JEA
FINANCE & AUDIT COMMITTEE AGENDA

DATE: March 2, 2016
TIME: 8:00 – 10:00 AM (Proposed)
PLACE: 21 W. Church Street
8th Floor

Committee Members will meet on the 8th Floor
Other Board Members may join via conference call by dialing 904-665-7100 - No password is needed.

				Responsible Person	Action (A) Info (I)	Total Time
I.	**OPENING CONSIDERATIONS**			Kelly Flanagan		
	A.	Call to Order				
	B.	Adoption of Agenda			A	
	C.	Approval of Minutes - August 10, 2015		Melissa Charleroy	A	
II.	**NEW BUSINESS**					
	A.	FY2017 Budget Assumptions		Melissa Dykes	I	30 mins.
	B.	Audit Services & Enterprise Risk Management (ERM) Report		Steve Tuten	I	10 mins.
	C.	External Auditors Contract Extension		Janice Nelson	A	10 mins.
	D.	Report From COJ Auditors Regarding JEA GERP Pension Liability		Janice Nelson	I	10 mins.
	E.	Resolution Determining the Sufficiency of Revenues – St. Johns River Power Park		Joe Orfano	A	10 mins.
	F.	JEA Annual Disclosure Policy Report		Melissa Dykes	I	10 mins.
	G.	Ethics Officer Report		Walette Stanford	I	10 mins.
	H.	JEA Energy Market Risk Management Policy Report		Mike Brost	I	5 mins.
	I.	Treasury Services Activities				
		1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	10 mins.
	J.	Announcements				
		1.	Next Meeting, May 9, 2016, 8:00 – 10:00 AM			
	K.	Committee Discussion Sessions				
		1.	Ernst & Young	Mike Pattillo	I	5 mins.
		2.	Director, Audit Services	Steve Tuten	I	5 mins.
		3.	Council Auditor's Office	Robert Campbell	I	5 mins.
	L.	Adjournment				

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 10, 2015

The Finance & Audit Committee of JEA met on Monday, August 10, 2015, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

A. Call to Order – Chair Peter Bower called the meeting to order at 8:00 AM with Members John Hirabayashi, Robert Heekin, and Husein Cumber in attendance. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Brian Roche, Ted Hobson, Paul Cosgrave, Monica Whiting, Janice Nelson, Doris Champ, Walette Stanford, Joe Orfano, Ryan Wannemacher, Hamid Zahir, Richard Vento, Steve McInall, Gerri Boyce, Judi Spann, and Jane Upton. Jody Brooks, Office of General Counsel, Mike Pattillo, John Di Santo, and Chris Edmunds, Ernst & Young, and Jeff Buxton and Jeremy Klingel, Black & Veatch, Max Marbut, Financial News and Daily Record, and Nate Monroe, Florida Times-Union, were also in attendance. Board Members Wyman Winbush and Lisa Weatherby attended as observers.

B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Heekin and second by Mr. Cumber.

C. Approval of Minutes – The May 11, 2015 Minutes were unanimously approved on **motion** by Mr. Heekin and second by Mr. Cumber.

Agenda Item II – New Business

A. Audit/ERM Annual Approvals & Quarterly Update

1. Audit Services Quality Assessment Review – Doris Champ, Director Audit Services, provided a presentation on the recent external Quality Assurance Review conducted by Honkamp Krueger & Co, P.C. Ms. Champ stated the Institute of Internal Auditors (IIA) requires that every internal audit department be evaluated by an external Quality Assurance Review team every five years. Three ratings are available from these reviews: Generally Conforms, Partially Conforms, and Does Not Conform. JEA's Audit Services received the highest rating, Generally Conforms, in all categories. This presentation was received for information.

2. Annual Statement of Auditor Independence – Doris Champ, Director Audit Services, provided the Committee with a Statement of Independence and stated this will be provided to the Committee annually as required by the IIA. This report was received for information.

3. Adoption of Changes to the Finance & Audit Committee Policy – On **motion** by Mr. Heekin and second by Mr. Hirabayashi, the Committee unanimously recommends that the Board adopt the revised Finance and Audit Committee Policy to reflect the following revisions: 1) the Finance & Audit Committee Chair and Committee Members will be appointed by the Board Chair, 2) The City of Jacksonville Inspector General's Office is added for the Finance & Audit Committee to use as an alternate source for performing investigations, and 3) the Finance & Audit Committee Chair, JEA's CEO and/or JEA's Chief Risk and Compliance Officer will have an annual discussion about the compensation and performance of the Director, Audit Services.

4. Approval of Annual Internal Audit Plan – On **motion** by Mr. Hirabayashi and second by Mr. Heekin, the Committee unanimously recommends the Board approve the Annual Internal Audit Plan for FY2016.

5. Annual Approval of Audit Services Charter – Doris Champ, Director Audit Services, presented the Audit Services Charter which is in compliance with the Institute of Internal Auditors (IIA) standards per the recent Quality Assessment Review; however, since the review, the IIA has released a new mission statement for Internal Audit. The new mission statement has now been incorporated into the mission statement of JEA's Audit Services Charter. On **motion** by Mr. Cumber and second by Mr. Heekin, the Committee unanimously approved the Audit Services Charter and recommends Board approval.
6. ERM and Audit Quarterly Update – The quarterly Enterprise Risk Management (ERM) and Audit update, reviewed by Doris Champ, Director Audit Services, was received for information. Ms. Champ provided information on the ERM Trending Report, ERM Board Report, Audit Project Report, Summary of Audits Quality Indicators, Ethics Hotline Reports, and the Action Plan Status.
7. Finance & Audit Committee Self-Assessment – Doris Champ, Director of Audit Services, reviewed the process for completion of the Finance and Audit Committee Annual Self-Assessment Questionnaire. Questionnaires will be emailed to Committee Members and returned to Ms. Champ for compilation. The results will be reviewed at the next Finance and Audit Committee. The review was received for information.

