
▸ Your views about the risk of material misstatement due to fraud
▸ Your knowledge of any actual, alleged or suspected fraud
▸ Your awareness of tips or complaints regarding JEA's financial reporting and its response to such tips and complaints
▸ Your awareness of other matters relevant to the audit (such as violations or possible violations of laws or regulations)




Appendix D
Data Analytics
10 JEA 2021 audit results
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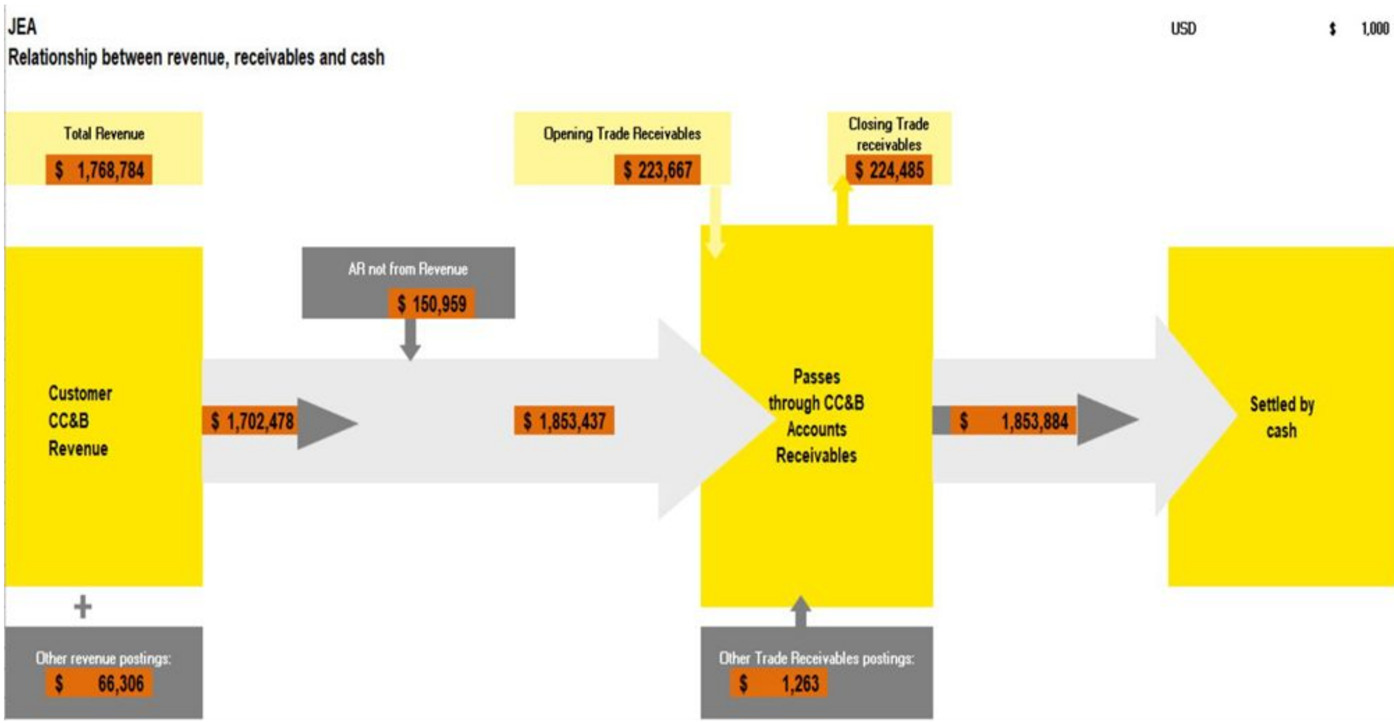
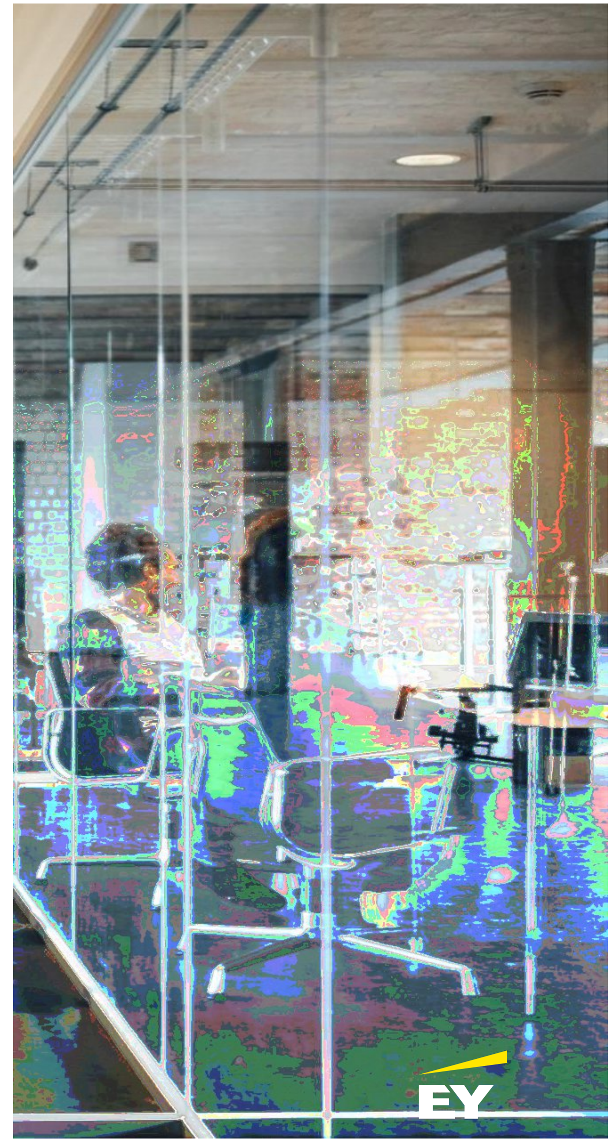
EY

Revenue Correlation Analysis

As we performed our planned audit procedures using our Helix tools and techniques we made the following observations about your business processes or strategic opportunities. These do not represent findings, misstatements or an opinion on internal control but have been communicated to management.

Amounts shown are in thousands





11 JEA 2021 audit results

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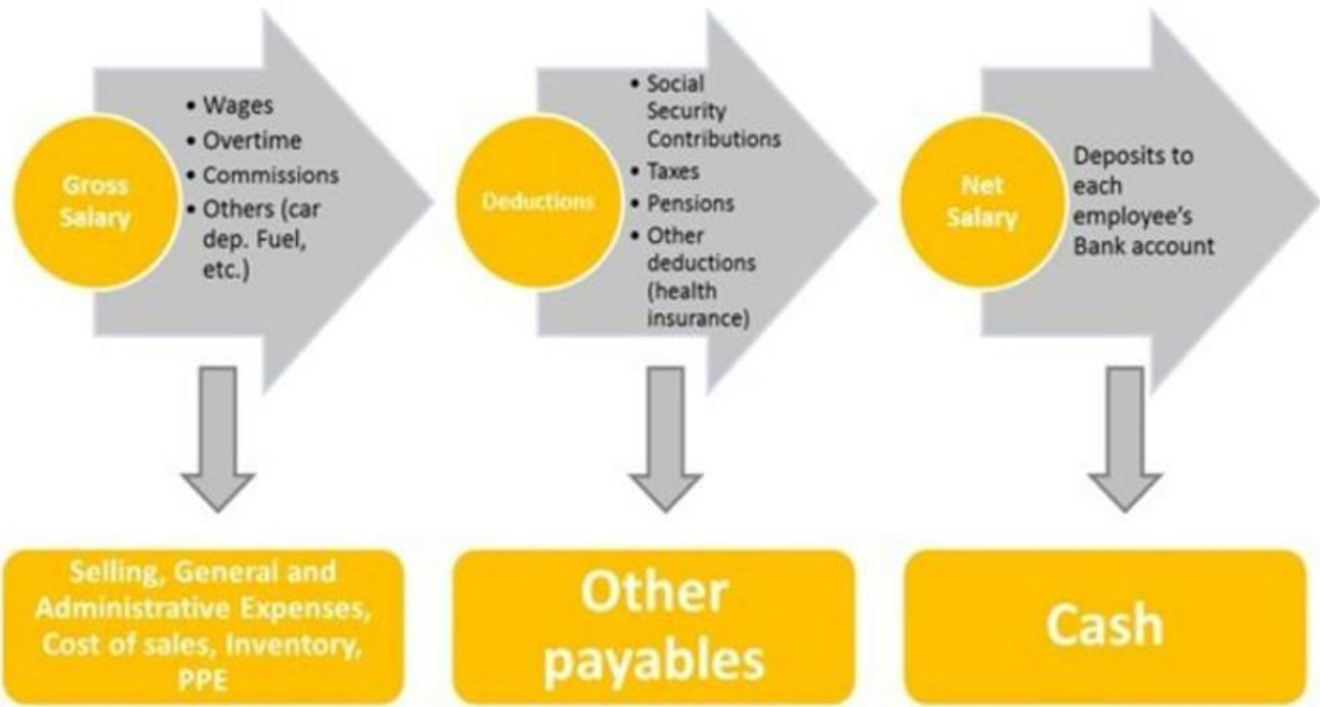
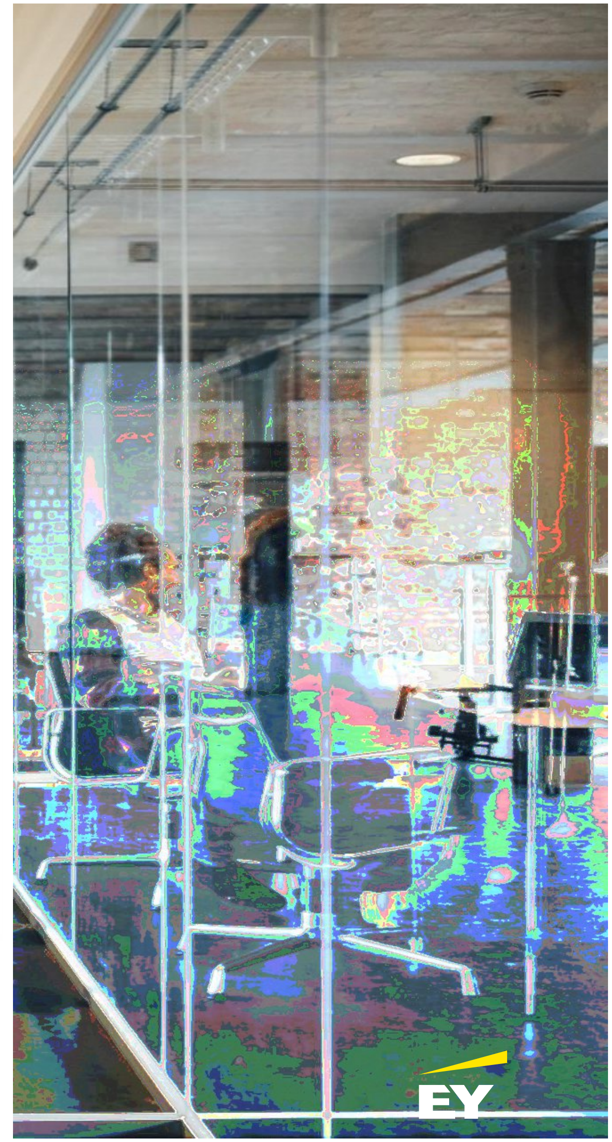
Payroll GL Analyzer

Amounts shown are in thousands



$193,009,067	$38,041,024	$154,968,043



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Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

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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 a 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 audits starts with our 90,000 assurance professionals, who have the breadth of experience and ongoing professional development that come 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 knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

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AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN
JEA
AND
ERNST & YOUNG LLP
FOR
INDEPENDENT AUDIT SERVICES

THIS AGREEMENT, ("Agreement"), made and entered into in duplicate on this 21st day of June, 2017, (the "Effective Date") by and between **JEA**, located at 21 West Church Street, Jacksonville, Florida, 32202-3139, and, **ERNST & YOUNG LLP,** a limited liability partnership created under the laws of Delaware and authorized to do business in the State of Florida a, l with its principal office located at 5 Times Square, New York, NY 10036, and local address at One Independent Drive, Suite 1701, Jacksonville, FL 32202 ("Company").

WITNESSETH:

WHEREAS, pursuant to the JEA Procurement Code, JEA is authorized to procure goods and services via an Invitation to Negotiate ("ITN") solicitation process; and

WHEREAS, JEA invited vendors to participate in the ITN process, and those vendors that qualified were asked to submit their best and final offer ("the BAFO") to provide Independent Audit Services for JEA (the "Work"); and

WHEREAS, said Company has been accepted by JEA as the most responsive and responsible for the completion of the Work at and for the prices stated in the Company's BAFO.

IN CONSIDERATION of the premises and mutual covenants herein contained, it is agreed as follows:

1. **ENGAGEMENT OF E&Y**

1.1 JEA hereby engages E&Y and E&Y hereby accepts said engagement for the purpose of providing to JEA professional services (Services), as described in Invitation to Negotiate (ITN) to Acquire Independent Audit Services", JEA Solicitation 110-16, E&Y's Response, as amended by negotiation, now on file in the Office of the Chief Purchasing Officer, JEA, and E&Y's audit engagement letter ("Engagement Letter"), all of which are hereby incorporated herein by this reference, as if fully set out in their entirety and collectively referred to, for convenience, as the "Contract Documents".

1.2. There will be no obligation between E&Y and JEA for performance of Services until JEA engages E&Y with a written notice to proceed which shall be in the form of a purchase order.

2. **COORDINATION AND SERVICES PROVIDED BY JEA**

2.1. JEA shall designate, for the Services received, a Project Representative who will, on behalf of JEA, coordinate with E&Y and administer this Agreement. It shall be the responsibility of E&Y to coordinate all assignment related activities with the designated Project Representative. The Project Representative will be assigned to perform day-to-day administration and liaison functions, and to make available to E&Y appropriate personnel, to the extent practical, and to furnish records and available data necessary to conduct the Services. The Project Representative will also authorize E&Y to perform work under this Agreement.

For the purposes of this Agreement, the Project Representative is:
Janice Nelson
21 W. Church Street
Jacksonville, FL 32202

Phone: (904) 665-6442

The Project Representative may be revised by giving written notice to E&Y.

3. **DURATION OF AGREEMENT AND TERMINATION**

3.1. This Agreement shall commence on the day and year above first written and continue and remain in full force and effect as to all its terms, conditions and provision as forth herein, for a period of five (5) JEA fiscal years ending September 30, 2022, (the "Initial Term"), unless sooner terminated by JEA or E&Y, by the giving of not less than thirty (30) days prior written notice.

3.2. Following the completion of the Initial Term of this Agreement, JEA, in its sole discretion, may renew this Agreement for two additional JEA fiscal year periods, upon terms agreed to by the parties.

3.3. JEA may terminate this Agreement with or without cause, however, E&Y may only terminate for cause which shall include matters in which E&Y believes its professional standards are compromised. In the event this Agreement is terminated, E&Y shall be paid for any unpaid billings for all work performed up to the date of notice of termination, reasonable costs and fees associated with an orderly close-out of the work to the extent authorized in writing by JEA. Such authorization shall not be unreasonably withheld.

3.4. In the event JEA terminates an incomplete assignment, E&Y's liability to JEA shall only apply to completed and accepted tasks. In all other respects, except as otherwise provided in ARTICLE 27 herein, upon such termination the rights and obligations of E&Y and JEA, which arise out of or in connection with the performance of this Agreement shall cease.

3.5. Notwithstanding any other provision in this Agreement to the contrary, the duration of this Agreement after the initial year shall be contingent upon the existence of lawfully appropriated funds for each subsequent year of the term.

4. **MEETINGS AND PUBLIC HEARINGS**

E&Y will, upon request by JEA, attend all meetings and public hearings pertaining to the professional services rendered in connection with this Agreement, as requested by JEA.

5. **DELAYS**

Neither party shall be considered in default in the performance of its obligations hereunder to the extent that the performance of such obligation is prevented or delayed by any cause beyond the reasonable control of the affected party, and the time for performance of either party hereunder shall in such event be extended for a period equal to any time lost due to such prevention or delay.

6. **SUSPENSION OF SERVICES**

JEA may suspend the performance of the Services rendered by providing E&Y with five (5) days written notice of such suspension. Schedules for performance of the Services shall be amended by mutual agreement to reflect such suspension. In the event of suspension of Services, E&Y shall resume the full performance of the Services when directed in writing to do so by JEA. In the event that a suspension of services imposed by JEA exceeds sixty (60) days, E&Y has the option to terminate the Agreement and will be paid in accordance with Section 3.3 above. Suspension of Services for reasons other than E&Y's negligence or failure to perform, shall not affect E&Y's compensation as outlined in this Agreement.

7. **PAYMENTS**

JEA will reimburse E&Y for the Services rendered hereunder in accordance with the following terms:

7.1. In consideration of the services to be performed by E&Y hereunder, JEA shall pay monthly installments for Services rendered and invoiced during the preceding month.

7.2. Costs of Services rendered by approved subcontractors and direct costs, if allowed, shall be reimbursed to E&Y at E&Y's actual cost, with no markup.

7.3. JEA shall render payment to E&Y within thirty (30) days of the date of receipt by JEA of properly itemized and documented billings.

7.4. The maximum indebtedness of JEA for all fees, incentive payments, reimbursable items or other costs, including, but not limited to travel related costs, pursuant to this Agreement shall not exceed the sum of **Two**

Million Eight Hundred Twenty One Thousand Five Hundred and 00/100 Dollars ($2,821,500) ("Maximum Indebtedness) for Services rendered during the initial term of this Agreement. E&Y'S fees are as stated in **Exhibit A** attached hereto and incorporated herein. E&Y acknowledges that there is no expressed or implied obligation on the part of JEA to engage E&Y to perform Services under the Agreement. The parties agree that if any portion of E&Y's Services are based upon unit pricing for labor and/or materials and the actual Services take less units than bid by E&Y, then the Maximum Indebtedness will be reduced accordingly. To the extent that JEA elects to incur additional costs pursuant to this Agreement, payment of the related additional fees and costs shall be authorized by a written amendment to this Agreement signed by the parties.

7.4.1. **PRICE ADJUSTMENT**

Contract prices for the Work will remain firm through the first three years of the Contract. Upon completion of the third year, the Company may request a Consumer Price Index (CPI) adjustment each year to the rates submitted in Appendix B – Quotation of Rates. Each annual request for a CPI increase must be made within thirty (30) days prior to the Anniversary Date of the Contract. If Company fails to submit a timely CPI adjustment request, the Company may be denied the adjustment for the upcoming Contract year.

When a timely CPI request is received, JEA will recognize the CPI price adjustment within thirty (30) days after the Anniversary Date. No retroactive price adjustments will be allowed.

Unless the Company and JEA make other agreements, the annual price adjustment for the Contract shall be in accordance with the Consumer Price Index for all urban consumers published monthly by the U.S. Department of Labor, Bureau of Labor Statistics. The index used will be the unadjusted percent change for the previous twelve (12) months of the Company's written CPI adjustment request is received by JEA.

In the event the applicable price index publication ceases, the Company and JEA shall mutually agree on a replacement index. If the Company and JEA fail to agree on a replacement index, the Contract shall terminate effective on the next Anniversary Date.

8. **CHANGES IN SCOPE OF SERVICES**

From time to time JEA may direct changes and modifications in the scope of the services, as contained in the Contract Documents, to be performed under this Agreement as may be necessary to carry out the purpose of this Agreement. E&Y is willing and agreeable to accommodate such changes, provided it is compensated for additional services in accordance with its professional fees and expenses under the terms of this Agreement. Such changes shall be in the form of a written amendment to this Agreement reflecting, as appropriate, an amendment to the Services rendered and adjustment to E&Y's professional fees, including an extension to the duration of this Agreement, as well as the maximum indebtedness of JEA. Maximum indebtedness is the maximum total cost that may be paid to E&Y hereunder, including travel related costs, during the initial term of the Agreement for the Services rendered under the terms of this Agreement.

9. **PERSONNEL & CHANGES IN E&Y'S PROFESSIONAL PERSONNEL**

9.1 Unless otherwise agreed in writing by the parties, all Services shall be rendered by employees: (a.) who are full time employees of E&Y or approved subcontractors; and (b.) qualified to perform the Services.

9.2 Subsequent to the execution of this Agreement, E&Y shall notify the JEA Project Representative in writing prior to making changes in professional personnel assigned, or to be assigned, as provided in E&Y 's proposal to manage or perform Services under this Agreement. The JEA Project Representative shall have the right to reject any personnel assigned by E&Y to perform work under this Agreement. If the right of rejection is exercised by the JEA Project Representative, E&Y shall submit for approval of the JEA Project Representative, the name or names of substitute personnel to fill the positions resulting from said rejection. The JEA Project Representative shall have the right to require the removal of E&Y-'s previously assigned personnel and E&Y shall promptly replace the same, subject to the JEA Project Manager's approval at no cost to JEA.

10. INDEMNIFICATION

E&Y shall hold harmless, indemnify, and defend JEA against any claim, action, loss, damage, injury, liability, cost and expense of whatsoever kind or nature (including, but not by way of limitation, reasonable attorney's fees and court costs) arising out of injury (whether mental or corporeal) to persons, including death, or damage to property, arising out of or incidental to the negligence, recklessness or intentional wrongful misconduct of the E&Y and persons employed or utilized by E&Y in the performance of this Agreement or Services performed thereunder.

In addition to the foregoing, E&Y indemnification of JEA shall include any loss or damage to persons or property consequent upon the use, misuse, or failure of any equipment, tools, materials, or goods (hereinafter collectively referred to as "Items") used by E&Y or any of its subcontractors, even though the Items may be furnished or lent to E&Y or any of its subcontractors by JEA or by other companies. JEA makes no warranty, express or implied, with regard to the condition of the Items and makes no warranty that the Items are fit for any particular purpose whatsoever. E&Y accepts the Items "AS IS". E&Y's, or its subcontractor's, acceptance or use of any Items shall be construed to mean that E&Y accepts all responsibility for any claims for damages whatsoever resulting from the use, misuse, or failure of such Items whether such injury or damage be to its own employees or property, or to the employees or property of E&Y, its subcontractors, JEA, or otherwise.

For purposes of this Indemnification, the term "JEA" shall mean JEA as a body politic and corporate and shall include its governing board, officers, employees, agents and assigns. The indemnifications set forth herein shall survive the term of this Agreement, for events that occurred during the Agreement term. This indemnification shall be separate and apart from, and in addition to, any other indemnification provision set forth elsewhere in this Agreement. Anything to the contrary notwithstanding, the liability of E&Y under this Agreement, shall survive and not be terminated, reduced or otherwise limited by any limit, expiration or termination of insurance coverages

11. INSURANCE REQUIREMENTS

Before starting and until completion of the Services by JEA, and without further limiting its liability under the Agreement, E&Y shall procure and maintain at its sole expense, insurance of the types and in the minimum amounts stated below:

Workers' Compensation

Florida Statutory coverage and Employer's Liability (including appropriate Federal Acts); Insurance Limits: Statutory Limits (Workers' Compensation) $500,000 each accident (Employer's Liability).

Commercial General Liability

Premises-Operations, Products-Completed Operations, Contractual Liability, Independent Contractors, Insurance Limits: $1,000,000 each occurrence, $2,000,000 annual aggregate for bodily injury and property damage, combined single limit.

Automobile Liability

All autos-owned, hired, or non-owned; Insurance Limits: $1,000,000 each occurrence, combined single limit.

Excess or Umbrella Liability

(This is additional coverage and limits above the following primary insurance: Employer's Liability, Commercial General Liability, and Automobile Liability); Insurance Limits: $2,000,000 each occurrence and annual aggregate.

Professional Liability
Errors & Omissions; Insurance Limits: $1,000,000 each claim and $2,000,000 annual aggregate

E&Y's Commercial General Liability and Professional Liability policies shall be effective for two years after Services are complete. The above Indemnification provision is separate and is not limited by the type of insurance or insurance amounts stated above.

E&Y shall specify JEA as an additional insured for all coverage except Workers' Compensation, Employer's Liability, and Professional Liability. Such insurance shall be primary to any and all other insurance or self-insurance maintained by JEA. E&Y shall include a Waiver of Subrogation on all required insurance in favor of JEA, its governing board, officers, employees, agents, successors and assigns.

Such insurance shall be written by a company or companies licensed to do business in the State of Florida and satisfactory to JEA. Prior to commencing any Work under this Agreement, certificates evidencing the maintenance of the insurance shall be furnished to JEA for approval.

E&Y's and its subcontractors' certificates of insurance shall be mailed to JEA (Attn. Procurement Services), Customer Care Center, 6th Floor, 21 West Church Street, Jacksonville, FL 32202-3139.

The insurance certificates shall provide that no material alteration or cancellation, including expiration and non-renewal, shall be effective until 30 days after receipt of written notice by JEA.

Any subcontractors of E&Y shall procure and maintain the insurance required of E&Y hereunder during the life of the subcontract. Subcontractors' insurance may be either by separate coverage or by endorsement under insurance provided by E&Y. E&Y shall submit subcontractors' Certificates of Insurance to JEA prior to allowing subcontractors to perform Work on JEA's job sites.

12. PATENTS & COPYRIGHTS

NOT USED.

13. WARRANTY

NOT USED.

14. NONWAIVER

Failure by either party to insist upon strict performance of any of the provisions of the Agreement will not release either party from any of its obligations under the Agreement.

15. OWNERSHIP OF DOCUMENTS AND EQUIPMENT

NOT USED

16. PUBLIC RECORDS AND SUNSHINE LAW

This Agreement and any related documents are considered public records under the "Public Records Law", Chapter 119, Florida Statutes, unless specifically exempted by law. Any meetings involving two or more members of JEA at which official acts are to be taken are considered public meetings under the Florida "Government in the Sunshine Law", as contained in Chapter 286, Florida Statutes.

17. NON-DISCRIMINATION PROVISIONS

E&Y shall comply with:

17.1. The provisions of Presidential Executive Order 11246, as amended and with all rules and regulations implementing that Executive Order. Said Executive Order and all rules and regulations implementing same are by this reference incorporated herein as if set out in their entirety.

17.2. E&Y will comply with Section 503 of the Rehabilitation Act of 1973, as amended and the Americans with Disabilities Act (ADA) and with all rules and regulations implementing such Acts. Said Acts and all rules and regulations implementing same are by this reference incorporated herein as if set out in their entirety.

17.3. E&Y will comply with The Employment and Training of Veterans Act, 38 U.S.C. 4212 (formerly 2012), as amended, and with all rules and regulations implementing such Act. Said Act and all rules and regulations implementing same are by this reference incorporated herein as if set out in their entirety.

18. PROHIBITION AGAINST CONTINGENT FEES

E&Y warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for E&Y, to solicit or secure the Agreement, and that it has not paid or agreed to pay any person, company, corporation, individual or firm, other than a bona fide employee working solely for E&Y, any fee, commission, percentage, gift, or any other consideration, contingent upon or resulting from the award or making of the Agreement. For the breach or violation of these provisions, JEA shall have the right to terminate the Agreement without liability and, at its discretion, to deduct from the contract price, or otherwise recover, the full amount of such fee, commission, percentage, gift or consideration.

19. COST SAVINGS PLAN

During the term of the Agreement, JEA and E&Y are encouraged to identify ways to reduce the total cost to JEA related to services provided by the E&Y. JEA and E&Y may negotiate Amendments to the Agreement that support and allow such reductions in total costs including, but not limited to, the sharing of savings resulting from implementation of cost-reducing initiatives between JEA and E&Y. The decision to accept any cost savings plan shall be in the sole discretion of JEA, and JEA shall not be liable to E&Y for any cost that may be alleged to be related to a refusal to accept a Cost Savings Plan.

20. JACKSONVILLE SMALL AND EMERGING BUSINESS PROGRAM (JSEB)

20.1 JEA encourages E&Y to employ firms certified as Jacksonville Small and Emerging Business firms to the maximum extent practical

20.2 If the Company uses a JSEB qualified firm for the performance of any part of this Work, the Company shall submit to JEA, with its Invoice, a listing of JSEB qualified firms that have participated in the Work. Such listing shall be made using the form "Monthly Report for COJ/JEA JSEB Participation" available at JEA.com. All questions and correspondence concerning the JSEB program should be addressed to: JSEB Coordinator, JEA, 21 W. Church Street CC-6, Jacksonville, FL 32202.

21. TRUTH IN NEGOTIATION CERTIFICATE

Not Used.

22. AUDIT

E&Y's correspondence, records, vouchers and books of account, insofar as work done or money expended, except those associated with lump sum work, under this Agreement are concerned, shall be open to JEA's inspection and audit during the E&Y's regular business hours during the course of the work and for a period of two years after completion of the Services. JEA shall give E&Y ten (10) days written notice prior to audit or inspection.

23. APPLICABLE STATE LAW; VENUE; SEVERABILITY

The rights, obligations and remedies of the Parties as specified under the Agreement will be interpreted and governed in all respects by the laws of the State of Florida without giving effect to the principles of conflicts of laws thereof. Should any provision of the Agreement be determined by the courts to be illegal or in conflict with any law of the State of Florida, the validity of the remaining provisions will not be impaired. Litigation involving this Agreement or any provision thereof shall take place in the State or Federal Courts located in Jacksonville, Duval County, Florida.

24. HEADINGS

Headings appearing herein are inserted for convenience or reference only and shall in no way be construed to be interpretations of text.

25. ORDER OF PRECEDENCE

In the event of any conflict between the provisions of this Agreement and those of the documents incorporated herein by reference, said provisions shall be given effect in the following order: (1) Amendments to this Agreement, (2) this Agreement and Exhibit A attached hereto; (3) JEA's RFP JPS-105-08; and (4) E&Y's engagement letter; (5) E&Y's Proposals.

26. NEGOTIATED AGREEMENT

Except as otherwise expressly provided, all provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties, their legal representatives, successors and assigns. The parties agree that they have had meaningful discussion and negotiation of the provisions, terms and conditions contained in this Agreement. Therefore, doubtful or ambiguous provisions, if any, contained in the Agreement shall not be construed against the party who physically prepared this Agreement. The rule commonly referred to as *Fortius Contra Proferentum* shall not be applied to this Agreement or any interpretation thereof.

27. SURVIVAL

Any provision of this Agreement that, but its nature, is applicable to circumstances arising after the termination or expiration of this Agreement shall survive such termination or expiration and remain if full force and effect.

28. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties hereto for the Services to be performed and furnished by E&Y hereunder. No statement, representation, writing, understanding, or agreement made by either party, or any representative of either party, which are not expressed herein shall be binding. All changes to, additions to, modifications of, or amendment to this Agreement, or any of the terms, provisions and conditions hereof, shall be binding only when in writing and signed by the authorized officer, agent or representative of each of the parties hereto.

29. INDEPENDENT CONTRACTOR

E&Y is performing the Services as an independent contractor and nothing in this Agreement will be deemed to constitute a partnership, joint venture, agency, or fiduciary relationship between JEA and E&Y. Neither E&Y nor JEA will be or become liable or bound by any representation, act, or omission of the other.

30. VENDOR PERFORMANCE

Use of Vendor Performance Evaluation Scorecards
JEA may evaluate E&Y's performance using the evaluation criteria shown on the vendor scorecard available at JEA Procurement Bid Section, JEA Tower Suite 103, 21 W. Church Street, Jacksonville, FL 32202 or online at JEA.com. Scores for all metrics shown on the evaluation range from a low of 1, meaning significantly deficient performance, to a high of 5, meaning exceptionally good performance. E&Y's performance shall be classified as Top Performance, Acceptable Performance, or Unacceptable Performance, as defined herein. The evaluator will be a designated JEA employee or JEA contractor familiar with the performance of E&Y. The evaluator's supervisor and the Chief Purchasing Officer will review deficient performance letters and Unacceptable Performance scorecards, as described below, prior to issuance. When evaluating E&Y's performance, JEA will consider the performance of the E&Y's Subcontractors and suppliers, as part of E&Y's performance.

Frequency of Evaluations
JEA may conduct performance evaluations and prepare scorecards in accordance with the procedures described herein at any time during performance of the Work or soon after the completion of the Work. JEA may conduct one or more evaluations determined solely at the discretion of JEA.

Unacceptable Performance
If at anytime, JEA determines, using the criteria described on the scorecard, that the performance of E&Y is Unacceptable, the Contract Administrator and Chief Purchasing Officer or his designated alternate will notify E&Y of such in a letter. E&Y shall have 10 days to respond to the Contract Administrator. Such response shall include, and preferably be delivered in-person by an officer of E&Y, the specific actions that E&Y will take to bring E&Y's performance up to at least Acceptable Performance.

Within 30 days from date of the first Unacceptable Performance letter, the Contract Administrator and Chief Purchasing Officer or his designated alternate will notify E&Y by letter as to whether its performance, as determined solely by JEA, is meeting expectations, or is continuing to be Unacceptable. If E&Y's performance is described in the letter as meeting expectations, no further remedial action is required by E&Y, as long as E&Y's performance continues to be Acceptable.

If E&Y's performance as described in the letter continues to be Unacceptable, or is inconsistently Acceptable, then E&Y shall have 15 days from date of second letter to demonstrate solely through its performance of the Work, that it has achieved Acceptable Performance. At the end of the 15-day period, JEA will prepare a scorecard documenting E&Y's performance from the start of Work, or date of most recent scorecard, whichever is latest, and giving due consideration to improvements E&Y has made in its performance, or has failed to make. If the scorecard shows E&Y's performance is Acceptable, then no further remedial action is required by E&Y as long as E&Y's performance remains Acceptable. If the scorecard shows E&Y's performance is Unacceptable, JEA will take such actions as it deems appropriate including, but not limited to, terminating the Contract for breach, suspending E&Y from bidding on any JEA related solicitations, and other remedies available in the JEA Purchasing Code and in law. Such action does not relieve E&Y of its obligations under the Contract, nor does it preclude an earlier termination.

In the event that the Contract Term or the remaining Term of the Contract does not allow for the completion of the deficient performance notification cycles described above for those in danger of receiving an Unacceptable Performance scorecard, JEA may choose to accelerate these cycles at its sole discretion.

If E&Y receives five or more letters of deficiency within any 12 month period, then JEA will prepare a scorecard describing the deficiencies and E&Y's performance will be scored as Unacceptable.

Acceptable Performance
JEA expects the Company's performance to be at a minimum Acceptable.

Top Performance
Where E&Y is able to demonstrate consistent Top Performance for a period of not less than six months, JEA shall recognize E&Y, by inducting E&Y as a JEA Blue Ribbon Supplier. JEA Blue Ribbon Suppliers are, to the extent reasonably possible and practical, provided preferential consideration when awarding emergency-related work that cannot be competitively publicly bid. JEA Blue Ribbon Suppliers, may also be subject to consideration for a reduction in lower retainage and bonding requirements after Award, as determined by the Chief Purchasing Officer at the time of Award.

Disputes
In the event that E&Y wants to dispute the results of its scorecard performance evaluation, E&Y must submit a letter to the Chief Purchasing Officer supplying supplemental information that it believes JEA failed to take into account when preparing the scorecard. Such letter, along with supplemental information, must be submitted no later than 10 days following E&Y's receipt of the scorecard. If the Chief Purchasing Officer decides to change the scorecard, E&Y will be notified and a revised scorecard will be prepared, with a copy issued to E&Y. If the Chief Purchasing Officer decides that no change is warranted, the decision of the Chief Purchasing Officer is final. If E&Y is to be suspended from consideration for future award of any contracts, E&Y may appeal to the Procurement Appeals Board as per JEA Purchasing Code.

There can be no expectation of confidentiality of performance-related data in that all performance-related data is subject to disclosure pursuant to Florida Public Records Laws. All scorecards are the property of JEA.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, in triplicate, the date and year first above written.

ATTEST:	**JEA**
____________________	By____________________ John McCarthy Director, Supply Chain Services
ATTEST:	**ERNST & YOUNG LLP**
____________________ Signature	By____________________ Signature
____________________ Print or Type Name	____________________ Print or Type Name
____________________ Title	____________________ Title

Exhibit A
Pricing

Ernst & Young

1) Scheduled Reports

1.1 Scheduled Reports -JEA

Provider shall submit pricing to provide the reports as described in "Appendix A - Technical Specifications". All bid prices shall include all travel, tools, and materials to complete the service.

Item No	*Technical Specifications Reference*	*Description of Services*	*Estimated Five (5) Year Volume*	*Unit of Measure*	*Price Per Unit*	*Total Price*
1.1.1	2.1.1	Preparation of Reports in connection with the audit of JEA	5	per audit	380,000	$ 1,900,000
1.1.2	2.1.2	Reports on the Schedule of Federal and State Grant Assistance and other applicable opinions on compliance and internal control required by OMB A-133	5	per report	20,000	$ 100,000
1.1.3	2.1.3	Independent accountants' report on agreed upon procedures in connection with issuance of debt and review of official debt statement	27	per report	11,000	$ 297,000
1.1.4	2.1.4	Letters of consent for inclusion of audited financial statements in connection with bond offerings	27	per letter	10,500	$ 283,500
1.1.5	2.1.5	Independent accountant's report on compliance with debt covenants and resolutions, and independent accountant's report required under JEA credit agreements	75	per report	1,500	$ 112,500
1.1.6	2.1.6	Independent accountant's report on applying agreed upon procedures to demonstrate financial responsibility applicable to owners of hazardous waste treatment, storage and disposal facilities as required by 62.730.180 F.A.C.	15	per report	2,400	$ 36,000
				Total Price Section 1.1 Scheduled Reports - JEA	**$**	**2,729,000**

1.2 Scheduled Reports -SJRPP Pension Plan

Provider shall submit pricing to provide the reports as described in "Appendix A - Technical Specifications". All bid prices shall include all travel, tools, and materials to complete the service.

Item No	*Technical Specifications Reference*	*Description of Services*	*Estimated Five (5) Year Volume*	*Unit of Measure*	*Price Per Unit*	*Total Price*
1.2.1	2.2.1	Preparation of Reports in connection with the audit of SJRPP Pension Plan	5	per audit	18,500	$ 92,500
				Total Price Section 1.2 Scheduled Reports - SJRPP Pension Plan	**$**	**92,500**

2) Ad hoc Services

Pricing for this Section is for informational purposes only and will not be included in the calculation of the bid total.

Item No	*Technical Specifications Reference*	*Description of Services*	*Unit of Measure*	*Price Per Unit*
2.1	3.1 and 3.2	Hourly Rate - Partner	per hour	$580
2.2	3.1 and 3.2	Hourly Rate - Senior Manager	per hour	$435
2.2	3.1 and 3.2	Hourly Rate - Manager	per hour	$345
2.2	3.1 and 3.2	Hourly Rate - Senior	per hour	$240
2.3	3.1 and 3.2	Hourly Rate - Staff	per hour	$160

3) This Amount Will Be Transferred To Page 1 of Appendix B - Response Form

Item No	*Description*		
3.1	***Total Price for Independent Audit Services*** *(This amount will be transferred to Page 1 of Appendix B - Response Form)*	*$*	*2,821,500*

FY22 Ethics Officer Report

Walette Stanford
Ethics Director/Officer

Business Ethics Refresher Training

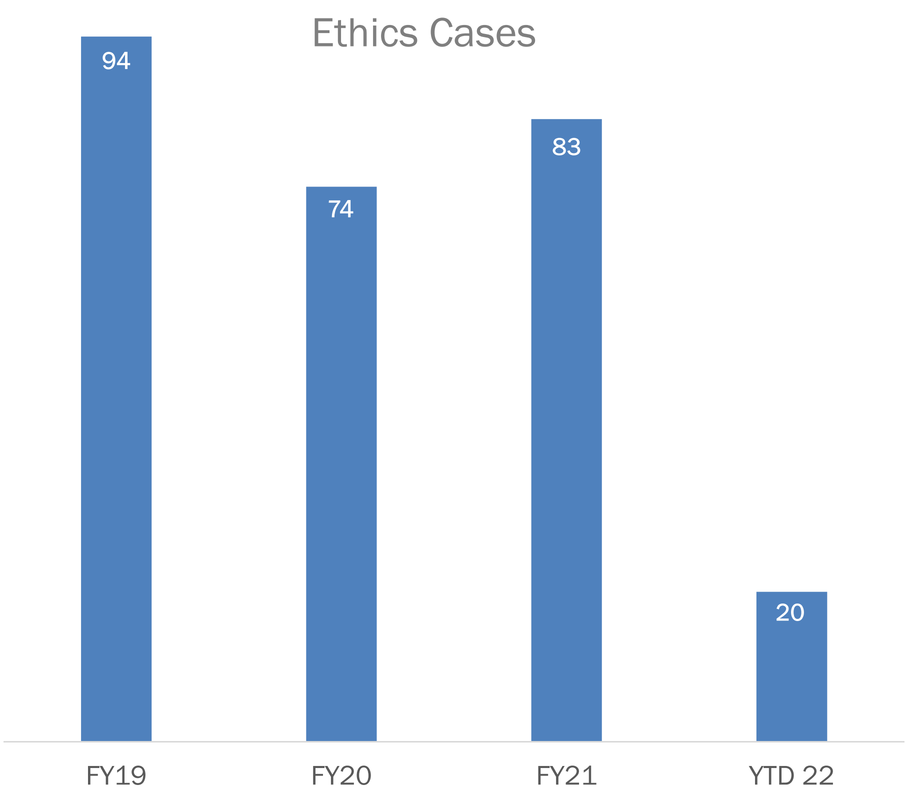
Mandatory training for compliance, harassment, security, and ethics are considered fundamental for any organization

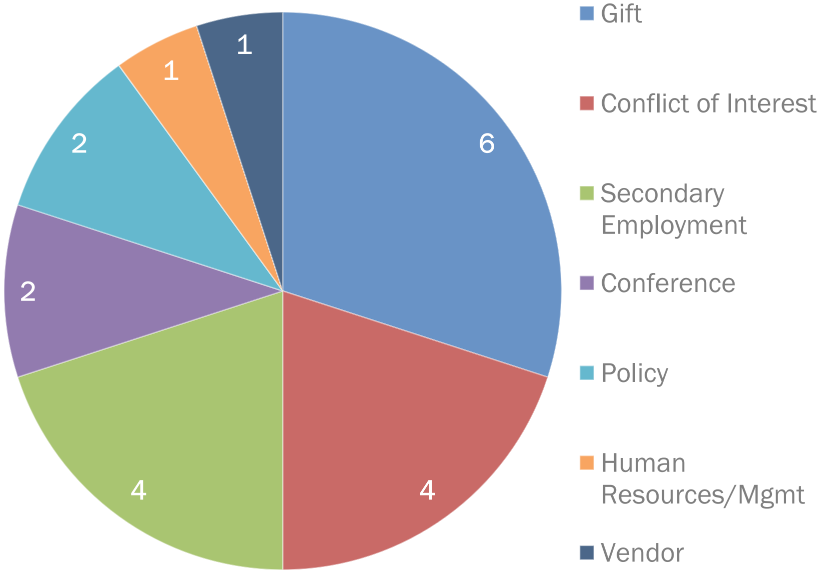
With environmental, social, and governance concerns coming to the forefront, maintaining compliance and tracking evolving regulations is important and critical to an organizations' success

Online training required for all employees by May 1, 2022

Business Ethics Refresher Training will rollout on March 1, 2022

Ethics Inquiry Cases and Categories





FY22 – 1st Quarter Inquiry Categories

Code of Conduct Updated to Align With Core Values

JEA's Code of Conduct

Strengthens our Core Values and Strategic Areas of Focus

Helps us operate in a more efficient and cohesive way

Clearly spells out the process and protocol if you are ever confronted with an ethical dilemma at work

Updates

Cover Page and Ethics Officer Message

JEA Cultural Values and Strategic Areas of Focus

Three ways to report ethical issues (Phone, Internet, and QR code)

JEA strives to abide by our Core Values; how we act when no one is looking

FY21 Ethics in Review and What's New in FY22

Continue annual, company-wide Business Ethics Refresher training

Providing required management training "Open Government Overview-City Charter Updates" in partnership with OGC and COJ Ethics office

Added reinforcement of ethics representatives

FY21 exit interview data provided to Human Resources leadership

Highest standards of ethical business conduct and compliance are required of JEA employees and contractors

JEA®
Building Community

CODE OF CONDUCT

TABLE OF CONTENTS

JEA Code of Conduct

WELCOME

A LETTER FROM OUR ETHICS OFFICER, WALETTE STANFORD

JEA's Code of Conduct shares the company's principles, standards and the moral and ethical expectations that employees are held to at JEA. The purpose of the Code of Conduct is to explain exactly what behavior is expected of all employees. The benefits of us having the Code is to enhance JEA's core values, beliefs and to set the proper culture for doing business and interacting with others. If you are unsure of a specific action, it is your responsibility to ask questions and seek guidance.