B. Director of Audit Services Succession Plan – Ted Hobson, Chief Compliance Officer, stated interviews have been conducted for the Director of Audit Services position since early in the calendar year. Interviews with the final candidates will take place this week. Mr. Hobson will meet with the Finance & Audit Committee Chair and Paul McElroy for concurrence of the selected candidate.

C. Ethics Officer Quarterly Report – The Ethics Officer Quarterly Report, reviewed by Walette Stanford, Ethics Officer and Director Workforce Strategies, was received for information. Ms. Stanford stated that JEA met its Corporate Commitment to Action (CTA) goal of 100% compliance with ethics standards and training requirements for FY15. Staff is currently working to develop the FY16 ethics refresher Computer Based Training (CBT). Ms. Stanford stated she will soon begin meeting with the new City of Jacksonville Inspector General, Thomas Cline, Jr. Ms. Stanford reviewed the FY14/FY15 comparison of ethics inquiries, as well as the results for the FY15 gift registry.

D. External Auditors

1. Schedule of Expenditures of Federal Awards – Mike Pattillo, Ernst and Young (E&Y) introduced John DiSanto, Executive Director, and Chris Edmunds, Senior Manager. Mr. Pattillo reviewed the Schedule of Expenditures of Federal Awards, which was received for information. The audit found no control deficiencies and was submitted by the deadline.
2. FY2015 E&Y Financial Statements Audit Plan was reviewed by Mike Pattillo and John DiSanto, Ernst and Young, and was received for information.

E. Regulatory Actions Approval and Policy Revisions – Melissa Dykes, Chief Financial Officer, reviewed that at the March 2015 meeting, the Board approved implementation of the Governmental Accounting Standards Board's (GASB) alternative accounting methods called "Regulatory Accounting", and approved changes to the Pricing Policy. Regulatory accounting actions better align with the Generally Accepted Accounting Principals (GAAP) reporting with debt service, coverage calculations, reporting, and Utility Basis methodology for establishing revenue requirements. As outlined in the Pricing Policy, Ms. Dykes reviewed regulatory items with the Finance and Audit Committee. On **motion** by Mr. Hirabayashi and second by Mr. Cumber, the Committee unanimously approved staff's recommendations, and recommends the Board to approve the regulatory items and changes to the Pricing Policy as follows:

1. Depositing $26 million of current year revenues in the Non-Fuel Purchased Power rate stabilization fund.
2. The annual amortization of prior year bond refunding gains and losses to be included as a cost in developing the annual revenue requirements. Also, any gains or losses on future debt refunding to be included in setting revenue requirements for the establishment of customer rates.
3. The deferral and amortization of debt issuance costs incurred in fiscal year 2015 and any future debt issuance costs. In addition, staff recommends that the amortization of debt issuance costs be included in determining future revenue requirements as they are incurred.
4. Recovery through the Environmental Charge, the cost of certain projects (in the attached project list) that had costs incurred prior to the current fiscal year net of monies already collected through the Environmental Charge over a 10-year period beginning in fiscal year 2016.
5. Deferral of changes in the related Net Pension Liability (NPL) and that the annual pension contributions (funding) be included as a cost in developing the annual revenue requirements for the establishment of customer rates.

At 9:13 AM, the Committee took a brief break and reconvened at 9:19 AM.

F. Rate Structure Project Plan – Melissa Dykes, Chief Financial Officer, led a review and discussion on JEA's initiative to continually update and realign its rate structure and options, providing customers new and enhanced rate options, providing JEA and in turn its customers long-term rate stability, and to help drive system efficiencies. JEA's rate strategy team has continued this initiative and has committed to develop, implement, and evaluate a demand rate pilot program to recognize each customer's unique load and cost characteristics. Staff has engaged Black and Veatch to assist in planning, developing, and executing this pilot. Ms. Dykes provided a presentation that illustrated the potential process, deliverables, and timeline. It was noted that this Rate Structure Pilot Plan is designed to be revenue neutral and does not include a rate increase. Staff recommends that the Finance and Audit Committee brief the full Board at the August 18, 2015 meeting. This report was received for information.

G. Downtown Campus Comprehensive Plan - Melissa Dykes, Chief Financial Officer, presented the Downtown Campus Comprehensive Plan. Ms. Dykes stated the downtown campus has been on the list for major upgrades; however, in the past, other priorities have taken a higher rank for capital investments. Ms. Dykes stated it is critical to address the downtown campus and make it a higher priority due to the condition of the buildings and building systems. On **motion** by Mr. Cumber and second by Mr. Heekin, the Finance and Audit Committee unanimously approved and recommends to the Board an authorization to proceed with development of a comprehensive plan for the downtown campus, with a spending authorization of up to $3 million. As requested by Mr. Cumber, staff will return to the Finance & Audit Committee with a conceptual plan prior to proceeding with work or with development of procurement specifications.

H. Chief Information Officer Report was reviewed by Paul Cosgrave, Chief Information Officer, and was received for information. Mr. Cosgrave provided a brief biographical history of his experience, an overview of services provided, FY 2016 budget, staffing, major service goals, and key performance metrics.