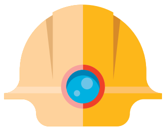
An ethical organization encourages honesty and truth-telling and builds trust and confidence among its staff. Employees feel safe speaking up when an ethical concern arises. An ethical organization demands accountability from itself and from all individuals who represent it.

Embedding ethics into all aspects of personal and professional behavior is not easy. However, it is the right course of action. The Code of Conduct is a guiding document to help you navigate how to go about making the right decisions. Please familiarize yourself with the Code of Conduct and join me in making the commitment to uphold it in all we do at JEA.

JEA'S CODE OF CONDUCT

STATEMENT OF OUR CULTURAL VALUES

In every action, system and communication, JEA and its employees strive to abide by our **Core Values; how we act when no one is looking.**



SAFETY

We put the physical and emotional well-being of people first, both at and away from the workplace.

RESPECT

We treat others with courtesy and respect, seeking diverse perspectives and helping bring out the best in everyone.

INTEGRITY

We place the highest standard on ethics and personal responsibility, worthy of the trust our customers and colleagues place in us.

JEA STRATEGIC AREAS OF FOCUS

Develop an UNBEATABLE TEAM

- Exceptional work culture
- Diversity, equity & inclusion
- Employee development
- Employee engagement
- Strong labor relations
- Work from Wherever approach
- Long-term workforce planning

Deliver BUSINESS EXCELLENCE

- Affordable rates
- Sound financial decisions
- Integrated Resource Plan
- Resilient/reliable infrastructure
- Technology, tools & data
- New business opportunities
- Real estate portfolio

Earn CUSTOMER LOYALTY

- Ease of doing business
- Environmental stewardship
- Economic development
- Community engagement
- Stakeholder relationships
- JEA brand management

BUILD TRUST AND CREDIBILITY

The success of our business is dependent on the trust and confidence we earn from our employees, customers and shareholders.

We gain credibility by adhering to our commitments, displaying honesty and integrity and reaching company goals solely through honorable conduct. It is easy to say what we must do, but the proof is in our actions. Ultimately, we will be judged on what we do.

When considering any action, it is wise to ask: will this build trust and credibility for JEA? Will it help create a working environment in which JEA can succeed over the long term? Is the commitment I am making one I can follow through with? The only way we will maximize trust and credibility is by answering "yes" to those questions and by working every day to build our trust and credibility.

COURTESY AND RESPECT FOR THE INDIVIDUAL

We all deserve to work in an environment where we are treated with dignity and respect.

JEA is committed to creating such an environment because it brings out the full potential in each of us, which, in turn, contributes directly to our business success. We cannot afford to let anyone's talents go to waste.

JEA is an equal employment employer and is committed to providing a workplace that is free of discrimination of all types from abusive, offensive or harassing behavior. Any employee who feels harassed or discriminated against should report the incident to his or her manager or to labor relations.

CREATE A CULTURE OF OPEN AND HONEST COMMUNICATION

At JEA everyone should feel comfortable to speak his or her mind, particularly with respect to ethics concerns.

Managers have a responsibility to create an open and supportive environment where employees feel comfortable raising such questions. We all benefit tremendously when employees exercise their power to prevent mistakes or wrongdoing by asking the right questions at the right times.

JEA will investigate all reported instances of questionable or unethical behavior. In every instance where improper behavior is found to have occurred, the company will take appropriate action. We will not tolerate retaliation against employees who raise genuine ethics concerns in good faith.Employees are encouraged, in the first instance, to address such issues with their managers or labor relations, as most problems can be resolved swiftly. If for any reason that is not possible or if an employee is not comfortable raising the issue with his or her manager or HR, then contact the JEA Ethics Officer or the JEA Ethics Hotline at **800-805-3569**, which is anonymous and accessible 24 hours a day.

Contact the JEA Ethics Hotline
24 hours a day access
Seven days a week
Toll-free/Online/ Mobile App
Anonymous

JEA ETHICS HOTLINE
800-805-3569
jea.ethicspoint.com

SET TONE AT THE TOP

Management has the added responsibility for demonstrating, through their actions, the importance of this Code.

In any business, ethical behavior does not simply happen; it is the product of clear and direct communication of behavioral expectations, modeled from the top and demonstrated by example. Again, ultimately our actions are what matters.

To make our Code work, managers must be responsible for promptly addressing ethical questions or concerns raised by employees and for taking the appropriate steps to deal with such issues. Managers should not consider employees' ethics concerns as threats or challenges to their authority, but rather as another encouraged form of business communication. At JEA, we want the ethics dialogue to become a natural part of daily work.

UPHOLD THE LAW

JEA's commitment to integrity begins with complying with laws, rules and regulations where we do business

Further, each of us must have an understanding of the company policies, laws, rules and regulations that apply to our specific roles. If we are unsure of whether a contemplated action is permitted by law or JEA policy, we should seek the advice from the resource expert. We are responsible for preventing violations of law and for speaking up if we see possible violations.

JEA's Code of Conduct is designed to help foster an ethical environment, deter unethical behavior, and cope with problems and ethical dilemmas. The Code of Conduct is defined as standards that are reasonably necessary to promote and establish ground rules within which the organization operates. This includes: 1) honest and ethical conduct, as well as the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; 2) full, fair, accurate, timely, and understandable disclosure of ethics issues; 3) compliance with applicable governmental rules and regulations; and 4) proper financial reporting. Please note that in addition to JEA requirements and policies, all of its officers and employees are subject to both the City of Jacksonville's Ethics Code as set forth in Chapter 602, Ordinance Code, and the State of Florida's Ethics Code as set forth in Chapter 112, Part III, and Florida Statutes.

AVOID CONFLICTS OF INTEREST

Conflicts of Interest

We must avoid any relationship or activity that might impair, or even appear to impair, our ability to make objective and fair decisions when performing our jobs. At times, we may be faced with situations where the business actions we take on behalf of JEA may conflict with our own personal or family interests. We owe a duty to JEA to advance its legitimate interests when the opportunity to do so arises. We must never use JEA property or information for personal gain or personally take for ourselves any opportunity that is discovered through our position with JEA.

Here are some other ways in which conflicts of interest could arise:

1. Being employed (you or a close family member) by, or acting as a consultant to, a competitor or potential competitor, supplier or contractor, regardless of the nature of the employment, while you are employed with JEA.
2. Hiring or supervising family members.
3. Owning or having a substantial interest in a competitor, supplier or contractor.
4. Having a personal interest, financial interest or potential gain in any JEA transaction.
5. Placing company business with a firm owned or controlled by a JEA employee or his or her family.
6. Accepting gifts, discounts, favors or services from a customer/potential customer, competitor or supplier, unless equally available to all JEA employees.

Determining whether a conflict of interest exists is not always easy to do. Employees with a conflict of interest question should seek advice from management. Before engaging in any activity, transaction or relationship that might give rise to a conflict of interest, employees must seek review from their managers or the Ethics Officer.

GIFTS, GRATUITIES AND BUSINESS COURTESIES

We should avoid any actions that create a perception that favorable treatment of outside entities by JEA was sought, received or given in exchange for personal business courtesies.

Business courtesies include gifts, gratuities, meals, refreshments, entertainment or other benefits from persons or companies with whom JEA does or may do business. We will neither give nor accept business courtesies that constitute, or could reasonably be perceived as constituting, unfair business inducements that would violate law, regulation or policies of JEA or customers, or would cause embarrassment or reflect negatively on JEA's reputation.

ACCEPTING BUSINESS COURTESIES

Most business courtesies extended to us in the course of our employment are offered because of our positions at JEA.

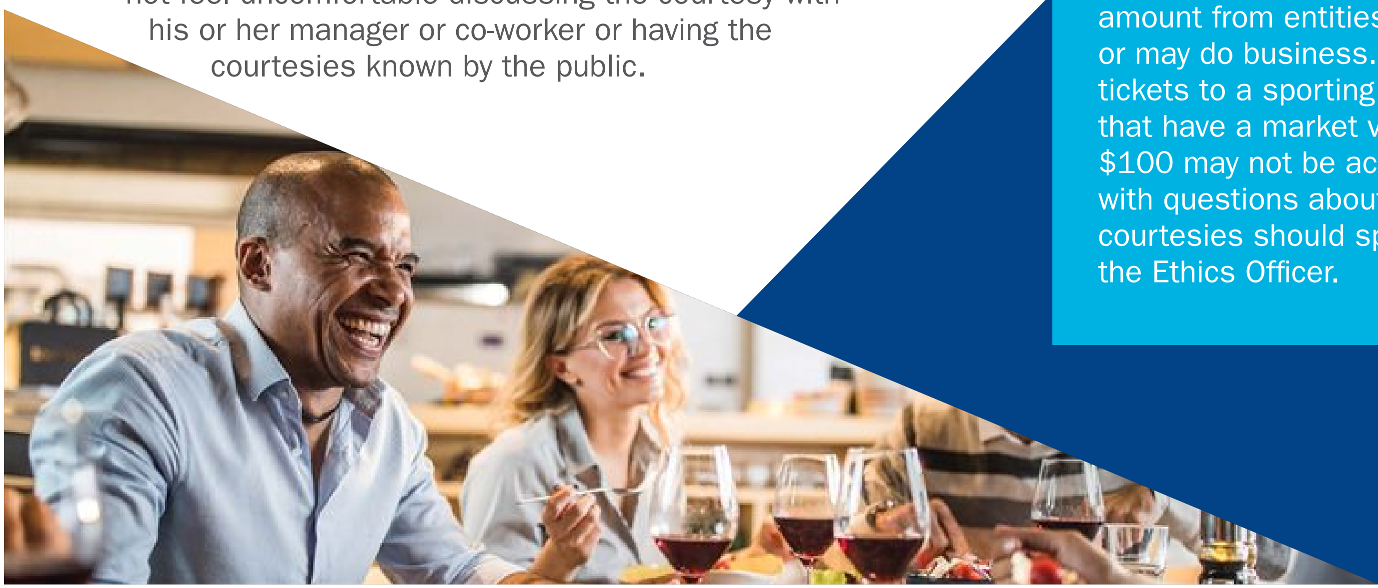
We should not feel any entitlement to accept and keep a business courtesy. Although we may not use our position at JEA to obtain business courtesies, and we must never ask for them, we may accept unsolicited business courtesies that promote successful working relationships and good, will with the firms that JEA maintains or may establish a business relationship with.

Employees who award contracts or who can influence the allocation of business, who create specifications that result in the placement of business or who participate in negotiation of contracts must be particularly careful to avoid actions that create the appearance of favoritism or that may adversely affect the company's reputation for impartiality and fair dealing. The prudent course is to refuse a courtesy from a supplier when JEA is involved in choosing or reconfirming a supplier or under circumstances that would create an impression that offering courtesies is the way to obtain JEA business.

MEALS, REFRESHMENTS AND ENTERTAINMENT

We may accept occasional meals, refreshments, entertainment and similar business courtesies that are shared with the person who has offered them, provided that:

- They are not lavish or excessive.
- The courtesies are not frequent and do not reflect a pattern of frequent acceptance of courtesies from the same person or entity.
- The courtesy does not create the appearance of an attempt to influence business decisions, such as accepting courtesies or entertainment from a supplier whose contract is expiring in the near future.
- The employee accepting the business courtesy would not feel uncomfortable discussing the courtesy with his or her manager or co-worker or having the courtesies known by the public.



GIFTS

Employees may accept unsolicited gifts (other than money) valued under $100, that conform to reasonable ethical practices. Examples of this type of gift include:

- Flowers, fruit baskets and other modest presents that commemorate a special occasion.
- Gifts of nominal value, such as calendars, pens, mugs, caps and t-shirts (or other novelty, advertising or promotional items).

Generally, employees may not accept compensation, honoraria or money of any amount from entities with whom JEA does or may do business. Tangible gifts (including tickets to a sporting or entertainment event) that have a market value greater than $100 may not be accepted. Employees with questions about accepting business courtesies should speak to their managers or the Ethics Officer.

SET METRICS AND REPORT RESULTS ACCURATELY

Accurate Public Disclosures

We will make certain that all disclosures made in financial reports and public documents are full, fair, accurate, timely and understandable. This obligation applies to all employees, including all financial executives, with any responsibility for the preparation of such reports, including drafting, reviewing and signing or certifying the information contained therein. No business goal of any kind is ever an excuse for misrepresenting facts or falsifying records.

CORPORATE RECORDKEEPING

We create, retain and dispose of our company records as part of our normal course of business in compliance with all JEA policies and guidelines, as well as all regulatory and legal requirements.

All corporate records must be true, accurate and complete, and company data must be promptly and accurately entered in our books in accordance with JEA's and other applicable accounting principles. We must not improperly influence, manipulate or mislead any unauthorized audit, nor interfere with any auditor engaged to perform an internal independent audit of JEA books, records, processes or internal controls.

ACCOUNTABILITY

Each of us is responsible for knowing and adhering to the values and standards set forth in this Code and for raising questions if we are uncertain about company policy. If we are concerned whether the standards are being met or are aware of violations of the Code, we must contact Labor Relations.

JEA takes seriously the standards set forth in the Code, and violations are cause for disciplinary action up to and including termination of employment.

USE OF COMPANY RESOURCES

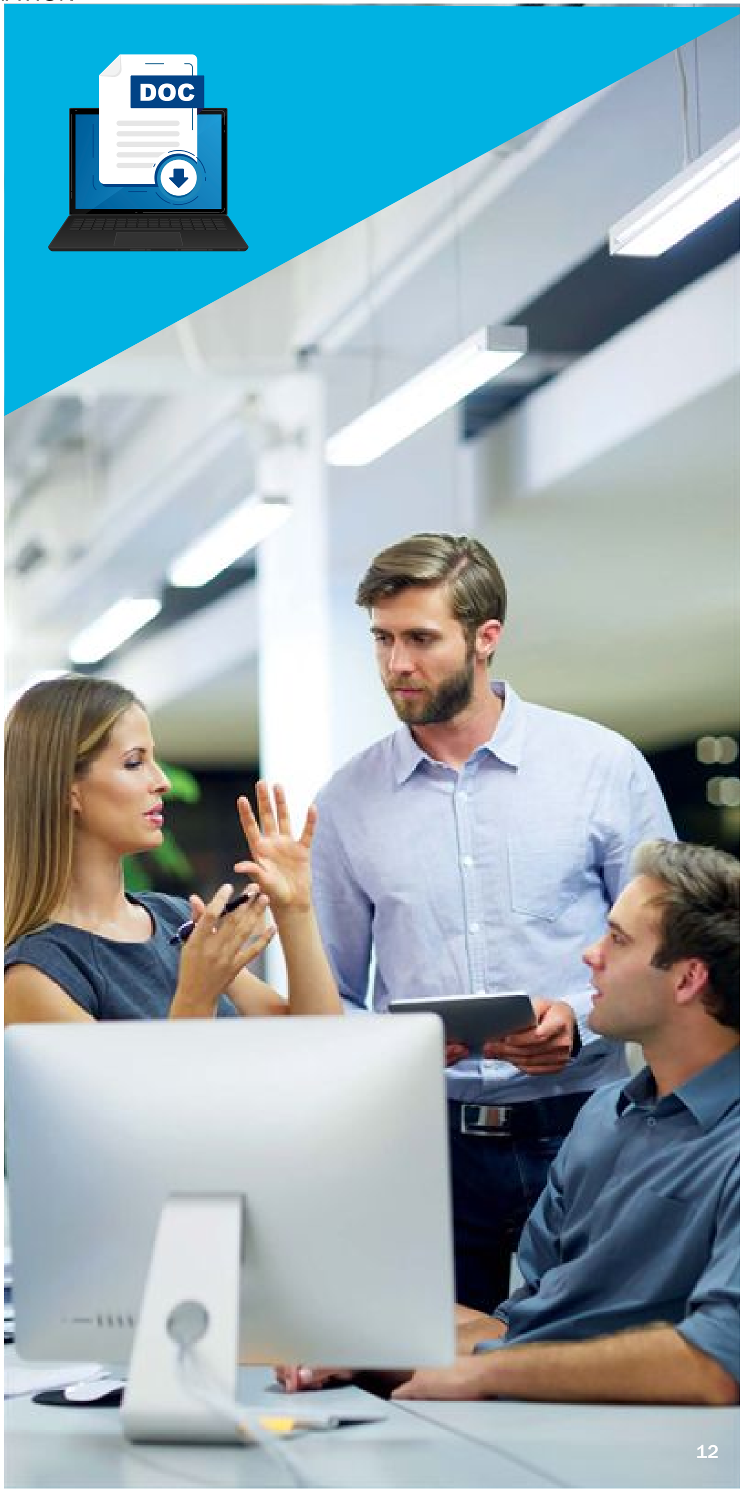
Company resources, including time, material, equipment and information, are provided for company business use.

Nonetheless, occasional personal use is permissible as long as it does not affect job performance or cause a disruption to the workplace. Employees and those who represent JEA are trusted to behave responsibly and use good judgment to conserve company resources. Managers are responsible for the resources assigned to their departments and are empowered to resolve issues concerning their proper use.

We will not use company equipment such as computers, copiers and fax machines in the conduct of an outside business or in support of any religious, political or other outside daily activity, except for company-requested support to nonprofit organizations. We will not solicit contributions nor distribute non-work related materials during work hours.

In order to protect the interests of JEA network and our fellow employees, JEA reserves the right to monitor or review all data and information contained on an employee's company-issued computer or electronic device, the use of the Internet or JEA's intranet. We will not tolerate the use of company resources to create, access, store, print, solicit or send any materials that are harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate

Questions about the proper use of company resources should be directed to your manager.



MEDIA INQUIRIES

JEA is a high-profile company in our community, and from time to time, reporters and other members of the media may approach employees.

In order to ensure that we speak with one voice and provide accurate information about the company, we should direct all media inquiries to Media Relations. No one may issue a press release without first consulting with the Media Relations Manager or Customer & Community Engagement Director.

DO THE RIGHT THING

Several key questions can help identify situations that may be unethical, inappropriate or illegal. Ask yourself:

- Does what I am doing comply with the JEA guiding principles, Code of Conduct and company policies?
- Have I been asked to misrepresent information or deviate from normal procedure?
- Would I feel comfortable describing my decision at a staff meeting?
- How would it look if it made the headlines?
- Am I being loyal to my family, my company and myself?
- What would I tell my child to do?
- Is this the right thing to do?

INFORMATION AND RESOURCES

JEA Ethics Officer
Walette Stanford
ethicsofficer@jea.com
(904) 665-4282

A. POLICY STATEMENT

JEA is committed to ethical behavior and to reducing the risk of fraud; working together, all employees can mitigate this risk.

If an employee suspects an employee, vendor, or customer of fraud, the employee must report it. JEA is committed to investigating all suspected fraud and implementing corrective actions, up to and including termination of employment, cancellation of vendor contracts, and seeking legal recourse against anyone found guilty of fraud.

All employees and others who support the work of JEA are expected to ask questions, seek guidance, express concerns, and report any suspected violations of the established standards of business conduct.

JEA will not tolerate retaliation against employees who use the resources of the Ethics Program for reporting ethical concerns.

Successful execution of JEA's business plan cannot occur without integrity. JEA asks each person to execute their piece of the business with attention to every detail–especially the ethical implications of their own and their work group's actions. If an employee thinks certain activity is unethical, the employee must report it either to their manager, the Ethics Officer, or the Ethics Hotline. JEA commits to each person that JEA will respect the courage of people who point out existing or potential ethical problems, and that JEA will not tolerate retaliation against people who raise sincere ethical concerns.

JEA's Code of Conduct is designed to help foster an ethical environment, discourage unethical behavior, and cope with problems and ethical dilemmas. The Code of Conduct is defined as standards that are reasonably necessary to promote and establish ground rules within which the organization operates. This includes: 1) honest and ethical conduct, as well as the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; 2) full, fair, accurate, timely, and understandable disclosure of ethics issues; 3) compliance with applicable governmental rules and regulations; and 4) proper financial reporting. Please note that in addition to JEA requirements and policies, all of its officers and employees are subject to both the City of Jacksonville's Ethics Code as set forth in Chapter 602, Ordinance Code, and the State of Florida's Ethics Code as set forth in Chapter 112, Part III, and Florida Statutes.

ASSIGNMENT OF RESPONSIBILITY:

The Ethics Officer is responsible for the maintenance of these guidelines and the Code of Conduct.

All employees shall comply with the Code of Conduct and these guidelines, including assisting in reducing the risk of fraud. All employees shall take Ethics training annually.

B. OUR SHARED EXPECTATIONS

The Code of Conduct

These guidelines are designed to help employees recognize and deal with ethical issues in their work. It is a guide to help employees whenever they have a question about ethics or if they are faced with an ethical dilemma.

The Code of Conduct and shows us how to navigate those confusing situations and respond with the utmost integrity when dealing with fellow employees, customers, shareholders, vendors, contractors, and other business partners. By following our Code when interacting with these valued stakeholders, we maintain our reputation for integrity.

In addition, our Code serves as a guide to ethical business conduct. It sets forth the behaviors expected of us, helps us to make ethical decisions and shows us how we can identify potential misconduct. In the event that we do witness misconduct, our Code shows us where to go with our questions and concerns. It is important that we each read and follow our Code. In doing so, we do our part to ensure the success of our Company.

The business of JEA shall be conducted fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.

Integrity must underlie all relationships, including those with customers, vendors, communities and among employees. The highest standards of ethical conduct are required of JEA employees in the performance of their company responsibilities. Employees will not engage in conduct or activities that may raise questions as to the company's honesty, impartiality, and reputation, or cause embarrassment to the company.

The JEA Code of Conduct, as well as the City of Jacksonville's Ethics Code and the State of Florida is Ethics Code, outlines expected behaviors for all JEA employees. Failure to comply with JEA's Code of Conduct may result in disciplinary action, up to and including dismissal. JEA's management has the responsibility to establish processes, policies, and procedures that encourage and support ethical behavior within the organization.

All JEA employees shall:

- **Observe that fair dealing is the foundation for all of our transactions and interactions.**
- **Do not engage in any activity that might create a conflict of interest for the company or for you as an individual.**
- **Do not take advantage of your JEA position to seek personal gain through the inappropriate use of JEA information or by abuse of your position.**
- **Protect all company, customer, and vendor assets and use them only for appropriate, company-approved activities.**
- **Protect all customer and employee confidential information.**
- **Comply with, without exception, all applicable laws, rules, regulations, policies/procedures, and the JEA Charter.**
- **Comply with the State of Florida's Ethics Code as set forth in Chapter 112, Part III, and Florida Statutes.**
- **Comply with the City of Jacksonville's Ethics Code as set forth in Chapter 602, Ordinance Code.**
- **Seek guidance from the Ethics Officer if you are not sure if a contemplated action is ethical.**
- **Report behavior believed to be fraudulent, knowing that JEA will not tolerate retaliation against employees who raise sincere concerns.**
- **Promptly report any suspected illegal or unethical conduct by employees or vendors to management or other appropriate authorities,**

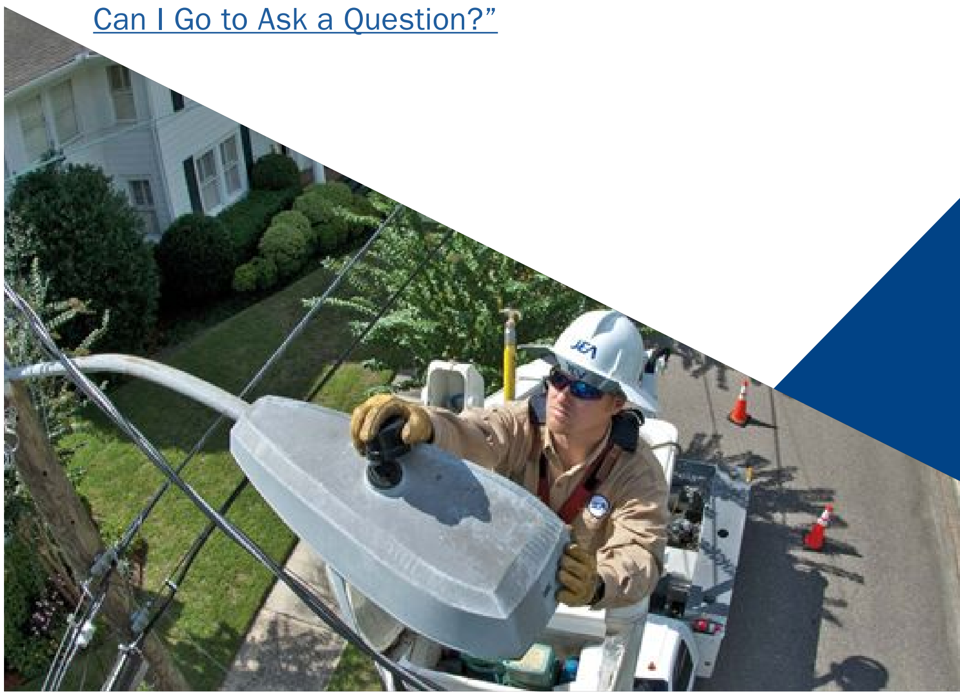
or:

- **If confidentiality is a concern, promptly report such conduct to the JEA Ethics Hotline: 800-805-3569.**
- **Promptly report any suspected illegal or unethical conduct by customers to Customer Relationship "Risk Assurance," by calling 904-665-6000.**

WHO MUST FOLLOW OUR CODE?

Our Code applies and will be circulated to the Board of Directors, all officers and employees. In addition, we expect our contractors, vendors and other business partners to share our values and uphold similar standards.

This means that each of us must follow our Code as well as Company policies and the law. In some cases, upholding our Code means performing our jobs at a higher standard than the law requires. If you have any doubts about whether a business decision or action is lawful or appropriate, you should seek guidance by following the steps set out in the section titled "Where Can I Go to Ask a Question?"



JEA ETHICS OFFICER

JEA's Ethics Officer is a JEA employee who serves as the agency's ethics resource.

This officer has access to top management and is versed in JEA values and the JEA Ethical Conduct Policy. This officer is responsible for advising JEA employees on matters of ethical concern and for helping them to resolve ethical dilemmas. This designated officer's telephone number is listed on the JEA Business Ethics page on The Grid.

THE JEA ETHICS HOTLINE

Employees may also report concerns about possible misconduct to the JEA Ethics Hotline.

JEA ETHICS HOTLINE
(800) 805-3569
jea.ethicspoint.com

The hotline provides employees with a confidential means to report any ethics/policy violations, and other acts of misconduct to an independent source. An independent vendor who will record and track all calls made to the Ethics Hotline manages the Ethics Hotline. If requested, the confidentiality of the caller will be protected by the vendor. All calls will be assigned a case number, which can be used by the caller to assess the status of the case. Contact the JEA Ethics Hotline at 1-800-805-3569.

THE JEA BUSINESS ETHICS HOME PAGE

The Ethics home page has useful information about JEA Ethics Program, and other related policies and procedures.

Included are the JEA Ethics Program documents, a listing of the Ethics Representatives, and the Ethics Hotline number.

WILL I BE RETALIATED AGAINST FOR MAKING A REPORT?

As part of our commitment to promoting a positive and ethical workplace, we do not tolerate retaliation against someone for reporting a concern in good faith or for participating in an investigation of a report.

If you suspect that you have experienced or witnessed an act of retaliation, you should report your concern promptly to any of the resources listed in the "Where Can I Go to Make a Report?" section of this Code. Making a report in "good faith" means that you provide all the information you have and you report honestly, regardless of whether the report turns out to be true. Those who make a report that is not in good faith will be subject to disciplinary action. We cannot maintain a positive environment when others are being treated contrarily to our Code.

WHAT ARE THE ADDITIONAL RESPONSIBILITIES FOR COMPANY MANAGEMENT?

Employees in management positions are considered our ethical leaders.

As such, these leaders have additional responsibilities that go beyond those we all share. If you are a manager or supervisor, you are expected to lead by example and serve as an ethical role model for others. You must be familiar with our Code so that you can effectively communicate its guidelines to those who report to you. In addition, you have an obligation to create a positive work environment in which employees feel comfortable coming to you with questions or concerns.

Part of being an ethical leader means never ignoring unethical behavior or misconduct. If an employee comes to you with a concern, you have a responsibility to address the issue appropriately and report the incident if required by the Reporting of Improprieties Policy. Never retaliate against anyone who reports in good faith a concern about actual or suspected misconduct. Managers and supervisors who retaliate or allow retaliation to occur will be subject to disciplinary action.

C. TRAINING

Employees are required to complete online Employee Business Ethics Training annually.

As part of this training, each employee shall affirm that he/she will comply with the JEA Code of Conduct. Results from the training shall become part of the employee's official record, and may be subject to audit.

Each manager is responsible for ensuring that all employees under their supervision receive ethics training annually.

WHERE CAN I GO TO ASK A QUESTION?

At times, we may face situations in which the right choice is unclear.

If you are ever unsure about a business action or decision, you should ask yourself the following questions:

- Does it comply with the Code and Company policy?
- Is it the right thing to do?
- Would it uphold the Company's reputation?
- Would I feel comfortable if it was reported in the news or to someone I respect?

If the answer to any of these questions is "no," do not proceed. If the answer is not clear, seek guidance from your manager and/or Ethics Officer or Legal Department on how to properly proceed. It is never okay to ignore our Code or Company policy for a business need.

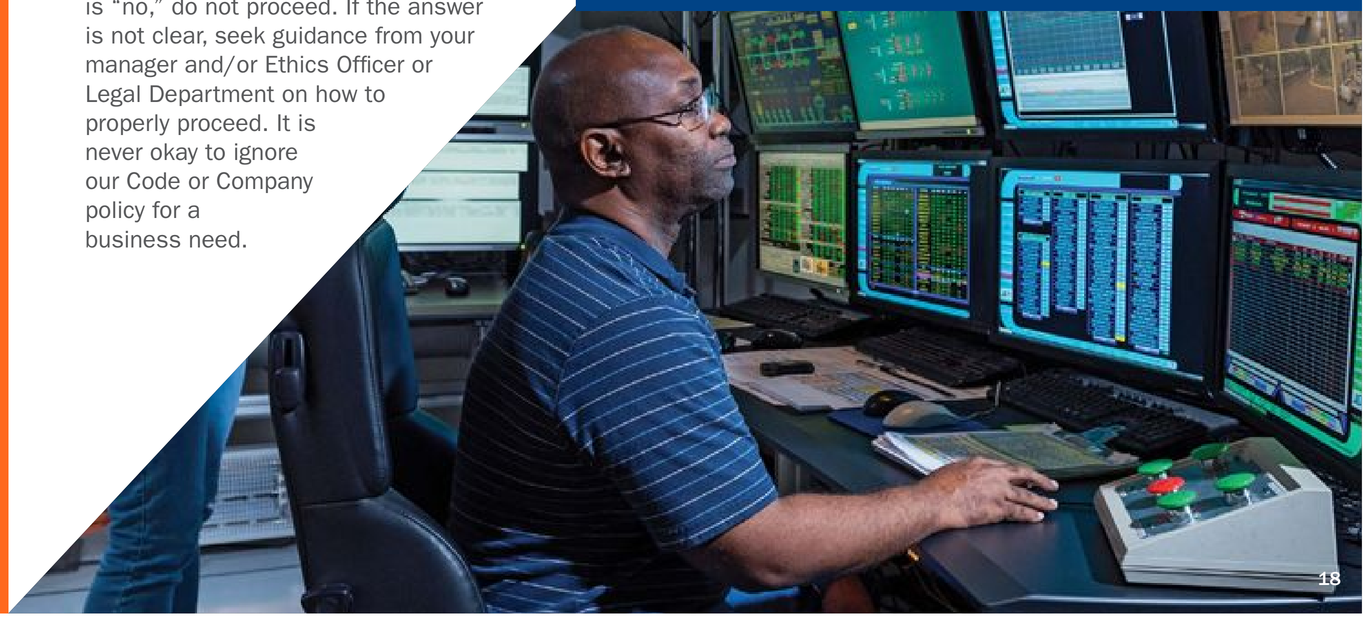
WHERE CAN I GO TO MAKE A REPORT?

Concerns or questionable behavior must be reported to either:

- **Your Manager, Director or Department Head**
- **Ethics Officer**
- **Our Ethics Hotline**
- **Human Resources**

JEA ETHICS HOTLINE
(800) 805-3569
jea.ethicspoint.com

Our hotline is monitored by a third party provider and is available 24/7. You can reach the hotline by calling 800-805-3569. The toll free line is anonymous.



HOW DOES OUR COMPANY INVESTIGATE REPORTS?

The Forensic Audit department will review reports received.

If you observe unethical behavior at JEA, please don't ignore it, Speak Up.

JEA has a Speak Up Culture. You can report via the Ethics hotline, 24 hours a day, Seven days a week, Toll Free/ Website/Mobile Interface Confidentially. Go to the Ethics Hotline page on the Grid to see all the ways to report.

JEA ETHICS HOTLINE
(800) 805-3569
jea.ethicspoint.com

WHAT ARE THE CONSEQUENCES FOR CODE VIOLATIONS?

Violations of our Code, Company policies, regulations and the law are taken very seriously.

Such violations may have consequences not only for the individuals in question, but also for our Company. On an individual level, this may lead to disciplinary action, up to and including termination. Violations by an individual may also subject our Company to civil or criminal liability.

D. FINANCIAL REPORTING

Financial reporting is the principal means by which companies communicate their performance.

JEA's customers, rating agencies, board members, and other users of financial reports rightly expect that the information they receive will be accurate, timely, complete, and accessible. JEA expects all of its personnel to take this responsibility seriously and to provide prompt and accurate answers to requests related to the Company's public disclosure requirements.

The responsibility for the accuracy of financial reporting applies to all levels of management at JEA. It is therefore critical that the members of JEA's management team, including the Chief Executive Officer (CEO), all members of the Leadership Team (LT), and JEA's Financial Officers (Chief Financial Officer (CFO), or others serving in a finance, accounting, treasury, tax, or investment role, understand their obligations and responsibilities under the Code of Conduct.

The purpose of this Code of Conduct is to deter wrongdoing and promote honest, ethical conduct, compliance with all pertinent regulations, and accurate financial reporting.

Accordingly, JEA's management team, and any staff engaged in any respect with financial reporting, is required to:

- Engage in and promote honest and ethical conduct, including the ethical handling of actua or apparent conflicts of interest in personal and professional relationships.
- Avoid conflicts of interest, and the appearance of conflicts of interest, as well as disclose any material transaction or relationship that reasonably could be expected to give rise to such a conflict.
- Produce full, fair, accurate, timely and understandable disclosure in reports and documents that JEA files with, or submits to regulators, and in other public communications made by the Company.
- Comply with applicable governmental laws, rules and regulations, as well as the rules and regulations of self-regulatory organizations.
- Promptly report any possible violation of this Code of Conduct. If you wish to maintain anonymity, you may call **JEA's Ethics Hotline 800-805-3569**.

JEA's management team and staff is strictly prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate, or mislead JEA's independent auditors for the purpose of rendering the Company's financial statements misleading or inaccurate.

E. CREATING POSITIVE WORK ENVIRONMENTS

To maintain harmony in our diverse workplace, we must make sure it is free from unlawful acts of discrimination.

This means that each of our employment decisions must be based solely on merit, not on any legally protected traits. Such traits include—but are not limited to—age, gender, race, ethnicity, sexual orientation, veteran status and disability. We must neve make any business-related decisions with regard to these or other factors protected by law.

We must also work to ensure that our workplace is free from harassment. “Harassment” generally includes any form of unwelcome conduct towards another person that has the purpose or effect of creating an intimidating, hostile or offensive work environment for that person. Keep in mind that, while the definition of harassment may vary in the locations where we do business, our Company will not tolerate any form of harassing behavior.

Maintaining a diverse workforce promotes an open, tolerant, and positive work environment where everyone’s different talents and strengths are utilized. Our Company encourages such diversity and expects that we treat each other in a respectful, professional, and friendly manner.

You are encouraged to report any harassment or discrimination concerns immediately.

Reports will be investigated and corrective actions issued as appropriate. You will not face retaliation for making a report in good faith.

Maintaining a Safe, Healthy Workplace—Wherever You Work

It is important that we work together to create safe and healthy work environments.

Doing so enables us to protect each other and provide safe, quality services. In a changing work environment, where we now embrace the “work from wherever” philosophy, we must still take our responsibility to conduct our work in the safest possible manner. In doing this, we comply with all health and safety laws and regulations relevant to our jobs, regardless of the location. We also follow all safety instructions and procedures put in place by our Company. If you know of or suspect any unsafe situations or conditions, alert your supervisor immediately.

To ensure the safety of our workplace, we must all be free from the influence of alcohol, drugs and improperly used prescription medicine when conducting business on our Company’s behalf. In addition, the possession, use, sale, offering or distribution of illegal drugs or other controlled substances on Company premises or while conducting Company business is prohibited. The only exception occurs when you consume alcohol in moderation at business dinners or authorized Company events. Violations of this policy can pose safety hazards and will be regarded as serious misconduct.

Our commitment to workplace safety also means that we do not want any of our employees to witness a violent or potentially violent situation. If you do, report the situation to your supervisor or local authorities.

F. ENVIRONMENTAL COMPLIANCE

JEA must comply with various environmental laws, regulations, and ordinances at the federal, state, and local level government rules to ensure safe, efficient, and environmentally sound management, twenty-four hours a day, and seven days a week.

JEA has in place an environmental management system and a strategy to ensure compliance with all existing and emerging environmental requirements.

JEA complies with numerous stringent environmental requirements, which govern its operations to ensure the protection of air quality, groundwater, surface waters, soils, wildlife, human health, land usage, wetlands, and other natural resources. JEA has the necessary environmental permits and approvals to construct, operate and maintain all of its facilities and infrastructure. JEA is regulated by agencies such as the Environmental Protection Agency, Florida Department of Environmental Protection, St. Johns River Water Management District, City of Jacksonville Environmental and Compliance Department, US Army Corps of Engineers, and US Fish and Wildlife Services.

As such, it is the responsibility of all JEA employees and contractors to protect the environment and to comply with all applicable environmental laws and regulations. It is JEA's goal to fully comply with all environmental laws and regulations. Should a non-compliant event occur, it is JEA's responsibility to report such an event to the appropriate agency using the required reporting procedures. JEA, along with its employees and contractors, should never knowingly violate any environmental permit requirement, law, or regulation.

If an employee suspects any type of activity that may not comply with environmental regulations, the employee should call the **JEA's Ethics Hotline** anytime at **800-805-3569** to make an anonymous report.

JEA ETHICS HOTLINE
(800) 805-3569
jea.ethicspoint.com

JEA has an environmental policy, which states:
"JEA is committed to meeting our customers' energy, water and sewer needs in a manner that is environmentally, socially and economically sustainable. We remain committed to comply with all applicable environmental laws and regulations and dedicated to continually improving the environmental performance of our facilities and operations. JEA will continue to demonstrate environmental leadership by promoting conservation and pollution prevention programs while undertaking specific initiatives that exceed the requirements of targeted environmental laws and regulations. It is our corporate responsibility to protect and sustain the natural resources of the communities we serve."

G. OUR COMMITMENT TO OUR COMPANY

Identifying and Resolving Conflicts of Interest

Our success relies on our ability to make unbiased and ethical business decisions.

It is our responsibility to avoid situations where our personal interests may make it difficult to perform our work objectively on behalf of our Company. These situations are sometimes referred to as "conflicts of interest."

If you know or suspect that you are involved in a conflict of interest situation, you should immediately disclose the situation to your manager or Ethics Officer. Remember, we must be sure to avoid even the appearance of bias.

Offering or receiving gifts, trips without a business purpose, meals, and tickets to events or other valuable items are often a customary aspect of developing good working relationships with our customers, vendors and other business partners. To avoid the appearance of bias, however, we must follow specific guidelines when offering or receiving gifts from persons or companies that are doing or seeking to do business with our Company. Note that gifts and entertainment provided to government officials are subject to additional safeguards.

H. ETHICAL BUSINESS CONDUCT

The Ethics Program applies to all employees of JEA.

An employee is defined as anyone who receives a JEA paycheck/direct deposit, or is an Officer of the Organization.

All other people associated with JEA will be governed by the JEA Purchasing Code, which states that bidders “shall comply with all JEA and City of Jacksonville ordinances, policies and procedures regarding business ethics”. Accordingly, individual vendors or contractors shall ensure their staff that is assigned to work at JEA, (e.g., Robert Half, Randstad, contractors,) is aware of JEA’s ethics guidelines.

JEA will conduct its business fairly, impartially, in an ethical and proper manner, in accordance with JEA’s Values and Code of Conduct, and in full compliance with all laws and regulations. In the course of conducting company business, integrity must underlie all company relationships, including those with customers, suppliers, communities, and among employees. The highest standards of ethical business conduct and compliance are required of JEA employees and contractors in performance of their company responsibilities. Employees must not engage in conduct or activities that may raise questions about the company’s honesty, impartiality, reputation or otherwise cause embarrassment to the company. Conduct that is prohibited under JEA policy or does not comply with laws and regulations may not be accomplished on an employee’s behalf by anyone outside the company.

All employees shall abide by the JEA Code of Conduct and Code of Ethics.

JEA will administer ethics and compliance programs to promote its commitment to integrity and values as set forth in the JEA’s Values and Code of Conduct and to ensure compliance with laws, rules, and regulations. Managers are responsible for supporting implementation of ethics and business conduct programs, and monitoring compliance of the company’s values and ethical business conduct guidelines through such programs. Managers are responsible for creating an open and honest environment in which employees feel comfortable bringing issues forward. Retaliation against employees who raise sincere concerns will not be tolerated.

Questions to Ask

To determine if they are supporting the JEA’s Ethics Program, employees should ask themselves:

- Have I contacted my manager or the Ethics Officer regarding concerns about ethical issues?
- Have I completed the ethics training programs that are required as part of my employment or affiliation with JEA?
- As a manager, do I provide an environment where employees feel they can discuss issues openly and without fear of retaliation?

I. GIVING AND RECEIVING GIFTS

Florida Statute:
112.313 Standards of conduct for public officers, employees of agencies, and local government attorneys.—
(1) DEFINITION.—As used in this section, unless the context otherwise requires, the term "public officer" includes any person elected or appointed to hold office in any agency, including any person serving on an advisory body.

(2) SOLICITATION OR ACCEPTANCE OF GIFTS.—No public officer, employee of an agency, local government attorney, or candidate for nomination or election shall solicit or accept anything of value to the recipient, including a gift, loan, reward, promise of future employment, favor, or service, based upon any understanding that the vote, official action, or judgment of the public officer, employee, local government attorney, or candidate would be influenced thereby.

Gifts to or from anyone doing or seeking to do business with our Company may be offered or accepted as long as they are:

- Infrequent occurrences between the giver and recipient;
- Not solicited;
- Valued at no more than $100 USD in any given year between those involved; and
- Not in the form of cash or checks.

If you receive a gift from anyone doing or seeking to do business with our Company that does not meet these guidelines, you must notify your Department Head promptly. In general, gifts that exceed these guidelines must be returned to the sender. If you feel it would be impractical to do so, or that doing so would harm your relationship with the gift giver, the situation may be resolved as follows:

- The gift may be handed over to the Ethics Officer so that it can be donated to charity; or
- The employee may retain the gift so long as the employee makes a donation to a charity supported by the Company in an amount equal to the value of the gift less $100 USD.

What if I need to return a gift?

When returning inappropriate or unacceptable gifts to the sender, it is important to explain our Company's position. Doing so helps us maintain a good business relationship with the sender, and helps prevent similar instances from occurring in the future. Here are some common answers you can provide when declining a gift that exceeds our threshold:

- "I appreciate the gesture, but our Company doesn't allow us to accept such expensive gifts."
- "This is a wonderful gift, but unfortunately, it's against Company policy for me to accept it."
- "Thank you for the lovely gift, but I have to tell you that it's against Company policy for me to accept. Something like this could give the impression that we're biased, and that could hurt us both."

Note: A sample return letter can be obtained from the Ethics officer or on the Ethics page of The Grid.

J. SECONDARY EMPLOYMENT

We should avoid any outside employment that may hinder ou ability to do our best work for our Company.

This includes doing work for an organization that competes with our Company or any employment that would imply sponsorship or support by our Company.

You should also be careful not to engage in any form of outside employment that could affect our Company's reputation. Any outside job activity that may involve a business that competes, does business with, or seeks to do business with our Company requires the prior written approval of our Company's Ethics Officer.

In the event that you are involved in outside employment, you must be sure never to use Company resources, property or time to conduct any outside work. For example, you should not use any Company logo or letterhead for purposes unrelated to our Company's business. Likewise, you should not ask other employees to conduct non-Company business for you. During business hours, you are expected to devote your time to Company-related work.

All employees shall disclose their secondary employment to their manager and the Ethics officer, review the policy, and complete a secondary employment form for required approval.

It is also forbidden to wear a JEA uniform or clothing with the JEA logo while working for another employer, while self-employed, or at political rallies or events.

It is unlawful for any JEA employee who ends their employment, through either termination or retirement, to be hired by a vendor under contract to JEA to work on an existing project in which they participated personally & substantially during the time of their employment at JEA.

Specific details regarding other employment can be found in the City of Jacksonville Ethics Code as set forth in Chapter 602, *Ordinance Code*.

K. PROPER USE OF COMPANY, CUSTOMER, AND SUPPLIER RESOURCES

Company resources, including JEA time, material, equipment, and information, are provided for company business use.

Employees are trusted to behave responsibly and use good judgment to conserve company resources.

Employees will only use JEA equipment for the direct performance of JEA business, duties, or functions. We are accountable for the careful use of our Company's property. It is our job and personal responsibility to protect all physical assets from theft, damage, loss and misuse. Such assets include Company facilities, equipment, vehicles, funds and network and computer systems. In addition, personal use of our Company's telephones, computers and other equipment must comply with Company policies.

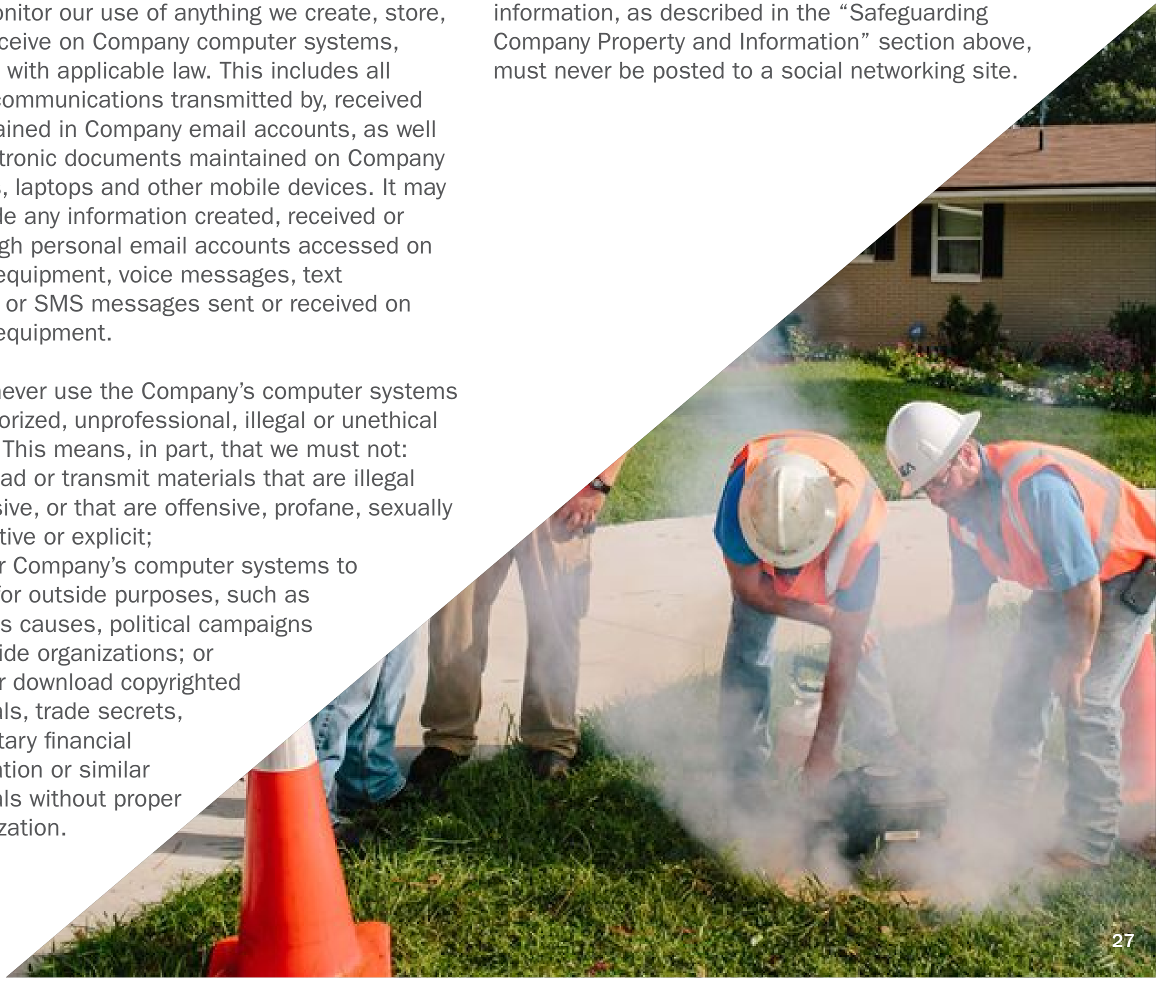
Occasional, limited personal use of these systems is permitted. However, our Company reserves the right to monitor our use of anything we create, store, send or receive on Company computer systems, consistent with applicable law. This includes all data and communications transmitted by, received by or contained in Company email accounts, as well as all electronic documents maintained on Company computers, laptops and other mobile devices. It may also include any information created, received or sent through personal email accounts accessed on Company equipment, voice messages, text messages or SMS messages sent or received on Company equipment.

We must never use the Company's computer systems for unauthorized, unprofessional, illegal or unethical purposes. This means, in part, that we must not:

- Download or transmit materials that are illegal or abusive, or that are offensive, profane, sexually suggestive or explicit;
- Use our Company's computer systems to solicit for outside purposes, such as religious causes, political campaigns or outside organizations; or
- Send or download copyrighted materials, trade secrets, proprietary financial information or similar materials without proper authorization.

It is the responsibility of each of us to keep Company computer systems secure. In addition, we must always take care when drafting emails. Remember that electronic messages can be altered and forwarded without your permission or knowledge. Exercise caution when discussing confidential information in public places or open spaces.

The use of social networking sites may serve a legitimate business purpose; however, proper authorization from a Department Head is required before business-related information may be posted to a social networking site. Proprietary or confidential information, as described in the "Safeguarding Company Property and Information" section above, must never be posted to a social networking site.



L. Document Retention

Each of us has a responsibility to know and follow our records management policies, procedures, and retention schedule.

These policies are in place to govern how to manage and how long we should retain Company documents, as well as how and when to discard them.

We must also know and follow the guidelines set forth in our policy, procedures, and retention schedule before destroying any Company documents. If you are unsure whether you should maintain or destroy a particular document, you should consult with your supervisor or Legal Department.

You may be notified that documents in your control may be required in connection with a lawsuit or government investigation (sometimes referred to as a “legal hold”). If you receive such notice, you must preserve (and never alter, conceal or destroy) all documents that could possibly be relevant as stipulated in the legal hold. Those documents must be retained until your Legal Department advises that the legal hold have been lifted. If you are unsure whether a document is relevant, contact your Legal Department immediately.

Before discarding legal items, know your legal responsibilities for documenting the destruction. Preserve documents that have archival or historical value.

The Corporate Records Compliance team is available to help you by contacting records@jea.com or calling 904-665-8606 or 904-665-7461.

JEA
Building Community

JEA
21 West Church Street
Jacksonville, FL 32202

Walette Stanford, JEA Ethics Officer
ethicsofficer@jea.com

Reserve Report

For the First Quarter Ending December 2021

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

For the Years Ending September 30
(In Thousands of Dollars)

Electric System

	Actual Fiscal Year 2019	Actual Fiscal Year 2020	Actual Fiscal Year 2021	Projected Fiscal Year 2022	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 34,587	$ 47,449	$ 55,662	107,000	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	11,210	10,890	14,272	14,200	4
Rate Stabilization					
• Fuel	47,152	73,347	41,767	-	5
• DSM / Conservation	4,363	5,423	7,233	7,890	6
• Environmental	25,632	21,818	19,756	10,067	7
• Debt Management	29,884	-	-	-	8
• Non-Fuel Purchased Power	56,870	36,326	10,513	112,263	9
Environmental	16,568	16,568	16,568	16,568	10
Customer Deposits	44,242	43,641	45,179	45,041	11
Total Unrestricted	280,508	265,462	220,950	323,029	
Days of Cash on Hand (2)	146	183	166	185	
Days of Liquidity (3)	308	359	331	328	
Restricted					
Debt Service Funds (Sinking Funds)	145,520	82,525	80,988	63,576	12
Debt Service Reserve Funds	60,582	50,993	50,993	50,993	13
Renewal and Replacement Funds/OCO	81,964	137,643	183,800	211,338	14
Environmental Fund [Capital Projects]	-	301	83	562	15
Construction Funds	-	311	286	-	16
Total Restricted	288,066	271,773	316,151	326,469	
Total Electric System	$ 568,574	$ 537,235	$ 537,101	$ 649,498	

Water and Wastewater System

	Actual Fiscal Year 2019	Actual Fiscal Year 2020	Actual Fiscal Year 2021	Projected Fiscal Year 2022	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 17,934	$ 26,719	$ 28,533	$ 21,197	
Rate Stabilization					
• Debt Management	14,209	-	-	-	17
• Environmental	15,687	23,372	30,077	21,400	18
Customer Deposit	16,289	16,927	17,044	17,307	19
Total Unrestricted	64,119	67,018	75,653	59,904	
Days of Cash on Hand (2)	186	176	297	189	
Days of Liquidity (3)	334	353	459	327	
Restricted					
Debt Service Funds (Sinking Funds)	80,775	41,660	30,006	32,187	20
Debt Service Reserve Funds	63,441	58,228	55,665	56,606	21
Renewal and Replacement Funds	48,796	38,131	97,066	77,705	22
Environmental Fund [Capital Projects]	1,891	649	3,118	1,837	23
Construction Funds	28,968	25,541	14,266	89	24
Total Restricted	223,871	164,209	200,121	168,424	
Total Water & Sewer System	$ 287,990	$ 231,227	$ 275,774	$ 228,328	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.
(2) Days of Cash on Hand includes R&R Fund in the cash balances, and includes the Contribution to the City of Jacksonville General Fund with the Operating Expenses net of Depreciation.
(3) Days of Liquidity includes R&R Fund in the cash balances, and includes the Contribution to the City of Jacksonville General Fund with the Operating Expenses, net of Depreciation. Revolving credit facility is allocated between Electric and Water & Sewer Systems based on their portion of the Operating Expenses, net of Depreciation.

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 Self Insurance - Property

For the First Quarter Ending December 31, 2021

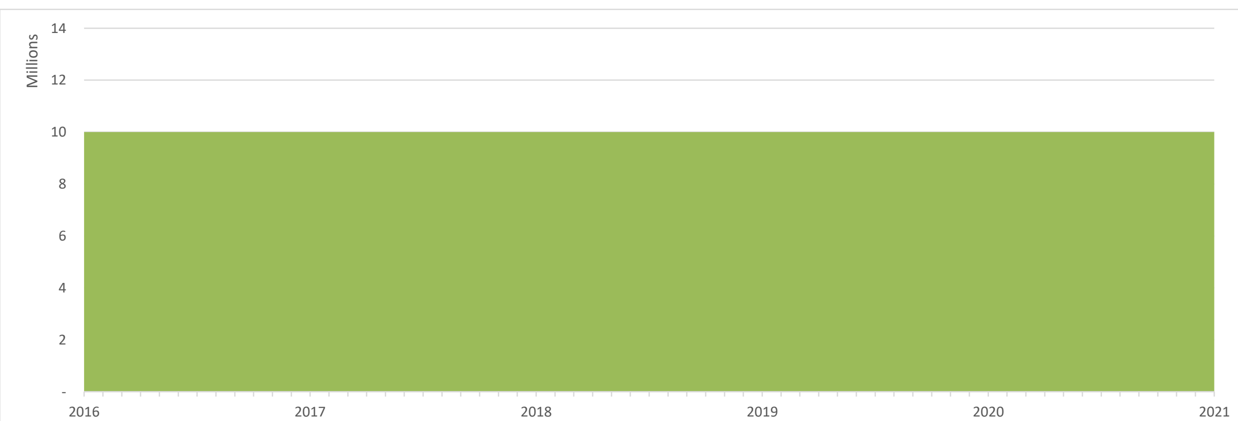
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Additions:					
Contributions					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals					
Ending Balance	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Additions:					
Contributions	-	-	-	-	
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals					
Sub-total	$ -	$ -	$ -	$ -	$ -
Ending balance	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000



Observations

- Reserve/Fund Authorization: Budget Appropriation.

Page 3

Electric System Self Insurance - Employee Health Insurance

For the First Quarter Ending December 31, 2021

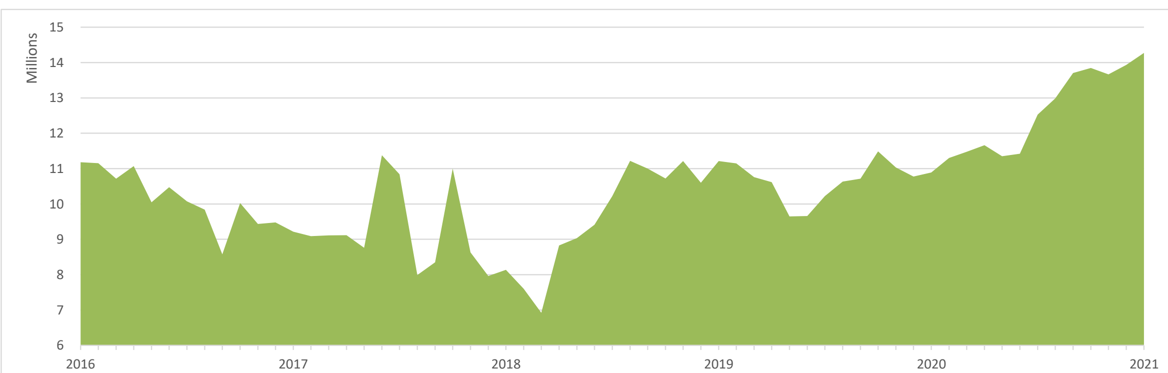
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 14,272	$ 14,272	$ 14,272	$ 14,200	$ 15,193
Additions:					
Employee Contributions	1,651	1,651	6,578	6,578	6,572
Retiree & Other Contributions	1,025	1,025	6,931	6,931	7,074
Employer Contributions	5,040	5,040	20,071	20,071	19,669
Sub-total	$ 7,716	$ 7,716	$ 33,580	$ 33,580	$ 33,314
Withdrawals:					
Payments for Claims	8,048	8,048	30,971	29,907	29,918
Actuary & Other Payments	488	488	2,681	2,681	2,401
Sub-total	$ 8,536	$ 8,536	$ 33,652	$ 32,588	$ 32,319
Ending Balance	$ 13,452	$ 13,452	$ 14,200	$ 15,193	$ 16,188

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 11,179	$ 9,214	$ 8,138	$ 11,210	$ 10,890
Additions:					
Employee Contributions	5,862	6,158	6,423	6,534	6,596
Retiree & Other Contributions	6,443	7,273	8,270	6,914	7,518
Employer Contributions	19,004	18,378	20,662	18,900	19,635
Sub-total	$ 31,309	$ 31,809	$ 35,355	$ 32,348	$ 33,749
Withdrawals:					
Payments for Claims	30,994	30,933	29,860	30,387	28,408
Actuary & Other Payments	2,280	1,952	2,423	2,281	1,959
Sub-total	$ 33,274	$ 32,885	$ 32,283	$ 32,668	$ 30,367
Ending balance	$ 9,214	$ 8,138	$ 11,210	$ 10,890	$ 14,272



Maximum Balance:	12,860	Average Balance:	10,101
Minimum Balance:	6,922		

Observations

- Self Insurance for Employee Health Insurance began in July 2009.

Electric System Rate Stabilization - Fuel Management

For the First Quarter Ending December 31, 2021

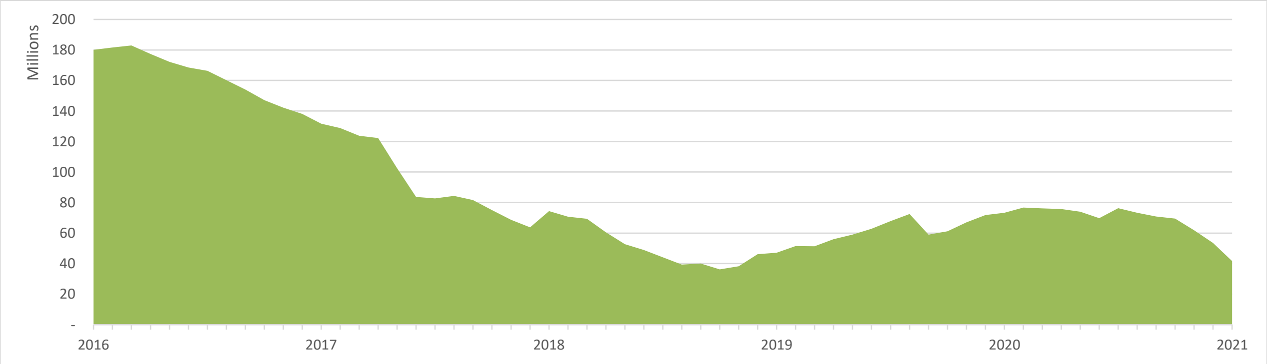
Definitions and Goals

The Electric System Bond Resolution had authorized 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. In October 2021, the Rate Stabilization Fund was restructured for full recovery of actual energy expenditures including direct fuel expenses, fuel procurement, fuel handling and residual disposal expenses. Fuel and energy expenses not recovered by revenue within the month will be paid from unrestricted funds.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 41,767	$ 41,767	$ 41,767	$ -	$ -
Additions:					
Contributions	-	-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals	41,767	41,767	41,767	-	-
Sub-total	$ 41,767	$ 41,767	$ 41,767	$ -	$ -
Ending Balance	$ -	$ -	$ -	$ -	$ -

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 180,115	$ 131,716	$ 74,376	$ 47,152	$ 73,347
Additions:					
Contributions	2,845	-	11,597	44,553	9,945
Sub-total	$ 2,845	$ -	$ 11,597	$ 44,553	$ 9,945
Withdrawals:					
Withdrawals	51,244	57,340	38,821	18,358	41,525
Fuel Rebate Credit					
Sub-total	$ 51,244	$ 57,340	$ 38,821	$ 18,358	$ 41,525
Ending balance	$ 131,716	$ 74,376	$ 47,152	$ 73,347	$ 41,767



Maximum Balance:	182,960	Average Balance:	97,079
Minimum Balance:	36,191		

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. Fund closed in November 2021.

Electric System Rate Stabilization - DSM / Conservation

For the First Quarter Ending December 31, 2021

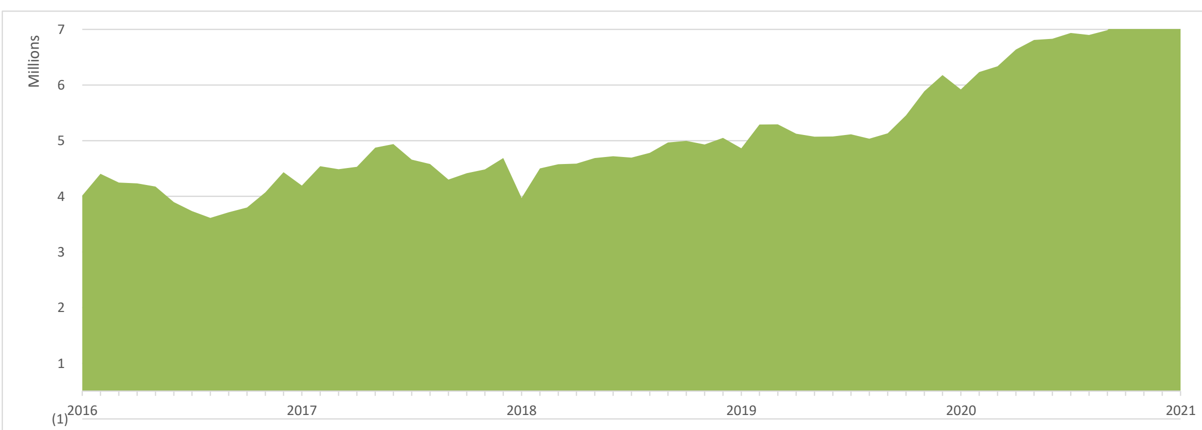
Definitions and Goals

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 V 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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 7,233	$ 7,233	$ 7,233	$ 7,890	$ 7,819
Additions:					
Contributions	1,547	1,547	6,861	6,832	6,832
Sub-total	$ 1,547	$ 1,547	$ 6,861	$ 6,832	$ 6,832
Withdrawals:					
Withdrawals	895	895	6,204	6,903	6,903
Sub-total	$ 895	$ 895	$ 6,204	$ 6,903	$ 6,903
Ending Balance	$ 7,885	$ 7,885	$ 7,890	$ 7,819	$ 7,748

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 3,515	$ 3,695	$ 3,470	$ 4,363	$ 5,423
Additions:					
Contributions	6,685	7,088	7,042	6,969	6,929
Sub-total	$ 6,685	$ 7,088	$ 7,042	$ 6,969	$ 6,929
Withdrawals:					
Withdrawals	6,505	7,313	6,149	5,909	5,119
Sub-total	$ 6,505	$ 7,313	$ 6,149	$ 5,909	$ 5,119
Ending balance	$ 3,695	$ 3,470	$ 4,363	$ 5,423	$ 7,233



Maximum Balance:	7,641	Average Balance:	4,413
Minimum Balance:	2,848		

Observations

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

Electric System Rate Stabilization - Environmental

For the First Quarter Ending December 31, 2021

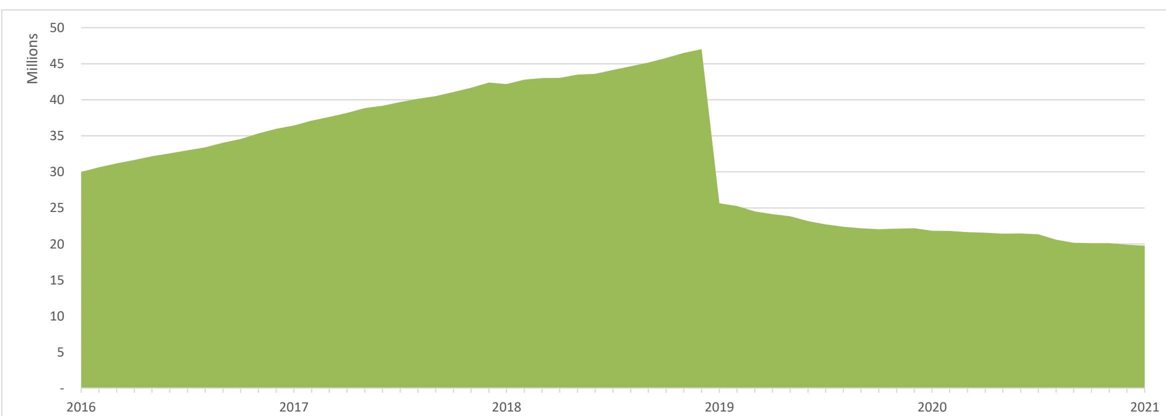
Definitions and Goals

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 are limited to potential environmental expenditures approved by the Board, and may include initiatives such as the cost of acquisition of renewable energy capacity. Costs directly required to operate and maintain the environmentally driven or regulatory required assets can also be funded from this revenue source.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 19,756	$ 19,756	$ 19,756	$ 10,067	$ 8,968
Additions:					
Contributions	1,719	1,719	7,508	7,442	7,442
Sub-total	$ 1,719	$ 1,719	$ 7,508	$ 7,442	$ 7,442
Withdrawals:					
Withdrawals	1,846	1,846	17,197	8,541	2,380
Ending Balance	$ 19,629	$ 19,629	$ 10,067	$ 8,968	$ 14,030

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 29,975	$ 36,417	$ 42,163	$ 25,632	$ 21,818
Additions:					
Contributions	7,384	7,572	7,578	7,469	7,497
Sub-total	$ 7,384	$ 7,572	$ 7,578	$ 7,469	$ 7,497
Withdrawals:					
Withdrawals	942	1,827	24,109	11,283	9,559
Sub-total	$ 942	$ 1,827	$ 24,109	$ 11,283	$ 9,559
Ending balance	$ 36,417	$ 42,163	$ 25,632	$ 21,818	$ 19,756



Maximum Balance:	47,018	Average Balance:	31,181
Minimum Balance:	19,756		

Observations

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the First Quarter Ending December 31, 2021

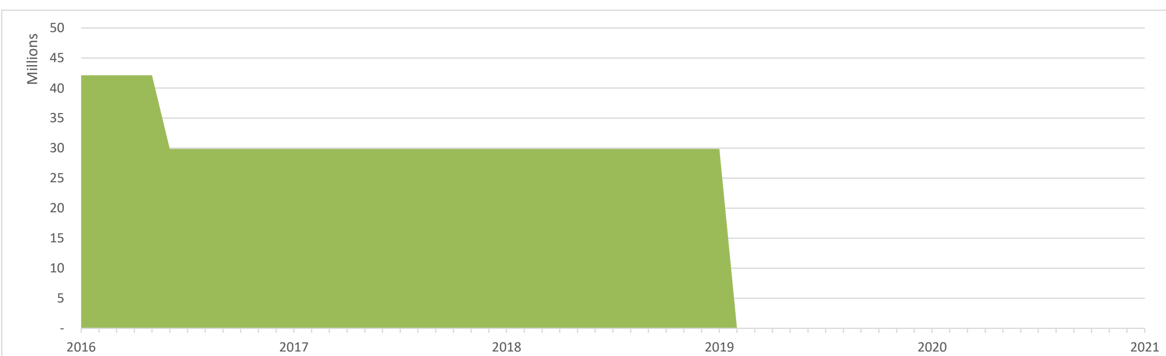
Definitions and Goals

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. 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. Funds used in October 2019 for defeasance of debt.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ -	$ -	$ -	$ -	$ -
Additions:					
Contributions	-	-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals	-	-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	$ -	$ -

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 29,884	$ 29,884	$ 29,884	$ 29,884	$ -
Additions:					
Contributions					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals		-	-	29,884	
Sub-total	$ -	$ -	$ -	$ 29,884	$ -
Ending balance	$ 29,884	$ 29,884	$ 29,884	$ -	$ -



Maximum Balance:	42,126	Average Balance:	25,878
Minimum Balance:	-		

Observations

● Rate Stabilization Fund for Debt Management began in May 2009. Funds used for defeasances in October 2019.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the First Quarter Ending December 31, 2021

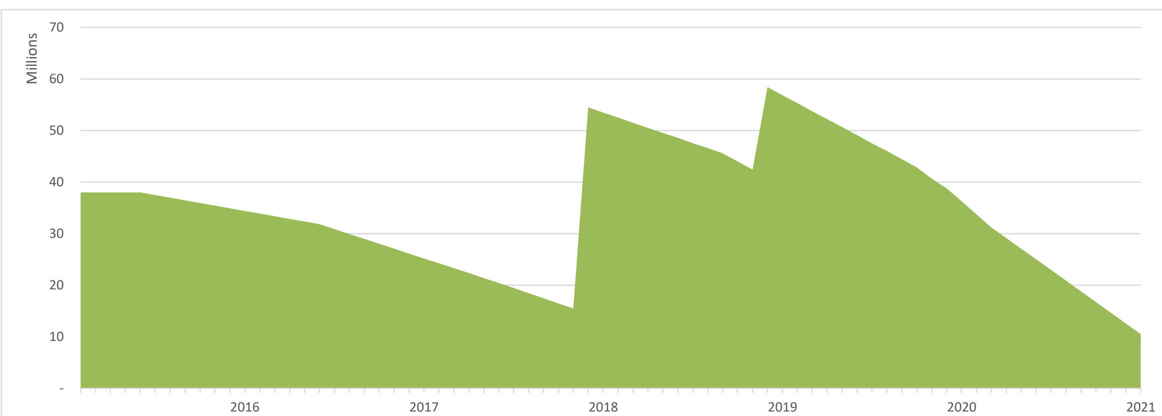
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 10,513	$ 10,513	$ 10,513	$ 112,263	$ 242,263
Additions:					
Contributions	-	-	112,263	130,000	
Sub-total	$ -	$ -	$ 112,263	$ 130,000	$ -
Withdrawals:					
Withdrawals	6,545	6,545	10,513	-	
Ending Balance	$ 3,968	$ 3,968	$ 112,263	$ 242,263	$ 242,263

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 34,400	$ 25,189	$ 53,493	$ 56,870	$ 36,326
Additions:					
Contributions		40,000	17,566		-
Sub-total	$ -	$ 40,000	$ 17,566	$ -	$ -
Withdrawals:					
Withdrawals	9,211	11,696	14,189	20,544	25,813
Sub-total	$ 9,211	$ 11,696	$ 14,189	$ 20,544	$ 25,813
Ending balance	$ 25,189	$ 53,493	$ 56,870	$ 36,326	$ 10,513



Maximum Balance:	58,436	Average Balance:	35,060
Minimum Balance:	10,513		

Observations

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

Electric System Environmental Reserve

For the First Quarter Ending December 31, 2021

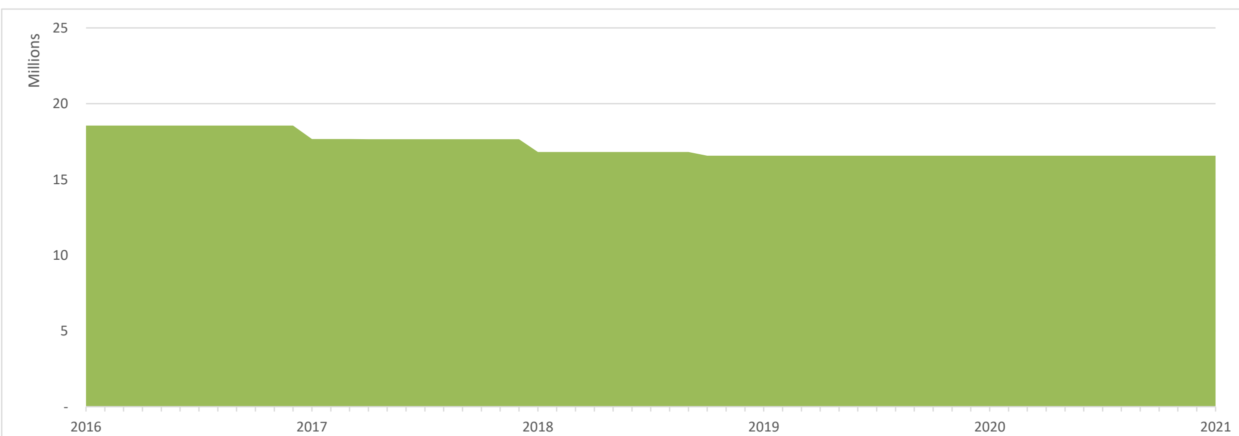
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 16,568	$ 16,568	$ 16,568	$ 16,568	$ 16,068
Additions:					
Contributions		-			
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals		-	-	500	5,000
Ending Balance	$ 16,568	$ 16,568	$ 16,568	$ 16,068	$ 11,068

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 18,556	$ 17,672	$ 16,818	$ 16,568	$ 16,568
Additions:					
Contributions					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals	884	854	250		
Sub-total	$ 884	$ 854	$ 250	$ -	$ -
Ending balance	$ 17,672	$ 16,818	$ 16,568	$ 16,568	$ 16,568



Maximum Balance:	18,662	Average Balance:	17,426
Minimum Balance:	16,568		

Observations

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the First Quarter Ending December 31, 2021

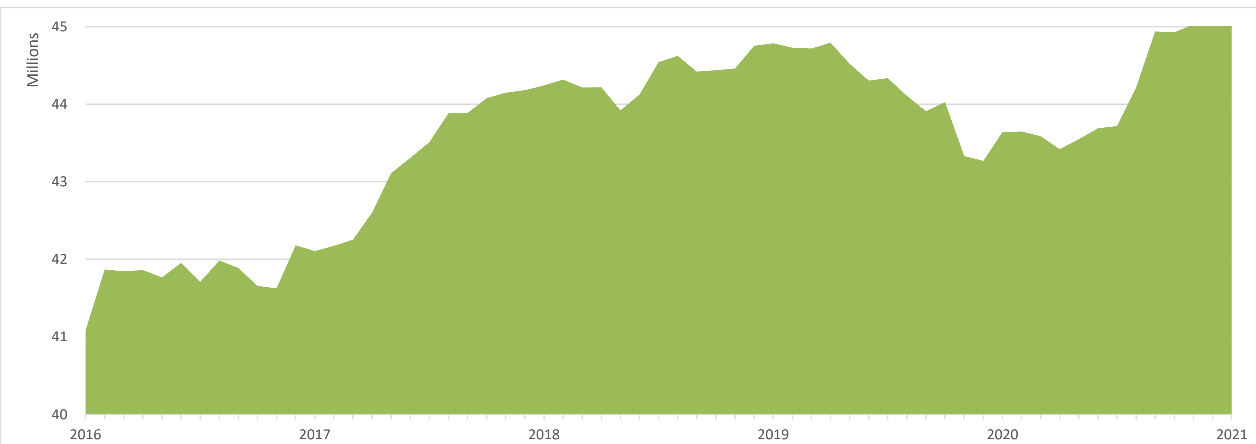
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 43,720	$ 43,641	$ 43,641	$ 45,041	$ 45,506
Additions:					
Net Customer Activity	1	1,777	1,777	1,366	1,572
Sub-total	$ 1	$ 1,777	$ 1,777	$ 1,366	$ 1,572
Withdrawals:					
Net Customer Activity	138	377	377	901	738
Ending Balance	$ 43,583	$ 45,041	$ 45,041	$ 45,506	$ 46,340

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 42,389	$ 41,084	$ 42,105	$ 44,242	$ 44,785
Additions:					
Net Customer Activity		1,021	2,137	543	596
Sub-total	$ -	$ 1,021	$ 2,137	$ 543	$ 596
Withdrawals:					
Net Customer Activity	1,305				1,740
Sub-total	$ 1,305	$ -	$ -	$ -	$ 1,740
Ending balance	$ 41,084	$ 42,105	$ 44,242	$ 44,785	$ 43,641



Maximum Balance:	44,795	Average Balance:	43,022
Minimum Balance:	41,084		

Observations

Electric System Debt Service Sinking Fund

For the First Quarter Ending December 31, 2021

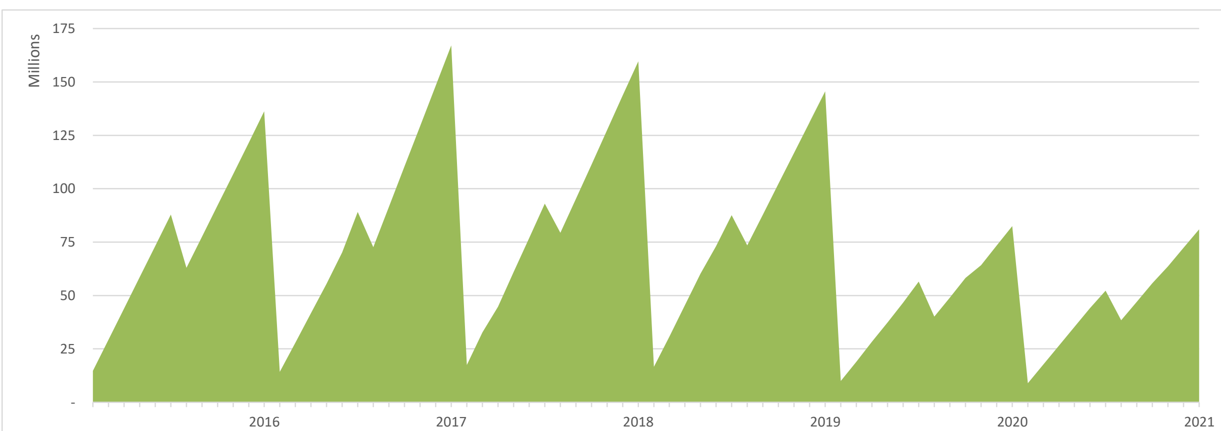
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 80,988	$ 80,988	$ 80,988	$ 63,576	$ 35,264
Additions:					
Revenue Fund Deposits	22,145	22,145	89,254	64,946	82,393
Sub-total	$ 22,145	$ 22,145	$ 89,254	$ 64,946	$ 82,393
Withdrawals:					
Principal and Int Payments	81,200	81,200	106,666	93,258	68,976
Sub-total	$ 81,200	$ 81,200	$ 106,666	$ 93,258	$ 68,976
Ending Balance	$ 21,933	$ 21,933	$ 63,576	$ 35,264	$ 48,681

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 134,927	$ 165,782	$ 158,351	$ 144,215	$ 81,220
Additions:					
Revenue Fund Deposits	209,450	201,359	186,135	116,826	107,672
Sub-total	$ 209,450	$ 201,359	$ 186,135	$ 116,826	$ 107,672
Withdrawals:					
Principal and Int Payments	178,595	208,790	200,271	179,821	107,904
Sub-total	$ 178,595	$ 208,790	$ 200,271	$ 179,821	$ 107,904
Ending balance	$ 165,782	$ 158,351	$ 144,215	$ 81,220	$ 80,988



Maximum Balance:	167,087	Average Balance:	70,059
Minimum Balance:	8,953		

Observations

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- This report does not include any Scherer debt service sinking funds.
- 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).
- Projections are based on the debt outstanding as of the quarter-end referenced above.

Electric System Debt Service Reserve Account

For the First Quarter Ending December 31, 2021

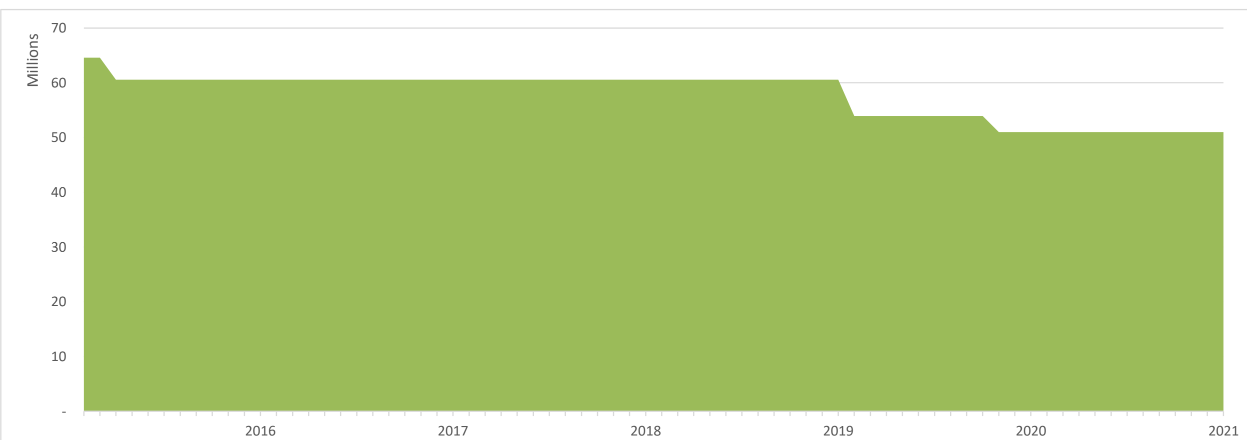
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 50,993	$ 50,993	$ 50,993	$ 50,993	$ 50,993
Additions:					
Proceeds from Bonds					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Ending Balance	$ 50,993	$ 50,993	$ 50,993	$ 50,993	$ 50,993

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 60,582	$ 60,582	$ 60,582	$ 60,582	$ 50,993
Additions:					
Proceeds from Bonds					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Release to Revenue Fund				2,956	
Release for Defeasance				6,633	
Sub-total	$ -	$ -	$ -	$ 9,589	$ -
Ending balance	$ 60,582	$ 60,582	$ 60,582	$ 50,993	$ 50,993



Maximum Balance:	64,595	Average Balance:	57,867
Minimum Balance:	50,993		

Observations

- This report does not include any Scherer debt service reserves.

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

For the First Quarter Ending December 31, 2021

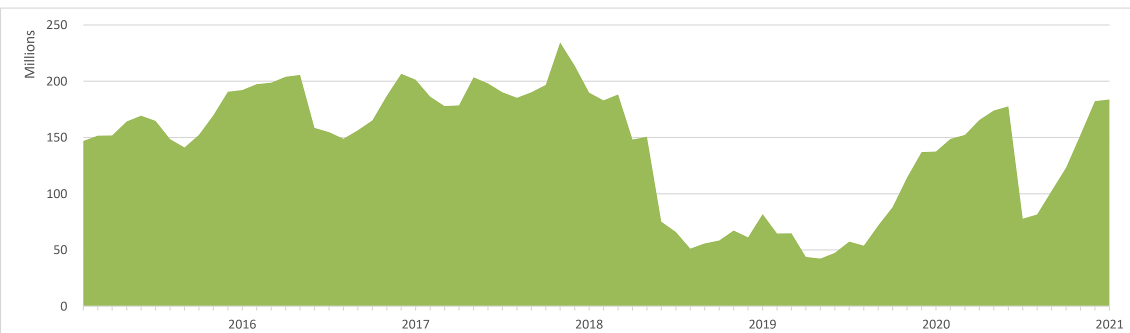
Definitions and Goals

Pursuant to the 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. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures known 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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 183,800	$ 183,800	$ 183,800	$ 211,338	$ 119,002
Additions:					
R&R/OCO Contribution	70,581	70,581	201,725	150,758	320,520
Transfers betw Capital Fds					
Other	2,123	2,123	6,343	6,705	7,705
Sub-total	$ 72,704	$ 72,704	$ 208,068	$ 157,463	$ 328,225
Withdrawals:					
Capital Expenditures	38,059	38,059	180,530	249,799	212,561
Transfers betw Capital Fds					4,981
Debt Reduction	-	-	-		-
Other					
Sub-total	$ 38,059	$ 38,059	$ 180,530	$ 249,799	$ 217,542
Ending Balance	$ 218,445	$ 218,445	$ 211,338	$ 119,002	$ 229,685

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 192,179	$ 201,368	$ 189,922	$ 81,964	$ 137,643
Additions:					
R&R/OCO Contribution	196,589	148,105	197,623	272,342	296,824
Loans betw Capital Fds					
Other	5,074	35,675	39,521	8,389	11,668
Sub-total	$ 201,663	$ 183,780	$ 237,144	$ 280,731	$ 308,492
Withdrawals:					
Capital Expenditures	113,987	181,263	275,042	206,415	155,486
Transfers/loans b/w Capital Fds	37,200				
Debt Defeasance			70,000	18,637	106,849
Other	41,287	13,963	60	-	-
Sub-total	$ 192,474	$ 195,226	$ 345,102	$ 225,052	$ 262,335
Ending balance	$ 201,368	$ 189,922	$ 81,964	$ 137,643	$ 183,800



Maximum Balance:	234,504	Average Balance:	143,160
Minimum Balance:	42,396		

Observations

- Other includes Sale of Property and miscellaneous billings.