I. Treasury

1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System, Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
2. Recap of Recent St. Johns River Power Park Fixed Rate Debt Refunding Delegated Transactions – Joe Orfano, Treasurer, provided a Recap of Recent JEA Electric System Fixed Rate Debt Refunding Delegated Transactions, which was received for information.
3. Resolutions Amendment for Electrical System 2008B and 2008D Direct Purchase Variable Rate Index Bonds – On **motion** by Mr. Heekin and second by Mr. Cumber, the Committee unanimously recommends the Board approve Resolution No. 2015-04 modifying Section 503.1 of Resolutions No. 2010-11 and No. 2010-12. This modification clarifies terms with the potential renewal of JEA's existing Continuing Covenants Agreements (CCAs) with Wells Fargo Bank, N.A. relating to the direct purchase of certain variable rate Electric System bonds under authorization provided by Resolution No. 2010-20.

J. JEA Energy Market Risk Management Policy Report – Mike Brost, VP/GM Electric Systems, reviewed the JEA Energy Market Risk Management Policy Report, which was received for information.

K. Office of General Counsel Legal Brief – Jody Brooks, Office of General Counsel, distributed and reviewed a summary of legal issues pertaining to JEA, which was received for information. A copy is on file.

L. Announcements

1. The next Finance and Audit Committee meeting will be held in January 2016. Staff will coordinate and provide a firm date.

M. Committee Discussion Sessions

1. Director, Audit Services – At 10:27 AM, Mr. Bower dismissed staff and the Committee held a general conversation with Doris Champ, Director Audit Services.

Mr. Cumber stepped out of the Committee Meeting at 10:34 AM.

2. Ernst & Young – At 10:34 AM, the Committee held a general conversation with Mike Pattillo, John DiSanto, and Chris Edmunds.
3. Council Auditor's Office – Mr. Campbell was not present.

<u>Closing Considerations</u>

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:36 AM.

APPROVED BY:

____
Kelly Flanagan, Committee Chair
Date: ________________

Submitted by:

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Melissa Charleroy
Executive Assistant

Building Community

AGENDA ITEM SUMMARY

February 18, 2016

SUBJECT:	**FY2017 BUDGET ASSUMPTIONS**

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

Issue: Present the key strategic issues, risks, major challenges and assumptions for the FY2017 Budget, to the Finance and Audit Committee for feedback and direction.

Significance: High. Key strategic issues and risks, major challenges, and assumptions significantly impact the FY2017 Budget.

Effect: The budget process is integral to JEA's strategic planning, financial performance and resulting metrics.

Cost or Benefit: The Committee provide feedback and direction regarding the key strategic issues, risks, major challenges, and assumptions for the FY2017 budget covering: revenue, fuel, O&M expense, interest rates, capital expenditures, financing plans, and financial metrics.

Recommended Board action: The Committee receive the presentation for consideration and provide staff feedback and direction regarding the FY2017 Budget.

For additional information, contact: Melissa Dykes

Submitted by: PEM/ MHD/ DRJ

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

FY2017 Budget

Review of Key Issues, Risks, Challenges and Assumptions

Finance & Audit Committee

March 2, 2016

Agenda

Strategic Issues, Risks and Key Assumptions

Electric System Budget Assumptions

Water and Sewer System Budget Assumptions

Government Transfers via the JEA Bill

Timeline and Summary

FY2017 Budget: Strategic Issues and Risks

Strategic Plan Implementation – Emphasizing Business Excellence Opportunities

Continue to seek out opportunities to drive business excellence

Remain focused on customer loyalty

Build on momentum toward building and unbeatable team

Workforce Readiness

Succession Planning

Performance Management

Financial Performance and Flexibility

Fuel supply and pricing flexibility

Strong focus on expense management – strategic opportunities

Pension cost

Future Environmental Constraints on Electric Generation

Customer Benefit Programs and rate structures

Renewable electricity and nuclear generation investment

Carbon reduction requirements

Water Resource Management and Health of the St. Johns River

CUP[1] Compliance – Reclaim, Conservation Programs, Minimum Flow and Levels (MFL)

TMDL[2] goal attainment

[1] CUP - Consumptive Use Permit

[2] TMDL - Total Maximum Daily Load - Nitrogen discharge to St. Johns River

FY2017 Budget: Key Assumptions

Revenue Projections

- Economic activity remains stable or improves slightly
- Net customer account annual growth at 2%
- Annual Electric unit sales projected to be 12.4 million MWhs, up from 12.0 million MWhs budgeted in FY2016. Water sales budgeted to be 35 million kgals, up from 33 million kgal sales budgeted in FY2016

Fuel and Purchased Power Costs

- FY2017 projection reflects higher solid fuel prices and higher natural gas prices
  - Coal – solid fuel costs increase in FY2017 but are attributable to higher budgeted MWhs
  - Natural gas – increased costs due to higher prices and start of transportation pipeline contract
- FY2017 year-end fuel reserve balances projected to be 15% of target expense after fuel credit

Labor Costs

- Budgeted FY2017 payroll expense is only 5.8% above FY2008 levels as a result of constrained hiring and multiple years of no general wage or salary increases
- Bargaining unit wages
- Benefits, specifically pension and long-term medical costs
- Staffing risks mitigated with continuation of Workforce Readiness and Succession Planning initiative

Agenda

Strategic Issues, Risks and Key Assumptions

Electric System Budget Assumptions

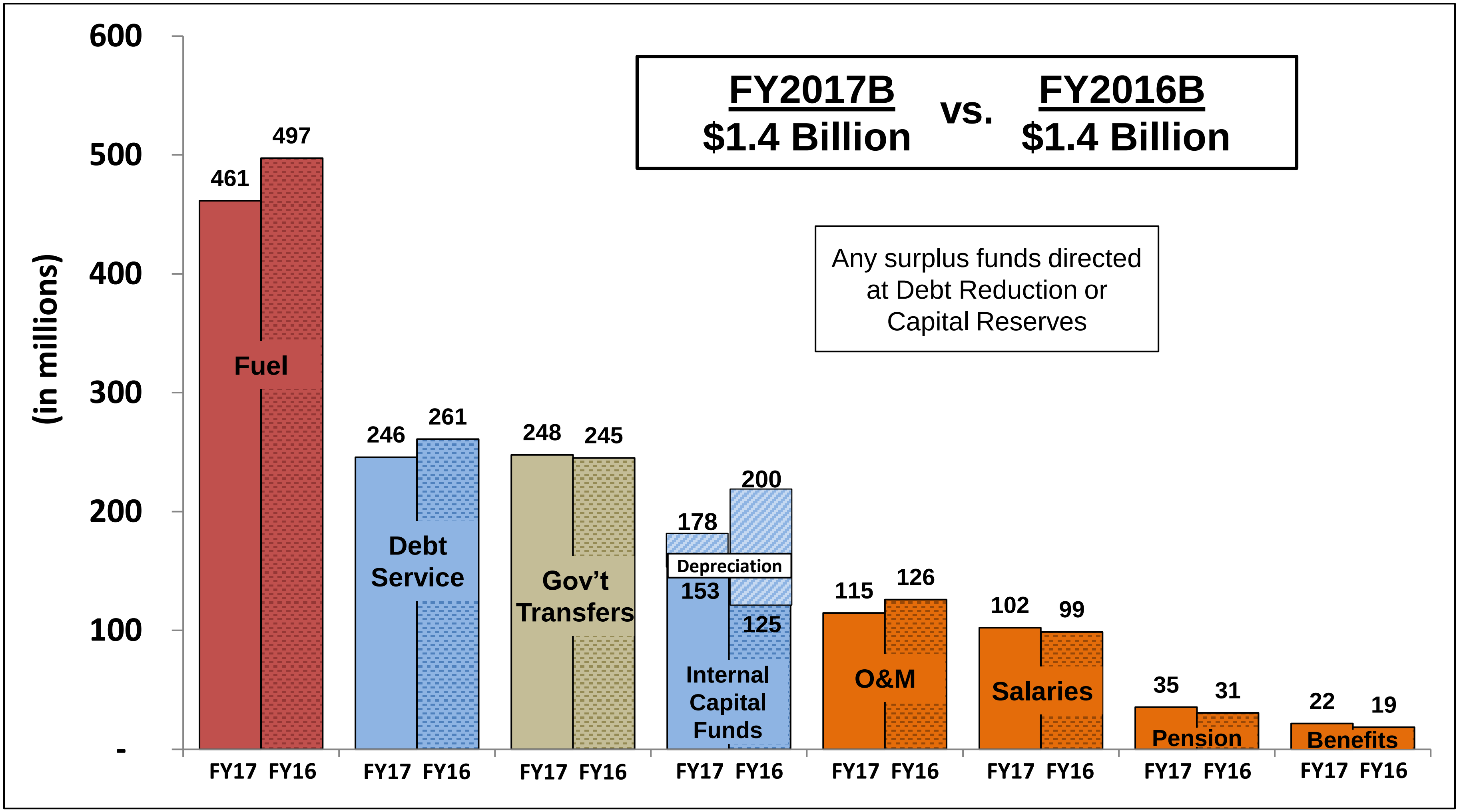
- ✓ Customer Electric Bill by Expense Category
- ✓ Revenue Drivers
- ✓ Fuel Rate
- ✓ Operating Expenses
- ✓ Capital Funding - Debt Service, Oper. Capital Outlay and Renewal & Replacement
- ✓ Debt Service