Electric System Environmental Fund - Capital Projects

For the First Quarter Ending December 31, 2021

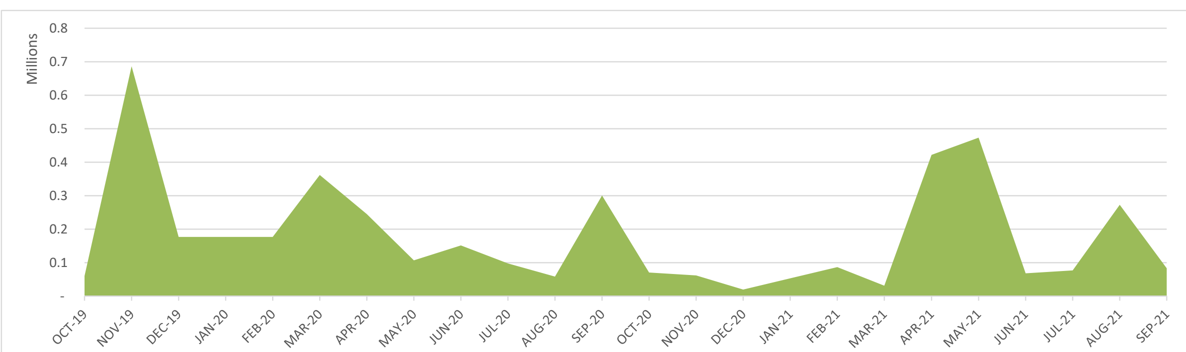
Definitions and Goals

The Environmental Charge will be applied to all kWh consumption and structured to provide funding for major specific environmental and regulatory program needs. The Environmental Charge is designed to recover from customers all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve, as specified in the Pricing Policy for specific environmental and regulatory programs. This fund represents the amounts collected from the Electric System Environmental Charge and used on expenditures for capital projects.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 83	$ 83	$ 83	$ 562	$ -
Additions:					
Environmental Contributions	288	288	9,663	684	439
Transfers betw Capital Fds					
Other					
Sub-total	$ 288	$ 288	$ 9,663	$ 684	$ 439
Withdrawals:					
Capital Expenditures	368	368	9,184	1,246	439
Transfers betw Capital Fds					
Other					
Sub-total	$ 368	$ 368	$ 9,184	$ 1,246	$ 439
Ending Balance	$ 3	$ 3	$ 562	$ -	$ -

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ -	$ -	$ -	$ -	$ 301
Additions:					
Environmental Contributions				4,389	2,769
Loans betw Capital Fds					
Other					
Sub-total	$ -	$ -	$ -	$ 4,389	$ 2,769
Withdrawals:					
Capital Expenditures				4,088	2,987
Transfers/loans b/w Capital Fds					
Other					
Sub-total	$ -	$ -	$ -	$ 4,088	$ 2,987
Ending balance	$ -	$ -	$ -	$ 301	$ 83



Maximum Balance:	686	Average Balance:	180
Minimum Balance:	19		

Observations

● The Environmental Construction Fund began in October 2019.

Electric System Construction / Bond Fund

For the First Quarter Ending December 31, 2021

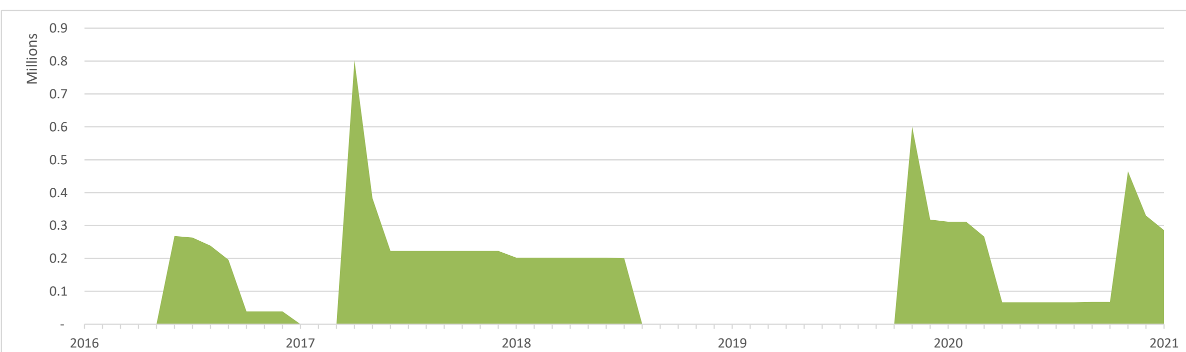
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 286	$ 286	$ 286	$ -	$ -
Additions:					
Bond Proceeds	-	-	-		
Loans betw Capital Fds					
Other					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Capital Expenditures	-	-	286	-	
Transfers betw Capital Fds					
Other					
Sub-total	$ -	$ -	$ 286	$ -	$ -
Ending Balance	$ 286	$ 286	$ -	$ -	$ -

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ -	$ 2	$ 205	$ 2	$ 314
Additions:					
Bond Proceeds	429	805		601	397
Loans betw Capital Fds					
Other	2				
Sub-total	$ 431	$ 805	$ -	$ 601	$ 397
Withdrawals:					
Capital Expenditures				289	425
Transfers/loans b/w Capital Fds			201		
Other	429	602	2		
Sub-total	$ 429	$ 602	$ 203	$ 289	$ 425
Ending balance	$ 2	$ 205	$ 2	$ 314	$ 286



Maximum Balance:	803	Average Balance:	120
Minimum Balance:	-		

Observations

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used revolving credit facility borrowings and loans between capital funds to decrease borrowing costs.

Water and Sewer System Rate Stabilization - Debt Management

For the First Quarter Ending December 31, 2021

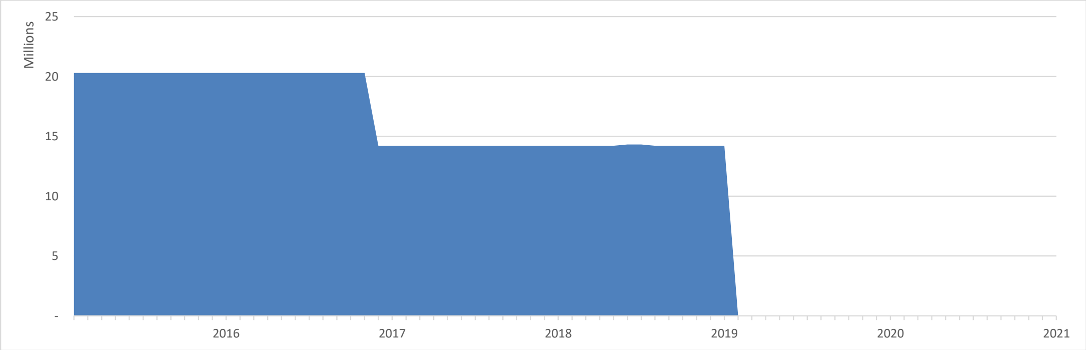
Definitions and Goals

The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund ("RSF") 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 RSF 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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ -	$ -	$ -	$ -	$ -
Additions:					
Contributions					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals	-	-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	$ -	$ -

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 14,209	$ 14,209	$ 14,209	$ 14,209	$ -
Additions:					
Contributions					
Sub-total	$ -	$ -	$ -	$ -	$ -
Withdrawals:					
Withdrawals			-	14,209	-
Sub-total	$ -	$ -	$ -	$ 14,209	$ -
Ending balance	$ 14,209	$ 14,209	$ 14,209	$ -	$ -



Maximum Balance:	20,290	Average Balance:	11,334
Minimum Balance:	-		

Observations

- Contributions began in June 2009. Funds used for defeasances in October 2019.

Water & Sewer System Rate Stabilization - Environmental

For the First Quarter Ending December 31, 2021

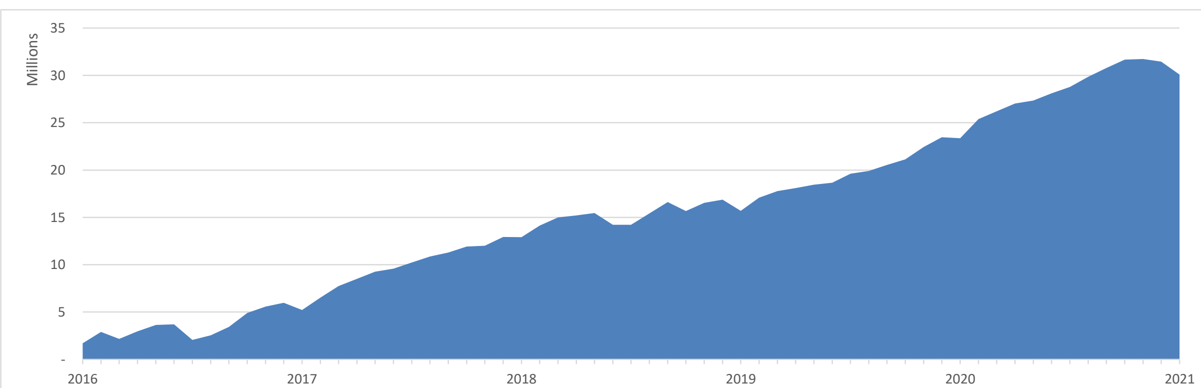
Definitions and Goals

The Water & Sewer 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 debt management and regulatory requirements or initiatives.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 30,077	$ 30,077	$ 30,077	$ 21,400	$ 7,531
Additions:					
Contributions	6,534	6,534	27,040	27,004	27,547
Sub-total	$ 6,534	$ 6,534	$ 27,040	$ 27,004	$ 27,547
Withdrawals:					
Withdrawals	8,168	8,168	35,717	40,873	26,530
COJ Septic Tank Agreement			-		
Sub-total	$ 8,168	$ 8,168	$ 35,717	$ 40,873	$ 26,530
Ending Balance	$ 28,443	$ 28,443	$ 21,400	$ 7,531	$ 8,548

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 1,699	$ 5,214	$ 12,914	$ 15,687	$ 23,372
Additions:					
Contributions	24,362	23,829	25,099	25,677	25,198
Sub-total	$ 24,362	$ 23,829	$ 25,099	$ 25,677	$ 25,198
Withdrawals:					
Withdrawals	20,847	16,129	22,326	17,992	18,493
Sub-total	$ 20,847	$ 16,129	$ 22,326	$ 17,992	$ 18,493
Ending balance	$ 5,214	$ 12,914	$ 15,687	$ 23,372	$ 30,077



Maximum Balance:	31,730	Average Balance:	13,789
Minimum Balance:	1,699		

Observations

● Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the First Quarter Ending December 31, 2021

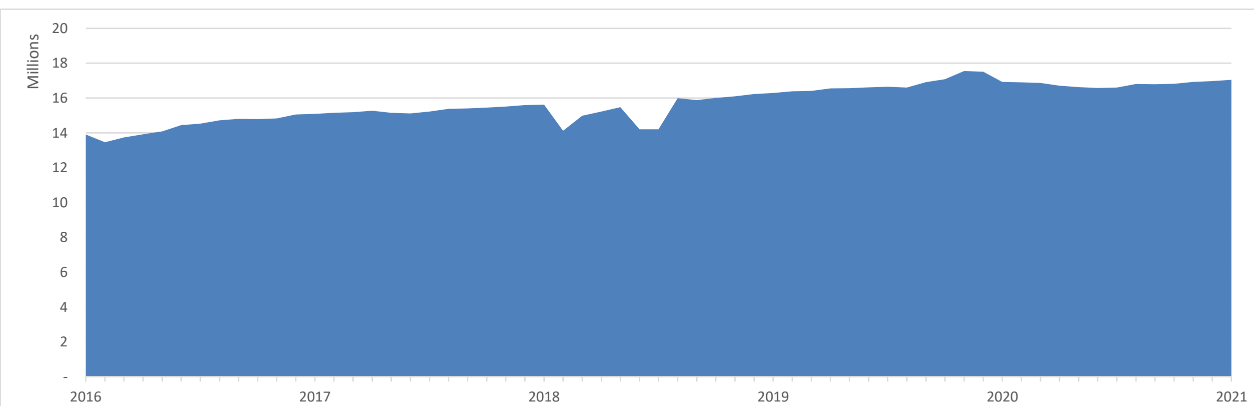
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 17,043	$ 17,043	$ 17,043	$ 17,307	$ 17,733
Additions:					
Allocated from Electric	264	264	629	809	645
Sub-total	$ 264	$ 264	$ 629	$ 809	$ 645
Withdrawals:					
Allocated from Electric	-	-	365	383	401
Sub-total	$ -	$ -	$ 365	$ 383	$ 401
Ending Balance	$ 17,307	$ 17,307	$ 17,307	$ 17,733	$ 17,976

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 13,910	$ 15,086	$ 15,616	$ 16,289	$ 16,926
Additions:					
Allocated from Electric	1,633	730	888	1,318	480
Sub-total	$ 1,633	$ 730	$ 888	$ 1,318	$ 480
Withdrawals:	457	200	215	681	363
Allocated from Electric					
Sub-total	$ 457	$ 200	$ 215	$ 681	$ 363
Ending balance	$ 15,086	$ 15,616	$ 16,289	$ 16,926	$ 17,043



Maximum Balance:	17,549	Average Balance:	15,429
Minimum Balance:	13,239		

Observations

Water and Sewer System Debt Service Sinking Fund

For the First Quarter Ending December 31, 2021

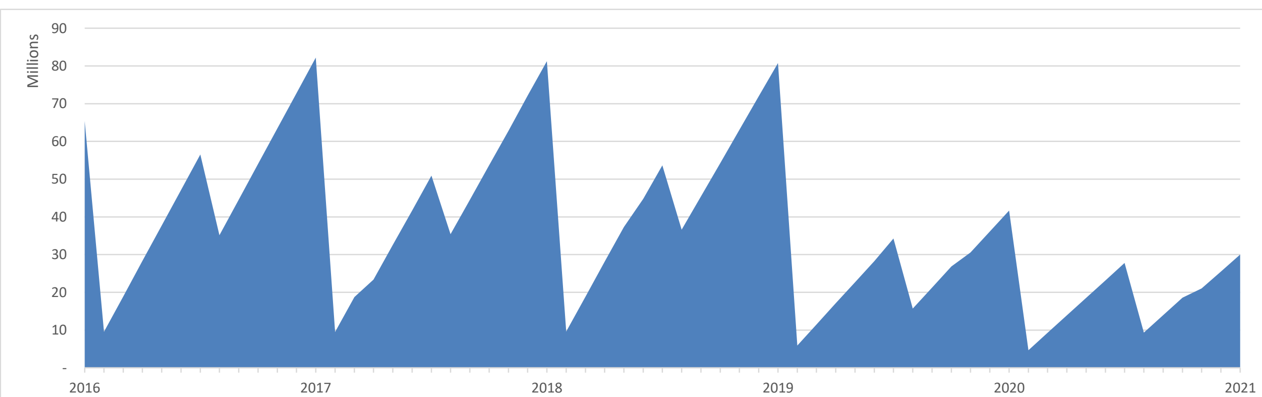
Definitions and Goals

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.

(In Thousands)	Current Activity: Quarter-End	Current Activity: Year -to-Date	Projected Activity: 2022	Projected Activity: 2023	Projected Activity: 2024
Opening Balance	$ 30,006	$ 30,006	$ 30,006	$ 32,187	$ 73,816
Additions:					
Revenue fund deposits	13,638	13,638	54,786	102,138	104,264
Sub-total	$ 13,638	$ 13,638	$ 54,786	$ 102,138	$ 104,264
Withdrawals:					
Principal and interest payments	30,026	30,026	52,605	60,509	101,945
Sub-total	$ 30,026	$ 30,026	$ 52,605	$ 60,509	$ 101,945
Ending Balance	$ 13,618	$ 13,618	$ 32,187	$ 73,816	$ 76,135

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 65,410	$ 82,208	$ 81,241	$ 80,775	$ 41,660
Additions:					
Revenue fund deposits	114,873	113,636	112,251	69,515	59,573
Sub-total	$ 114,873	$ 113,636	$ 112,251	$ 69,515	$ 59,573
Withdrawals:					
Principal and interest payments	98,075	114,603	112,717	108,630	71,227
Sub-total	$ 98,075	$ 114,603	$ 112,717	$ 108,630	$ 71,227
Ending balance	$ 82,208	$ 81,241	$ 80,775	$ 41,660	$ 30,006



Maximum Balance:	82,208	Average Balance:	35,670
Minimum Balance:	4,659		

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).
- Projections are based on the debt outstanding as of the quarter referenced above.

Water and Sewer System Debt Service Reserve Account

For the First Quarter Ending December 31, 2021

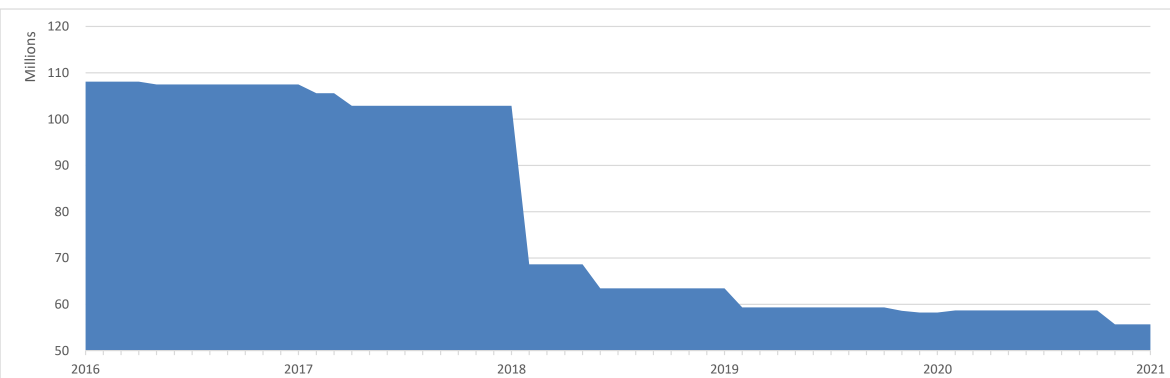
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 55,665	$ 55,665	$ 55,665	$ 56,606	$ 57,586
Additions:					
Bond Issue - Deposit	941	941	941	980	
Revenue Fund		-			
Sub-total	$ 941	$ 941	$ 941	$ 980	$ -
Withdrawals:					
Revenue Fund			-		314
Release to Refunding Defeasance			-		1,288
Sub-total	$ -	$ -	$ -	$ -	$ 1,602
Ending Balance	$ 56,606	$ 56,606	$ 56,606	$ 57,586	$ 55,984

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 108,086	$ 107,488	$ 102,850	$ 63,441	$ 58,228
Additions:					
Construction reserves/bond issues				737	
Revenue fund					435
Sub-total	$ -	$ -	$ -	$ 737	$ 435
Withdrawals:					
Revenue fund	598	4,638	5,525	1,689	795
Release for Defeasance			33,884	2,791	2,203
Release to Refunding Defeasance				1,470	
Sub-total	$ 598	$ 4,638	$ 39,409	$ 5,950	$ 2,998
Ending balance	$ 107,488	$ 102,850	$ 63,441	$ 58,228	$ 55,665



Maximum Balance:	116,829	Average Balance:	92,895
Minimum Balance:	58,228		

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.
- 2018 Bond Resolution amendment will allow the use of $33 million AA+ rated Berkshire Hathaway Assuarance surety policy to be included in Debt Service Reserve Fund funding calculation which allowed the release of $33.8 million to the Construction Fund.

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

For the First Quarter Ending December 31, 2021

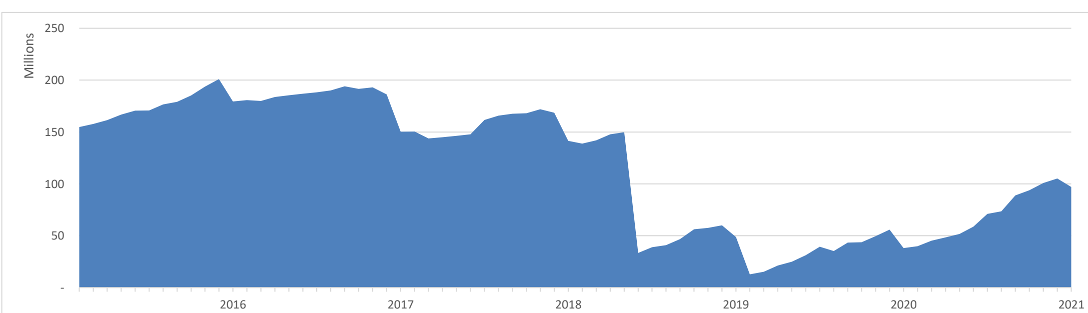
Definitions and Goals

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. 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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 97,066	$ 97,066	$ 97,066	$ 77,705	$ 20,723
Additions:					
R&R/OCO Contribution	52,089	52,089	170,144	159,627	162,472
Capacity Fees	7,287	7,287	43,043	102,742	113,657
Transfer from Capital Fds			-	-	-
Other	2,482	2,482	12,836	9,201	9,201
Sub-total	$ 61,858	$ 61,858	$ 226,023	271,570	285,330
Withdrawals:					
Capital Expenditures	51,107	51,107	228,484	328,552	286,895
Debt Defeasance			-		
Other			16,900		-
Sub-total	$ 51,107	$ 51,107	$ 245,384	$ 328,552	$ 286,895
Ending Balance	$ 107,817	$ 107,817	$ 77,705	$ 20,723	$ 19,158

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 179,431	$ 150,319	$ 141,415	$ 48,796	$ 38,131
Additions:					
R&R/OCO Contribution	108,119	153,372	150,171	166,107	193,071
Capacity Fees	24,777	28,002	29,389	32,857	39,930
Loans betw Capital Fds	137		268		
Other (incl septic tank)	8,050	6,383	16,390	12,654	7,571
Sub-total	$ 141,083	$ 187,757	$ 196,218	$ 211,618	$ 240,572
Withdrawals:					
Capital Expenditures	165,242	196,637	189,626	191,087	181,637
Loan Repayment			99,189	31,196	
Transfer to Constr. Fund					
Other (incl septic tank)	4,953	24	22		
Sub-total	$ 170,195	$ 196,661	$ 288,837	$ 222,283	$ 181,637
Ending balance	$ 150,319	$ 141,415	$ 48,796	$ 38,131	$ 97,066



Maximum Balance:	201,016	Average Balance:	117,109
Minimum Balance:	12,847		

Observations

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2025.

Water and Sewer System - Environmental Fund [Capital Projects]

For the First Quarter Ending December 31, 2021

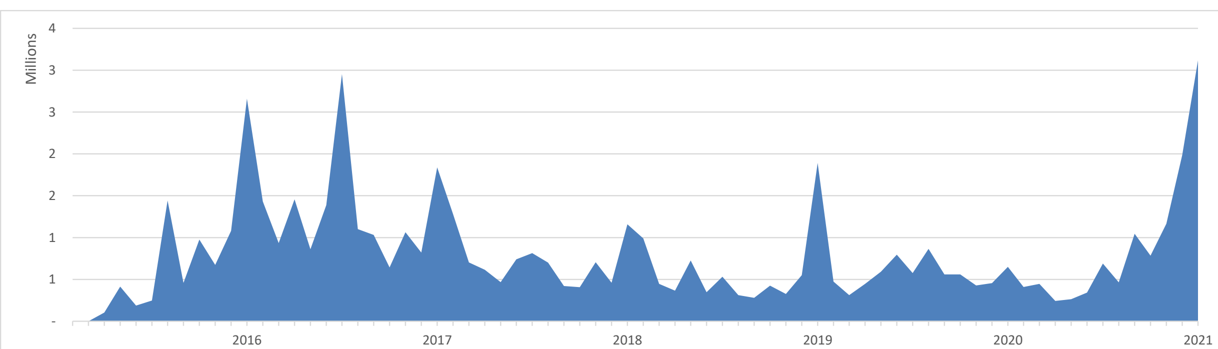
Definitions and Goals

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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2022	2023	2024
Opening Balance	$ 3,118	$ 3,118	$ 3,118	$ 1,837	$ -
Additions:					
Environmental Contributions	1,945	1,945	22,925	20,611	8,105
Loans betw Capital Fds					
Other					
Sub-total	$ 1,945	$ 1,945	$ 22,925	$ 20,611	$ 8,105
Withdrawals:					
Capital Expenditures	4,151	4,151	24,206	22,448	8,105
Other					
Sub-total	$ 4,151	$ 4,151	$ 24,206	$ 22,448	$ 8,105
Ending Balance	$ 912	$ 912	$ 1,837	$ -	$ -

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 2,659	$ 1,839	$ 1,159	$ 1,891	$ 648
Additions:					
Environmental Contributions	12,394	6,691	10,656	6,649	9,743
Loans betw Capital Fds					
Other					
Sub-total	$ 12,394	$ 6,691	$ 10,656	$ 6,649	$ 9,743
Withdrawals:					
Capital Expenditures	13,214	7,370	9,924	7,892	7,273
Septic Tank Phase Out					
Other		1			
Sub-total	$ 13,214	$ 7,371	$ 9,924	$ 7,892	$ 7,273
Ending balance	$ 1,839	$ 1,159	$ 1,891	$ 648	$ 3,118



Maximum Balance:	3,118	Average Balance:	793
Minimum Balance:	-		

Observations

Water and Sewer System - Construction / Bond Fund

For the First Quarter Ending December 31, 2021

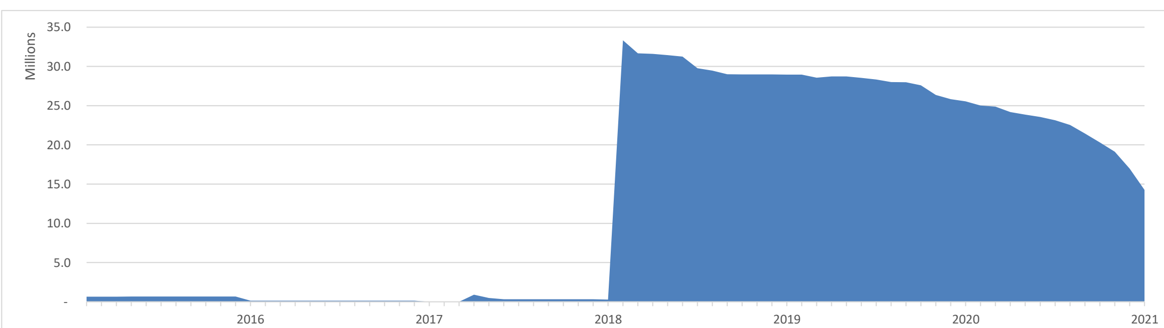
Definitions and Goals

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)	Current Activity: Quarter-End	Current Activity: Year -to-Date	Projected Activity: 2022	Projected Activity: 2023	Projected Activity: 2024
Opening Balance	$ 14,266	$ 14,266	$ 14,266	$ 89	$ 250
Additions:					
Bond Proceeds	-	-		49,161	101,478
Revolving credit facility					
Other	6	6	16,906		
Sub-total	$ 6	$ 6	$ 16,906	$ 49,161	$ 101,478
Withdrawals:					
Capital Expenditures/Bond Issue Costs	3,454	3,454	31,083	49,000	101,000
Other					
Sub-total	$ 3,454	$ 3,454	$ 31,083	$ 49,000	$ 101,000
Ending Balance	$ 10,818	$ 10,818	$ 89	$ 250	$ 728

Historical Activity

	2017	2018	2019	2020	2021
Opening Balance	$ 152	$ 15	$ 284	$ 28,968	$ 25,541
Additions:					
Bond Proceeds		894	33,884	506	520
Revolving credit facility					
Loans/transfers b/w Capital Fds					
Other				837	34
Sub-total	$ -	$ 894	$ 33,884	$ 1,343	$ 554
Withdrawals:					
Capital Expenditures		623	4,930	4,770	11,829
Bond Proceeds					
Loans/trnsf btw CapFds					
Other	137	2	270	-	-
Sub-total	$ 137	$ 625	$ 5,200	$ 4,770	$ 11,829
Ending balance	$ 15	$ 284	$ 28,968	$ 25,541	$ 14,266



Maximum Balance:	33,333	Average Balance:	13,460
Minimum Balance:	15		

Observations

● JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used revolving credit facility borrowings and loans between capital funds to decrease borrowing costs. Release of Debt Service Reserve Funds in Oct 2018.

Finance and Audit Committee Report 1/18/2022

Energy Market Risk Management: Physical and Financial Positions

Summary as of 1/1/2022	
Projected FY22 Fuel Expense (Budget = $376M)	$520
EMRM Compliance	Yes
Counterparty Credit Limit Exceptions	No
Any Issues of Concern	No

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 1/1/2022

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
NS CFB	Limestone	CY22-CY24 Vulcan	Fixed Price	$13,712,729	3 years
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	$657,370,150	9.42 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	$142,835,170	27.24 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	$134,710,140	27.41 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	$81,819,037	17.24 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	$131,990,777	27.49 years

Table 2: Financial Positions as of 1/1/2022

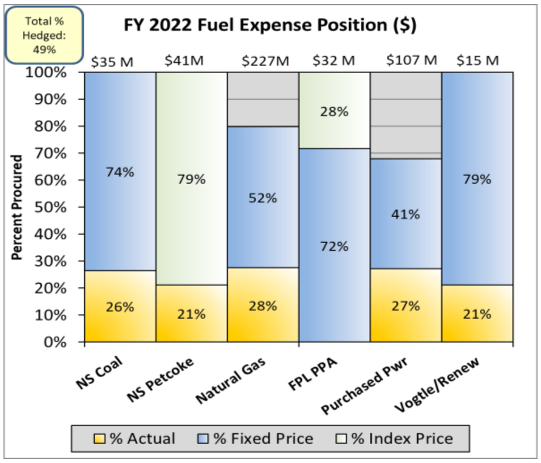
Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY22	Natural Gas	37,469,387	30,240,000	80.7%	$ 3.72	Swap	$ 3.44	$ (8,533,510)	Wells Fargo & RBC
FY23	Natural Gas	51,128,109	23,720,000	46.4%	$ 3.56	Swap	$ 2.49	$ (25,416,870)	Wells Fargo & RBC
FY24	Natural Gas	52,853,279	11,000,000	20.8%	$ 3.20	Swap	$ 2.53	$ (7,946,880)	Wells Fargo & RBC
FY25	Natural Gas	51,245,906	1,840,000	3.6%	$ 3.22	Swap	$ 2.60	$ (1,138,480)	Wells Fargo & RBC
CY22-31	Nat.Gas-PPA	121,562,143	85,093,500	70.0%	$ 3.27	Swap	$ 2.59	$ (57,846,402)	Nextera

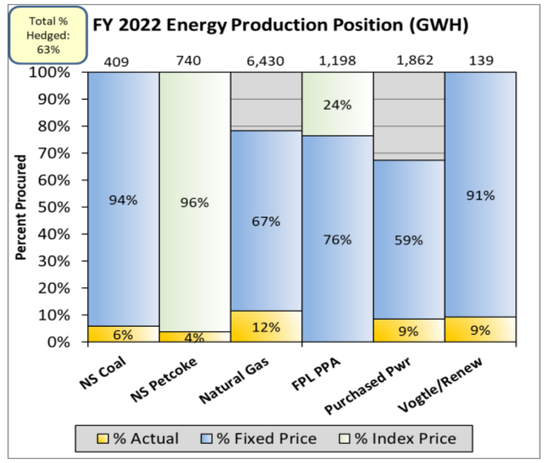
Table 3: Fuel & Purchase Power Procurement as of 1/1/2022

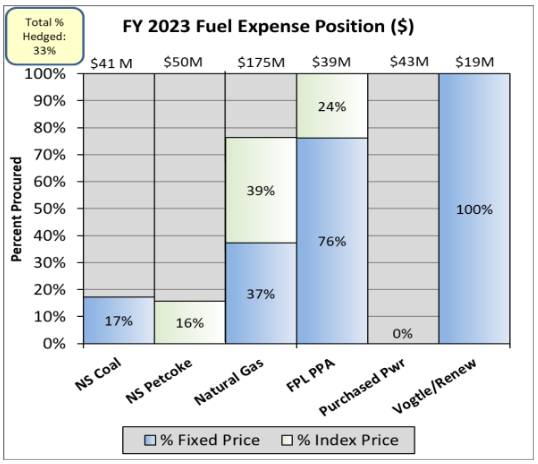
Fuel Type	Natural Gas	Coal	Petcoke	Limestone	FPL PPA	PurchPwr	Oil/Diesel	Renewables	Vogtle
FY22 Remaining / Energy Mix	57%	5%	7%	N/A	12%	17%	0%	1%	-
Expected Spend ($)	164.7M	25.1M	31.8M	2.3M	32.1M	78.1M	4.1M	11.6M	-
% Procured	7%	100%	100%	100%	100%	56%	100%	100%	-
% Hedged	44%	100%	0%	100%	72%	56%	100%	100%	-
	Natural Gas	**Coal**	**Petcoke**	**Limestone**	**FPL PPA**	**PurchPwr**	**Oil/Diesel**	**Renewables**	**Vogtle**
FY23 Budget / Energy Mix	57%	7%	14%	N/A	12%	7%	0%	1%	2%
Expected Spend ($)	175.0M	39.1M	46.4M	5.7M	39.3M	42.7M	5.2M	15.2M	3.7M
% Procured	49%	17%	16%	100%	100%	0%	100%	100%	100%
% Hedged	0%	17%	0%	100%	76%	0%	100%	100%	100%
FY24 Projection / Energy Mix	57%	7%	14%	N/A	7%	4%	0%	1%	6%
Expected Spend ($)	173.9M	33.7M	44.9M	5.7M	34.9M	22.5M	3.1M	15.5M	10.6M
% Procured	50%	0%	0%	100%	100%	0%	100%	100%	100%
% Hedged	0%	0%	0%	100%	85%	0%	100%	100%	100%

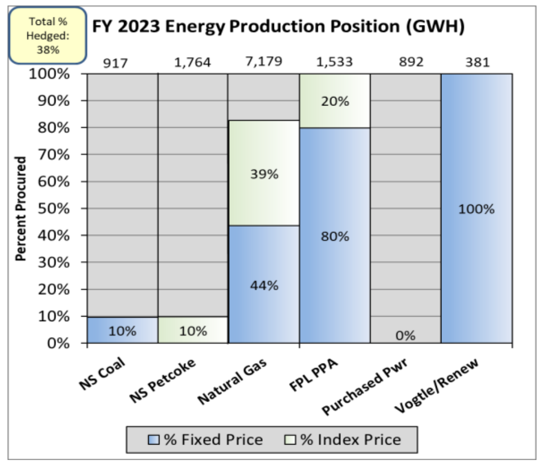
Supporting Notes:

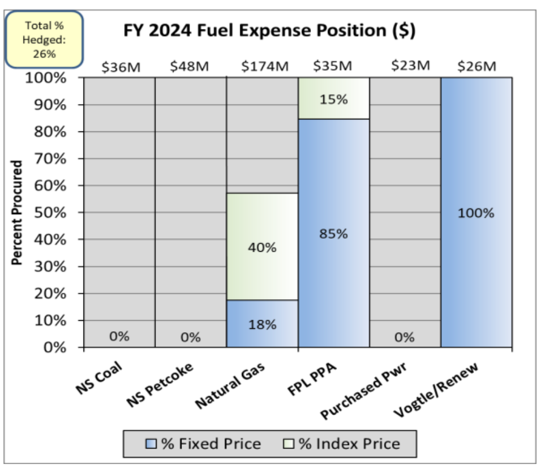
- Renewable purchase power agreements are not included in Table 1
- Table 1: Natural Gas discount; Municipal Gas Authority of Georgia (MGAG) issues municipal bonds to prepay for gas, allowing them to offer discounts to JEA for qualified use
- Table 2 shows negative Mark-to-Market values, this indicates a projected payment to JEA for realized hedges
- Table 3: FY Energy Mix based on MWH; the procured percent relates to inventory on hand, or contracted and the percent hedged is inventory on hand or contracted with fixed pricing or financial hedges
- Renewables in Table 3 represent signed agreements and an estimated cost for pending contracts
- Table 3: FY22 Projections include assumed Scherer 4 retirement as of 1/1/2022 with an FPL PPA agreement as replacement
- Scherer 4 retired on 1/1/22; Excess coal will be resold to other co-owners
- CY2022 contracts have been executed for Northside coal (fixed price) and petcoke (indexed price)

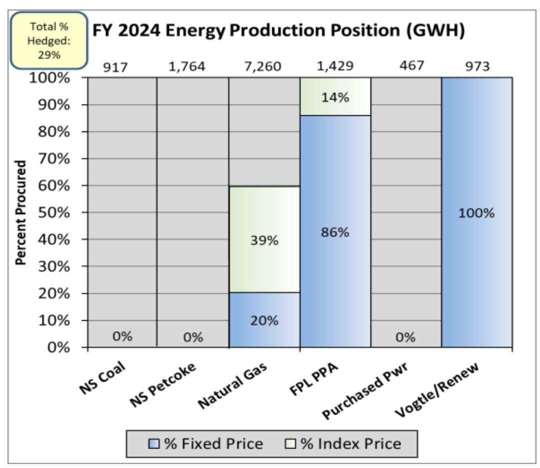












Note: All hedging statistics are as of 1/1/2022, another segment of CY2024 and CY2025 hedges were transacted on 1/12/2022 and 1/13/2022.

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2021 and 2020
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2021 and 2020

Contents

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Building a better working world

Report of Independent Auditors

The Board of Directors
JEA
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate fiduciary activities of JEA, a component unit of the City of Jacksonville, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of JEA as of September 30, 2021 and 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB 84, Fiduciary Activities

Effective October 1, 2019, JEA adopted GASB Statement No. 84, Fiduciary Activities. GASB 84 requires inclusion of JEA's fiduciary activities that meet certain criteria in its financial report. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Schedule of JEA's Proportionate Share of the Net Pension Liability and Schedule of JEA Contributions, SJRPP Pension Plan – Schedule of Changes in Net Pension Liability and Related Ratios, SJRPP Pension Plan – Investment Returns and Schedule of Contributions, OPEB Plan – Schedule of Changes in Net OPEB Liability and Related Ratios and OPEB Plan – Investment Returns and Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 and Other Information

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

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The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining statements of net position, revenues, expenses and changes in net position and cash flows, as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated January 27, 2022 on our consideration of the JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the JEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEA's internal control over financial reporting and compliance.

Ernst + Young LLP

January 27, 2022

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Management's Discussion and Analysis

Introduction

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

Overview of the Combined Financial Statements

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

The basic financial statements are presented on a comparative basis for the fiscal years ended September 30, 2021 and 2020. The statements of net position present JEA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Revenue and expense information is presented in the accompanying statements of revenues, expenses, and changes in net position. The accompanying statements of cash flows present JEA's sources and uses of cash and cash equivalents and are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

The fiduciary financial statements are presented on a comparative basis for the fiscal years ended September 30, 2021 and 2020. The statements of fiduciary net position present the SJRPP pension trust fund's assets and liabilities, with the residual reported as fiduciary net position. Additions and deductions information is presented in the accompanying statements of changes in fiduciary net position.

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

Management's Discussion and Analysis (continued)

The following tables summarize the financial condition and operations of JEA for the 2021 and 2020 fiscal years:

Condensed Statements of Net Position

	2021	2020	2019
		(In millions)	
Assets and deferred outflows of resources			
Current assets	**$ 696**	$ 728	$ 753
Other noncurrent assets	**1,688**	1,449	1,517
Net capital assets	**5,477**	5,511	5,466
Deferred outflows of resources	**421**	468	461
Total assets and deferred outflows of resources	**$ 8,282**	$ 8,156	$ 8,197
Liabilities and deferred inflows of resources			
Current liabilities	**$ 205**	$ 193	$ 200
Current liabilities payable from restricted assets	**221**	241	371
Net pension liability	**730**	641	566
Other noncurrent liabilities	**91**	93	110
Long-term debt	**3,232**	3,506	3,696
Deferred inflows of resources	**336**	258	301
Net position			
Net investment in capital assets	**2,696**	2,533	2,183
Restricted	**431**	355	400
Unrestricted	**340**	336	370
Total liabilities, deferred inflows of resources, and net position	**$ 8,282**	$ 8,156	$ 8,197

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

	2021	2020	2019
		(In millions)	
Operating revenues	**$ 1,768**	$ 1,714	$ 1,752
Operating expenses	**(1,356)**	(1,262)	(1,340)
Operating income	**412**	452	412
Nonoperating expenses, net	**(89)**	(95)	(111)
Contributions	**(80)**	(86)	(103)
Change in net position	**243**	271	198
Net position – beginning of the year	**3,224**	2,953	2,755
Net position – end of the year	**$ 3,467**	$ 3,224	$ 2,953

Management's Discussion and Analysis (continued)

Financial Analysis of JEA for fiscal years 2021 and 2020

2021 Compared to 2020

Electric Enterprise

Operating Revenues

Total operating revenues increased approximately $67 million (5.4%) over the prior year. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2020 operating revenues	**$**	**1,242**
Territorial sales		31
Stabilization funds		31
Allowance for doubtful accounts		2
Other		3
September 2021 operating revenues	**$**	**1,309**

Territorial sales revenues increased $31 million, comprised of a $24 million increase in fuel revenues and a $7 million increase in base revenue. The increase in fuel revenues was due to the prior year fuel credit paid to customers, which did not repeat in the current year. The increase in base revenues was driven by higher consumption as a result of a 2.0% increase in customers. Stabilization fund revenues increased due to withdrawals from the fuel stabilization fund, which were partially offset by prior year debt management withdrawals. There was a decrease in the allowance for doubtful accounts of $2 million, resulting in higher operating revenues, due to a prior year increase in the allowance for possible COVID-19 write-offs, which did not repeat in the current year. Other operating revenue increased $3 million largely due to higher reconnection and late fees, due to the COVID-19 suspension of disconnections and late fees in the prior year, and higher pole attachment revenue.

Operating Expenses

Total operating expenses increased approximately $89 million (9.6%) over the prior year comparable period. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2020 operating expenses	**$**	**922**
Fuel		73
Purchased power		27
Maintenance and other operating expense		(26)
Depreciation		15
State utility and franchise taxes		1
Recognition of deferred costs and revenues, net		(1)
September 2021 operating expenses	**$**	**1,011**

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Management's Discussion and Analysis (continued)

Fuel expense increased $73 million (25.1%) due to increased generation costs of $83 million and a $10 million decrease from lower MWh generated (196,717 MWh, 1.8%).

Purchased power expense increased $27 million (31.0%) driven by an $11 million increase in purchased power unit cost, a $10 million increase in MWh purchased (242,875 MWh, 14.3%), and a $6 million increase in MEAG power purchase agreement debt service.