Water and Sewer System Budget Assumptions

Government Transfers via the JEA Bill

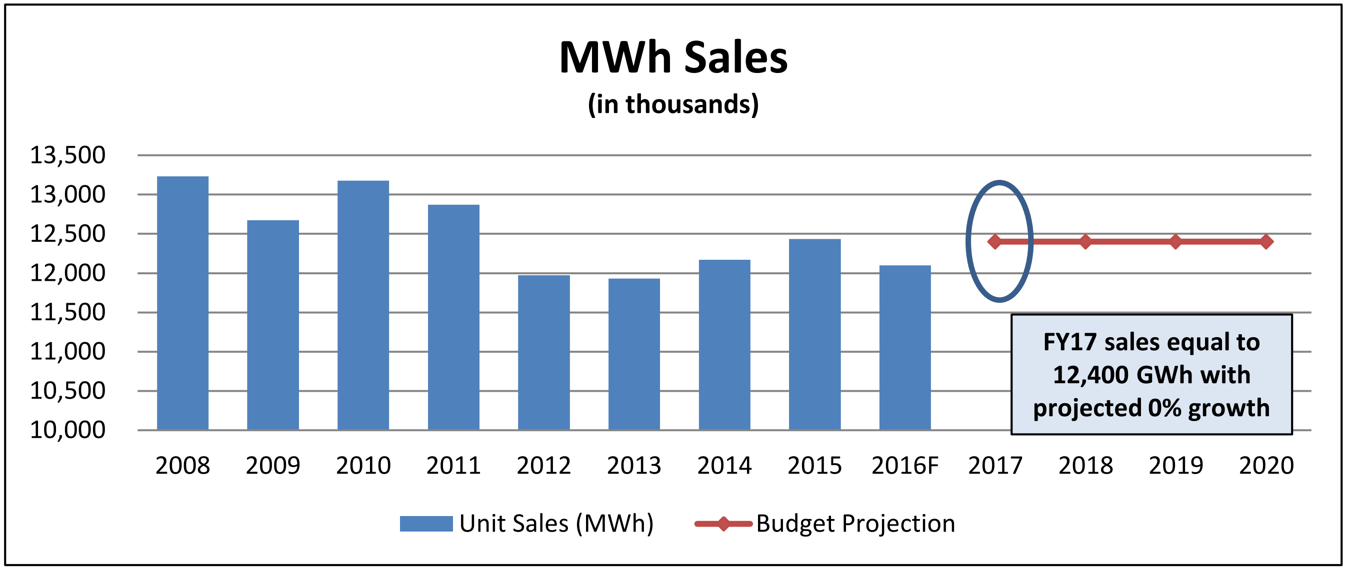
Timeline and Summary

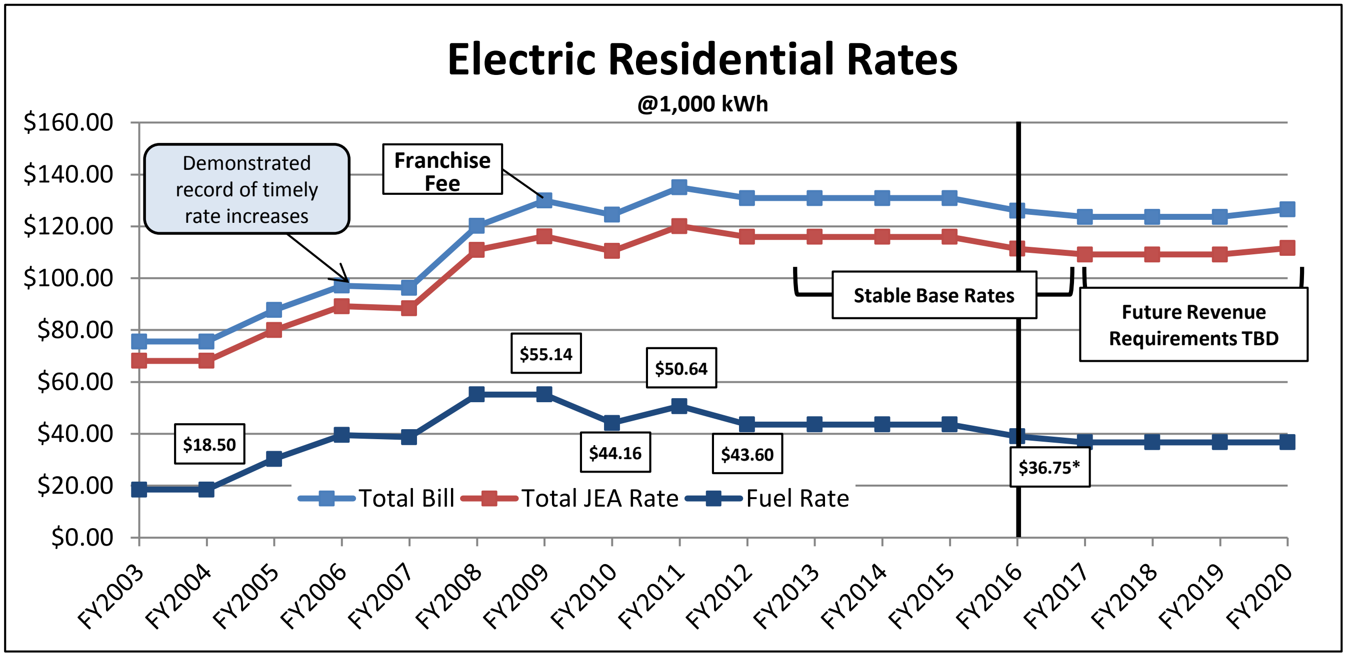
FY2017 Budget: Customer Electric Bill by Expense Category



Notes:
1. Fuel includes Scherer transmission and capacity expenses
2. SJRPP and Scherer non-fuel purchase power expenses included in Debt Service, Internal Capital and O&M
3. Government Transfers include City Contribution, COJ Public Service Tax, COJ Franchise Fee, State Gross Receipt Tax, and State and COJ Sales Tax (Commercial customers only)
4. O&M Salaries, Benefits, and Pension are net of capital
5. FY2017 O&M includes $7M Natural Gas retail sale operations
6. Internal Capital Funds include JEA Electric System R&R and OCO, SJRPP R&R, and Scherer R&R, no new debt is required
7. Debt Service reduction in FY2017 reflects the drop in SJRPP Debt Service Requirement

FY2017 Electric System Budget: Revenue Drivers





* Board approved a decrease in the Variable Fuel Rate to $36.75/MWh effective Feb-2016.

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Fuel Rate per MWH

	FY2015	FY2016F	FY2017B	FY2018
Variable Fuel Rate per MWh				
Rate for Budgeted Fuel Cost	$43.60	$41.00	$36.75	$36.75
Fuel Rate Change per $/MWh	-	$36.75	-	-
Reserve as a % of Target Expense	24%	15%	15%	15%
Annual Fuel Cost (millions)	$441	$394	$436	$403

Discussion and Analysis

- The Fuel Fund Rate Stabilization Reserve is currently at 26% of the historical maximum 12-month fuel expense
- Current projections are based on the PIRA and NYMEX natural gas price forecasts and assume no major market disruption due to regulations

Note: Variable Fuel Rate decreased to $36.75/MWh per Board approval in January 2016. New rate effective February 1, 2016.

FY2017 Electric System Budget: Operating Expenses

($ in millions)	FY2016 Budget[1]	FY2017 Budget[1]	FY2017 Rating Agency
Salaries & Benefits	$174.7*	$183.0*	
Other Services	96.0	96.1	
Material & Supplies	15.8	15.8	
Other	15.6	15.5	
Credits	(101.5)	(100.8)	
Total	$200.6	$209.6	$198.9

4.5%

Funding for Strategic and Major Projects Included in Operating Budget

FY2016		FY2017	
Generating Unit Outages	$10.7	Generating Unit Outages	$8.0
Succession Planning Staffing Risks	2.6	Succession Planning Staffing Risks	2.6
Climate Change	1.0	Climate Change	1.0
New Business Development	2.0	New Business Development	2.0
Net Pension Increase	3.5	Net Pension Increase	4.3
Compensation	*	Compensation	*
Total	**$19.8**	**Total**	**$17.9**

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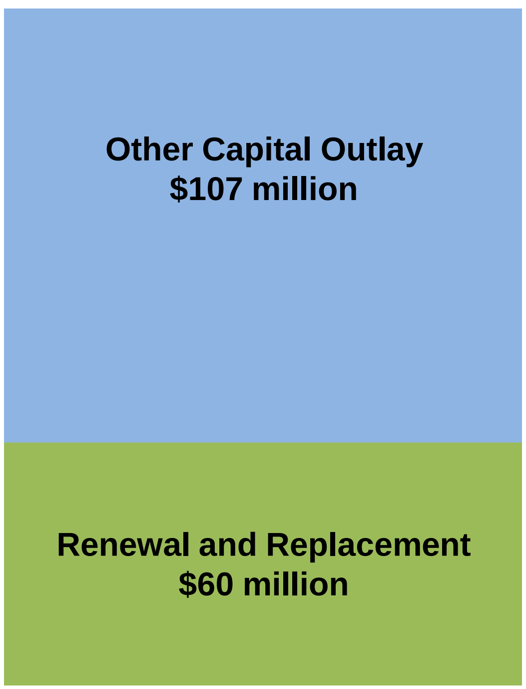
[1]Excludes Customer Benefit, Environmental, and Retail Natural Gas

Electric System: Capital Funding

FY2017 – Electric System Capital Budget: $167 Million

System Maintenance: $135 Million	System Expansion: $32 Million
• Renewal and Replacement	• New or Expanded Generation
• Distribution	• New Transmission lines
• Facilities, Fleet, Technology	• New or Expanded Substations

Source of Capital Funding



Discussion and Analysis

- FY2017 capital funding plan utilizes existing capital cash balances to fund the "long-term eligible funds" qualified projects, resulting in no new debt issuance for FY2017
- FY2016 capital plan budget was $153 million, current forecast is $152 million
- December 2015 rating agency FY2017 capital program was projected to be $169 million

FY2017 Electric System Budget: Debt Service

	FY2015	FY2016		FY2017	
	Actual	Budget	Forecast	Budget	Rating Agency
Debt Service – Principal	$95.0	$89.7	$96.2	**$90.0**	$90.0
Debt Service – Prepayment	65.8	---	17.5	**14.7**	---
Debt Service – Interest	104.3	108.2	102.8	**100.9**	100.9
Total (see note below)	$265.1	$197.9	$216.5	**$205.6**	$190.9
Debt Service Coverage	2.6x	2.2x	2.4x	**2.5x**	2.5x
Debt to Asset %	69%	71%	66%	**64%**	64%
Variable Rate Debt %					
Gross	19%	21%	20%	**21%**	21%
Net of Swaps	6%	8%	7%	**7%**	7%
Variable Interest Rate %	0.7%	3.0%	2.2%	**3.0%**	3.0%
Liquidity – days cash	182	145	195	**182**	182

Discussion and Analysis

- Compared to FY2016F, lower FY2017 budgeted debt service is due to lower principal repayment
- JEA's senior lien credit ratings of AA- for S&P, Aa2 for Moody's, and AA for Fitch are stable

Note: Includes scheduled interest and principal payments to bondholders, variable rate financing costs, and swap payments

Agenda

Strategic Issues, Risks and Key Assumptions

Electric System Budget Assumptions

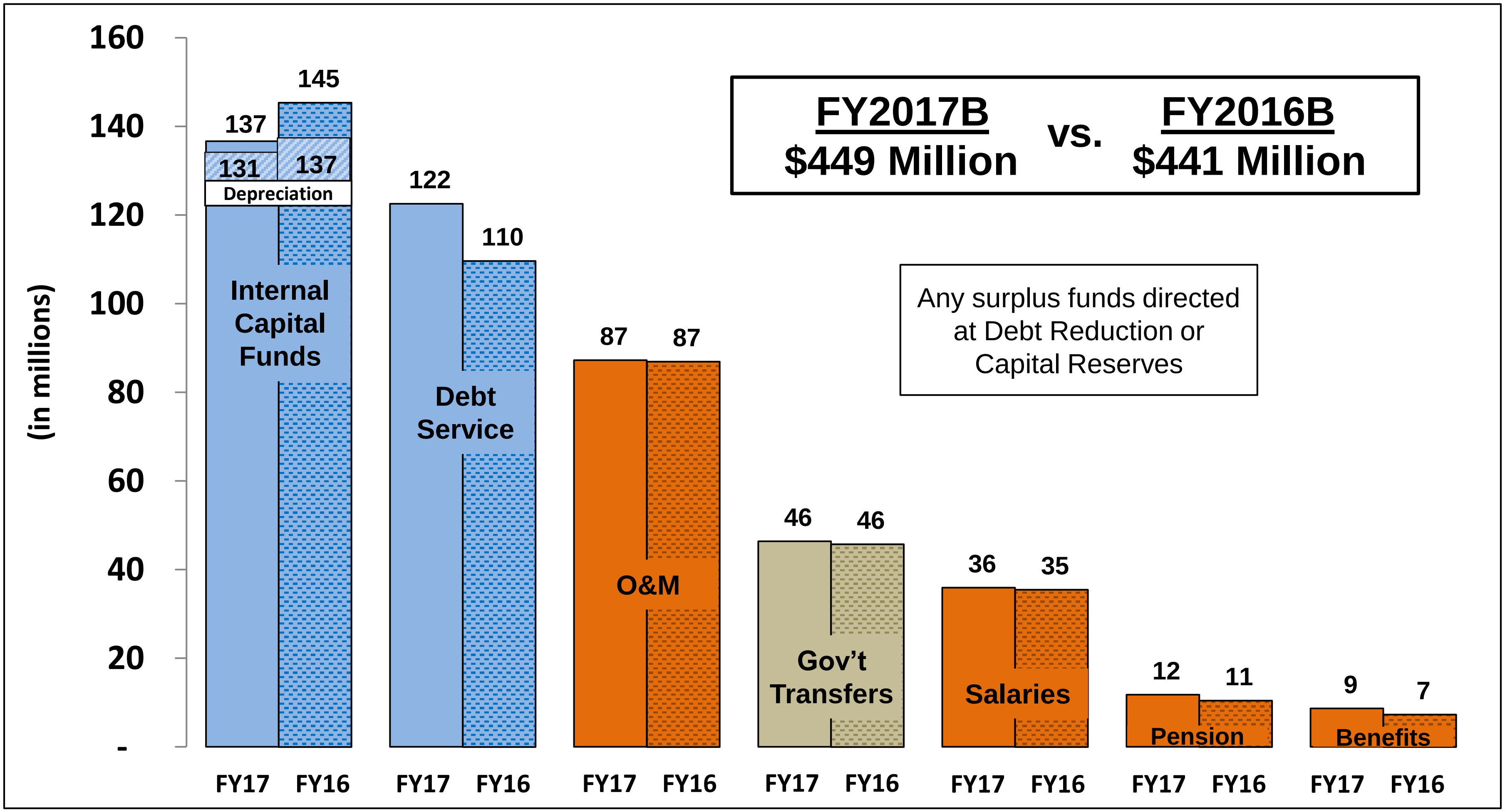
Water and Sewer System Budget Assumptions