Maintenance and other operating expenses decreased $26 million (9.8%) as a result of $15 million in lower compensation and benefits, primarily due to prior year SJRPP pension contributions, and $11 million in lower legal and other professional services.

Depreciation expense increased $15 million (7.3%) due to a higher depreciable base.

State utility and franchise taxes increased $1 million (2.2%), as a result of higher taxable revenues.

Recognition of deferred costs and revenues, net decreased $1 million (4.5%) driven by lower environmental expenditures.

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

	2021	**2020**
Natural gas	62%	63%
Purchased power	15%	13%
Coal	15%	12%
Petroleum coke	8%	12%
Total	100%	100%

Water and Sewer Enterprise

Operating Revenues

Total operating revenues decreased approximately $13 million (2.7%) over the prior year comparable period. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2020 operating revenues	**$**	**484**
Stabilization funds		(13)
Water		(3)
Sewer		2
Other		1
September 2021 operating revenues	**$**	**471**

Stabilization fund revenues decreased $13 million primarily due to prior year withdrawals from the debt management stabilization fund. Water revenues decreased $3 million with the $5 million decrease in consumption being partially offset by a $2 million increase due to changes in mix. Sewer revenues increased $2 million due to changes in mix. Other operating revenue increased $1 million due to higher miscellaneous service revenues.

Management's Discussion and Analysis (continued)

Operating Expenses

Operating expenses increased $5 million (1.3%) over the prior year comparable period. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2020 operating expenses	**$**	**353**
Depreciation		12
Maintenance and other operating expenses		(10)
Recognition of deferred costs and revenues, net		3
September 2021 operating expenses	**$**	**358**

Depreciation expense increased $12 million (7.3%) due to a higher depreciable base.

Maintenance and other operating expenses decreased $10 million (5.7%) due to $6 million in lower professional services, a $2 million decrease in interlocal payments, and a $2 million decrease in maintenance expenses.

Recognition of deferred costs and revenues, net increased $3 million (46.5%) due to higher environmental expenditures.

District Energy System

Operating revenues and expenses remained relatively flat when compared to the prior year comparable period at approximately $8 million and $7 million, respectively.

Nonoperating Revenues and Expenses

Total nonoperating expenses, net decreased $6 million (5.9%) over the prior year. The drivers of the changes are detailed below.

(Dollars in millions)		
September 2020 nonoperating expenses, net	**$**	**(95)**
Decrease in interest on debt		20
Increase in The Energy Authority earnings		13
Decrease in allowance for funds used during construction		(11)
Decrease in investment fair market value		(8)
Decrease in realized investment income		(6)
Loss on sale of land		(2)
September 2021 nonoperating expenses, net	**$**	**(89)**

Management's Discussion and Analysis (continued)

2020 Compared to 2019

Electric Enterprise

Operating Revenues

Total operating revenues decreased approximately $59 million (4.5%) and total megawatt hours (MWh) sales decreased 262,985 (2.1%) compared to fiscal year 2019. Revenues from territorial sales decreased $39 million and territorial MWh sales were down 181,834 MWh (1.5%). The territorial sales decrease was comprised of a $10 million decrease in base revenues and a $29 million decrease in fuel revenues. The $10 million decrease in base revenues was driven by a decrease in consumption. The $29 million decrease in fuel revenues was primarily the result of a $23 million fuel credit provided to customers and a decrease in consumption. Lower consumption was associated with COVID-19 shutdowns and partially offset by a 1.9 percent increase in customers. Off system revenues decreased by approximately $4 million and MWhs decreased by 81,151 driven by lower sales to The Energy Authority. Stabilization fund revenues decreased $12 million (see note 2, Regulatory Deferrals, for additional information). There was also a $2 million decrease in revenues due to an increase in allowance for doubtful accounts for the COVID-19 pandemic. Other operating revenue decreased $2 million driven by lower late and reconnection fees due to the COVID-19 suspension of late fees and disconnections (see note 16, Disaster Costs, for additional information). Additionally, mutual aid revenues increased by $2 million for Hurricanes Michael and Florence, and transmission and SJRPP revenues each decreased by $1 million.

Operating Expenses

Total operating expenses decreased approximately $97 million (9.6%), compared to fiscal year 2019.

Fuel and purchased power expense decreased $90 million (19.2 percent), primarily driven by:

- a $82 million decrease as a result of lower MWh purchased (1,634,084 MWh, 49.1%);
- a $70 million decrease in generation costs primarily driven by lower fuel prices;
- a $32 million increase in purchased power cost; and
- a $30 million increase as a result of higher MWh generated (1,297,497 MWh, 13.5%).

As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical sources of power. JEA's power supply mix is detailed below.

	FY 2020	**FY 2019**
Natural gas	**63%**	49%
Purchases	**13%**	26%
Coal	**12%**	16%
Petroleum coke	**12%**	9%
Total	**100%**	100%

Operating expenses, other than fuel and purchased power, decreased approximately $7 million, compared to fiscal year 2019.

Management's Discussion and Analysis (continued)

Maintenance and other operating expenses increased $11 million. The drivers for the increase were a $16 million increase in compensation and benefits, primarily related to SJRPP pension contributions and COVID-19 stipends, a $5 million increase in professional services, and a $2 million increase in insurance costs. These increases were offset by a $5 million decrease in maintenance, a $3 million decrease in industrial services, a $2 million decrease in Plant Scherer costs, and a $2 million decrease in environmental costs.

Recognition of deferred costs and revenues, net decreased $12 million due to a decrease in environmental projects paid from the rate stabilization fund. Depreciation expense decreased $5 million due to a decrease in the depreciable base. State utility and franchise taxes decreased $2 million due to lower electric revenue taxable sales. Interfund utility charges to the Electric Enterprise fund increased $1 million.

Water and Sewer Enterprise

Operating Revenues

Total operating revenues increased approximately $20 million (4.3%) compared to fiscal year 2019. Water revenues increased $3 million (1.8%) due to a 1.5% increase in consumption and a 2.2% increase in customer accounts. Water consumption increased 575,725 kilogallons (kgals) to 38,271,797 kgals. Sewer revenues increased approximately $5 million (1.8%) primarily related to a 1.6% increase in sales and a 2.6% increase in sewer accounts. Sewer sales increased 433,406 kgals to 28,160,202 kgals. Reuse revenues increased approximately $3 million (17.8%), primarily related to a 19.4% increase in reuse accounts and a 14.0% increase in sales. Reuse sales increased 542,695 kgals to 4,426,905 kgals. Water and sewer revenues also increased due to a $9 million net increase in transfers from stabilization funds (see note 2, Regulatory Deferrals, for additional information). There was also a $1 million decrease in revenues due to an increase in allowance for doubtful accounts for the COVID-19 pandemic. Other operating revenues increased by $1 million driven by mutual aid revenues.

Operating Expenses

Operating expenses increased $19 million (5.6%), compared to fiscal year 2019. Maintenance and other expenses increased $15 million due to a $5 million increase in compensation and benefits, a $4 million increase in professional services, a $2 million increase in interlocal payments, a $2 million increase in maintenance, a $1 million increase in insurance costs, and a $1 million increase in industrial services. Depreciation expense increased $8 million due to an increase in the depreciable base. Recognition of deferred costs and revenues, net decreased $4 million due to a decrease in environmental projects paid from the rate stabilization fund.

District Energy System

Operating Revenues

Operating revenues remained flat when compared to fiscal year 2019 at $9 million.

Operating Expenses

Operating expenses remained flat when compared to fiscal year 2019 at $7 million.

Management's Discussion and Analysis (continued)

Nonoperating Revenues and Expenses

There was a decrease of approximately $16 million (14.8%) in total nonoperating expenses, net over the prior year. Detailed below are the drivers.

	FY 2020 *(in millions)*
Changes in nonoperating expenses, net	
Decrease in interest on debt	$ 34
Decrease in investment income	(14)
Decrease in investment gains – fair value adjustments	(10)
Increase in allowance for funds used during construction	6
Decrease in customer deposit interest	2
Decrease in other nonoperating income - timber	(2)
Total change in nonoperating expenses, net	$ 16

Capital Assets and Debt Administration for Fiscal Years 2021 and 2020

Capital Assets

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

	Total Investment		Additions	
(Dollars in millions)	**September 30, 2021**	**September 30, 2020**	**FY 2021**	**FY 2020**
Electric Enterprise	$ 2,618	$ 2,684	$ 152	$ 203
Water and Sewer Enterprise	2,824	2,793	200	197
District Energy System	34	34	3	4
Total	$ 5,476	$ 5,511	$ 355	$ 404

Under the utility basis methodology for rate setting, the depreciation of contributed assets is not included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the contributed assets will be expensed in capital contributions as a reduction of plant cost through contributions. During fiscal year 2021, $3 million of contributed capital related to the Electric System and $51 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2020, $2 million of contributed capital related to the Electric System and $75 million related to Water and Sewer System was recorded as a reduction of plant cost through contributions.

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

Management's Discussion and Analysis (continued)

Debt Administration

Debt outstanding at September 30, 2021 was $3,000 million, a decrease of approximately $257 million from the prior fiscal year. This decrease was due to defeasance of principal of $316 million, scheduled principal payments of $103 million, and $5 million in revolving credit agreement repayments, being partially offset by new debt issued of $167 million.

Debt outstanding at September 30, 2020, was $3,257 million, a decrease of approximately $364 million from the prior fiscal year. This decrease was due to defeasance of principal of $523 million and scheduled principal payments of $193 million, being partially offset by new debt issued of $352 million.

JEA's debt ratings on its long-term debt remained unchanged from fiscal year 2020. JEA's outlooks on its long-term debt per Moody's remained unchanged from fiscal year 2020. On June 28, 2021, Standard & Poor's raised its outlook on the W&S and DES bonds to stable from developing and Fitch raised its outlook on the W&S and DES bonds to positive from stable. All ratings and outlooks as of September 30, 2021 are detailed below.

	Moody's		Standard & Poor's		Fitch	
	Rating	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
JEA Electric System						
Senior	A2	positive	A+	negative	AA	stable
Subordinated	A3	positive	A	negative	AA	stable
Scherer	A2	positive	A+	negative	AA	stable
SJRPP	A2	positive	A+	negative	AA	stable
W&S						
Senior	Aa3	stable	AA+	stable	AA	positive
Subordinated	Aa3	stable	AA	stable	AA	positive
DES	A1	stable	AA	stable	AA	positive

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

Setting of Rates

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval. At the June 2021 meeting, the Board approved the FY22 Budget which included a Fuel Charge decrease to $30.50/MWh, effective October 1, 2021. At the August 2021 meeting, the Board approved the following rate changes, also effective October 1, 2021:

- Increase the Energy Rate for all customers
- Extension of the Economic Development Riders
- Removal of the JEA Residential Demand Rate
- Increase Plant Capacity, Tap, and Meter Fees
- Increase the ≥ 10" meters Commercial Volume Charge

Management's Discussion and Analysis (continued)

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

SJRPP Pension Trust Fund for Fiscal Years 2021 and 2020

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

	2021	2020	2019
		(in thousands)	
Condensed Statement of Fiduciary Net Position			
Total assets	$ 190,477	$ 170,038	$ 162,071
Total liabilities	383	56	58
Fiduciary net position available for benefits	$ 190,094	$ 169,982	$ 162,013
Condensed Statement of Changes in Fiduciary Net Position			
Total contributions	$ 15	$ 13,326	$ 18
Net investment earnings	33,731	7,877	4,610
Total additions to fiduciary net position	33,746	21,203	4,628
Total deductions from fiduciary net position	13,634	13,234	13,280
Net change in fiduciary net position	$ 20,112	$ 7,969	$ (8,652)

2021 compared to 2020

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

Total contributions decreased as there were no employer contributions during fiscal year 2021. Net investment income increased due to a much improved market performance as compared to the prior year.

2020 compared to 2019

Total assets increased due to an increase in investment values as a result of market conditions.

Total contributions increased due to employer contributions made during fiscal year 2020. Net investment income increased due to improved market performance as compared to the prior year.

Requests for Information

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

Audited Financial Statements

JEA

Statements of Net Position
(In Thousands)

	September 2021	September 2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 350,495**	$ 387,148
Investments	**4,140**	3,107
Customer accounts receivable, net of allowance ($3,155 for 2021 and $3,864 for 2020)	**221,348**	219,814
Inventories:		
Materials and supplies	**62,796**	61,663
Fuel	**32,911**	37,822
Other current assets	**24,434**	18,400
Total current assets	**696,124**	727,954
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**362,618**	253,984
Investments	**269,820**	311,130
Accounts and interest receivable	**240**	1,071
Total restricted assets	**632,678**	566,185
Costs to be recovered from future revenues	**881,949**	852,314
Hedging derivative instruments	**150,453**	11,944
Other assets	**22,939**	18,241
Total noncurrent assets	**1,688,019**	1,448,684
Net capital assets	**5,476,493**	5,511,175
Total assets	**7,860,636**	7,687,813
Deferred outflows of resources		
Unrealized pension contributions and losses	**157,296**	143,881
Accumulated decrease in fair value of hedging derivatives	**129,355**	179,286
Unamortized deferred losses on refundings	**89,729**	100,314
Unrealized asset retirement obligations	**37,669**	35,241
Unrealized OPEB contributions and losses	**7,302**	9,406
Total deferred outflows of resources	**421,351**	468,128
Total assets and deferred outflows of resources	**$ 8,281,987**	$ 8,155,941

See accompanying notes to financial statements.

JEA

Statements of Net Position (continued)
(In Thousands)

	September 2021	September 2020
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	**$ 76,702**	$ 66,622
Customer deposits and prepayments	**75,030**	71,304
Billings on behalf of state and local governments	**26,006**	26,005
Compensation and benefits payable	**13,361**	14,599
City of Jacksonville payable	**10,193**	10,255
Asset retirement obligations	**3,307**	4,136
Total current liabilities	**204,599**	192,921
Current liabilities payable from restricted assets:		
Debt due within one year	**91,535**	102,700
Interest payable	**51,454**	52,856
Construction contracts and accounts payable	**45,466**	46,977
Renewal and replacement reserve	**32,776**	37,910
Total current liabilities payable from restricted assets	**221,231**	240,443
Noncurrent liabilities:		
Long-term debt:		
Debt payable, less current portion	**2,908,175**	3,154,590
Unamortized premium, net	**194,070**	174,205
Fair value of debt management strategy instruments	**129,355**	177,288
Total long-term debt	**3,231,600**	3,506,083
Net pension liability	**729,569**	641,086
Asset retirement obligations	**34,362**	31,105
Compensation and benefits payable	**33,433**	31,342
Net OPEB liability	**5,136**	10,091
Other liabilities	**18,338**	20,556
Total noncurrent liabilities	**4,052,438**	4,240,263
Total liabilities	**4,478,268**	4,673,627
Deferred inflows of resources		
Revenues to be used for future costs	**156,814**	206,782
Accumulated increase in fair value of hedging derivatives	**150,453**	11,944
Unrealized OPEB gains	**14,725**	15,294
Unrealized pension gains	**14,273**	24,304
Total deferred inflows of resources	**336,265**	258,324
Net position		
Net investment in capital assets	**2,696,104**	2,532,627
Restricted for:		
Capital projects	**296,059**	204,554
Debt service	**90,423**	101,558
Other purposes	**44,774**	48,918
Unrestricted	**340,094**	336,333
Total net position	**3,467,454**	3,223,990
Total liabilities, deferred inflows of resources, and net position	**$ 8,281,987**	$ 8,155,941

See accompanying notes to financial statements.

JEA

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

	September 2021	September 2020
Operating revenues		
Electric	**$ 1,267,227**	$ 1,203,688
Water and sewer	**456,433**	469,914
District energy system	**7,704**	8,235
Other operating revenues	**37,269**	32,621
Total operating revenues	**1,768,633**	1,714,458
Operating expenses		
Operations and maintenance:		
Maintenance and other operating expenses	**387,288**	422,925
Fuel	**364,074**	290,965
Purchased power	**111,387**	85,046
Depreciation	**391,715**	365,146
State utility and franchise taxes	**70,966**	69,769
Recognition of deferred costs and revenues, net	**30,718**	28,619
Total operating expenses	**1,356,148**	1,262,470
Operating income	**412,485**	451,988
Nonoperating revenues (expenses)		
Interest on debt	**(120,911)**	(141,213)
Earnings from The Energy Authority	**15,378**	2,848
Allowance for funds used during construction	**9,305**	19,713
Other nonoperating income, net	**4,796**	7,370
Investment income	**2,165**	15,721
Other interest, net	**(23)**	666
Total nonoperating expenses, net	**(89,290)**	(94,895)
Income before contributions	**323,195**	357,093
Contributions (to) from		
General Fund, City of Jacksonville, Florida	**(120,012)**	(118,824)
Developers and other	**94,580**	109,546
Reduction of plant cost through contributions	**(54,299)**	(76,558)
Total contributions, net	**(79,731)**	(85,836)
Change in net position	**243,464**	271,257
Net position, beginning of year	**3,223,990**	2,952,733
Net position, end of year	**$ 3,467,454**	$ 3,223,990

See accompanying notes to financial statements.

JEA

Statements of Cash Flows
(In Thousands)

	September 2021	September 2020
Operating activities		
Receipts from customers	**$ 1,682,405**	$ 1,652,824
Payments to suppliers	**(691,655)**	(611,378)
Payments for salaries and benefits	**(238,024)**	(262,228)
Other operating activities	**37,953**	37,557
Net cash provided by operating activities	**790,679**	816,775
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(119,913)**	(118,726)
Net cash used in noncapital and related financing activities	**(119,913)**	(118,726)
Capital and related financing activities		
Acquisition and construction of capital assets	**(352,653)**	(409,139)
Defeasance of debt	**(316,255)**	(523,050)
Proceeds received from debt	**166,375**	352,260
Interest paid on debt	**(133,894)**	(154,096)
Repayment of debt principal	**(102,700)**	(192,555)
Capital contributions	**40,281**	32,988
Revolving credit agreement repayments	**(5,000)**	-
Other capital financing activities	**51,178**	69,890
Net cash used in capital and related financing activities	**(652,668)**	(823,702)
Investing activities		
Proceeds from sale and maturity of investments	**325,679**	339,818
Purchase of investments	**(289,935)**	(268,366)
Distributions from The Energy Authority	**10,848**	1,945
Investment income	**7,291**	13,166
Net cash provided by investing activities	**53,883**	86,563
Net change in cash and cash equivalents	**71,981**	(39,090)
Cash and cash equivalents at beginning of year	**641,132**	680,222
Cash and cash equivalents at end of year	**$ 713,113**	$ 641,132
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 412,485**	$ 451,988
Adjustments:		
Depreciation and amortization	**392,827**	366,311
Recognition of deferred costs and revenues, net	**30,718**	28,619
Other nonoperating income, net	**56**	1,039
Changes in noncash assets and noncash liabilities:		
Accounts receivable	**(1,756)**	7,518
Inventories	**3,778**	(9,626)
Other assets	**(4,652)**	3,861
Accounts and accrued expenses payable	**7,624**	8,266
Current liabilities payable from restricted assets	**(4,978)**	(7,339)
Other noncurrent liabilities and deferred inflows	**(45,423)**	(33,862)
Net cash provided by operating activities	**$ 790,679**	$ 816,775
Noncash activity		
Contribution of capital assets from developers	**$ 54,299**	$ 76,558
Unrealized investment fair market value changes, net	**$ (4,534)**	$ 3,041

See accompanying notes to financial statements.

JEA

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

	September 2021	September 2020
Assets		
Cash and cash equivalents	**$ 11,110**	$ 3,273
Receivables:		
Interest and dividends	**425**	421
Sale of investments	**14**	104
Employee	**1**	68
Employer	**-**	1
Total receivables	**440**	594
Investments at fair value:		
Bonds and notes	**67,322**	67,509
Common stock	**57,236**	45,736
Mutual funds	**54,369**	52,926
Total investments	**178,927**	166,171
Total assets	**$ 190,477**	$ 170,038
Liabilities		
Accounts payable and other liabilities	**$ 383**	$ 56
Net position		
Restricted for pensions	**190,094**	169,982
Total liabilities and net position	**$ 190,477**	$ 170,038

See accompanying notes to financial statements.

JEA

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

	September 2021	September 2020
Additions		
Contributions:		
Employer	**$ -**	$ 13,307
Members	**15**	19
Total contributions	**15**	13,326
Investment earnings:		
Net gains (losses)	**31,424**	5,494
Interest, dividends, and other	**2,858**	2,855
Total investment earnings	**34,282**	8,349
Less investment activity costs	**(551)**	(472)
Net investment earnings	**33,731**	7,877
Total additions	**33,746**	21,203
Deductions		
Benefits paid to participants or beneficiaries	**13,540**	13,148
Administrative expense	**94**	86
Total deductions	**13,634**	13,234
Net change in fiduciary net position	**20,112**	7,969
Net position, beginning of year	**169,982**	162,013
Net position, end of year	**$ 190,094**	$ 169,982

See accompanying notes to financial statements.

JEA

Notes to Financial Statements
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA is currently organized into three enterprise funds – Electric Enterprise, Water and Sewer, and District Energy System (DES). Electric Enterprise is comprised of the Electric System; the Bulk Power Supply System (Scherer), which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company (Georgia Power) and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which is jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). Water and Sewer consists of water and sewer system activities. DES consists of chilled water activities. Separate accounting records are currently maintained for each system. These financial statements include JEA's ownership interest in Scherer. The following information relates to JEA's ownership interest in Scherer as of September 30, 2021 and 2020:

	2021	2020
Inventories	**$ 2,477**	$ 6,590
Other current assets	**24**	320
Costs to be recovered from future revenues	**608**	940
Net capital assets	**110,434**	118,821
Unrealized asset retirement obligations	**37,601**	32,368
Unamortized deferred losses on refundings	**757**	801
Current portion of asset retirement obligations	**3,239**	1,263
Accounts and accrued expenses payable	**999**	991
Debt due within one year	**7,080**	6,975
Interest payable	**1,749**	1,858
Long-term portion of asset retirement obligations	**34,362**	31,105
Long-term debt	**74,414**	81,461
Revenues to be used for future costs	**28,102**	29,784

The funds are governed by the JEA Board of Directors (Board). The Board is responsible for setting rates based on operating and maintenance expenses and depreciation of the operations. The operations of Scherer and SJRPP are subject to joint ownership agreements and rates are established on a cost-of-service basis, including operating and maintenance expenses and debt service. See note 1(t), Setting of rates.

JEA

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

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

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

(b) Basis of Accounting

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

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

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

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

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

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 statements of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amounts transferred to and/or from stabilization funds. Discounts and allowances totaled $32,526 in fiscal year 2021 and $35,895 in 2020. JEA withdrew the net amount of $50,942 in fiscal year 2021 and $33,510 in 2020 from stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $73,489 in fiscal year 2021 and $74,566 in 2020.

(d) Capital Assets

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

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

(e) Allowance for Funds Used During Construction

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

Average AFUDC Rate (%)	**2021**	**2020**
Electric Enterprise Fund	**4.3%**	4.3%
Water and Sewer Fund	**4.1%**	4.2%
District Energy System	**4.0%**	3.9%

JEA

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

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

The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was $120,911 for fiscal year 2021 and $141,213 for 2020, of which $9,305 was capitalized in fiscal year 2021 and $19,713 was capitalized in 2020. Investment income on bond proceeds was $34 in fiscal year 2021 and $837 in 2020.

(f) Depreciation

Depreciation of capital assets is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. Depreciation begins on the date the assets are placed in service. Generally, recurring renewal and replacement capital additions are placed in service at the end of each fiscal year. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically. The latest depreciation study was completed during fiscal year 2019 and the rates for that study became effective in fiscal year 2020. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.19% and 3.08% for fiscal years 2021 and 2020, respectively. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

Average Depreciable Life *(Years)*	**2021**	**2020**
Electric Enterprise Fund	**23.7**	23.4
Water and Sewer Fund	**27.1**	27.3
District Energy System	**19.1**	22.7

(g) Amortization

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

(h) Losses on Refundings

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

JEA

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

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

(i) Investments

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

(j) Cash and Cash Equivalents

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

(k) Interest Rate Swap Agreements

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

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

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

During fiscal years 2021 and 2020, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section in note 8, Long-Term Debt, for more information on JEA's debt management interest rate swap program.

JEA

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

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

(l) Inventory

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

(m) Energy Market Risk Management Program

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

(n) Capital Contributions

Capital contributions represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statement of revenues, expenses, and changes in net position at the time of receipt. Assets received are recorded as contributions from developers and others at acquisition cost. Corresponding expenses of $54,299 and $76,558 were recorded in fiscal years 2021 and 2020 to recognize the costs of the assets since it will not be included in revenue requirements charged to customers in the future.

(o) Pension

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

JEA

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

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

Basis of Accounting – The pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contribution, benefit payments and refunds are recognized when due and payable in accordance with the terms of the plans. Florida law and the Florida Division of Retirement require plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll or in dollars. The Florida Division of Retirement reviews and approves the GERP actuarial report to ensure compliance with actuarial standards. The SJRPP Plan is governed by a three-member Pension Committee 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, *Accounting for Compensated Absences* (GASB 16), the amount reflected as the current portion is estimated based upon historical trends of retirements and attrition.

This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB 16.

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

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, 2021 is $37,195. Of this amount, $3,762 is included in compensation and benefits payable under current liabilities on the accompanying statement of net position. The remaining balance of $33,433 is included in compensation and benefits payable in noncurrent liabilities on the accompanying statement of net position. During fiscal year 2021, annual leave earned totaled $24,247 and annual leave taken totaled $22,478. The compensated absence liability as of September 30, 2020 was $35,402. Of this amount, $4,060 was included in compensation and benefits payable under current liabilities on the accompanying statements of net position. The remaining balance of $31,342 was included in compensation and benefits payable in noncurrent liabilities on the accompanying statements of net position. During fiscal year 2020, annual leave earned totaled $23,492 and annual leave taken totaled $20,243.

(q) Pollution Remediation Obligations

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

(r) Asset Retirement Obligations

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

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

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

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

JEA

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

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

(t) Setting of Rates

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval. At the June 2021 meeting, the Board approved the FY22 Budget which included a Fuel Charge decrease to $30.50/MWh, effective October 1, 2021. At the August 2021 meeting, the Board approved the following rate changes, also effective October 1, 2021:

- Increase the Energy Rate for all customers
- Extension of the Economic Development Riders
- Removal of the JEA Residential Demand Rate
- Increase Plant Capacity, Tap, and Meter Fees
- Increase the ≥ 10” meters Commercial Volume Charge

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.

(u) Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

(v) Pervasiveness of Estimates

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

JEA

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

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

(w) Newly Adopted Standards for Fiscal Year 2021

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for JEA in fiscal year 2021. As a result of this standard, JEA included fiduciary fund financial statements for the SJRPP Pension Trust Fund and related disclosures in these financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for JEA in fiscal year 2021. The implementation of this statement did not have an impact on JEA's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. The removal of LIBOR as an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt is effective for JEA in fiscal year 2022 while all other requirements of this statement were effective for JEA for fiscal year 2021. The implementation of the fiscal year 2021 requirements for this statement did not have an impact on JEA's financial statements.

(x) Recently Issued Accounting Pronouncements Not Yet Effective

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for JEA in fiscal year 2022. The impact on JEA's financial reporting has not been determined.

JEA

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

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

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. However, GASB allows those entities meeting the criteria for regulated operations, and electing to apply the related provisions of Statement 62, to continue to capitalize qualifying interest cost as a regulatory asset. This statement is effective for JEA in fiscal year 2022. The implementation of this statement is not expected to have an impact on JEA's financial statements.

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Some requirements were effective for fiscal year 2020, while the remaining requirements are effective for JEA in fiscal year 2022. The implementation of this statement is not expected to have an impact on JEA's financial statements.

GASB 93 requires the removal of LIBOR as an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt, effective for JEA in fiscal year 2022. The taxable debt of JEA is fixed rate debt and, as such, the implementation of this portion of the statement will not have an impact on JEA's financial statements.

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

JEA

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

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

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

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

2. Regulatory Deferrals

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

Regulatory Assets

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

Regulatory Assets	2021	2020
Unfunded pension costs	**$ 589,355**	$ 527,330
SJRPP and Bulk Power cost to be recovered	**218,458**	232,605
Environmental projects	**45,616**	59,872
Unfunded OPEB costs	**12,559**	15,979
Debt issue costs	**9,003**	7,918
Storm costs to be recovered	**6,958**	8,610
Total regulatory assets	**$ 881,949**	$ 852,314

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

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

SJRPP and Bulk Power costs to be recovered – SJRPP deferred debt-related costs of $218,458 at September 30, 2021 and $232,335 at September 30, 2020 are the result of differences between expenses in determining rates and those used in financial reporting. During fiscal year 2018, operations of SJRPP, as generating facility, ceased and the majority of the assets were dismantled. As of September 30, 2021, SJRPP has remaining plant in service assets of $8,914 and outstanding debt of $251,765. The details relating to the shutdown of SJRPP are further discussed in the St. Johns River Power Park section of note 3, Asset Retirement Obligations. The JEA board approved the deferral of this regulatory asset. SJRPP has a contract with the JEA Electric System to recover these costs from future revenues that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. The Bulk Power Supply System deferred debt-related costs were $0 at September 30, 2021 and $270 at September 30, 2020. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation. The Bulk Power Supply System will recover these costs from future revenues that will coincide with the retirement of long-term debt.

Environmental Projects – The Board approved the recovery of previously approved water environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was $101,277 of which $34,205 and $42,756 remained unrecovered as of September 30, 2021 and 2020, respectively. This deferral is being amortized over ten years. The Board also approved the recovery of previously approved electric environmental capital projects that had not been collected through the environmental surcharge over a five-year period beginning October 1, 2018. The amount approved for recovery and transferred out of capital assets was $28,527 of which $11,411 and $17,116 remained unrecovered as of September 30, 2021 and 2020. This deferral is being amortized over five years.

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

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

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

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

Regulatory Liabilities

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

Regulatory Liabilities	**2021**	**2020**
Environmental	**$ 49,833**	$ 45,190
Fuel stabilization	**41,767**	73,347
Bulk Power revenues to be used for future costs	**28,102**	29,784
Self-insurance medical reserve	**14,272**	10,890
Nonfuel purchased power	**10,513**	36,326
Customer benefit stabilization	**7,233**	5,424
Excess pension contributions	**5,094**	5,821
Total regulatory liabilities	**$ 156,814**	$ 206,782

Environmental – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt-hour and water customer kilogallon sales. Electric costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Water costs included in the surcharge include operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or over-collected are recorded as a regulatory asset or liability.

The changes in the environmental regulatory liability for the years ended September 30, 2021 and 2020 are as follows:

Environmental	**2021**	**2020**
Beginning balance	**$ 45,190**	$ 41,319
Surcharge revenue	**32,696**	33,146
Prior capital projects cost recovery	**(14,257)**	(14,257)
Capital projects	**(12,512)**	(11,038)
Operations and maintenance projects	**(1,284)**	(3,980)
Ending balance	**$ 49,833**	$ 45,190

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

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. Net expense incurred in excess of the revenue collected and recognized as a reduction of the regulatory liability during fiscal year 2021 was $31,580. Net revenue collected in excess of expense incurred and recognized as an addition to the regulatory liability during fiscal year 2020 was $26,194.

Bulk Power revenues to be used for future costs – This amount represents Bulk Power Supply System early debt principal paid in excess of straight-line depreciation.

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

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

The changes in the self-insurance medical reserve for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Beginning balance	**$ 10,890**	$ 11,210
Contributions	**30,599**	30,027
Incurred claims	**(27,217)**	(30,347)
Ending balance	**$ 14,272**	$ 10,890

Nonfuel purchased power – JEA entered into a power purchase agreement related to the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia (Plant Vogtle). This agreement is discussed in further detail in note 10, Fuel Purchase and Purchased Power Commitments. Related to that agreement, the JEA Board approved a nonfuel purchased power stabilization fund to balance the timing of the payments for Plant Vogtle's debt service with the anticipated in service date. It may be used for other purposes with the Board's approval. The amounts included in the fund are to be used for Plant Vogtle or refunded to customers if not needed. No deposits were made to the stabilization fund for fiscal years 2021 and 2020.

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.

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

3. Asset Retirement Obligations

Scherer

On November 24, 2020, JEA executed a retirement agreement with FPL, setting forth the terms and conditions of the Plant Scherer closure as of January 1, 2022. On that same date, JEA also executed the FPL PPA and a related 10-year natural gas hedge. The obligation of JEA to retire Plant Scherer is subject to FPL having performed and complied in all material respects with the agreement including remittance of the $100,000 consummation payment to be used by JEA in its discretion to pay for JEA's costs in completing the retirement of Unit No. 4, including, but not limited to, the defeasance of the outstanding bonds. FPL may also, at any time before the retirement date, terminate the retirement agreement if the Florida Public Service Commission (FPSC) does not issue an order that allows FPL's proposed cost recovery plan for the consummation payment. FPL filed with the FPSC for approval in March 2021 and received approval on October 26, 2021 (see note 18, Subsequent Events for more information).

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

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

At September 30, 2021, the total amount of the AROs at Scherer are $636,226, with JEA's minority share being $37,601. Of the total liability, $3,239 is recorded in asset retirement obligations in current liabilities and $34,362 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of $37,601, which is recorded in deferred outflows of resources.

JEA

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

3. Asset Retirement Obligations (continued)

At September 30, 2020, the total amount of the AROs at Scherer are $547,683, with JEA's minority share being $32,368. Of the total liability, $1,263 is recorded in asset retirement obligations in current liabilities and $31,105 in asset retirement obligations in noncurrent liabilities on the statement of net position. These amounts are offset by the unrealized asset retirement obligation of $32,368, which is recorded in deferred outflows of resources.

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

St. Johns River Power Park

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

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

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

FPL conveyed their 20% undivided ownership of plant in service assets to JEA. The retained plant in service assets were recorded at fair value. In addition, FPL will convey their 20% undivided ownership interest in the SJRPP site to JEA upon completion of dismantlement and environmental remediation. Under a service management agreement, FPL will pay 20% of the dismantlement and remediation costs incurred. Dismantlement and remediation is expected to be complete by January 2022. Monitoring of the site will continue for thirty years subsequent to the completion date. JEA's share of the estimated cost for dismantlement and remediation remaining is approximately $68 is recorded in current portion of asset retirement obligations and is offset by the separate line item, unrealized asset retirement obligation, in the statement of net position. Currently, JEA does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on the site until completion of future environmental studies. In addition, conditions that are currently unknown could result in additional exposure, the amount and materiality of which cannot presently be reasonably estimated. Based upon information currently available, however, JEA believes its ARO accurately reflects the estimated cost of remedial actions currently required.

JEA

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

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2021 and 2020:

	September 30, 2021				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	**$ 183,800**	**$ 32,998**	**$ 97,073**	**$ 634**	**$ 314,505**
Sinking Fund	**89,817**	**19,489**	**30,006**	**2,397**	**141,709**
Debt Service Reserve Fund	**55,844**	**10,098**	**55,665**	**–**	**121,607**
Revenue Fund	**–**	**29,871**	**–**	**–**	**29,871**
Construction Fund	**286**	**–**	**14,266**	**–**	**14,552**
Adjustment to fair value of investments	**2,977**	**72**	**4,184**	**–**	**7,233**
Environmental Fund	**83**	**–**	**3,118**	**–**	**3,201**
Total	**$ 332,807**	**$ 92,528**	**$ 204,312**	**$ 3,031**	**$ 632,678**

	September 30, 2020				
	Electric	SJRPP	Water and Sewer	DES	Total
Renewal and Replacement Fund	$ 138,696	$ 37,910	$ 38,138	$ 1,868	$ 216,612
Sinking Fund	91,358	18,928	41,660	2,373	154,319
Debt Service Reserve Fund	55,844	10,555	58,228	–	124,627
Revenue Fund	–	32,062	–	–	32,062
Construction Fund	311	–	25,541	–	25,852
Adjustment to fair value of investments	5,772	101	5,890	–	11,763
Environmental Fund	301	–	649	–	950
Total	$ 292,282	$ 99,556	$ 170,106	$ 4,241	$ 566,185

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

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

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

JEA

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

5. Cash and Investments

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

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

At September 30, 2021 and 2020, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2021	2020
Securities:		
Money market mutual funds	**$ 331,417**	$ 248,983
Local government investment pool	**168,799**	181,891
Commercial paper	**117,378**	63,765
State and local government securities	**113,483**	140,950
U.S. Treasury and government agency securities	**43,860**	110,875
Total securities, at fair value	**$ 774,937**	$ 746,464

These securities are held in the following accounts:

	2021	2020
Current assets:		
Cash and cash equivalents	**$ 350,495**	$ 387,148
Investments	**4,140**	3,107
Restricted assets:		
Cash and cash equivalents	**362,618**	253,984
Investments	**269,820**	311,130
Total cash and investments	**987,073**	955,369
Less: cash on deposit	**(212,896)**	(210,257)
Plus: interest due on securities	**760**	1,352
Total securities, at fair value	**$ 774,937**	$ 746,464

JEA

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

5. Cash and Investments (continued)

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2021, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Puttable securities are presented as investments with a maturity of less than one year.

The maturity distribution of the investments held at September 30, 2021 is listed below.

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
Money market mutual funds	$ 331,417	$ –	$ –	$ –	$ 331,417
Local government investment pools	168,799	–	–	–	168,799
State and local government securities	23,245	9,940	41,423	38,875	113,483
U.S. Treasury and government agency securities	4,291	39,569	–	–	43,860
Commercial paper	117,378	–	–	–	117,378
Total securities, at fair value	$ 645,130	$ 49,509	$ 41,423	$ 38,875	$ 774,937

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.

JEA

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

5. Cash and Investments (continued)

Credit Risk – JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the Florida Statutes and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; (2) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S., or the governments of Canada or Canadian provinces and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2021, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. In addition, JEA's investment policy limits the commercial paper investment in any one issuer to $12,500 as well as limits investments in commercial paper to 25% of the total cash and investment portfolio, regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2021, JEA had 15.1% 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.

Concentration of Credit Risk – As of September 30, 2021, investments in any one issuer representing 5% or more of JEA's investments included $43,860 (5.7%) invested in issues of the Federal Home Loan 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, 2021, 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, 2021 is as follows:

	Balance September 30, 2020	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2021
Electric Enterprise Fund:					
Generation assets	$ 3,853,169	$ –	$ (1,003)	$ 20,913	$ 3,873,079
Transmission assets	645,784	–	(3,635)	36,772	678,921
Distribution assets	2,132,333	–	(6,122)	113,975	2,240,186
Other assets	520,644	–	(2,886)	13,850	531,608
Total capital assets	7,151,930	–	(13,646)	185,510	7,323,794
Less: accumulated depreciation and amortization	(4,752,821)	(218,423)	13,646	–	(4,957,598)
Land	130,408	–	–	1,088	131,496
Construction work-in-process	154,702	152,034	–	(186,598)	120,138
Net capital assets	2,684,219	(66,389)	–	–	2,617,830
Water and Sewer Fund:					
Pumping assets	597,500	–	(5,726)	56,950	648,724
Treatment assets	803,698	–	(3,010)	8,503	809,191
Transmission and distribution assets	1,298,283	–	(79)	34,374	1,332,578
Collection assets	1,598,138	–	(15)	6,904	1,605,027
Reclaimed water assets	158,868	–	(7)	4,748	163,609
General and other assets	456,506	–	(1,429)	16,646	471,723
Total capital assets	4,912,993	–	(10,266)	128,125	5,030,852
Less: accumulated depreciation	(2,379,631)	(167,412)	10,266	4,189	(2,532,588)
Land	83,459	–	(5,155)	798	79,102
Construction work-in-process	175,783	200,068	–	(128,923)	246,928
Net capital assets	2,792,604	32,656	(5,155)	4,189	2,824,294
District Energy System:					
Chilled water plant assets	59,530	–	–	1,328	60,858
Total capital assets	59,530	–	–	1,328	60,858
Less: accumulated depreciation	(29,255)	(2,586)	–	–	(31,841)
Land	3,051	–	–	–	3,051
Construction work-in process	1,026	2,603	–	(1,328)	2,301
Net capital assets	34,352	17	–	–	34,369
Total	$ 5,511,175	$ (33,716)	$ (5,155)	$ 4,189	$ 5,476,493

JEA

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

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2020 is as follows:

	Balance September 30, 2019	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2020
Electric Enterprise Fund:					
Generation assets	$ 3,798,017	$ –	$ (5,530)	$ 60,682	$ 3,853,169
Transmission assets	593,911	–	(20)	51,893	645,784
Distribution assets	2,050,306	–	(4,980)	87,007	2,132,333
Other assets	472,398	–	(5,380)	53,626	520,644
Total capital assets	6,914,632	–	(15,910)	253,208	7,151,930
Less: accumulated depreciation and amortization	(4,565,606)	(203,125)	15,910	–	(4,752,821)
Land	131,117	–	–	(709)	130,408
Construction work-in-process	203,901	203,300	–	(252,499)	154,702
Net capital assets	2,684,044	175	–	–	2,684,219
Water and Sewer Fund:					
Pumping assets	561,875	–	(5,070)	40,695	597,500
Treatment assets	681,301	–	(6,220)	128,617	803,698
Transmission and distribution assets	1,254,028	–	(72)	44,327	1,298,283
Collection assets	1,532,283	–	(291)	66,146	1,598,138
Reclaimed water assets	138,843	–	–	20,025	158,868
General and other assets	423,761	–	(3,406)	36,151	456,506
Total capital assets	4,592,091	–	(15,059)	335,961	4,912,993
Less: accumulated depreciation	(2,242,977)	(155,902)	15,059	4,189	(2,379,631)
Land	61,293	–	(633)	22,799	83,459
Construction work-in-process	337,716	196,828	–	(358,761)	175,783
Net capital assets	2,748,123	40,926	(633)	4,188	2,792,604
District Energy System:					
Chilled water plant assets	57,150	–	(1,115)	3,495	59,530
Total capital assets	57,150	–	(1,115)	3,495	59,530
Less: accumulated depreciation	(27,728)	(2,642)	1,115	–	(29,255)
Land	3,051	–	–	–	3,051
Construction work-in process	804	3,717	–	(3,495)	1,026
Net capital assets	33,277	1,075	–	–	34,352
Total	$ 5,465,444	$ 42,176	$ (633)	$ 4,188	$ 5,511,175

JEA

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

7. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida, with an ownership interest of 17.6%. TEA provides wholesale power marketing and resource management services to members (including JEA) and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists members (including JEA) and nonmembers with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were $15,378 in fiscal year 2021 and $2,848 in 2020 for all power marketing activities. JEA's distributions from TEA were $10,848 in fiscal year 2021 and $1,945 in 2020. The investment in TEA was $12,153 at September 30, 2021 and $8,619 at September 30, 2020 and is included in noncurrent assets on the accompanying statements of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2021 and 2020. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2021	**2020**
Condensed statement of net position:		
Current assets	**$ 329,376**	$ 155,621
Noncurrent assets	**35,937**	22,752
Total assets	**$ 365,313**	$ 178,373
Current liabilities	**$ 291,886**	$ 127,800
Noncurrent liabilities	**14,153**	275
Deferred inflows	**17,252**	-
Members' capital	**69,416**	50,298
Total liabilities and members' capital	**$ 392,707**	$ 178,373
Condensed statement of operations:		
Operating revenues	**$ 2,086,069**	$ 901,423
Operating expenses	**1,958,481**	852,836
Operating income	**$ 127,588**	$ 48,587
Net income	**$ 127,610**	$ 48,619

As of September 30, 2021, 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 $33,600, 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 because of JEA's withdrawal from membership in TEA, or such termination could cause JEA's membership in TEA to be terminated.