- ✓ Customer Electric Bill by Expense Category
- ✓ Revenue Drivers
- ✓ Fuel Rate
- ✓ Operating Expenses
- ✓ Capital Funding - Debt Service, Oper. Capital Outlay and Renewal & Replacement
- ✓ Debt Service

Government Transfers via the JEA Bill

Timeline and Summary

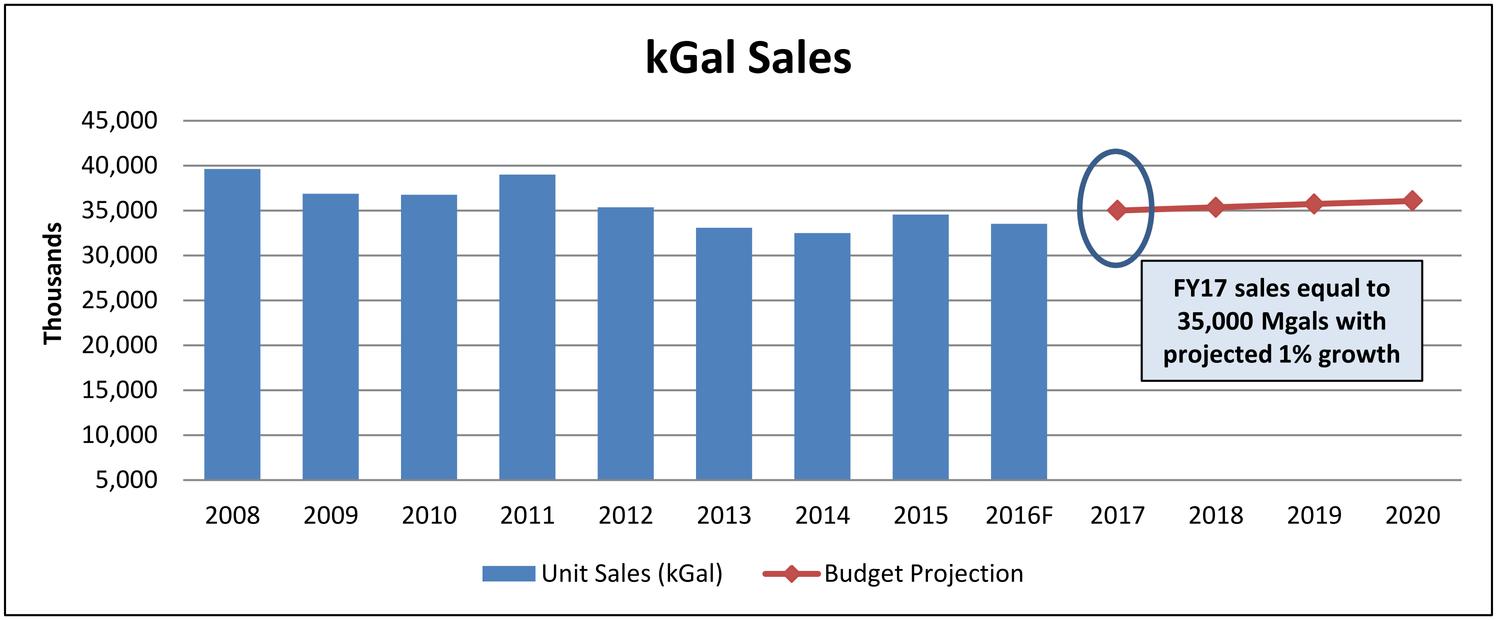
FY2017 Budget: Customer Water and Sewer Bill by Expense Category