Under a separate agreement, TEA contracted with Southern Power Company ("Southern"), on JEA's behalf, for the purchase and sale of capacity and energy from Southern's Wansley plant located in Heard County, GA, covering the term from January 1, 2018 to December 31, 2019. In turn, JEA guaranteed the payment obligations in the agreement up to $9,000 as well as all reasonable fees and expenses of Southern's counsel in any way relating to the enforcement of Southern's rights under the agreement.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

8. Long-Term Debt

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

The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

JEA

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

8. Long-Term Debt (continued)

Below is the schedule of outstanding indebtedness for the fiscal years 2021 and 2020.

Long-Term Debt	Interest Rates(1)	Payment Dates	September 30 2021	September 30 2020
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.000%	2039	**$ 5**	$ 5
Series Three 2005B	4.750%	2033	**100**	100
Series Three 2008A(2)	Variable	2027-2036	**51,680**	51,680
Series Three 2008B-1(3)	Variable	2021-2040	**58,745**	59,195
Series Three 2008B-2(2)	Variable	2025-2040	**41,900**	41,900
Series Three 2008B-3(2)	Variable	2024-2036	**37,000**	37,000
Series Three 2008B-4(3)	Variable	2021-2036	**45,385**	48,585
Series Three 2008C-1(2)	Variable	2024-2034	**44,145**	44,145
Series Three 2008C-2(2)	Variable	2024-2034	**43,900**	43,900
Series Three 2008C-3(2)	Variable	2030-2038	**25,000**	25,000
Series Three 2008D-1(3)	Variable	2021-2036	**100,675**	103,530
Series Three 2009D(4)	6.056%	2033-2044	**45,955**	45,955
Series Three 2010D	N/A	N/A	**–**	1,145
Series Three 2010E(4)	5.350-5.482%	2028-2040	**34,255**	34,255
Series Three 2012A	N/A	N/A	**–**	16,210
Series Three 2012B	N/A	N/A	**–**	2,050
Series Three 2013A	5.000%	2021-2022	**27,485**	39,880
Series Three 2013C	4.600-5.000%	2021-2029	**4,705**	8,855
Series Three 2015A	5.000%	2021	**1,555**	4,825
Series Three 2015B	5.000%	2030-2031	**4,535**	4,535
Series Three 2017B	3.375 - 5.000%	2026-2039	**198,095**	198,095
Series Three 2020A	3.000 - 5.000%	2026-2041	**129,255**	129,255
Series Three 2021A	4.000 - 5.000%	2033-2039	**10,385**	–
Total Electric System Senior Revenue Bonds			**904,760**	940,100

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[(1)]	Payment Dates	September 30 2021	September 30 2020
Electric System Subordinated Revenue Bonds:				
2000 Series A[(2)]	Variable	2021-2025	**$ 17,740**	$ 30,965
2000 Series F-1[(2)]	N/A	N/A	**–**	37,200
2000 Series F-2[(2)]	N/A	N/A	**–**	24,800
2008 Series D[(2)]	Variable	2024-2038	**39,455**	39,455
2009 Series F[(4)]	5.200 - 6.406%	2021-2034	**58,880**	60,605
2010 Series B	N/A	N/A	**–**	2,155
2010 Series D[(4)]	4.549 - 5.582%	2021-2027	**38,335**	39,345
2012 Series A	N/A	N/A	**–**	52,480
2012 Series B	N/A	N/A	**–**	1,060
2013 Series A	5.000%	2021-2029	**9,770**	12,660
2013 Series B	5.000%	2021-2022	**10,235**	13,225
2013 Series C	5.000%	2021-2037	**33,640**	36,975
2013 Series D	5.000%	2021	**5,485**	18,275
2014 Series A	5.000%	2021-2039	**41,420**	63,865
2017 Series B	3.375 - 5.000%	2026-2034	**142,065**	143,175
2020 Series A	4.000 - 5.000%	2028-2038	**92,415**	92,415
2021 Series A	4.000 - 5.000%	2029-2034	**34,175**	–
Total Electric System Subordinated Revenue Bonds			**523,615**	668,655
Bulk Power Supply System Revenue Bonds:				
Series 2010A[(4)]	5.050 - 5.920%	2021-2030	**29,510**	32,215
Series 2014A	2.250 - 4.125%	2021-2038	**52,375**	56,645
Total Bulk Power System Revenue Bonds			**81,885**	88,860
SJRPP System Revenue Bonds:				
Issue Three, Series One	4.500%	2037	**100**	100
Issue Three, Series Two	5.000%	2034-2037	**29,370**	29,370
Issue Three, Series Four[(4)]	4.750 - 5.450%	2021-2028	**17,085**	18,915
Issue Three, Series Six	2.375 - 5.000%	2021-2037	**77,940**	85,650
Issue Three, Series Seven	2.500 - 3.625%	2021-2033	**73,815**	75,380
Issue Three, Series Eight	2.250 - 4.000%	2021-2039	**53,455**	55,690
Total SJRPP System Revenue Bonds			**251,765**	265,105

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2021	September 30 2020
Water and Sewer System Senior Revenue Bonds:				
2006 Series B[5]	Variable	2021-2022	**$ 9,915**	$ 19,110
2008 Series A-2[2]	Variable	2028-2042	**51,820**	51,820
2008 Series B[2]	Variable	2023-2041	**85,290**	85,290
2010 Series A[4]	6.210 - 6.310%	2026-2044	**83,115**	83,115
2010 Series B	5.400 - 5.700%	2021-2025	**8,650**	10,380
2010 Series F[4]	4.150 - 5.887%	2021-2040	**38,665**	39,700
2012 Series A	N/A	N/A	**–**	152,105
2012 Series B	3.000 - 5.000%	2024-2034	**13,170**	13,170
2013 Series A	4.500 - 5.000%	2023-2027	**4,995**	4,995
2014 Series A	4.000 - 5.000%	2023-2040	**148,390**	154,000
2017 Series A	3.125 - 5.000%	2023-2041	**346,770**	346,770
2020 Series A	3.000 - 5.000%	2023-2040	**104,000**	104,000
2021 Series A	3.000 - 5.000%	2023-2041	**121,815**	–
Total Water and Sewer System Senior Revenue Bonds			**1,016,595**	1,064,455
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1[2]	Variable	2021-2038	**44,350**	46,650
Subordinated 2008 Series A-2[2]	Variable	2030-2038	**25,600**	25,600
Subordinated 2008 Series B-1[2]	Variable	2030-2036	**30,885**	30,885
Subordinated 2012 Series B	3.250 - 5.000%	2030-2034	**4,480**	4,480
Subordinated 2013 Series A	5.000%	2028-2029	**2,760**	2,760
Subordinated 2017 Series A	2.750 - 5.000%	2023-2034	**55,015**	55,015
Subordinated 2020 Series A	4.000 - 5.000%	2024-2040	**26,590**	26,590
Total Water and Sewer System Subordinated Revenue Bonds			**189,680**	191,980

JEA

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

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2021	September 30 2020
Water and Sewer System Other Subordinated Debt				
Revolving Credit Agreement	N/A	N/A	**$ –**	$ 5,000
Total Water and Sewer System Other Subordinated Debt			**–**	5,000
District Energy System:				
2013 Series A	2.694 - 4.538%	2021-2034	**31,410**	33,135
Total District Energy System			**31,410**	33,135
Total Debt Principal Outstanding			**2,999,710**	3,257,290
Less: Debt Due Within One Year			**(91,535)**	(102,700)
Total Long-Term Debt			**$ 2,908,175**	$ 3,154,590

(1) Interest rates apply only to bonds outstanding at September 30, 2021. Interest on the outstanding variable rate debt is based on either the daily mode, weekly mode, or the flexible mode, which resets in time increments ranging from 1 to 270 days. In addition, JEA has executed fixed-payer weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2021 and 2020.

(2) Variable rate demand obligations – interest rates ranged from 0.05% to 0.11% at September 30, 2021.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.55% at September 30, 2021.

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

(5) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 2.39% to 2.40% at September 30, 2021.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excluding the revolving credit agreement) for the year ended September 30, 2021 was as follows:

System	Debt Payable September 30, 2020	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2021	Current Portion of Debt Payable September 30, 2021
Electric:						
Revenue	$ 1,397,445	$ 44,560	$ (164,150)	$ (54,285)	$ 1,223,570	$ 50,545
Direct purchase	211,310	–	–	(6,505)	204,805	8,595
Total electric	1,608,755	44,560	(164,150)	(60,790)	1,428,375	59,140
Bulk Power Supply	88,860	–	–	(6,975)	81,885	7,080
SJRPP	265,105	–	–	(13,340)	251,765	14,175
Water and Sewer	1,256,435	121,815	(152,105)	(19,870)	1,206,275	9,370
DES	33,135	–	–	(1,725)	31,410	1,770
Total	$ 3,252,290	$ 166,375	$ (316,255)	$ (102,700)	$ 2,999,710	$ 91,535

Long-term debt activity (excluding the revolving credit agreement) for the year ended September 30, 2020 was as follows:

System	Debt Payable September 30, 2019	Par Amount of Debt Issued	Par Amount of Debt Refunded or Defeased	Scheduled Debt Principal Payments	Debt Payable September 30, 2020	Current Portion of Debt Payable September 30, 2020
Electric:						
Revenue	$ 1,609,345	$ 221,670	$ (320,935)	$ (112,635)	$ 1,397,445	$ 54,285
Direct purchase	214,905	–	–	(3,595)	211,310	6,505
Total electric	1,824,250	221,670	(320,935)	(116,230)	1,608,755	60,790
Bulk Power Supply	95,010	–	–	(6,150)	88,860	6,975
SJRPP	278,885	–	–	(13,780)	265,105	13,340
Water and Sewer	1,382,665	130,590	(202,115)	(54,705)	1,256,435	19,870
DES	34,825	–	–	(1,690)	33,135	1,725
Total	$ 3,615,635	$ 352,260	$ (523,050)	$ (192,555)	$ 3,252,290	$ 102,700

JEA

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

8. Long-Term Debt (continued)

The debt service payments to maturity on the outstanding debt as of September 30, 2021 are summarized below.

	Electric System Revenue		Electric System Direct Purchase		Bulk Power Supply System	
Fiscal Year	Principal	Interest(1)(2)	Principal	Interest(2)	Principal	Interest(1)
2022	$ 50,545	$ 43,155	$ 8,595	$ 1,023	$ 7,080	$ 3,386
2023	35,785	41,869	8,925	978	7,270	3,138
2024	8,830	40,932	7,950	936	7,485	2,868
2025	19,745	40,596	10,190	884	4,760	2,631
2026	26,020	40,048	10,605	829	4,280	2,425
2027–2031	329,270	166,942	76,620	3,033	26,025	8,591
2032–2036	433,510	97,096	56,285	1,221	13,830	3,760
2037–2041	296,150	25,590	25,635	168	11,155	743
2042–2045	23,715	2,290	–	–	–	–
Total	$ 1,223,570	$ 498,518	$ 204,805	$ 9,072	$ 81,885	$ 27,542

	SJRPP		Water and Sewer System		District Energy System		Total Debt
Fiscal Year	Principal	Interest(1)	Principal	Interest(1)(2)	Principal	Interest	Service
2022	$ 14,175	$ 9,602	$ 9,370	$ 42,855	$ 1,770	$ 1,230	$ 192,786
2023	15,285	9,002	9,850	44,280	1,815	1,179	179,376
2024	15,865	8,377	52,365	42,989	1,870	1,121	191,588
2025	16,445	7,710	55,675	40,576	1,930	1,058	202,200
2026	17,105	7,078	60,155	38,023	1,995	990	209,553
2027–2031	86,175	26,078	277,500	151,904	11,200	3,677	1,167,015
2032–2036	56,725	12,315	312,950	94,206	10,830	1,010	1,093,738
2037–2041	29,990	1,975	347,820	38,982	–	–	778,208
2042–2045	–	–	80,590	3,552	–	–	110,147
Total	$ 251,765	$ 82,137	$ 1,206,275	$ 497,367	$ 31,410	$ 10,265	$ 4,124,611

(1) The interest requirement reflects gross interest, prior to any 35% cash subsidy payments, on the Federally Taxable – Issuer Subsidy – Build America Bonds.

(2) The interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2021.

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	2022	2022	2022	2022	2023
Redemption price	100%	100%	100%	100%	100%

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

8. Long-Term Debt (continued)

JEA debt issued during fiscal year 2021 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 2021A	Refunding[1]	Senior	Jul 2021	$ 10,385	$ 13,750	$ 238
Electric	2021 Series A	Refunding[2]	Subordinated	Jul 2021	34,175	46,010	(30)
Water and Sewer	2021 Series A	Refunding[3]	Senior	Jul 2021	121,815	152,105	2,490
					$ 166,375	$ 211,865	$ 2,698

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $16,741 compared to prior debt service of $21,078 and $3,812 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $52,598 compared to prior debt service of $65,896 and $11,494 of net present value economic savings.

(3) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $187,119 compared to prior debt service of $242,496 and $46,194 of net present value economic savings.

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

	Authorization		
System	Senior	Subordinated	Expiration
Electric	$ 466,615	$ 236,825	December 31, 2022
SJRPP Issue Three	250,000	–	December 31, 2022
Water and Sewer	290,185	111,000	December 31, 2022

JEA

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

8. Long-Term Debt (continued)

Variable Rate Demand Obligations (VRDOs) – Liquidity Support

For the Electric System and the Water and Sewer System VRDOs appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2021, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period. Commitment fees range 0.42% to 0.68% with stated termination dates ranging from August 22, 2022 to March 19, 2024, unless otherwise extended.

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2021, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The commitment fee is 0.42% with a stated expiration date of December 1, 2023, unless otherwise extended.

JEA has entered into continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, Series Three 2008B-4, and Series Three 2008D-1 (collectively, the Direct Purchase Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchase Bonds for purchase for a period specified in the respective continuing covenant agreements, which period would be subject to renewal under certain conditions. Any Direct Purchase Bonds that were not purchased on the scheduled mandatory tender date that occurred, upon the expiration of such period, would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the scheduled mandatory tender date. The continuing covenant agreements specify certain events of default that require immediate repayment of outstanding amounts and other events of default that require repayment of outstanding amounts if the event of default continues from 7 days to 180 days. During the years ended September 30, 2021 and 2020, JEA did not default on any terms of the continuing covenant agreements. The current expiration date of the continuing covenant agreements is December 10, 2021, unless otherwise extended. The interest rate is variable and set weekly based upon SIFMA plus 50 basis points.

JEA

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

8. Long-Term Debt (continued)

Revolving Credit Agreement

JEA has a revolving credit agreement with a commercial bank for an unsecured amount of $500,000. The revolving credit agreement may be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES for operating or capital expenditures. The revolving credit agreement specifies events of default that require immediate repayment of outstanding amounts. During the years ended September 30, 2021 and 2020, JEA did not default on any terms of the revolving credit agreement. During fiscal year 2021, the revolving credit agreement outstanding balance of $5,000 was repaid by the Water and Sewer System, with $500,000 available to be drawn as of September 30, 2021. The revolving credit agreement is scheduled to expire on May 24, 2024.

Debt Management Strategy

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

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

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

JEA

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

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2021, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 84,800	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	81,575	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	9,915	4.1%	Oct 2006	Oct 2021-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	$ 497,990				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2020, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 84,800	3.7%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	84,775	3.7%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	19,110	4.0-4.1%	Oct 2006	Oct 2020-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar 2007	Oct 2041	SIFMA
		$ 771,520	$ 510,385				

JEA

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

8. Long-Term Debt (continued)

The following table includes fiscal year 2021 and 2020 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, 2021		
System	Classification	Amount	Classification	Amount[1]	Notional
Electric	Deferred outflows	$ (36,855)	Fair value of debt management strategy instruments	$ (102,752)	$ 402,785
Water and Sewer	Deferred outflows	(11,078)	Fair value of debt management strategy instruments	(26,603)	95,205
Total		$ (47,933)		$ (129,355)	$ 497,990

	Changes in Fair Value		Fair Value at September 30, 2020		
System	Classification	Amount	Classification	Amount[1]	Notional
Electric	Deferred outflows	$ 20,986	Fair value of debt management strategy instruments	$ (139,607)	$ 405,985
Water and Sewer	Deferred outflows	6,415	Fair value of debt management strategy instruments	(37,681)	104,400
Total		$ 27,401		$ (177,288)	$ 510,385

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

For fiscal years ended September 30, 2021 and 2020, 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:

	2021	2020
68% of LIBOR Index:		
Notional amount outstanding	**$ 205,550**	$ 208,750
Variable rate received (weighted average)	**0.08%**	0.71%
Fixed rate paid (weighted average)	**3.69%**	3.69%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 282,525**	$ 282,525
Variable rate received (weighted average)	**0.06%**	0.83%
Fixed rate paid (weighted average)	**4.02%**	4.02%
CPI Index:		
Notional amount outstanding	**$ 9,915**	$ 19,100
Variable rate received (weighted average)	**2.19%**	3.14%
Fixed rate paid (weighted average)	**4.08%**	4.05%
Net debt management swap loss	**$ (18,811)**	$ (15,348)

JEA

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

8. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2021:

Electric System

Fiscal Year	Principal	Interest[(1)]	Net Swap Interest	Total
2022	$ 3,275	$ 879	$ 15,360	$ 19,514
2023	3,375	872	15,239	19,486
2024	5,400	862	15,043	21,305
2025	13,840	832	14,556	29,228
2026	19,205	789	13,835	33,829
2027–2031	160,355	2,981	52,179	215,515
2032–2036	117,495	1,285	22,712	141,492
2037–2040	79,840	175	3,285	83,300
Total	$ 402,785	$ 8,675	$ 152,209	$ 563,669

Water and Sewer System

Fiscal Year	Principal	Interest[(1)]	Net Swap Interest	Total
2022	$ 4,860	$ 205	$ 3,430	$ 8,495
2023	5,055	86	3,346	8,487
2024	4,035	24	3,161	7,220
2025	4,420	23	2,991	7,434
2026	4,525	22	2,816	7,363
2027–2031	6,045	104	13,078	19,227
2032–2036	13,280	92	11,648	25,020
2037–2041	41,900	47	6,108	48,055
2042	11,085	–	36	11,121
Total	$ 95,205	$ 603	$ 46,614	$ 142,422

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swaps was determined by using the interest rates that were in effect at the financial statement date of September 30, 2021. 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, 2021.

JEA

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

8. Long-Term Debt (continued)

Credit Risk – JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) "AAA"/"Aaa" by one or more nationally recognized rating agencies at the time of execution, (ii) "A"/"A2" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "A"/"A2" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A"/"A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA-"/"Aa3" and a payment is owed to JEA. With respect to swap agreements entered into in 2014 between JEA and three swap counterparties, each counterparty will be required to provide collateral when (a) the ratings of such counterparty fall below "A+"/"A1" by any one of the rating agencies and (b) a termination payment would be owed to JEA above a specified threshold amount. All outstanding interest rate swaps at September 30, 2021, 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, 2021.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2021, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch		Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A1/A	$	155,470
Goldman Sachs Mitsui Marine Derivative Products L.P.	AA-/Aa2/not rated		136,480
JPMorgan Chase Bank, N.A.	A+/Aa2/AA		120,750
Merrill Lynch Derivative Products AG	A-/A2/AA-		85,290
Total		$	497,990

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, 2021, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.21%, the SIFMA swap index rate is 0.05%, and 68% of LIBOR is 0.06%.

JEA

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

8. Long-Term Debt (continued)

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

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

9. Related Party Transactions

City of Jacksonville

Utility and Administrative Services

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

	2021	**2020**
Revenues	**$ 26,664**	$ 26,413
Expenses	**$ 5,216**	$ 6,154

City Contribution

On March 22, 2016, the City and JEA entered into a five-year agreement, which established the contribution formula for the fiscal years 2017 through 2021. On February 28, 2019, the agreement was amended to extend its expiration date to September 30, 2023.

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

JEA

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

9. Related Party Transactions (continued)

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

	2021	2020
Electric	**$ 93,609**	$ 93,871
Water and Sewer	**$ 26,403**	$ 24,953

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 7.468 mills per kilowatt hour delivered by JEA to retail users in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year. The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 389.2 mills per thousand gallons of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum increase of 1% per year through 2021, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

Franchise Fees

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

	2021	2020
Electric	**$ 28,750**	$ 28,191
Water and Sewer	**$ 10,886**	$ 10,963

Insurance Risk Pool

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

JEA

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

9. Related Party Transactions (continued)

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

	2021	2020
General liability	**$ 2,218**	$ 2,066
Workers' compensation	**$ 1,796**	$ 1,729

The following table shows the estimated workers' compensation and general liability loss accruals for the City and JEA's portion for the fiscal years ended September 30, 2021 and 2020. The amounts are recorded by the City at present value using a 4% discount rate for the fiscal years ended September 30, 2021 and September 30, 2020.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	$ 109,231	$ 2,707	$ 17,761	$ 1,496
Change in provision	45,979	1,493	8,175	1,810
Payments	(22,483)	(809)	(7,139)	(1,000)
Ending balance	$ 132,727	$ 3,391	$ 18,797	$ 2,306

Vulcan Construction Materials LP

JEA purchases limestone from Vulcan Construction Materials LP (Vulcan) for use in generation of electricity at its Northside power plant as well as small amounts of granite and stone for repair of JEA access roads. The largest private shareholder of Vulcan is the Baker family, of which John D. Baker II, JEA Board Chairman, is a member. JEA executed its current contract with Vulcan prior to Mr. Baker's appointment to the Board. The contract will expire on December 31, 2021. In fiscal year 2021 and 2020, JEA purchased limestone from Vulcan of $3,728 and $7,636, respectively.

JEA

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

10. Fuel Purchase and Purchased Power Commitments

JEA has made long-term commitments to purchase approximately 664,000 tons of coal for Scherer Unit 4 between October and December 2021. Additionally, in September 2021, JEA has committed to purchase approximately 70,000 tons of coal for Northside. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts. The majority of JEA's coal and petroleum coke supply is purchased with transportation included.

In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends the rail contract through calendar year 2028. Georgia Power has also entered into an agreement with the Norfolk Southern Railway Company (NS) that extends through December 31, 2021.

On January 1, 2022, Scherer Unit 4 was retired and replaced by the FPL PPA, which will provide 200 MW of day-ahead scheduled power. The pricing structure of the FPL PPA is based on the cost of a natural gas combined cycle unit and will have a term of 20 years.

JEA had commitments to purchase natural gas delivered to Jacksonville under a long-term contract with Shell Energy North America L.P. (Shell Energy) that were set to expire in 2021. In October 2019, the JEA Board approved a 10-year extension of the agreement with Shell Energy. Contract terms for the natural gas supply specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition to the gas delivered by Shell Energy, JEA has long-term contracts with Peoples Gas system, Florida Gas Transmission, Southern Natural Gas and SeaCoast Gas Transmission for firm gas transportation to allow the delivery of natural gas through those pipeline systems. There is no purchase commitment of natural gas associated with those transportation contracts.

JEA has four contracts to purchase prepaid natural gas supplies at specified volumes per day. Beginning with an average of 15,000 MMBtu/day and then increasing to 16,000 MMBtu on July 1, 2029, prepaid gas will be supplied from locations accessible to JEA via firm natural gas transportation or natural gas supply agreements. The contracts expire at various dates in 2039, 2048, and 2049. JEA's financial obligations under the gas supply agreements are based on index prices for monthly deliveries at the delivery point and are on a "take and pay" basis whereby JEA is only obligated to pay for gas that is delivered.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

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

Fiscal Year	Coal and Pet Coke		Natural Gas		
Ending	Fuel	Transportation	Transportation	Transmission	Total
2022	$ 765	$ 975	$ 6,606	$ 12,600	$ 20,946
2023	–	–	6,606	16,800	23,406
2024	–	–	6,624	16,800	23,424
2025	–	–	6,606	16,800	23,406
2026	–	–	6,606	16,800	23,406
2027-2042	–	–	30,841	256,200	287,041
Total	$ 765	$ 975	$ 63,889	$ 336,000	$ 401,629

Vogtle Units Purchased Power Agreement

Overview

As a result of an earlier 2008 Board policy establishing a 10% of total energy from nuclear energy goal, JEA entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with the Municipal Electric Authority of Georgia (MEAG) for 206 megawatts (MW) of capacity and related energy from MEAG's interest in two additional nuclear generating units (the Additional Vogtle Units or Plant Vogtle Units 3 and 4) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The owners of the Additional Vogtle Units include Georgia Power Company (Georgia Power), Oglethorpe Power Corporation, MEAG and the City of Dalton, Georgia (collectively, the Vogtle Co-Owners). The energy received under the Additional Vogtle Units PPA is projected to represent approximately 12% of JEA's total energy requirements in the year 2025.

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

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Financing and In-Service Costs

MEAG created three separate projects (the Vogtle Units 3 and 4 Project Entities) for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). The project corresponding to the portion of MEAG's ownership interest, which will provide the capacity and energy to be purchased by JEA under the Additional Vogtle Units PPA, is referred to herein as Project J. MEAG currently estimates that the total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units will be approximately $7,008,700, including construction and financing costs through the estimated in-service dates, initial fuel load costs, switchyard and transmission costs, and contingencies established by Georgia Power at the project level for all Vogtle Co-Owners. MEAG has additionally provided that its total capital costs for its share of the Additional Vogtle Units, including reserve funds and other fund deposits required under the financing documents, are approximately $7,517,785. A certain portion of these costs is subject to reduction in accordance with the 2019 Global Amendments to the Plant Vogtle Joint Operating Agreements. The total in-service cost for Plant Vogtle Units 3 and 4 allocable to Project J and the portion of additional in-service costs relating to reserve funds and other fund deposits is approximately $3,215,342.

Financing for Project J – In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG, MEAG issued $1,248,435 of its Plant Vogtle Units 3 and 4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. Of the total 2010 PPA Bonds, approximately $1,224,265 were issued as Federally Taxable – Issuer Subsidy – Build America Bonds where MEAG expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest, subject to reduction due to sequestration. At this time, a portion of the interest subsidy payments with respect to the Build America Bonds is not being paid as a result of the federal government sequestration process and the Bipartisan Budget Act of 2019 for the current fiscal year through fiscal year 2030. The current sequestration rate of 5.7% will be applied unless and until a law is enacted that cancels or otherwise affects the sequester. MEAG issued $185,180 of additional Project J tax-exempt bonds on September 9, 2015. In addition, MEAG issued $570,925 of additional Project J tax-exempt bonds on July 19, 2019. JEA was not asked to, and did not, provide updated disclosure regarding JEA in connection with the preparation of MEAG's July 18, 2019 Project J Bonds Series 2019A Official Statement relating to the issuance and JEA did not make any representations or warranties, or deliver any opinions of legal counsel, in connection with the offering, issuance, and sale of the Project J Bonds, Series 2019A. Further, on July 20, 2021, MEAG issued $150,350 of additional Project J tax-exempt bonds. JEA provided updated disclosure regarding JEA in connection with MEAG's July 8, 2021 Project J Bonds, Series 2021 A Official Statement relating to the issuance and JEA made certain representations and warranties and delivered opinions of legal counsel in connection with the offering, issuance, and sale of the Project J Bonds, Series 2021A.

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

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

The Project J Entity entered into a loan guarantee agreement with the DOE in 2015, subsequently amended in 2016 and 2017, under which the Project J Entity is permitted to borrow from the Federal Financing Bank (FFB) an aggregate amount of approximately $687,279, all of which has been advanced to date.

On September 28, 2017, DOE, MEAG, and the Vogtle Units 3 and 4 Project Entities entered into a conditional commitment for additional DOE loan guarantees in the aggregate amount of $414,700. On March 22, 2019, MEAG announced that it had closed on the additional DOE loan guarantees in the aggregate amount of $414,700. The Project J Entity's portion of the $414,700 in additional loan guarantees is $111,541 and this amount was fully drawn on October 2, 2020. MEAG expects that the total financing needs for Project J will exceed the aggregate of the Project J Entity's FFB lending commitments and the balance will be financed in the capital markets.

Summary of financing associated with Project J:

Long-term bonds	
2010A Build America bonds	$ 1,224,265
2010B tax-exempt bonds	24,170
2015A tax-exempt bonds	185,180
2019A tax-exempt bonds	570,925
2021A tax-exempt bonds	150,350
Remaining financing requirement	163,805
Total long-term bonds	2,318,695
DOE advances(1)	
2015 DOE advances	345,990
2019 DOE advances	229,748
2020 DOE advances	111,541
Total DOE advances	687,279
Estimated interest earnings and bond premiums	209,368
Total capital requirements(2)	$ 3,215,342

(1) Includes advances and related capitalized interest accretion.

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

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Based on information provided by MEAG, JEA's portion of the debt service on the outstanding Project J debt as of September 30, 2021, including the October 2, 2020 DOE advances, is summarized as follows:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service	Build America Bonds Subsidy	Capitalized Interest	Net Debt Service
2022	$ 28,337	$ 133,403	$ 161,740	$ (26,763)	$ (101,200)	$ 33,777
2023	31,449	132,976	164,425	(26,439)	(27,508)	110,478
2024	32,870	132,028	164,898	(26,100)	–	138,798
2025	34,109	130,472	164,581	(25,746)	–	138,835
2026	35,365	128,851	164,216	(25,378)	–	138,838
2027	36,686	127,151	163,837	(24,993)	–	138,844
2028	38,089	125,311	163,400	(24,592)	–	138,808
2029	39,525	123,476	163,001	(24,173)	–	138,828
2030	41,015	121,541	162,556	(23,737)	–	138,819
2031	42,568	119,526	162,094	(23,281)	–	138,813
2032	44,139	117,509	161,648	(22,806)	–	138,842
2033	45,877	115,224	161,101	(22,311)	–	138,790
2034	47,657	112,938	160,595	(21,794)	–	138,801
2035	49,459	110,608	160,067	(21,255)	–	138,812
2036	42,837	108,181	151,018	(20,692)	–	130,326
2037	31,599	105,617	137,216	(20,106)	–	117,110
2038	27,853	102,964	130,817	(19,494)	–	111,323
2039	24,730	100,152	124,882	(18,855)	–	106,027
2040	15,435	97,284	112,719	(18,189)	–	94,530
2041	12,218	94,224	106,442	(17,495)	–	88,947
2042	5,902	86,518	92,420	(16,022)	–	76,398
2043	770	23,509	24,279	(4,912)	–	19,367
Total	$ 708,489	$ 2,449,463	$ 3,157,952	$ (475,133)	$ (128,708)	$ 2,554,111

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Construction Arrangements for the Additional Vogtle Units

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

- Bechtel Power Corporation (Bechtel) will serve as the prime construction contractor for the remaining construction activities for Plant Vogtle Units 3 and 4 under a Construction Agreement entered into between Bechtel and Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners (the Construction Agreement), which is a cost reimbursable plus fee arrangement, which means that the Construction Agreement does not require Bechtel to absorb any increases in construction costs.

- In August 2018, the Vogtle Co-Owners approved amendments to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the Vogtle Joint Ownership Agreements) that limit the circumstances under which the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 are required to approve the continuance of the construction of the Additional Vogtle Units to a few events, including the delay of one year or more over the most recently approved project schedule. Such events do not include increases in the construction budget.

- Under the Vogtle Joint Ownership Agreements, Georgia Power has the right to cancel the project at any time in its discretion.

The estimated construction costs to complete Project J's share of the Additional Vogtle Units have significantly increased from the original project budget of approximately $1,400,000 to the current estimate of approximately $3,215,342 inclusive of financing costs and required reserves. In addition, significant delays in the project's construction schedule have resulted in the original placed in service dates for Vogtle Unit 3 of April 2016 and for Vogtle Unit 4 of April 2017 being revised to the current projected placed in service dates for Vogtle Unit 3 and for Vogtle Unit 4 of September 2022 and June 2023, respectively.

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

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

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Litigation and Regulatory Proceedings

Litigation – On September 11, 2018, MEAG filed suit against JEA in the Northern District of Georgia alleging claims for (i) a declaratory judgment that the Additional Vogtle Units PPA is enforceable against JEA, (ii) breach of contract for JEA's alleged failure to adhere to the Additional Vogtle Units PPA's cooperation clause, and (iii) specific performance requiring JEA to continue to comply with the Additional Vogtle Units PPA. The same day, JEA and the City filed suit against MEAG in the Fourth Judicial Circuit Court of Florida seeking a declaratory judgment that the Additional Vogtle Units PPA is invalid and unenforceable against JEA. MEAG removed JEA's and the City's suit to the Middle District of Florida. On April 9, 2019, the district court for the Northern District of Georgia entered an order granting JEA's motion to dismiss and dismissing MEAG's complaint. The court gave several reasons for dismissing MEAG's complaint, including because MEAG lacks standing due to failing to allege a definite threat of future injury and because its claim for breach of the cooperation clause is not actionable absent allegations that JEA had breached another provision of the Additional Vogtle Units PPA. MEAG filed a notice of appeal of the dismissal to the Eleventh Circuit Court of Appeals.

On July 12, 2019, the Middle District of Florida issued an order denying JEA's and the City's motions to remand the case to Florida state court. The court's July 12, 2019 order also granted MEAG's motion to transfer the case to the district court for the Northern District of Georgia. On July 26, 2019, MEAG filed a counterclaim against JEA and the City seeking a declaratory judgment that the Additional Vogtle Units PPA is valid and enforceable, breach of contract for JEA's alleged failure to adhere to the Additional Vogtle Units PPA's cooperation clause, and specific performance requiring JEA to continue to comply with the Additional Vogtle Units PPA. On August 16, 2019, JEA filed defenses to MEAG's counterclaim and alternative counterclaims against MEAG for breach of fiduciary duty, failure to perform in good faith, and negligent performance of an undertaking, in the event the Additional Vogtle Units PPA is determined to be enforceable. On September 6, 2019, MEAG filed motions to strike JEA's defenses and to dismiss JEA's alternative counterclaims. On November 1, 2019, MEAG filed a motion for leave to file a motion for judgment on the pleadings to seek a ruling on its affirmative defenses. JEA filed a memorandum opposing that motion on November 8, 2019. On November 4, 2019, JEA filed a motion for summary judgment seeking a declaration that the Additional Vogtle Units PPA is void and unenforceable. On November 8, 2019, the district court entered an order striking JEA's motion for summary judgment and setting a status conference with the parties. The same date, JEA filed a motion for leave to file a motion for summary judgment. On November 15, 2019, the district court conducted a status conference with the parties and subsequently entered an order staying all motions in the case pending submission of a revised scheduling order by December 15, 2019. On November 25, 2019, the court entered an order denying in whole MEAG's motion to strike certain of JEA's and the City of Jacksonville's affirmative defenses. The Court also dismissed two of JEA's counterclaims against MEAG, but left intact JEA's claim against MEAG for breach of the PPA based on a negligent undertaking theory, which claim is contingent and brought only in the event of a finding that the PPA is enforceable. On December 27, 2019, MEAG filed a motion for summary judgment on the pleadings as to certain legal issues. On June 17, 2020, the district court granted MEAG's motion for summary judgment on the pleadings, specifically declaring that the Additional Vogtle Units PPA is valid and enforceable and that the Additional Vogtle Units PPA unconditionally requires JEA to pay MEAG for capacity and energy at the full cost of production of Project J, including debt service on the bonds and DOE-guaranteed loans.

JEA

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

10. Fuel Purchase and Purchased Power Commitments (continued)

Settlement of Litigation – On July 30, 2020, JEA and MEAG filed a voluntary notice and announced a settlement of all disputed issues relating to the Additional Vogtle Units PPA.

On August 12, 2020, JEA, the City and MEAG dismissed the litigation among the parties in both the United States District Court for the Northern District of Georgia and the United States Court of Appeals for the Eleventh Circuit. As part of the settlement, the parties agreed to accept without challenge or appeal the June 17, 2020 order of the district court determining that the Additional Vogtle Units PPA is valid and enforceable.

Also, in connection with the settlement of such litigation, MEAG and JEA executed an amendment to the Additional Vogtle Units PPA pursuant to which MEAG and JEA agreed to an increase in the "Additional Compensation Obligation" payable by JEA to MEAG of $0.75 per MWh of energy delivered to JEA thereunder.

As part of the settlement, MEAG and JEA also entered into an agreement that, subject to the rights granted to other Project J participants in their Project J power sales contracts, grants to JEA a right of first refusal to purchase all or any portion of the entitlement share of a Project J participant to the output and services of Project J in the event that any Project J participant requests MEAG to effectuate a sale of such entitlement share pursuant to such participant's Project J power sales contract. This right of first refusal is applicable during the period commencing ten (10) years following the commercial operation date of the first of Vogtle Unit 3 or Vogtle Unit 4 to achieve commercial operation and continuing until the expiration of twenty (20) years following such commercial operation date. In order to exercise its right of first refusal as described above, JEA will be required to pay the price offered by a third-party purchaser or the fully embedded costs as provided for in the Project J power sales contract, whichever is greater.

Regulatory Proceedings – On September 17, 2018, JEA filed a petition with the Federal Energy Regulatory Commission (FERC) seeking a determination that FERC has exclusive jurisdiction pursuant to the Federal Power Act over the Additional Vogtle Units PPA (FERC Petition). Numerous entities, including MEAG, public utilities, municipalities, and trade groups, filed comments with FERC challenging the theories of law and arguments raised in the FERC Petition. On February 21, 2019, FERC issued an order denying the FERC Petition and disclaimed jurisdiction over the Additional Vogtle Units PPA. JEA did not seek FERC's reconsideration of the order.

Option to Purchase Interest in Lee Nuclear Station

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2026 with respect to Unit 1 and 2028 with respect to Unit 2. The total cost of the option was $7,500, with $3,750 paid in both fiscal year 2011 and 2012, respectively. JEA obtained this option in furtherance of its 2010 policy target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

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 exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The Lee Project COL was received from the NRC in December 2016. In August 2017, Duke Carolinas filed with the North Carolina Utilities Commission and the South Carolina Public Service Commission to cancel the plant. This cancellation allows Duke Carolinas to seek cost recovery for the expenditures on licensing the plant, however, the NRC license remains active and the cancellation is not permanent. There is currently no schedule for negotiating an EPC agreement.

Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and, if it does exercise the option, it must specify the percentage undivided ownership interest in the Lee Project that it will acquire.

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

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

Such alternative resources are to be available to JEA within two years of the projected online date for the Lee Project, once such date is set. No alternative resource for the Lee Project has yet been proposed by Duke Carolinas.

Solar Projects

In 2009, JEA entered into a 30-year PPA with Jacksonville Solar, LLC for the produced energy, as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA-leased 100-acre site, is currently owned by Rev Renewables, an LS Power company, and generated approximately 14,925 MWh of electricity in fiscal year 2021 and 17,818 MWh of electricity in 2020. JEA pays only for the energy produced. Purchases of energy were $3,169 for fiscal year 2021 and $3,676 in 2020.

As part of JEA's continued commitment to the environment, and to increase JEA's level of carbon-free renewable energy generation, in December 2014, the Board established a solar policy to add up to 38 MWac of solar photovoltaic capacity. To support this policy, JEA issued requests for proposals for PPAs in December 2014 and April 2015. Seven PPAs, representing 27 MWac, have been finalized. The solar PPAs are distributed around JEA's service territory.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

As of the end of calendar year 2019, all seven projects had been completed: NW Jacksonville Solar, Old Plank Road Solar, Starratt Solar, Simmons Solar, Blair Road Solar, Old Kings Solar, and Sunport Solar. JEA entered into 20-25 year PPAs for the energy and the associate environmental attributes from each solar farm. The solar facilities generated approximately 51,629 MWh in fiscal year 2021 and 50,966 MWh in 2020. JEA pays only for the energy produced. Purchases of energy were $3,990 for fiscal year 2021 and $3,864 in 2020.

The JEA Board approved a further solar expansion consisting of five 50 MWac solar facilities to be constructed on JEA owned property. These projects, totaling 250 MWac, are structured as PPAs. EDF-DS was selected as the vendor for the sites and contract were executed in January 2019. Preliminary site work is underway. It is expected the facilities will be phased into service with all sites completed by the end of calendar year 2022.

Trail Ridge Landfill

JEA purchases energy from two landfill gas-to-energy facilities through PPA agreements with Landfill Energy Systems (LES). Each agreement is for 9.6 MWs. Currently, JEA purchases 9.6 MW from Trail Ridge Landfill in Jacksonville, FL and 6.4 MW from Sarasota Landfill in Sarasota, FL. LES can supply the remaining 3.2 MW from Sarasota, if it is expanded and becomes available, or JEA can exercise its option to receive the remaining 3.2 MW from New River Landfill in Raiford, FL. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville, which came online in January 2015. Purchases of landfill energy were 86,836 MWh for $6,424 in fiscal year 2021 and 89,646 MWh for $6,503 in 2020.

11. Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. JEA entered into financial swaps that locked in the monthly commodity price of natural gas for January 2020 through December 2023, covering approximately 40% in each calendar year of its expected annual natural gas requirements. A small volume of natural gas has also been hedged for 2024.

Under the existing natural gas supply contract with Shell Energy, JEA has the option to enter into fixed price transactions with Shell Energy in relation to the purchases to be made under the contract. During fiscal year 2021, transactions were executed for November 2021 through September 2022, increasing the coverage to approximately 80% of expected natural gas requirements for 2022.

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 statements of net position as either deferred charges or deferred credits until such time that the transactions end. At September 30, 2021, deferred credits of $150,453 were included in accumulated increase in fair value of hedging derivatives on the statement of net position. At September 30, 2020, deferred credits of $11,944 were included in accumulated increase in fair value of hedging derivatives and deferred charges of $1,998 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position. There were realized gains offsetting fuel expense of $18,014 in fiscal year 2021 and realized losses in fuel expense of $15,524 in 2020.

12. Pension Plans

Substantially all JEA employees participate in and contribute to the GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan (DB) with a defined contribution alternative (DC). The defined benefit pension plan portion of the GERP is closed to new members, with all new employees entering the defined contribution plan. Employees hired prior to September 30, 2017 can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation. GERP, based on laws outlined in the City's Ordinance Code and applicable Florida statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the Comprehensive Annual Financial Report of the City. This report may be obtained at: https://www.coj.net/departments/finance/accounting/comprehensive-annual-financial-reports.aspx or by writing to the City of Jacksonville, Florida, Accounting Division, City Hall at St. James Building, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202-5725.

Plan Benefits Provided – Participation in the GERP is mandatory for all full-time employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and the City, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of GERP. Elected officials are members of the Florida Retirement System Elected Officer Class. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of 2.5% of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of 80% of final monthly compensation. A time service retirement benefit is payable bi-weekly, to commence upon the first payday coincident with or next payday following the member's actual retirement, and will continue until death.

JEA

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

12. Pension Plans (continued)

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars ($5) multiplied by the number of years of credited service. This benefit may not exceed $150 per month.

A member who has suffered an illness, injury, or disease, which renders the member permanently and totally incapacitated, physically or mentally, from regular and continuous duty as an employee is considered disabled under the terms of the GERP. The GERP provides two types of disability benefits: a service related disability benefit and a non-service related disability benefit. The service related disability benefit is 50% of the member's final monthly compensation at the time of the disability. Members are eligible for non-service related disability benefits after five years of service. The benefit is 25% of the member's final monthly compensation at the time of the disability, increasing 2.5% for each year of service in excess of five years to a maximum of 50%.

Contributions – Florida law requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

JEA plan members of the DB plan were required to contribute 9.7% of their annual covered salary. JEA's pension contribution for the DB plan was $39,895 (29.36%) in fiscal year 2021 and $37,592 (27.20%) in 2020.

JEA plan members of the DC plan were required to contribute 7.7% of their annual covered salary. JEA's pension contribution for the DC plan was $3,976 (11.71%) in fiscal year 2021 and $3,452 (11.72%) in 2020. Employees vest in the employer contributions to the DC plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Any contribution forfeitures were used to offset plan expenses.

All JEA plan members were required to contribute 0.3% of their annual covered salary to the disability program fund. JEA's disability contribution was $506 (0.30%) in fiscal year 2021 and $503 (0.30%) in 2020.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflow of Resources Related to Pensions

Net Pension Liability – JEA's net pension liability at September 30, 2021 and September 30, 2020 was measured based on an actuarial valuation as of September 30, 2020 and September 30, 2019, respectively. JEA's allocated share of the net pension liability is $729,569 (52.71%) as of September 30, 2021, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2020. JEA's allocated share of the net pension liability is $633,292 (48.84%) as of September 30, 2020, based on an allocation proportional to the actual contributions paid during the year ended September 30, 2019.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

12. Pension Plans (continued)

For the year ended September 30, 2021 and 2020, JEA's recognized pension expense is $102,382 and $86,363, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

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

	September 30			
		2021		2020
Deferred outflows of resources				
Contributions subsequent to the measurement date	**$**	**40,401**	$	38,095
Changes in proportion		**35,203**		6,725
Changes in assumptions		**32,995**		41,198
Net difference between projected and actual earnings on pension investments		**28,733**		18,928
Differences between expected and actual experience		**15,348**		21,334
Total	**$**	**152,680**	$	126,280
Deferred inflows of resources				
Changes in proportion	**$**	**(11,507)**	$	(18,541)
Differences between expected and actual experience		**(959)**		(1,777)
Total	**$**	**(12,466)**	$	(20,318)

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)
2022	$	76,080
2023		31,805
2024		31,535
2025		794
Total	$	140,214

JEA

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

12. Pension Plans (continued)

Actuarial Assumptions – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Inflation	2.50%
Salary increases assumption	3.00%-7.50%, of which 2.50% is the Plan's long-term payroll inflation
Investment rate of return	6.80% (2021) and 6.90% (2020), net of pension plan investment expense, including inflation
Healthy pre-retirement mortality rates	FRS pre-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with scale MP2018.
Healthy post-retirement mortality rates	FRS healthy post-retirement mortality tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, projected generationally from 2010 with Scale MP2018.
Disabled mortality rates	FRS disabled mortality tables for personnel other than special risk, with no set forward, projected generationally from 2010 with Scale MP2018. The FRS tables for personnel other than special risk and K-12 instructional personnel, set forward 2 years, reasonably reflect the healthy annuitant mortality experience of the General Employees Retirement Plan as of the measurement date. The FRS disabled mortality tables for personnel other than special risk reasonably reflect the disabled annuitant mortality experience as of the measurement date.
Rationale for assumptions	The information and analysis used in selecting each demographic assumption that has a significant effect on this actuarial valuation is shown in the Experience Study Report for the five-year period ended September 30, 2017.

JEA

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

12. Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Marco Advisors.

	2021		2020	
Asset Class	**Target Allocation**	**Long-term Expected Nominal Rate of Return**	**Target Allocation**	**Long-term Expected Nominal Rate of Return**
Domestic equity	**30.0%**	**6.55%**	30.0%	6.40%
Fixed income	**20.0%**	**0.50%**	20.0%	1.15%
International equity	**20.0%**	**7.40%**	20.0%	7.05%
Real estate	**15.0%**	**3.75%**	15.0%	4.50%
Alternatives	**7.5%**	**2.55%**	7.5%	3.32%
Private equity	**7.5%**	**10.65%**	7.5%	10.40%
Total	**100%**		100%	

Discount Rate – The discount rate used to measure the total pension liability is 6.80%. The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at their applicable contribution rates and that City contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

JEA

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

12. Pension Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 6.80% for 2021 and 6.90% for 2020, as well as what the Jacksonville GERP's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate used:

	Net Pension Liability	
	2021	**2020**
1% decrease	**$ 940,491**	$ 822,615
Current discount	**729,569**	633,292
1% increase	**553,394**	475,183

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the Comprehensive Annual Financial Report of the City.

St. Johns River Power Park Plan Description

Plan Description – The SJRPP Plan is a single employer contributory defined benefit plan that covers former employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan was required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a three-member pension committee (Pension Committee). As part of the Asset Transfer Agreement with FPL related to the shutdown of SJRPP, JEA assumed all payment obligations and other liabilities related to separation benefits for the qualifying SJRPP employees and any amounts required to be deposited in SJRPP Pension Fund.

The SJRPP Plan periodically issues stand-alone financial statements, with the most recent report issued for the year ended September 30, 2020. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

Pursuant to the February 25, 2013 amendment, the SJRPP Plan consists of two tiers: Tier One is the Defined Benefits Tier and Tier Two is the Cash Balance Tier. Tier One participants will remain in the traditional defined benefit plan and Tier Two employees (defined as employees with less than 20 years of experience) will participate in a modified defined benefit plan, or "cash balance" plan, with an employer match provided for any Tier Two employee who contributes to the 457 Plan. Participants hired after February 25, 2013 are only eligible to accrue Tier Two benefits.

Plan Benefits Provided – Members of the SJRPP Plan are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

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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 in Tier One is entitled to a retirement benefit of:

- 2.0% of final average earnings (FAE) multiplied by the number of years of credited service, not to exceed 15 years
- plus 2.4% of FAE multiplied by the number of years of credited service in excess of 15 years, but not to exceed 30 years
- plus .65% of the excess FAE over the Social Security Average Wages multiplied by years of credited service, not to exceed 35 years

FAE is the annual average of a participant's earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination. Retirement benefits are payable bi-weekly beginning on the first day of the month following or coincident with the participant's Earliest Retirement Age.

As of February 25, 2013, the accrued benefits in Tier One of newly classified Tier Two participants were frozen. Distribution of frozen Tier One Benefits is governed by the provisions applicable to Tier One. Tier Two Benefits employees receive annual pay credits to their Cash Balance accounts in the amount of 6.0% of earnings between February 25, 2013 and September 30, 2015 and 8.5% of earnings on or after October 1, 2015. Cash Balance Accounts are credited with interest at the rate of 4% per year. Benefits may be distributed as a lump sum, by rollover in accordance with the Internal Revenue Service Code or as an annuity, at the election of the participant.

For participants retired on or after October 1, 2003, each member and survivor of Tier One is entitled to a COLA. The COLA consists of a 1% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

Employees Covered by Benefit Terms – At September 30, 2021 and September 30, 2020, the following employees were covered by the benefit terms:

	2021	**2020**
Inactive plan members or beneficiaries currently receiving benefits	**385**	382
Inactive plan members entitled to but not yet receiving benefits	**74**	80
Active plan members	**5**	5
Total plan members	**464**	467

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

12. Pension Plans (continued)

Contributions – The SJRPP Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. In fiscal years 2021 and 2020, SJRPP plan members were required to contribute 4% of their annual covered salary. SJRPP did not make any employer contributions in fiscal year 2021. In fiscal year 2020, SJRPP employer's contribution to the SJRPP Plan was $13,307 (2,845.69%).

Net Pension Liability – SJRPP's net pension liability at September 30, 2021 and September 30, 2020 was measured based on an actuarial valuation as of September 30, 2020 and September 30, 2019, respectively.

Actuarial Assumptions – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25% (2021) and 2.5% (2020)
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	6.00% per year compounded annually, net of investment expenses
Retirement Age	Experience-based table of rates based on year of eligibility.
Mortality rates	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows: *Healthy pre-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates* : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Disabled mortality rates* : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.

JEA

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

12. Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

	2021		2020	
Asset Class	**Target Allocation**	**Long-term Expected Nominal Rate of Return**	**Target Allocation**	**Long-term Expected Nominal Rate of Return**
Domestic equity	47%	**6.11%**	47%	5.96%
Fixed income	45%	**1.65%**	45%	1.70%
International equity	8%	**5.05%**	8%	4.90%
Total	**100%**		100%	

Discount Rate – The discount rate used to measure the total pension liability is 6.00%. 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 (asset) of SJRPP, calculated using a discount rate of 6.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	2021	2020
1% decrease	**$ 14,626**	$ 25,237
Current discount rate	**(2,285)**	7,794
1% increase	**(16,630)**	(6,970)

JEA

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

12. Pension Plans (continued)

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

	2021	2020
Total pension liability		
Beginning balance	**$ 169,807**	$ 174,666
Service cost	**22**	35
Interest on the total pension liability	**9,795**	10,086
Difference between expected and actual experience	**1,222**	1,193
Changes in assumptions	**–**	(2,975)
Benefit payments	**(13,150)**	(13,198)
Ending balance	**167,696**	169,807
Plan fiduciary net postion		
Beginning balance	**162,013**	170,665
Employer contributions	**13,307**	–
Employee contributions	**19**	90
Pension plan net investment income	**7,878**	4,610
Benefit payments	**(13,150)**	(13,198)
Administrative expense	**(86)**	(154)
Ending balance	**169,981**	162,013
Net pension (asset) liability	**$ (2,285)**	$ 7,794

Plan Assets – Cash balances are amounts on deposit with the SJRPP Plan's trust bank, as well as amounts held in various money market funds as authorized in the Investment Policy Statement (Policy). All investments shall comply with the Policy as approved by the Pension Committee, and with the fiduciary standards set forth by the Employee Retirement Income Security Act and requirements set forth by the Florida Statutes. The trust bank balances are collateralized and subject to the Florida Security for Public Deposits Act of Chapter 280, Florida Statutes.

The Plan follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual fund is a 2a-7 fund registered with the SEC and, therefore is presented at actual pooled share price, which approximates fair value.

JEA

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

12. Pension Plans (continued)

At September 30, 2021 and September 30, 2020, the SJRPP Plan's cash and cash equivalents consisted of the following:

	2021	2020
Cash on hand	$ 13	$ 1
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account	11,097	3,272
Total cash and cash equivalents	$ 11,110	$ 3,273

The Policy specifies investment objectives and guidelines for the SJRPP Plan's investment portfolio and provides asset allocation targets for various asset classes.

Investments controlled by the SJRPP Plan that represent 5% or more of the SJRPP Plan's net position were the Alliance Domestic Passive Collective Trust. At September 30, 2021, the investment had a basis of $11,761, a fair market value of $54,369, and represented 29% of the fiduciary net position available for benefits. At September 30, 2020, the investment had a basis of $14,868, a fair market value of $52,926, and represented 31% of the fiduciary net position available for benefits.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the SJRPP Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. The average modified duration of the managed fixed securities portfolio was 5.0 years as of September 30, 2021 and 4.9 years as of September 30, 2020.

Credit risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The SJRPP Plan's rated debt instruments as of September 30, 2021 and 2020 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization.

The fixed income managers limit their investments to securities with an investment grade rating (BBB or equivalent) and the overall weighted average composite quality rating of the managed fixed income portfolio was Aa3.

JEA

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

12. Pension Plans (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the SJRPP Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the SJRPP Plan's investments are held by the SJRPP Plan's directed trustee and custodian in the SJRPP Plan's name, or by an agent in the SJRPP Plan's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Policy specifies an overall target allocation of 55% equities and 45% fixed income, including cash. The Policy further specifies target allocations for the equity investments among several asset classes.

The fair value of the asset classes and portfolio and specific target allocations are as follows:

	September 30, 2021			September 30, 2020		
		Percent			Percent	
	Fair Value	Actual	Target	Fair Value	Actual	Target
U.S. Government Securities and Agencies	**$ 33,584**	**17%**	**N/A**	$ 22,317	13%	N/A
Corporate bonds - non-convertible	**33,738**	**18%**	**N/A**	45,192	27%	N/A
Money Market / Cash	**11,110**	**6%**	**N/A**	3,273	2%	N/A
Total fixed income	**78,432**	**41%**	**45%**	70,782	42%	45%
S&P 500 Index Fund	**54,368**	**29%**	**28%**	52,926	31%	28%
S&P 400 Mid-Cap Index Fund	**22,327**	**12%**	**11%**	20,013	12%	11%
Small and Mid-Cap Value Fund	**18,156**	**9%**	**8%**	12,438	7%	8%
International equities	**16,754**	**9%**	**8%**	13,285	8%	8%
Total equities	**111,605**	**59%**	**55%**	98,662	58%	55%
Total	**$ 190,037**	**100%**	**100%**	$ 169,444	100%	100%

JEA

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

12. Pension Plans (continued)

The Policy allows the percentage allocation to each asset class to vary by plus or minus 5% depending upon market conditions.

The annual money-weighted rate of return on pension plan investments was 4.86% for the year ended September 30, 2021 and 2.81% for the year ended September 30, 2020. This reflects the changing amounts actually invested.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through its investments in an international equity mutual fund. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 9% of total investments as of September 30, 2021 and 8% as of September 30, 2020.

Fair Value Disclosures

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The SJRPP Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

JEA

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

12. Pension Plans (continued)

Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. The table below summarizes the SJRPP Plan's investments.

	September 30, 2021			September 30, 2020		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
U.S. Government Securities and Agencies	**$ 23,498**	**$ 10,086**	**$ 33,584**	$ 22,317	$ –	$ 22,317
Corporate bonds - non-convertible	**–**	**33,738**	**33,738**	–	45,192	45,192
Money Market / Cash	**11,110**	**–**	**11,110**	3,273	–	3,273
Total fixed income	**34,608**	**43,824**	**78,432**	25,590	45,192	70,782
S&P 500 Index Fund	**–**	**54,368**	**54,368**	–	52,926	52,926
S&P 400 Mid-Cap Index Fund	**21,638**	**689**	**22,327**	19,562	451	20,013
Small and Mid-Cap Value Fund	**16,939**	**1,217**	**18,156**	11,056	1,382	12,438
International equities	**140**	**16,614**	**16,754**	117	13,168	13,285
Total equities	**38,717**	**72,888**	**111,605**	30,735	67,927	98,662
Total	**$ 73,325**	**$ 116,712**	**$ 190,037**	$ 56,325	$ 113,119	$ 169,444

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 (Assets) Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the Pension

Net Pension (Asset) Liability – SJRPP's net pension liability at September 30, 2021 and September 30, 2020 was measured based on an actuarial valuation as of September 30, 2020 and September 30, 2019, respectively. SJRPP's net pension asset is $2,285 as of September 30, 2021 and is included in other noncurrent assets on the statement of net position. SJRPP's net pension liability is $7,794 as of September 30, 2020.

For the year ended September 30, 2021 and 2020, SJRPP recognized pension expense is $727 and $858, respectively. As JEA has implemented regulatory accounting for pensions, the difference between the recognized pension expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

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

12. Pension Plans (continued)

SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30 2021	September 30 2020
Deferred outflows of resources		
Contributions subsequent to the measurement date	**$ –**	$ 13,307
Net difference between projected and actual earnings on pension plan investments	**4,616**	4,186
Differences between expected and actual experience	**–**	108
Changes in assumptions	**–**	–
Total	**$ 4,616**	$ 17,601
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ (1,807)**	$ (3,986)
Total	**$ (1,807)**	$ (3,986)

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)
2022	$ 37
2023	987
2024	1,416
2025	369
Total	$ 2,809

JEA

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

13. Other Postemployment Benefits

Plan Description

Plan administration – JEA maintains a medical benefits plan (OPEB Plan) that it makes available to its retirees. The medical plan is an agent multiple-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries.

JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue separate financial statements.

Plan membership – As of September 30, 2021 and September 30, 2020, the OPEB Plan membership consisted of the following:

	2021	2020
Inactive plan members or beneficiaries currently receiving benefits	**401**	453
Active plan members	**1,934**	1,898
Total plan members	**2,335**	2,351

Benefits provided – The OPEB Plan refers to the benefits applicable to current and future retirees and their beneficiaries. These benefits consist of continued access to medical, dental, and vision benefits as well as life insurance coverage upon retirement through the plan sponsored by JEA. Premiums for the first $5,000 of coverage are being subsidized by JEA and, as such, are considered as other postemployment benefits for purposes of GASB Statement No. 75.

Contributions – Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage and the member is responsible for payment of the applicable premiums.

Florida law prohibits JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups blended-rate premiums.

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

JEA

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

13. Other Postemployment Benefits (continued)

Actuarial assumptions – Actuarial valuations are performed as of the beginning of the fiscal year and assumptions below pertain to all years presented unless otherwise noted:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	6.00%
Salary increases	2.5% to 12.5%, including inflation; varies by years of service
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows: *Healthy pre-retirement mortality rates*: PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Healthy post-retirement mortality rates*: PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males; *Disabled mortality rates*: PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.25% (2021) and 6.50% (2020) and gradually decreasing to an ultimate trend rate of 3.99%.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Investment returns are net of the investment expenses; and, Administrative expenses related to the operation of the health plan are included in the premium costs.
Other Information	A load for modeling the excise tax was removed following a repeal of the "Cadillac tax"

JEA

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

13. Other Postemployment Benefits (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table.

	2021		2020	
Asset Class	**Target Allocation**	**Long-term Expected Nominal Rate of Return**	**Target Allocation**	**Long-term Expected Nominal Rate of Return**
Large cap domestic equity	**34%**	**6.8%**	34%	7.4%
Global fixed income	**15%**	**4.1%**	15%	4.8%
International equity	**15%**	**8.9%**	15%	9.5%
Domestic fixed income	**15%**	**3.7%**	15%	4.4%
Small cap domestic equity	**11%**	**8.3%**	11%	8.2%
Real estate	**10%**	**7.3%**	10%	7.7%
Total	**100%**		100%	

Discount Rate – GASB Statement No. 75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As the assets are projected to be sufficient to meet benefit payments, the assumed valuation discount rate of 6.00% was used.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, calculated using a discount rate of 6.00% as well as what the net OPEB liability would be if it were calculated using a rate that is 1% lower or 1% higher than the current rate:

	2021	2020
1% decrease	**$ 9,386**	$ 14,707
Current discount rate	**5,136**	10,091
1% increase	**1,532**	6,200

Healthcare Cost Trend Rate – JEA followed the Getzen model with trend rates for costs and premiums declining from 6.25% assumed for the year 2021 and 6.50% for the year 2020 to the ultimate level of 3.99%.

JEA

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

13. Other Postemployment Benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability, calculated using a healthcare cost trend rate of 6.25% for 2021 and 6.50% for 2020, down to 3.99%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current trend rate:

	2021	2020
1% decrease	**$ 1,310**	$ 6,007
Current healthcare cost trend rate	**5,136**	10,091
1% increase	**9,647**	14,927

Changes in the net OPEB liability are detailed below.

	2021	2020
Total OPEB liability		
Beginning balance	**$ 40,794**	$ 46,705
Service cost	**453**	539
Interest on the total OPEB liability	**2,392**	2,740
Difference between expected and actual experience	**(620)**	362
Change of assumptions	**(1,131)**	(6,387)
Benefit payments	**(2,753)**	(3,165)
Ending balance	**39,135**	40,794
Plan fiduciary net postion		
Beginning balance	**30,703**	28,449
Employer contributions	**4,394**	3,903
Net investment income	**2,112**	1,617
Reimbursements to employer	**(3,187)**	(3,244)
OPEB plan administrative expense	**(23)**	(22)
Ending balance	**33,999**	30,703
Net OPEB liability	**$ 5,136**	$ 10,091
Plan fiduciary net position as a percentage of the total OPEB liability	**86.88%**	75.26%
Covered payroll	**$162,138**	$157,415
Net OPEB liability as a percentage of covered payroll	**3.17%**	6.41%

JEA

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

13. Other Postemployment Benefits (continued)

Plan Assets – The assets of the plan consist of shares held in the Florida Municipal Investment Trust (FMIT), which is administered by the Florida League of Cities. The FMIT is an interlocal governmental entity created under the laws of the State of Florida and an Authorized Investment under Sec. 163.01 Florida Statutes. It is considered an external investment pool for reporting purposes. JEA owns shares in the OPEB Fund A as directed in the Master Trust Agreement. OPEB Fund A target asset allocation is 60% equities, 30% fixed income, and 10% real estate.

At September 30, 2021 and September 30, 2020, the OPEB Plan's cash and money market balance within the OPEB Fund A was $272 and $184, respectively.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them (see discussion in the following paragraphs).

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The table below details the interest rate risk in years for investments in the trust.

	September 30, 2021		September 30, 2020	
Fixed Income Fund	**Modified Duration**	**Weighted Average Maturity**	**Modified Duration**	**Weighted Average Maturity**
FMIT Broad Market High Quality Bond Fund	**5.52**	**6.60**	5.31	6.43
FMIT Core Plus Fixed Income Fund	**3.35**	**5.82**	1.40	5.16

Credit risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The FMIT Broad Market High Quality Bond Fund was rated by Fitch as AAf/S4 as of September 30, 2021 and September 30, 2020. The remaining funds of the trust are unrated.

Money-Weighted rates of return

The money-weighted rates of return for the fiscal years ended September 30, 2021 and September 30, 2020 were 6.69% and 5.55%, respectively.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

Fair Value Disclosures

The table below summarizes the OPEB Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. The disclosure below is based on the asset allocation provided by the FMIT of those investments held by OPEB Fund A.

	September 30, 2021			September 30, 2020		
	Level 2	Level 3	Total	Level 2	Level 3	Total
FMIT Core Plus Fixed Income Fund	**$ –**	**$ 4,998**	**$ 4,998**	$ –	$ 4,421	$ 4,421
FMIT Broad Market High Quality Bond Fund	**4,794**	**–**	**4,794**	4,452	–	4,452
Total fixed income	**4,794**	**4,998**	**9,792**	4,452	4,421	8,873
FMIT Large Cap Diversified Value Portfolio	**12,137**	**–**	**12,137**	10,593	–	10,593
FMIT International Equity Portfolio	**5,508**	**–**	**5,508**	4,452	–	4,452
FMIT Diversified Small to Mid Cap Equity Portfolio	**3,434**	**–**	**3,434**	3,776	–	3,776
FMIT Core Real Estate Portfolio	**–**	**2,856**	**2,856**	–	2,825	2,825
Total equities	**21,079**	**2,856**	**23,935**	18,821	2,825	21,646
Total	**$ 25,873**	**$ 7,854**	**$ 33,727**	$ 23,273	$ 7,246	$ 30,519

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the OPEB

Net OPEB Liability – JEA's net OPEB liability at September 30, 2021 and September 30, 2020 was measured based on an actuarial valuation as of and with the measurement dates of September 30, 2020 and September 30, 2019, respectively. JEA's net OPEB liability is $5,136 as of September 30, 2021 and $10,091 as of September 30, 2020.

For the year ended September 30, 2021 and 2020, JEA recognized OPEB expense is $(907) and $(110), respectively. As JEA has implemented regulatory accounting for OPEB, the difference between the recognized OPEB expense and the cash contributions paid has been deferred as a regulatory asset. See note 2, Regulatory Deferrals, for additional details.

JEA

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

13. Other Postemployment Benefits (continued)

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

	September 30	
	2021	**2020**
Deferred outflows of resources		
Change of assumptions	**$ 4,002**	$ 4,599
Contributions subsequent to the measurement date	**2,946**	4,394
Differences between expected and actual experience	**288**	325
Net difference between projected and actual earnings on OPEB plan investments	**66**	88
Total	**$ 7,302**	$ 9,406
Deferred inflows of resources		
Differences between expected and actual experience	**$ (8,099)**	$ (8,745)
Change of assumptions	**(6,094)**	(5,729)
Net difference between projected and actual earnings on OPEB plan investments	**(532)**	(820)
Total	**$ (14,725)**	$ (15,294)

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

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2022	$ 1,214
2023	(1,454)
2024	(1,421)
2025	(1,443)
2026	(1,397)
Thereafter	(2,922)
Total	$ (7,423)

JEA

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

14. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For JEA, this statement applies to certain investments, interest rate swap agreements, and natural gas cash flow hedges.

JEA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

Investments

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). The local government investment pools transact with participants at a stable NAV and are recorded at NAV. Certain U.S. Treasury and government agency securities and commercial paper are measured at cost.

	2021	
	Total	**Level 2**
Investments by fair value level		
State and local government securities	$ 113,483	$ 113,483
U.S. Treasury and government agency securities	43,860	43,860
Total investments by fair value level	157,343	157,343
Investments measured at NAV		
Money market mutual funds	331,417	
Local government investment pools	168,799	
Total investments measured at NAV	500,216	
Investments measured at cost		
Commercial paper	117,378	
Total investments measured at cost	117,378	
Total investments per statement of net position	$ 774,937	

JEA

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

14. Fair Value Measurements (continued)

	2020	
	Total	Level 2
Investments by fair value level		
State and local government securities	$ 140,950	$ 140,950
U.S. Treasury and government agency securities	108,377	108,377
Total investments by fair value level	249,327	249,327
Investments measured at NAV		
Money market mutual funds	248,983	
Local government investment pools	181,891	
Total investments measured at NAV	430,874	
Investments measured at cost		
Commercial paper	63,765	
U.S. Treasury and government agency securities	2,498	
Total investments measured at cost	66,263	
Total investments per statement of net position	$ 746,464	

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2021 and 2020 and standard cash flow present valuing techniques, which places them at Level 2 in the fair value hierarchy. The agreements are recorded at fair value as part of long-term debt in the statements of net position. The fair value of the interest rate swap agreements is detailed below.

	2021	2020
Electric	$ (102,752)	$ (139,607)
Water and Sewer	(26,603)	(37,681)
Total	$ (129,355)	$ (177,288)

JEA

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

14. Fair Value Measurements (continued)

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consisted of swap agreements for either a 3-month or 12-month period, covering calendar years 2020 through 2024. These hedges were valued using prices observed on commodities exchanges and/or using industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which placed them at Level 3 in the fair value hierarchy. At September 30, 2021, deferred credits of $150,453 were included in accumulated increase in fair value of hedging derivatives on the statement of net position. At September 30, 2020, deferred credits of $11,944 were included in accumulated increase in fair value of hedging derivatives and deferred charges of $1,998 were included in accumulated decrease in fair value of hedging derivatives on the statement of net position.

15. Commitments and Contingent Liabilities

Grants

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

Regulatory Initiatives

The electric industry and water and wastewater industry have been and will continue to be affected by a number of legislative and regulatory initiatives. The following summarizes the key regulations affecting JEA:

Electric Enterprise System – On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO_2) fossil fuel-fired electric generating units (EGUs):

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

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

15. Commitments and Contingent Liabilities (continued)

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. On March 28, 2017, President Trump issued an Executive Order establishing a national policy “in favor of energy independence, economic growth, and the rule of law”. The President has directed agencies to review existing regulations that potentially burden the development of domestic energy resources, and appropriately suspend, revise, or rescind regulations that unduly burden the development of U.S. energy resources beyond what is necessary to protect the public interest or otherwise comply with the law. The Executive Order specifically directed EPA to review and, if appropriate, initiate reconsideration proceedings to suspend, revise or rescind the new EPA Final Rules pertaining to CO_2 emissions. EPA initially obtained temporary court orders to hold the court challenge of the CPP and the CPS in abeyance, pending the completion of EPA’s review of the rules. EPA subsequently petitioned the court to pause the litigation indefinitely while EPA promulgates new rules.

On October 16, 2017, EPA published a proposal to repeal the Clean Power Plan (CPP). On August 31, 2018, EPA published a proposal to replace the CPP, called the Affordable Clean Energy (ACE) Rule. On July 8, 2019, EPA published the final ACE rule. The compliance requirements of the ACE rule are significantly less stringent than those of the CPP. Rule will establish a CO_2 emission limit for Northside Generating Units 1 and 2. The CO_2 emission limit will be set using a baseline of previous CO_2 emissions and what potential reductions can be completed by heat rate improvements (HRI). Units 1 and 2 are currently being assessed on what HRI projects could be implemented. These studies were completed in November 2020. Cost of compliance is being evaluated at this time, but should not result in significant capital outlay. The ACE rule requires state plans to be submitted by July 8, 2022. On January 19, 2021, the D.C. Circuit vacated the Affordable Clean Energy rule and remanded to the Environmental Protection Agency for further proceedings consistent with its opinion. EPA is in process of developing a new rule.

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act, because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter ($PM_{2.5}$), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO_2 and NOx emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of $PM_{2.5}$ and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012 with more stringent limits taking effect in 2014. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NOx emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

15. Commitments and Contingent Liabilities (continued)

On December 21, 2011, the EPA issued its Mercury and Air Toxics Standards (MATS) rule, setting forth maximum achievable control technology (MACT) standards for coal and oil generating stations. The new standards regulate four categories of hazardous air pollutants (HAPS) emitted by coal- or oil-fired EGUs, namely mercury, HAP metals, acid gases, and organic HAP.

The compliance deadline for affected sources to have all necessary pollution controls installed was April 2015. JEA's units that are regulated under MATS comply with all rule requirements.

In April 2015, the EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015 and established technical requirements for surface impoundments and landfills. The rule requires protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, is enforced only by citizen-initiated lawsuits, rather than by the EPA. However, with passage of the WIIN Act in 2016, the rule can now be reformed to provide the following: 1) conversion from a "self-implementing" program to a permit program the states or EPA would have primary responsibility to administer and enforce; and, 2) flexibility for state programs to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements. Multiple federal rulemaking proceedings are underway, many of which are subject to litigation. Florida has started the process to incorporate the rule and regulations, which ultimately may constitute a permitting or tailored program.

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of byproducts at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. The recently closed cell within Area B of SJRPP does not have to be lined, but must comply with the operating and monitoring requirements of the rule. SJRPP's two closed byproduct storage areas (Areas I and II) are not affected by this rule. SJRPP has no regulated surface impoundments. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities is currently projected to run through 2030.

The EPA left in place the 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.

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

15. Commitments and Contingent Liabilities (continued)

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

With few changes to the proposed rule, the EPA published the final rule in the Federal Register in August 2015. The new standards will not affect any JEA facilities other than NGS. NGS is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries, or oceans to cool their plants. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA) to improvements to the existing screening facilities or installation of cooling towers. A full two-year biological study is required to evaluate site-specific conditions and form a basis for assessing BTA and was completed in 2020. Study results are currently being evaluated. Estimated final compliance deadlines are not expected until after 2025 and will depend on the level of upgrade ultimately required. Accordingly, costs of compliance have not been determined for NGS and are not included in JEA's capital program for the Electric System.

On September 30, 2016, the EPA issued the Effluent Limitation Guidelines for Steam Electric Power Plants. In setting the new and more stringent standards, the EPA evaluated the technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in as soon as possible on or after November 1, 2018, but no later than December 31, 2023. The costs of compliance at NGS and Scherer have been evaluated and are anticipated in operating budgets and in JEA's five-year capital program for the Electric System.

JEA

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

15. Commitments and Contingent Liabilities (continued)

Water Supply System Regulatory Initiatives – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida, the Suwannee River Water Management District (SRWMD), Florida Department of Environmental Protection (FDEP), and the SJRWMD have set or are setting/revising Minimum Flows and Levels (MFLs) for water bodies in the region. MFLs are intended to assess the potential for ecological resource risks from water withdrawals and ensure sustainable supplies. In 2015, MFLs were adopted in the SRWMD and a determination required a recovery strategy. By permit, JEA will participate to the extent of its proportionate impact in prevention and recovery strategies that may be developed to ensure the groundwater resource remains sustainable. The SRWMD is re-evaluating the 2015 MFLs and a draft MFL has been released and is still in recovery status. In 2020, the SJRWMD released draft MFLs for Lakes Brooklyn and Geneva in the Keystone Heights area. The draft MFL indicates the lakes will require a prevention and recovery strategy. In 2021, JEA along with other northeast Florida water utilities entered into an MOA with SJRWMD to provide financial assistance with a proposed pipeline from Black Creek to assist in providing additional water resource for recharging of the lakes. In addition, JEA completed and submitted the CUP 10-year compliance report in May 2021 and the report was accepted by SJRWMD.

Wastewater Treatment System Regulatory Initiatives – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities. By virtue of exceeding its own regulatory obligation, JEA has generated nutrient reduction credits and has assisted the City in meeting a portion of their Municipal Separate Storm System nutrient requirements by transferring 33.44 short tons per year. This was recognized in JEA's annual contribution agreement negotiated in 2016. In 2013, both the FDEP and EPA reaffirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL.

The Florida Legislature passed statutory changes in 2021 to eliminate the disposal of effluent from wastewater treatment facilities (WWTF) via surface water discharge by 2032. This change would require the WWTF effluent be used for aquifer recharge, potable reuse, conventional reuse, or ecological restoration. The bill also declares potable reuse to be an alternative water supply and prohibits exclusion of use of potable reuse water from regional water supply planning. JEA will be completing the FDEP required plan in accordance with the legislation requirements in November 2021 and the costs of compliance are being evaluated.

JEA

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

15. Commitments and Contingent Liabilities (continued)

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 $30,618 at September 30, 2021. The accrual is related to the following environmental matters: Kennedy Generating Station (KGS) RCRA Corrective Action for former wood preserving site; Northside Generating Station RCRA Corrective Action for former chemical waste pond site; SJRPP Area B Landfill; Pearl Street Electric Shop remedial activities; Sans Souci Substation remedial activities; Buckman Administration Building remedial activities; KGS Bulkhead remedial activities; Westside Service Center PCB remedial activities, and remediation at a number of miscellaneous petroleum sites. Of the $30,618 that JEA has accrued as environmental liabilities, approximately $17,025 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain and no accurate prediction of range of loss is possible at this time: Pickettville Road Landfill CERCLA site post-closure activities and the Ellis Road CERCLA site. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity. Costs associated with these obligations that were expensed prior to the approval of regulatory accounting for environmental projects are recorded in other noncurrent liabilities and total $16,568. The remaining liability is recognized as part of revenues to be used for future costs.

Northside Generating Station Byproduct

JEA Northside Generating Station (NGS) Units 1 and 2 produce byproducts that consist of fly ash and bed ash. JEA has obtained a permit from FDEP to beneficially use the processed byproduct material in the State of Florida, subject to certain restrictions. These ash products are processed into materials marketed as EZBase and EZSorb. The expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of railcars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb is currently being transported by truck and rail to leachate solidification and environmental remediation/stabilization projects in several southeastern states.

The Byproducts Storage Area is an FDEP permitted, Class I lined storage facility at NGS. JEA received a new 20-year permit effective May 4, 2015.

JEA

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

15. Commitments and Contingent Liabilities (continued)

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff sued multiple defendants seeking damages allegedly resulting from construction defects at The Promenade, a retail shopping mall in D'Iberville, Mississippi. Plaintiff amended the complaint in April 2010 to add JEA as a defendant on various product liability theories, claiming that JEA's ash byproduct was allegedly incorporated as a component of the product of another party defendant and used by other party defendants at the subject project. Plaintiff seeks injunctive relief, to remediate the site, and damages. Multiple third party claims and cross claims were raised and remain pending. JEA believes it has good and meritorious defenses in this action and will vigorously defend the case. The plaintiff is seeking approximately $100,000 in damages from JEA; however, the trial court ruled that JEA is entitled to a sovereign immunity cap of $500. The issue was argued in the Mississippi Supreme Court in January 2019. In June 2019, the U.S. Supreme Court reversed a long-standing precedent with respect to the ability of one state's courts to exercise jurisdiction over another state. The same week, the Mississippi Supreme Court dismissed Promenade's damages cap appeal and remanded the case to the trial court for consideration of JEA's jurisdiction defense in light of the U.S. Supreme Court's 2019 decision. JEA has filed a Re-Urged Motion to Dismiss, which was originally set for hearing in 2020, but has been cancelled and rescheduled multiple times due to COVID-19. Currently, the motion is not set for hearing and it is unknown when the trial court will rule on the pending motion.

New Headquarters Building Lease

On July 11, 2019, JEA signed a 15-year building lease for a new headquarters building with the option to renew the lease for three consecutive renewal terms of 5 years each. In May 2020, the Board approved a revised building scope and program that reduced the building size and number of stories and extended the initial lease term from 15 years to 20 years. Ryan Companies should complete the main building (core and shell) and garage structure in the first calendar quarter 2022. The tenant improvement construction will commence in November 2021 and continue through August 2022. The costs to finance and build the new building will be paid for by the lessor and the lease term will commence once construction is complete. The annual lease payment for the initial year is estimated to be approximately $5,542 and will increase by 2.50% each year thereafter for years 2 through 15 and escalate 1.25% annually in years 16 through 20.

In additional to the annual rent, JEA will also pay an additional rental related to operating expenses for operation, maintenance, management, and repair of the building. This amount will vary each year, but will be no more than 105% of the preceding year's controllable operating expenses. Controllable expenses exclude real estate taxes, utilities and insurance. The initial year's estimate of additional rental is $1,190, including estimated real estate taxes. JEA will pay the lesser of the rent amount or expense carry costs for the period between when the temporary certificate of occupancy for the core and shell building is issued and the tenant improvements are complete.

General Litigation

JEA is party to various pending or threatened legal actions in connection with its normal operations. In the opinion of management, any ultimate liabilities that may arise from these actions are not expected to materially affect JEA's financial position, results of operations, or liquidity.

JEA

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

16. Disaster Costs

Storm Costs

Hurricane Matthew tracked parallel along the coast of Florida on October 7, 2016 and Hurricane Irma passed to the west of Jacksonville as a tropical storm on September 11, 2017, causing extensive damage within the JEA service territory. Damage to JEA property was primarily to the transmission and distribution systems. Because of the extensive damage, Jacksonville was declared a federal major disaster area, making JEA eligible to receive reimbursement from FEMA. Requests for Public Assistance for both declared disasters were filed and accepted.

JEA is in the midst of the cost reimbursement process through FEMA, which allows cost share of 87.5% of eligible cost (75.0% from FEMA and 12.5% from the State of Florida) of those costs not covered by insurance. As a result, $41,870 of the eligible costs were deferred as costs to be recovered from future revenues in the statement of net position with $4,000, being recognized in the maintenance and other operating expenses financial statement line item in the statement of revenues, expenses and changes in net position in fiscal year 2017. Through September 30, 2021, JEA has received $34,912, which reduced the deferred costs to be recovered from future revenues. Of the $34,912 received, $18,500 was from insurance and $16,412 from FEMA. JEA believes it is probable that reimbursement from FEMA will be received for the eligible cost incurred that is remaining.

COVID-19 Pandemic

In response to the COVID-19 pandemic, JEA took the following actions:

- suspended disconnections from March 12, 2020 to July 9, 2020;
- waived late and reconnection fees from March 31, 2020 to September 30, 2020; and
- waived credit card convenience fees for MasterCard, Visa, and Discover card payments up to $10,000 from April 6, 2020 to September 30, 2020.

Waived late and disconnection fees are estimated to have been between $2,000 and $3,000. Waived credit card convenience fees paid on behalf of customers totaled $1,885. In addition, the JEA Board, on April 3, 2020, approved a fuel credit for customers that appeared on their May 2020 bills and totaled $23,390.

During March, April, and May 2020, JEA paid additional compensation related to COVID-19. Employees who were telecommuting on a full or part-time basis received an allowance to cover the cost of electricity, internet, water and other incidentals normally provided at the workplace. In addition, JEA and its bargaining units agreed to a stipend that was payable to employees who were authorized in advance by their manager to perform work at a JEA facility or field location in a particular work week. The COVID-19 allowances and stipends totaled $9,626.

There are also certain expenditures for personal protective equipment as well as cleaning supplies that may be eligible for recovery from FEMA. The total of these expenditures was $1,770. JEA may seek recovery from FEMA for these amounts in the future.

JEA

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

17. Segment Information

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and DES represent separate identifiable activities. These systems have debt outstanding with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA's Electric System and Bulk Power Supply System segment consists of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA's SJRPP System segment consists of a generation facility that is 80% owned by JEA, which is currently in the process of being decommissioned as discussed in note 3, Asset Retirement Obligations. JEA's Water and Sewer System segment consists of water collection, distribution, and wastewater treatment in Northeast Florida. The DES consists of chilled water activities.

Intercompany billing is employed between the Electric System, the Water and Sewer System, and DES and includes purchases of electricity, water, sewer, and chilled water services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the financial statements. See intercompany charges detailed below.

	2021			**2020**		
	Electric	**W&S**	**DES**	**Electric**	**W&S**	**DES**
Electricity services	**N/A**	**$ 13,411**	**$ 2,971**	N/A	$ 13,069	$ 3,126
Water and sewer services	**152**	**N/A**	**107**	135	N/A	131
Chilled water services	**–**	**338**	**N/A**	–	351	N/A

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was $55,041 for fiscal year 2021 and $56,878 for 2020.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System for $32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were $79 for fiscal year 2021 and $558 for 2020.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,284, respectively, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $2,136 for fiscal year 2021 and $2,123 for 2020.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement per account. Deposits are allocated to the Electric System or Water and Sewer System based on revenues. When the deposits are credited to customer accounts, they are allocated between the service agreements.

JEA

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

17. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2021 and 2020 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Condensed statements of net position								
Total current assets	**$ 445,868**	$ 489,282	**$ 55,600**	$ 60,282	**$ 197,209**	$ 186,168	**$ 1,726**	$ 1,741
Total noncurrent assets	**879,809**	669,768	**319,734**	338,226	**490,180**	440,919	**3,061**	4,271
Net capital assets	**2,608,916**	2,674,895	**8,914**	9,324	**2,824,294**	2,792,604	**34,369**	34,352
Deferred outflows of resources	**285,785**	310,720	**7,783**	23,774	**127,626**	133,465	**157**	169
Total assets and deferred outflows of resources	**$ 4,220,378**	$ 4,144,665	**$ 392,031**	$ 431,606	**$ 3,639,309**	$ 3,553,156	**$ 39,313**	$ 40,533
Total current liabilities	**$ 165,716**	$ 153,014	**$ 585**	$ 8,531	**$ 38,166**	$ 36,572	**$ 165**	$ 180
Total current liabilities payable from restricted assets	**100,332**	107,745	**57,630**	62,047	**64,288**	72,374	**3,227**	2,420
Total long-term debt	**1,646,423**	1,865,134	**237,921**	252,548	**1,317,635**	1,357,015	**29,621**	31,386
Total other noncurrent liabilities	**510,091**	453,528	**4,765**	12,294	**310,670**	272,789	**77**	69
Total liabilities	**2,422,562**	2,579,421	**300,901**	335,420	**1,730,759**	1,738,750	**33,090**	34,055
Deferred inflows of resources	**288,139**	210,544	**6,901**	9,807	**41,225**	37,973	**–**	–
Net investment in (divestment of) capital assets	**1,089,669**	977,434	**(15,562)**	(14,114)	**1,619,661**	1,567,914	**2,336**	1,393
Restricted net position	**252,077**	211,567	**44,708**	45,869	**127,821**	89,858	**2,404**	3,593
Unrestricted net position	**167,931**	165,699	**55,083**	54,624	**119,843**	118,661	**1,483**	1,492
Total net position	**1,509,677**	1,354,700	**84,229**	86,379	**1,867,325**	1,776,433	**6,223**	6,478
Total liabilities, deferred inflows of resources, and net position	**$ 4,220,378**	$ 4,144,665	**$ 392,031**	$ 431,606	**$ 3,639,309**	$ 3,553,156	**$ 39,313**	$ 40,533
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	**$ 1,308,885**	$ 1,241,789	**$ 26,755**	$ 24,847	**$ 470,787**	$ 483,859	**$ 8,043**	$ 8,586
Depreciation	**217,362**	202,619	**410**	410	**171,357**	159,650	**2,586**	2,467
Other operating expenses	**800,405**	716,018	**19,117**	27,995	**186,288**	193,323	**4,460**	4,611
Operating income	**291,118**	323,152	**7,228**	(3,558)	**113,142**	130,886	**997**	1,508
Total nonoperating expenses, net	**(42,532)**	(53,683)	**(9,378)**	(7,993)	**(36,128)**	(32,056)	**(1,252)**	(1,163)
Total contributions, net	**(93,609)**	(93,871)	**–**	–	**13,878**	8,035	**–**	–
Changes in net position	**154,977**	175,598	**(2,150)**	(11,551)	**90,892**	106,865	**(255)**	345
Net position, beginning of year	**1,354,700**	1,179,102	**86,379**	97,930	**1,776,433**	1,669,568	**6,478**	6,133
Net position, end of year	**$ 1,509,677**	$ 1,354,700	**$ 84,229**	$ 86,379	**$ 1,867,325**	$ 1,776,433	**$ 6,223**	$ 6,478
Condensed statements of cash flow information								
Net cash provided by operating activities	**$ 470,963**	$ 521,220	**$ 16,251**	$ 2,168	**$ 300,270**	$ 289,268	**$ 3,195**	$ 4,119
Net cash used in noncapital and related financing activities	**(93,631)**	(93,794)	**–**	–	**(26,282)**	(24,932)	**–**	–
Net cash used in capital and related financing activities	**(392,662)**	(468,571)	**(23,060)**	(24,407)	**(227,143)**	(324,146)	**(4,803)**	(6,578)
Net cash provided by (used in) investing activities	**46,228**	40,366	**(370)**	1,779	**8,023**	44,346	**2**	72
Net change in cash and cash equivalents	**30,898**	(779)	**(7,179)**	(20,460)	**54,868**	(15,464)	**(1,606)**	(2,387)
Cash and cash equivalents at beginning of year	**355,876**	356,655	**141,132**	161,592	**138,268**	153,732	**5,856**	8,243
Cash and cash equivalents at end of year	**$ 386,774**	$ 355,876	**$ 133,953**	$ 141,132	**$ 193,136**	$ 138,268	**$ 4,250**	$ 5,856

JEA

Notes to Financial Statements (continued)

(Dollars in Thousands)

18. Subsequent Events

On October 26, 2021, the JEA Board revised its pricing policy to begin setting its fuel surcharge rate monthly and discontinue the use of the fuel stabilization fund, effective November 1, 2021.

Also on October 26, 2021, the FPSC approved FPL's cost recovery plan for the Scherer consummation payment as part of FPL's 2021 Rate Case (Docket 20210015-EI). The consummation payment was petitioned to be recovered as part of FPL's base rates and the actual payment was made to JEA on December 6, 2021.

On December 9, 2021, JEA amended and renewed three continuing covenants agreements relating to the Direct Purchase Bonds, commencing on December 10, 2021 and ending December 9, 2024.

On December 15, 2021, the revolving credit agreement was drawn upon by DES for $1,000, leaving $499,000 available to be drawn.

REQUIRED SUPPLEMENTARY INFORMATION

JEA

Required Supplementary Information – Pension
(Dollars in Thousands)

City of Jacksonville General Employees Retirement Plan

Schedule of JEA's Proportionate Share of the Net Pension Liability[a]

Fiscal Year	Proportional Share Percentage	Net Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	48.85%	$ 386,789	$ 129,922	297.71%	68.64%
2015	48.85%	404,466	128,084	315.78%	69.06%
2016	49.15%	480,353	127,440	376.92%	64.03%
2017	50.37%	541,025	126,808	426.65%	63.00%
2018	51.68%	527,680	134,443	392.49%	63.71%
2019	50.59%	562,371	135,709	414.40%	65.23%
2020	48.84%	633,292	134,549	470.68%	60.54%
2021	52.71%	729,569	133,714	545.62%	59.16%

Schedule of JEA Contributions[b]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2012	$ 22,301	$ 22,301	$ -	$ 127,434	17.50%
2013	27,038	27,038	-	129,990	20.80%
2014	34,149	34,149	-	129,922	26.28%
2015	40,179	40,179	-	128,084	31.37%
2016	43,156	43,156	-	127,440	33.86%
2017	48,942	48,942	-	126,808	38.60%
2018	35,459	35,929	(470)	134,443	26.72%
2019	33,856	34,352	(496)	135,709	25.31%
2020	37,592	38,095	(503)	134,549	28.31%
2021	40,401	40,401	-	133,714	30.21%

(a) These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

(b) All information is on measurement year basis.

JEA

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

Notes to Schedule of Contributions

Valuation date:	Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll, using 1.50% annual increases*
Remaining amortization period	As of October 1, 2018, the effective amortization period is 28 years
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.
Actual assumptions:	
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation rate	2.50%*
Projected salary increases	3.00% – 7.50%, of which 2.50% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	Plan provisions contain a 3.00% COLA.

* The Fund's payroll inflation assumption is 2.50% as of October 1, 2018. Per Part VII, Chapter 112.64(5)(a) of *Florida Statutes*, the payroll growth assumption used for amortization of the unfunded liability is not allowed to exceed the average annual payroll growth for the proceeding ten years. However, pursuant to Chapter 112.64(5)(b), and after adjusting this analysis to account for bargained pay level increases and inclusion of DC plan participants in the total payroll, the assumption was set at 1.50%.

JEA

Required Supplementary Information – Pension

(Dollars in Thousands)

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

	2020	2019[b]	2018	2017	2016	2015	2014
Total Pension Liability							
Beginning balance	**$ 169,807**	$ 174,666	$ 169,321	$ 158,926	$ 155,143	$ 148,508	$ 146,521
Service cost	**22**	35	112	1,032	1,210	1,275	1,470
Interest	**9,795**	10,086	11,163	10,768	10,514	10,271	10,026
Changes in benefit terms	**–**	–	–	–	(59)	–	–
Difference between actual and expected experience	**1,222**	1,193	(1,784)	10,826	714	2,121	–
Changes in assumptions	**–**	(2,975)	15,782	26	3,730	3,316	–
Benefit payments	**(13,150)**	(13,198)	(19,928)	(12,257)	(12,326)	(10,348)	(9,509)
Total pension liability – ending	**$ 167,696**	$ 169,807	$ 174,666	$ 169,321	$ 158,926	$ 155,143	$ 148,508
Plan Fiduciary Net Position							
Beginning balance	**$ 162,013**	$ 170,665	$ 152,798	$ 142,286	$ 138,902	$ 145,425	$ 135,019
Contributions – employer	**13,307**	–	26,409	8,039	2,142	3,509	5,559
Contributions – employee	**19**	90	232	625	629	648	655
Net investment income (loss)	**7,878**	4,610	11,499	14,571	13,379	(266)	13,763
Benefit payments	**(13,150)**	(13,198)	(19,928)	(12,257)	(12,326)	(10,348)	(9,509)
Administrative expense	**(86)**	(154)	(345)	(466)	(440)	(66)	(62)
Plan fiduciary net position – ending	**$ 169,981**	$ 162,013	$ 170,665	$ 152,798	$ 142,286	$ 138,902	$ 145,425
Net Pension Liability (Asset) – Ending	**$ (2,285)**	$ 7,794	$ 4,001	$ 16,523	$ 16,640	$ 16,241	$ 3,083
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**101.36%**	95.41%	97.71%	90.24%	89.53%	89.53%	97.92%
Covered Payroll	**$ 468**	$ 452	$ 3,992	$ 15,621	$ 15,730	$ 16,665	$ 21,304
Net Pension Liability (Asset) as a Percentage of Covered Payroll	**-488.67%**	1723.50%	100.24%	105.78%	105.79%	97.46%	14.47%

(a) These schedules are presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

(b) The mortality tables and improvement scales used by FRS were updated in their July 1, 2019 valuation. The new FRS mortality assumptions were adopted for this measurement.

JEA

Required Supplementary Information – Pension
(Dollars in Thousands)

SJRPP Plan – Investment Returns[a]

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0.41%	17.17%	12.64%	10.32%	-0.19%	9.99%	10.39%	7.37%	2.48%	4.78%

SJRPP Plan – Schedule of Contributions[a]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	$ 7,995	$ 8,005	$ (10)	$ 19,318	41.44%
2013	11,845	11,885	(40)	17,761	66.92%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	16,665	21.06%
2016	2,050	2,142	(92)	15,730	13.62%
2017	7,967	8,039	(72)	15,621	51.46%
2018	7,727	26,409	(18,682)	3,992	661.57%
2019	-	-	-	452	0.00%
2020	4,582	13,307	(8,725)	468	2845.69%
2021	-	-	-	362	0.00%

[a] All information is on measurement year basis

Notes to Schedule of Contributions

Valuation date:	Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	1 year
Asset valuation method	Market value of assets less Credit Balance Account
Inflation	2.25% (2021) and 2.5% (2020)
Salary increases	2.5% - 12.5% per year, including inflation
Investment rate of return	6.00% per year, compounded annually, net of investment expenses.
Retirement age	Experience-based table of rates based on year of eligibility.
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows:
	Healthy pre-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Healthy post-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Disabled mortality rates : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.

JEA

Required Supplementary Information – OPEB
(Dollars in Thousands)

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

	2020[b]	2019[c]	2018	2017	2016
Total OPEB Liability					
Beginning balance	**$ 40,794**	$ 46,705	$ 44,547	$ 60,949	$ 62,554
Service cost	**453**	539	499	811	781
Interest on the total OPEB liability	**2,392**	2,740	3,044	4,253	4,203
Changes in benefit terms	**–**	–	–	(11,556)	–
Difference between actual and expected experience	**(620)**	362	(4,057)	(7,891)	–
Change of assumptions	**(1,131)**	(6,387)	5,794	–	–
Benefit payments	**(2,753)**	(3,165)	(3,122)	(2,019)	(6,589)
Total OPEB liability – ending	**$ 39,135**	$ 40,794	$ 46,705	$ 44,547	$ 60,949
Plan Fiduciary Net Position					
Beginning balance	**$ 30,703**	$ 28,449	$ 25,712	$ 21,441	$ 18,156
Employer contributions	**4,394**	3,903	4,078	5,240	5,061
Net investment income	**2,112**	1,617	1,989	2,942	2,135
Reimbursements to employer	**(3,187)**	(3,244)	(3,308)	(3,911)	(3,911)
OPEB plan administrative expense	**(23)**	(22)	(22)	–	–
Plan fiduciary net position – ending	**$ 33,999**	$ 30,703	$ 28,449	$ 25,712	$ 21,441
Net OPEB Liability – Ending	**$ 5,136**	$ 10,091	$ 18,256	$ 18,835	$ 39,508
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	**86.88%**	75.26%	60.91%	57.72%	35.18%
Covered Payroll	**$ 162,138**	$ 157,415	$ 156,042	$ 155,326	$ 150,073
Net OPEB Liability as a Percentage of Covered Payroll	**3.17%**	6.41%	11.70%	12.13%	26.33%

(a) This schedule is presented to illustrate the requirement to share information for ten years. However, until a full ten-year trend is compiled, only available information is shown. All information is on a measurement year basis.

(b) A load for modeling the excise tax was removed following the repeal of the Cadillac tax.

(c) First year trend on premiums was reduced from 6.50% to 2.06%. Assumed initial cost of coverage was reduced from previously projected $1,090 per subscriber per month to $1,016 per subscriber per month, partially offset by a modest change in the first year average premium to $699 per month from expected $695 per month. Assumed mortality rates were updated to PUB-2020 tables. These are the same rates used by the Florida Retirement System in their July 1, 2019 Actuarial Valuation for non K-12 Instructional Regular Class Members. Demographic assumptions for GERP members were updated following an experience study by the plan actuary for the GERP. Updated assumptions include salary increase assumptions, rates of disability, rates of withdrawal, and rates of retirement. The ultimate inflation assumption was changed from 2.5% to 2.25% with healthcare cost trend assumption revised accordingly.

JEA

Required Supplementary Information – OPEB
(Dollars in Thousands)

OPEB Plan – Investment Returns[(a)]

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
-1.41%	15.84%	11.93%	8.22%	-0.46%	7.90%	13.35%	7.54%	5.55%	6.69%

OPEB Plan – Schedule of Contributions[(a)(b)]

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	$ 5,344	$ 6,601	$ (1,257)	N/A	N/A
2012	5,211	5,423	(212)	150,714	3.60%
2013	5,433	6,185	(752)	N/A	N/A
2014	4,819	4,382	437	148,617	2.95%
2015	5,011	7,255	(2,244)	N/A	N/A
2016	5,061	7,739	(2,678)	150,073	5.16%
2017	4,138	5,240	(1,102)	155,326	3.37%
2018	4,078	4,078	-	156,042	2.61%
2019	3,903	3,903	-	157,415	2.48%
2020	4,394	4,394	-	162,138	2.71%

(a) All information is on measurement year basis

(b) This schedule is presented to illustrate the requirement to share information for ten years. However, until a full ten year trend is compiled, only available information is shown. All information is on a measurement year basis.

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	5 years
Asset valuation method	Market value
Inflation	2.25% (2020) and 2.5% (2019)
Salary increases	2.5% – 12.5% per year, including inflation; varies by years of service
Investment rate of return	6.00% (2020) and 7.00% (2019)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality rates used by the Florida Retirement System for its regular class members other than K-12 School Instructional Personnel described as follows:
	Healthy pre-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Employee tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Healthy post-retirement mortality rates : PUB-2010 Headcount Weighted General Below Median Healthy Retiree tables, generationally projected from year 2010 using Scale MP-2018, set back 1 year for males;
	Disabled mortality rates : PUB-2010 Headcount Weighted General Disabled Retiree tables, set forward 3 years.
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.50% (2020) and 7.00% (2019) and gradually decreasing to an ultimate trend rate of 3.99% (2020) and 4.57% (2019)(including the impact of the excise tax).
Aging factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Investment returns are net of the investment expenses; and, administrative expenses related to operation of the health plan are included in the premium costs.

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2021

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 222,273	$ 51,335	$ –	$ 273,608	$ 75,668	$ 1,219	$ 350,495
Investments	–	4,140	–	4,140	–	–	4,140
Customer accounts receivable, net of allowance ($3,155)	165,572	–	–	165,572	55,273	503	221,348
Inventories:							
Materials and supplies	2,248	–	–	2,248	60,548	–	62,796
Fuel	32,911	–	–	32,911	–	–	32,911
Other current assets	22,864	125	(4,279)	18,710	5,720	4	24,434
Total current assets	445,868	55,600	(4,279)	497,189	197,209	1,726	696,124
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	164,501	82,618	–	247,119	112,468	3,031	362,618
Investments	168,306	9,677	–	177,983	91,837	–	269,820
Accounts and interest receivable	–	233	–	233	7	–	240
Total restricted assets	332,807	92,528	–	425,335	204,312	3,031	632,678
Costs to be recovered from future revenues	376,214	220,155	–	596,369	285,550	30	881,949
Hedging derivative instruments	150,453	–	–	150,453	–	–	150,453
Other assets	20,335	7,051	(4,765)	22,621	318	–	22,939
Total noncurrent assets	879,809	319,734	(4,765)	1,194,778	490,180	3,061	1,688,019
Net capital assets	2,608,916	8,914	–	2,617,830	2,824,294	34,369	5,476,493
Total assets	3,934,593	384,248	(9,044)	4,309,797	3,511,683	39,156	7,860,636
Deferred outflows of resources							
Unrealized pension contributions and losses	90,081	4,616	–	94,697	62,599	–	157,296
Accumulated decrease in fair value of hedging derivatives	102,752	–	–	102,752	26,603	–	129,355
Unamortized deferred losses on refundings	51,043	3,099	–	54,142	35,430	157	89,729
Unrealized asset retirement obligations	37,601	68	–	37,669	–	–	37,669
Unrealized OPEB contributions and losses	4,308	–	–	4,308	2,994	–	7,302
Total deferred outflows of resources	285,785	7,783	–	293,568	127,626	157	421,351
Total assets and deferred outflows of resources	$ 4,220,378	$ 392,031	$ (9,044)	$ 4,603,365	$ 3,639,309	$ 39,313	$ 8,281,987

JEA

Combining Statement of Net Position (continued)

(In Thousands)

September 30, 2021

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 67,698	$ 517	$ (33)	$ 68,182	$ 8,418	$ 102	$ 76,702
Customer deposits and prepayments	57,354	–	–	57,354	17,676	–	75,030
Billings on behalf of state and local governments	22,218	–	–	22,218	3,788	–	26,006
Compensation and benefits payable	7,229	–	–	7,229	6,069	63	13,361
City of Jacksonville payable	7,978	–	–	7,978	2,215	–	10,193
Asset retirement obligations	3,239	68	–	3,307	–	–	3,307
Total current liabilities	165,716	585	(33)	166,268	38,166	165	204,599
Current liabilities payable from restricted assets:							
Debt due within one year	66,220	14,175	–	80,395	9,370	1,770	91,535
Interest payable	24,886	4,947	–	29,833	20,994	627	51,454
Construction contracts and accounts payable	9,226	5,732	(4,246)	10,712	33,924	830	45,466
Renewal and replacement reserve	–	32,776	–	32,776	–	–	32,776
Total current liabilities payable from restricted assets	100,332	57,630	(4,246)	153,716	64,288	3,227	221,231
Noncurrent liabilities:							
Long-term debt:							
Debt payable, less current portion	1,444,040	237,590	–	1,681,630	1,196,905	29,640	2,908,175
Unamortized premium (discount), net	99,631	331	–	99,962	94,127	(19)	194,070
Fair value of debt management strategy instruments	102,752	–	–	102,752	26,603	–	129,355
Total long-term debt	1,646,423	237,921	–	1,884,344	1,317,635	29,621	3,231,600
Net pension liability	430,446	–	–	430,446	299,123	–	729,569
Asset retirement obligations	34,362	–	–	34,362	–	–	34,362
Compensation and benefits payable	23,915	–	–	23,915	9,441	77	33,433
Net OPEB liability	3,030	–	–	3,030	2,106	–	5,136
Other liabilities	18,338	4,765	(4,765)	18,338	–	–	18,338
Total noncurrent liabilities	2,156,514	242,686	(4,765)	2,394,435	1,628,305	29,698	4,052,438
Total liabilities	2,422,562	300,901	(9,044)	2,714,419	1,730,759	33,090	4,478,268
Deferred inflows of resources							
Revenues to be used for future costs	121,643	5,094	–	126,737	30,077	–	156,814
Accumulated increase in fair value of hedging derivatives	150,453	–	–	150,453	–	–	150,453
Unrealized OPEB gains	8,688	–	–	8,688	6,037	–	14,725
Unrealized pension gains	7,355	1,807	–	9,162	5,111	–	14,273
Total deferred inflows of resources	288,139	6,901	–	295,040	41,225	–	336,265
Net position							
Net investment in (divestment of) capital assets	1,089,669	(15,562)	–	1,074,107	1,619,661	2,336	2,696,104
Restricted							
Capital projects	184,086	–	–	184,086	111,339	634	296,059
Debt service	64,931	14,542	–	79,473	9,180	1,770	90,423
Other purposes	3,060	30,166	4,246	37,472	7,302	–	44,774
Unrestricted	167,931	55,083	(4,246)	218,768	119,843	1,483	340,094
Total net position	1,509,677	84,229	–	1,593,906	1,867,325	6,223	3,467,454
Total liabilities, deferred inflows of resources, and net position	$ 4,220,378	$ 392,031	$ (9,044)	$ 4,603,365	$ 3,639,309	$ 39,313	$ 8,281,987

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 266,683	$ 51,814	$ –	$ 318,497	$ 67,036	$ 1,615	$ 387,148
Investments	–	3,107	–	3,107	–	–	3,107
Customer accounts receivable, net of allowance ($3,864)	165,515	–	–	165,515	54,176	123	219,814
Inventories:							
Materials and supplies	2,378	–	–	2,378	59,285	–	61,663
Fuel	37,822	–	–	37,822	–	–	37,822
Other current assets	16,884	5,361	(9,519)	12,726	5,671	3	18,400
Total current assets	489,282	60,282	(9,519)	540,045	186,168	1,741	727,954
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	89,193	89,318	–	178,511	71,232	4,241	253,984
Investments	202,036	10,227	–	212,263	98,867	–	311,130
Accounts and interest receivable	1,053	11	–	1,064	7	–	1,071
Total restricted assets	292,282	99,556	–	391,838	170,106	4,241	566,185
Costs to be recovered from future revenues	348,740	234,170	–	582,910	269,374	30	852,314
Hedging derivative instruments	11,944	–	–	11,944	–	–	11,944
Other assets	16,802	4,500	(4,500)	16,802	1,439	–	18,241
Total noncurrent assets	669,768	338,226	(4,500)	1,003,494	440,919	4,271	1,448,684
Net capital assets	2,674,895	9,324	–	2,684,219	2,792,604	34,352	5,511,175
Total assets	3,833,945	407,832	(14,019)	4,227,758	3,419,691	40,364	7,687,813
Deferred outflows of resources							
Unrealized pension contributions and losses	74,505	17,601	–	92,106	51,775	–	143,881
Accumulated decrease in fair value of hedging derivatives	141,605	–	–	141,605	37,681	–	179,286
Unamortized deferred losses on refundings	56,693	3,300	–	59,993	40,152	169	100,314
Unrealized asset retirement obligations	32,368	2,873	–	35,241	–	–	35,241
Unrealized OPEB contributions and losses	5,549	–	–	5,549	3,857	–	9,406
Total deferred outflows of resources	310,720	23,774	–	334,494	133,465	169	468,128
Total assets and deferred outflows of resources	$ 4,144,665	$ 431,606	$ (14,019)	$ 4,562,252	$ 3,553,156	$ 40,533	$ 8,155,941

JEA

Combining Statement of Net Position (continued)

(In Thousands)

September 30, 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 57,341	$ 5,658	$ (5,376)	$ 57,623	$ 8,855	$ 144	$ 66,622
Customer deposits and prepayments	53,779	–	–	53,779	17,525	–	71,304
Billings on behalf of state and local governments	22,171	–	–	22,171	3,834	–	26,005
Compensation and benefits payable	10,301	–	–	10,301	4,262	36	14,599
City of Jacksonville payable	8,159	–	–	8,159	2,096	–	10,255
Asset retirement obligations	1,263	2,873	–	4,136	–	–	4,136
Total current liabilities	153,014	8,531	(5,376)	156,169	36,572	180	192,921
Current liabilities payable from restricted assets:							
Debt due within one year	67,765	13,340	–	81,105	19,870	1,725	102,700
Interest payable	24,871	5,222	–	30,093	22,115	648	52,856
Construction contracts and accounts payable	15,109	5,575	(4,143)	16,541	30,389	47	46,977
Renewal and replacement reserve	–	37,910	–	37,910	–	–	37,910
Total current liabilities payable from restricted assets	107,745	62,047	(4,143)	165,649	72,374	2,420	240,443
Noncurrent liabilities:							
Long-term debt:							
Debt payable, less current portion	1,629,850	251,765	–	1,881,615	1,241,565	31,410	3,154,590
Unamortized premium (discount), net	95,677	783	–	96,460	77,769	(24)	174,205
Fair value of debt management strategy instruments	139,607	–	–	139,607	37,681	–	177,288
Total long-term debt	1,865,134	252,548	–	2,117,682	1,357,015	31,386	3,506,083
Net pension liability	373,642	7,794	–	381,436	259,650	–	641,086
Asset retirement obligations	31,105	–	–	31,105	–	–	31,105
Compensation and benefits payable	22,271	–	–	22,271	9,002	69	31,342
Net OPEB liability	5,954	–	–	5,954	4,137	–	10,091
Other liabilities	20,556	4,500	(4,500)	20,556	–	–	20,556
Total noncurrent liabilities	2,318,662	264,842	(4,500)	2,579,004	1,629,804	31,455	4,240,263
Total liabilities	2,579,421	335,420	(14,019)	2,900,822	1,738,750	34,055	4,673,627
Deferred inflows of resources							
Revenues to be used for future costs	177,589	5,821	–	183,410	23,372	–	206,782
Accumulated increase in fair value of hedging derivatives	11,944	–	–	11,944	–	–	11,944
Unrealized OPEB gains	9,023	–	–	9,023	6,271	–	15,294
Unrealized pension gains	11,988	3,986	–	15,974	8,330	–	24,304
Total deferred inflows of resources	210,544	9,807	–	220,351	37,973	–	258,324
Net position							
Net investment in (divestment of) capital assets	977,434	(14,114)	–	963,320	1,567,914	1,393	2,532,627
Restricted							
Capital projects	139,007	–	–	139,007	63,679	1,868	204,554
Debt service	66,487	13,706	–	80,193	19,640	1,725	101,558
Other purposes	6,073	32,163	4,143	42,379	6,539	–	48,918
Unrestricted	165,699	54,624	(4,143)	216,180	118,661	1,492	336,333
Total net position	1,354,700	86,379	–	1,441,079	1,776,433	6,478	3,223,990
Total liabilities, deferred inflows of resources, and net position	$ 4,144,665	$ 431,606	$ (14,019)	$ 4,562,252	$ 3,553,156	$ 40,533	$ 8,155,941

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

Year Ended September 30, 2021

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,283,608	$ 26,644	$ (26,643)	$ 1,283,609	$ –	$ –	$ (16,382)	$ 1,267,227
Water and sewer	–	–	–	–	456,692	–	(259)	456,433
District energy system	–	–	–	–	–	8,042	(338)	7,704
Other operating revenues	25,277	111	–	25,388	14,095	1	(2,215)	37,269
Total operating revenues	1,308,885	26,755	(26,643)	1,308,997	470,787	8,043	(19,194)	1,768,633
Operating expenses								
Operations and maintenance:								
Maintenance and other operating expenses	231,123	5,240	–	236,363	165,659	4,460	(19,194)	387,288
Fuel	364,074	–	–	364,074	–	–	–	364,074
Purchased power	138,030	–	(26,643)	111,387	–	–	–	111,387
Depreciation	217,362	410	–	217,772	171,357	2,586	–	391,715
State utility and franchise taxes	60,080	–	–	60,080	10,886	–	–	70,966
Recognition of deferred costs and revenues, net	7,098	13,877	–	20,975	9,743	–	–	30,718
Total operating expenses	1,017,767	19,527	(26,643)	1,010,651	357,645	7,046	(19,194)	1,356,148
Operating income	291,118	7,228	–	298,346	113,142	997	–	412,485
Nonoperating revenues (expenses)								
Interest on debt	(66,288)	(9,782)	–	(76,070)	(43,570)	(1,271)	–	(120,911)
Earnings from The Energy Authority	15,378	–	–	15,378	–	–	–	15,378
Allowance for funds used during construction	3,203	–	–	3,203	6,085	17	–	9,305
Other nonoperating income, net	4,041	290	–	4,331	465	–	–	4,796
Investment income	1,177	114	–	1,291	872	2	–	2,165
Other interest, net	(43)	–	–	(43)	20	–	–	(23)
Total nonoperating expenses, net	(42,532)	(9,378)	–	(51,910)	(36,128)	(1,252)	–	(89,290)
Income before contributions	248,586	(2,150)	–	246,436	77,014	(255)	–	323,195
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(93,609)	–	–	(93,609)	(26,403)	–	–	(120,012)
Developers and other	2,898	–	–	2,898	91,682	–	–	94,580
Reduction of plant cost through contributions	(2,898)	–	–	(2,898)	(51,401)	–	–	(54,299)
Total contributions, net	(93,609)	–	–	(93,609)	13,878	–	–	(79,731)
Change in net position	154,977	(2,150)	–	152,827	90,892	(255)	–	243,464
Net position, beginning of year	1,354,700	86,379	–	1,441,079	1,776,433	6,478	–	3,223,990
Net position, end of year	$ 1,509,677	$ 84,229	$ -	$ 1,593,906	$ 1,867,325	$ 6,223	$ -	$ 3,467,454

JEA

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

Year Ended September 30, 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	$ 1,219,884	$ 25,129	$ (25,130)	$ 1,219,883	$ –	$ –	$ (16,195)	$ 1,203,688
Water and sewer	–	–	–	–	470,180	–	(266)	469,914
District energy system	–	–	–	–	–	8,586	(351)	8,235
Other operating revenues	21,905	(282)	–	21,623	13,679	–	(2,681)	32,621
Total operating revenues	1,241,789	24,847	(25,130)	1,241,506	483,859	8,586	(19,493)	1,714,458
Operating expenses								
Operations and maintenance:								
Maintenance and other operating expenses	246,870	15,226	–	262,096	175,711	4,611	(19,493)	422,925
Fuel	290,965	–	–	290,965	–	–	–	290,965
Purchased power	110,176	–	(25,130)	85,046	–	–	–	85,046
Depreciation	202,619	410	–	203,029	159,650	2,467	–	365,146
State utility and franchise taxes	58,806	–	–	58,806	10,963	–	–	69,769
Recognition of deferred costs and revenues, net	9,201	12,769	–	21,970	6,649	–	–	28,619
Total operating expenses	918,637	28,405	(25,130)	921,912	352,973	7,078	(19,493)	1,262,470
Operating income	323,152	(3,558)	–	319,594	130,886	1,508	–	451,988
Nonoperating revenues (expenses)								
Interest on debt	(78,047)	(10,133)	–	(88,180)	(51,721)	(1,312)	–	(141,213)
Earnings from The Energy Authority	2,848	–	–	2,848	–	–	–	2,848
Allowance for funds used during construction	7,744	–	–	7,744	11,892	77	–	19,713
Other nonoperating income, net	4,182	317	–	4,499	2,871	–	–	7,370
Investment income	9,282	1,823	–	11,105	4,544	72	–	15,721
Other interest, net	308	–	–	308	358	–	–	666
Total nonoperating expenses, net	(53,683)	(7,993)	–	(61,676)	(32,056)	(1,163)	–	(94,895)
Income before contributions	269,469	(11,551)	–	257,918	98,830	345	–	357,093
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(93,871)	–	–	(93,871)	(24,953)	–	–	(118,824)
Developers and other	1,992	–	–	1,992	107,554	–	–	109,546
Reduction of plant cost through contributions	(1,992)	–	–	(1,992)	(74,566)	–	–	(76,558)
Total contributions, net	(93,871)	–	–	(93,871)	8,035	–	–	(85,836)
Change in net position	175,598	(11,551)	–	164,047	106,865	345	–	271,257
Net position, beginning of year	1,179,102	97,930	–	1,277,032	1,669,568	6,133	–	2,952,733
Net position, end of year	$ 1,354,700	$ 86,379	$ -	$ 1,441,079	$ 1,776,433	$ 6,478	$ -	$ 3,223,990

JEA

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2021

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,229,418	$ 26,421	$ (26,587)	$ 1,229,252	$ 462,470	$ 7,662	$ (16,979)	$ 1,682,405
Payments to suppliers	(616,998)	(10,123)	26,587	(600,534)	(106,540)	(3,775)	19,194	(691,655)
Payments for salaries and benefits	(168,812)	–	–	(168,812)	(68,519)	(693)	–	(238,024)
Other operating activities	27,355	(47)	–	27,308	12,859	1	(2,215)	37,953
Net cash provided by operating activities	470,963	16,251	–	487,214	300,270	3,195	–	790,679
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(93,631)	–	–	(93,631)	(26,282)	–	–	(119,913)
Net cash used in noncapital and related financing activities	(93,631)	–	–	(93,631)	(26,282)	–	–	(119,913)
Capital and related financing activities								
Acquisition and construction of capital assets	(155,958)	–	–	(155,958)	(194,892)	(1,803)	–	(352,653)
Defeasance of debt	(164,150)	–	–	(164,150)	(152,105)	–	–	(316,255)
Proceeds from issuance of debt	44,560	–	–	44,560	121,815	–	–	166,375
Interest paid on debt	(69,904)	(10,169)	–	(80,073)	(52,546)	(1,275)	–	(133,894)
Repayment of debt principal	(67,765)	(13,340)	–	(81,105)	(19,870)	(1,725)	–	(102,700)
Capital contributions	–	–	–	–	40,281	–	–	40,281
Revolving credit agreement repayments	–	–	–	–	(5,000)	–	–	(5,000)
Other capital financing activities	20,555	449	–	21,004	30,174	–	–	51,178
Net cash used in capital and related financing activities	(392,662)	(23,060)	–	(415,722)	(232,143)	(4,803)	–	(652,668)
Investing activities								
Proceeds from sale and maturity of investments	260,865	26,968	–	287,833	37,846	–	–	325,679
Purchase of investments	(229,929)	(27,485)	–	(257,414)	(32,521)	–	–	(289,935)
Distributions from The Energy Authority	10,848	–	–	10,848	–	–	–	10,848
Investment income	4,444	147	–	4,591	2,698	2	–	7,291
Net cash provided by (used in) investing activities	46,228	(370)	–	45,858	8,023	2	–	53,883
Net change in cash and cash equivalents	30,898	(7,179)	–	23,719	49,868	(1,606)	–	71,981
Cash and cash equivalents at beginning of year	355,876	141,132	–	497,008	138,268	5,856	–	641,132
Cash and cash equivalents at end of year	$ 386,774	$ 133,953	$ –	$ 520,727	$ 188,136	$ 4,250	$ –	$ 713,113
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 291,118	$ 7,228	$ –	$ 298,346	$ 113,142	$ 997	$ –	$ 412,485
Adjustments:								
Depreciation and amortization	217,362	410	–	217,772	172,469	2,586	–	392,827
Recognition of deferred costs and revenues, net	7,098	13,877	–	20,975	9,743	–	–	30,718
Other nonoperating income, net	9	–	–	9	47	–	–	56
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(56)	(223)	–	(279)	(1,097)	(380)	–	(1,756)
Inventories	5,041	–	–	5,041	(1,263)	–	–	3,778
Other assets	(8,075)	4,812	–	(3,263)	(1,387)	(2)	–	(4,652)
Accounts and accrued expenses payable	11,305	(5,141)	–	6,164	1,474	(14)	–	7,624
Current liabilities payable from restricted assets	–	(4,978)	–	(4,978)	–	–	–	(4,978)
Other noncurrent liabilities and deferred inflows	(52,839)	266	–	(52,573)	7,142	8	–	(45,423)
Net cash provided by operating activities	$ 470,963	$ 16,251	$ –	$ 487,214	$ 300,270	$ 3,195	$ –	$ 790,679
Non-cash activity								
Contribution of capital assets from developers	$ 2,898	$ –	$ –	$ 2,898	$ 51,401	$ –	$ –	$ 54,299
Unrealized investment fair market value changes, net	$ (2,795)	$ (33)	$ –	$ (2,828)	$ (1,706)	$ –	$ –	$ (4,534)

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Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2020

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of intercompany transactions	Total JEA
Operating activities								
Receipts from customers	$ 1,196,924	$ 25,129	$ (26,117)	$ 1,195,936	$ 464,998	$ 8,702	$ (16,812)	$ 1,652,824
Payments to suppliers	(525,261)	(9,570)	26,117	(508,714)	(118,287)	(3,870)	19,493	(611,378)
Payments for salaries and benefits	(176,881)	(13,307)	–	(190,188)	(71,327)	(713)	–	(262,228)
Other operating activities	26,438	(84)	–	26,354	13,884	–	(2,681)	37,557
Net cash provided by operating activities	521,220	2,168	–	523,388	289,268	4,119	–	816,775
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(93,794)	–	–	(93,794)	(24,932)	–	–	(118,726)
Net cash used in noncapital and related financing activities	(93,794)	–	–	(93,794)	(24,932)	–	–	(118,726)
Capital and related financing activities								
Acquisition and construction of capital assets	(208,175)	–	–	(208,175)	(197,389)	(3,575)	–	(409,139)
Defeasance of debt	(320,935)	–	–	(320,935)	(202,115)	–	–	(523,050)
Proceeds from issuance of debt	221,670	–	–	221,670	130,590	–	–	352,260
Interest paid on debt	(83,617)	(10,786)	–	(94,403)	(58,380)	(1,313)	–	(154,096)
Repayment of debt principal	(122,380)	(13,780)	–	(136,160)	(54,705)	(1,690)	–	(192,555)
Capital contributions	–	–	–	–	32,988	–	–	32,988
Other capital financing activities	44,866	159	–	45,025	24,865	–	–	69,890
Net cash used in capital and related financing activities	(468,571)	(24,407)	–	(492,978)	(324,146)	(6,578)	–	(823,702)
Investing activities								
Proceeds from sale and maturity of investments	247,265	23,768	–	271,033	68,785	–	–	339,818
Purchase of investments	(217,069)	(23,819)	–	(240,888)	(27,478)	–	–	(268,366)
Distributions from The Energy Authority	1,945	–	–	1,945	–	–	–	1,945
Investment income	8,225	1,830	–	10,055	3,039	72	–	13,166
Net cash provided by investing activities	40,366	1,779	–	42,145	44,346	72	–	86,563
Net change in cash and cash equivalents	(779)	(20,460)	–	(21,239)	(15,464)	(2,387)	–	(39,090)
Cash and cash equivalents at beginning of year	356,655	161,592	–	518,247	153,732	8,243	–	680,222
Cash and cash equivalents at end of year	$ 355,876	$ 141,132	$ –	$ 497,008	$ 138,268	$ 5,856	$ –	$ 641,132
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 323,152	$ (3,558)	$ –	$ 319,594	$ 130,886	$ 1,508	$ –	$ 451,988
Adjustments:								
Depreciation and amortization	202,619	410	–	203,029	160,815	2,467	–	366,311
Recognition of deferred costs and revenues, net	9,201	12,769	–	21,970	6,649	–	–	28,619
Other nonoperating income, net	419	–	–	419	620	–	–	1,039
Changes in noncash assets and noncash liabilities:								
Accounts receivable	6,648	–	–	6,648	755	115	–	7,518
Inventories	(7,083)	106	–	(6,977)	(2,649)	–	–	(9,626)
Other assets	3,844	88	–	3,932	(69)	(2)	–	3,861
Accounts and accrued expenses payable	8,676	1,415	–	10,091	(1,815)	(10)	–	8,266
Current liabilities payable from restricted assets	–	(7,339)	–	(7,339)	–	–	–	(7,339)
Other noncurrent liabilities and deferred inflows	(26,256)	(1,723)	–	(27,979)	(5,924)	41	–	(33,862)
Net cash provided by operating activities	$ 521,220	$ 2,168	$ –	$ 523,388	$ 289,268	$ 4,119	$ –	$ 816,775
Non-cash activity								
Contribution of capital assets from developers	$ 1,992	$ –	$ –	$ 1,992	$ 74,566	$ –	$ –	$ 76,558
Unrealized investment fair market value changes, net	$ 1,383	$ (7)	$ –	$ 1,376	$ 1,665	$ –	$ –	$ 3,041

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
JEA
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of JEA, as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise JEA's basic financial statements, and have issued our report thereon dated January 27, 2022.

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 opinions 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

January 27, 2022

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Bond Compliance Information

JEA Electric System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2021	**2020**
Revenues		
Electric	**$ 1,225,962**	$ 1,192,898
Investment income [(1)]	**2,295**	6,057
Earnings from The Energy Authority	**15,378**	2,848
Other, net [(2)]	**25,303**	22,016
Plus: amounts paid from the rate stabilization fund into the revenue fund	**82,016**	91,118
Less: amounts paid from the revenue fund into the rate stabilization fund	**(24,370)**	(64,132)
Total revenues	**1,326,584**	1,250,805
Operating expenses [(3)]		
Fuel	**326,870**	271,164
Purchased power [(4)]	**204,846**	164,362
Maintenance and other operating expenses	**211,537**	222,585
State utility and franchise taxes	**60,080**	58,806
Total operating expenses	**803,333**	716,917
Net revenues	**$ 523,251**	$ 533,888
Debt service	**$ 47,552**	$ 53,384
Less: investment income on sinking fund	**(1,677)**	(1,842)
Less: Build America Bonds subsidy	**(1,536)**	(1,532)
Debt service requirement	**$ 44,339**	$ 50,010
Senior debt service coverage [(5)]	**11.80 x**	10.68 x
Debt service requirement (from above)	**$ 44,339**	$ 50,010
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**58,701**	63,443
Less: Build America Bonds subsidy	**(1,908)**	(1,947)
Total debt service requirement and aggregate subordinated debt service	**$ 101,132**	$ 111,506
Senior and subordinated debt service coverage [(6)]	**5.17 x**	4.79 x

(1) Excludes investment income on sinking funds.

(2) Excludes the Build America Bonds subsidy.

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

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

(5) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

(6) Net revenues divided by total debt service requirement and aggregate subordinated debt service. Minimum annual coverage is 1.15x

JEA Bulk Power Supply System

Schedule of Debt Service Coverage

(In Thousands)

	Year ended September 30 2021		Year ended September 30 2020	
Revenues				
Operating	**$**	**66,816**	$	54,185
Investment income		**101**		485
Total revenues		**66,917**		54,670
Operating expenses (1)				
Fuel		**37,204**		19,801
Maintenance and other operating expenses		**16,948**		15,031
Total operating expenses		**54,152**		34,832
Net revenues	**$**	**12,765**	$	19,838
Aggregate debt service	**$**	**10,579**	$	10,691
Less: Build America Bonds subsidy		**(550)**		(592)
Aggregate debt service	**$**	**10,029**	$	10,099
Debt service coverage (2)		**1.27 x**		1.96 x

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

(2) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System, Second Resolution

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30 2021		Year Ended September 30 2020	
Revenues				
Operating	**$**	**27,234**	$	25,175
Investment income		**147**		1,830
Total revenues		**27,381**		27,005
Operating expenses (1)		**–**		–
Net revenues	**$**	**27,381**	$	27,005
Aggregate debt service	**$**	**24,069**	$	23,784
Less: Build America Bonds subsidy		**(289)**		(317)
Aggregate debt service	**$**	**23,780**	$	23,467
Debt service coverage (2)		**1.15 x**		1.15 x

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

(2) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

JEA Water and Sewer System

Schedule of Debt Service Coverage

(In Thousands)

	Year Ended September 30					
		2021			**2020**	
Revenues						
Water	**$**	**199,829**		$	202,848	
Water capacity fees		**15,798**			13,083	
Sewer		**263,567**			260,808	
Sewer capacity fees		**24,131**			19,775	
Investment income		**2,578**			2,879	
Other [1]		**14,123**			13,941	
Plus: amounts paid from the rate stabilization fund into the revenue fund		**18,494**			32,201	
Less: amounts paid from the revenue fund into the rate stabilization fund		**(25,198)**			(25,677)	
Total revenues		**513,322**			519,858	
Operating expenses [2]						
Maintenance and other operating expenses		**165,659**			175,711	
State utility and franchise taxes		**10,886**			10,963	
Total operating expenses		**176,545**			186,674	
Net revenues	**$**	**336,777**		$	333,184	
Aggregate debt service	**$**	**48,944**		$	62,160	
Less: Build America Bonds subsidy		**(2,447)**			(2,455)	
Aggregate debt service	**$**	**46,497**		$	59,705	
Senior debt service coverage [3]		**7.24**	**x**		5.58	x
Aggregate debt service (from above)	**$**	**46,497**		$	59,705	
Plus: aggregate subordinated debt service on outstanding subordinated debt		**6,700**			7,418	
Total aggregate debt service and aggregate subordinated debt service	**$**	**53,197**		$	67,123	
Senior and subordinated debt service coverage excluding capacity fees [4]		**5.58**	**x**		4.47	x
Senior and subordinated debt service coverage including capacity fees [4]		**6.33**	**x**		4.96	x

[1] Excludes the Build America Bonds subsidy.

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

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

[4] Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity fees) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity fees).

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

	Year Ended September 30 2021		2020	
Revenues				
Service revenues	**$**	**8,042**	$	8,587
Investment income		**2**		72
Total revenues		**8,044**		8,659
Operating expenses [1]				
Maintenance and other operating expenses		**4,460**		4,611
Total operating expenses		**4,460**		4,611
Net revenues	**$**	**3,584**	$	4,048
Aggregate debt service [2]	**$**	**3,024**	$	3,021
Debt service coverage [3]		**1.19 x**		1.34 x

(1) Excludes depreciation.

(2) On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last business day of the then current month.

(3) Net revenues divided by aggregate debt service.

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