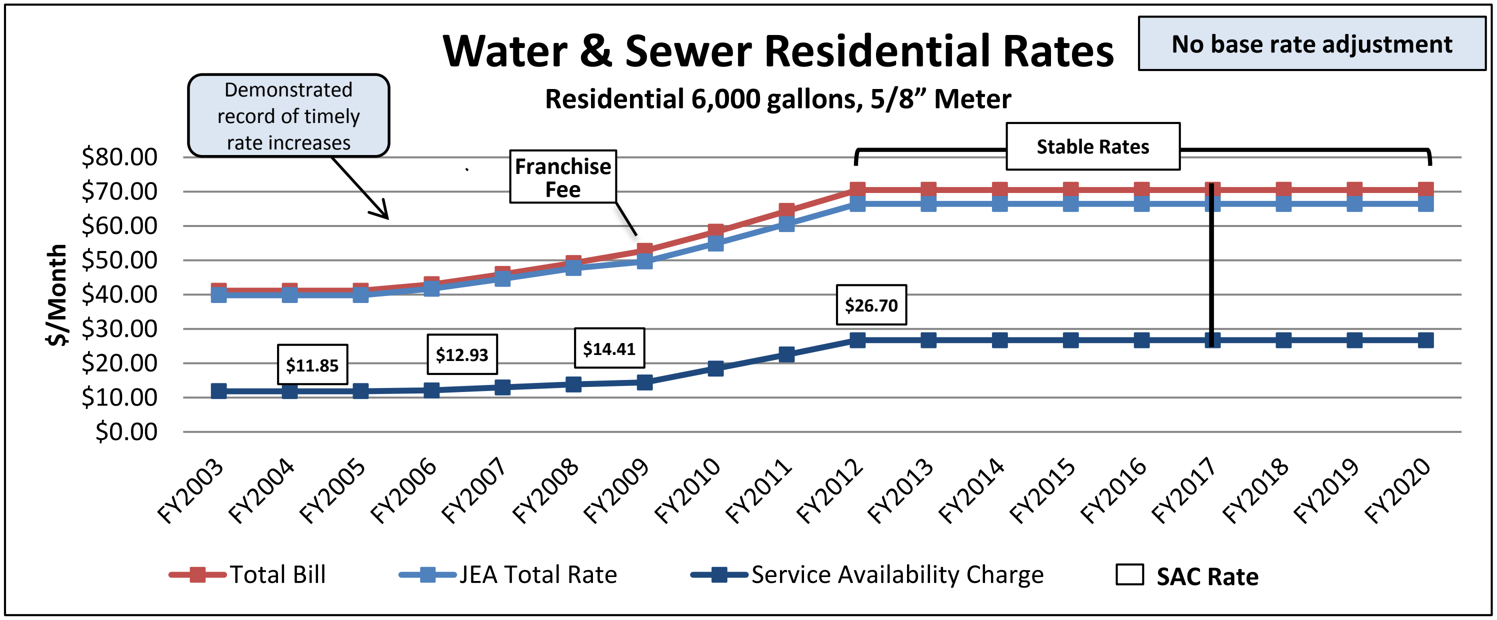


Notes:

1. Government Transfers include City Contribution, COJ Public Service Tax, and COJ Franchise Fee
2. O&M Salaries, Benefits, and Pension are net of capital
3. The FY2017 capital program is funded by Internal Capital, no new debt is required
4. FY2017 Debt Service increase reflects higher principal payments
5. Internal capital funds for FY2017 are greater than annual depreciation but less than the annual capital plan for FY2017. The capital budget for FY2017 is estimated at $205m.

FY2017 Water and Sewer System Budget: Revenue Drivers





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FY2017 Water and Sewer System Budget: Operating Expenses

($ in millions)	FY2016 Budget[1]	FY2017 Budget[1]	FY2017 Rating Agency
Salaries & Benefits	$64.0*	$67.9*	
Other Services	24.8	24.8	
Material & Supplies	12.6	12.6	
Shared Services	48.1	49.2	
Other	3.4	3.4	
Credits	(16.6)	(17.1)	
Total	$136.3	$140.8	$139.7

3.3%

Funding for Strategic and Major Projects Included in Operating Budget

FY2016		FY2017	
Total Water Resource Plan	$1.0	Total Water Resource Plan	$1.0
Succession Planning Staffing Risks	0.5	Succession Planning Staffing Risks	0.5
Net Pension Increase	1.0	Net Pension Increase	1.3
Compensation	*	Compensation	*
Total	**$2.5**	**Total**	**$2.8**

[1]Excludes Customer Benefit and Environmental

Water and Sewer System: Capital Funding

FY2017 – Water and Sewer System Capital Budget: $205 Million

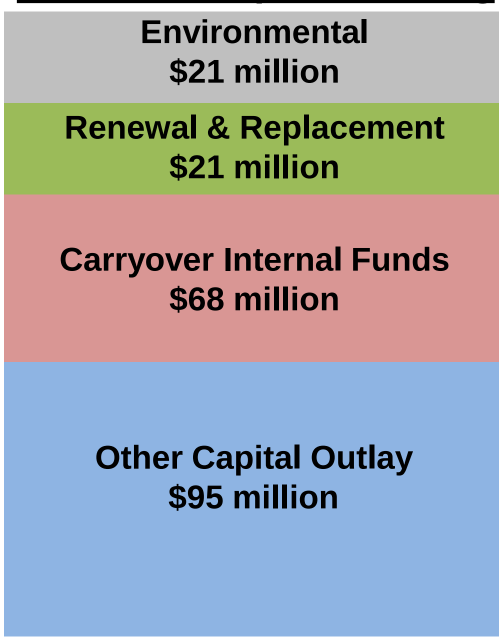
Environmental: $14 Million
- BMAP*/ TMDL*/ Reclaim
- Total Water Management Plan
- Major Environmental Initiatives
- Support COJ Septic Tank Phase-Out

System Maintenance: $105 Million
- Renewal and Replacement
- Distribution
- Facilities, Fleet, Technology

System Expansion: $86 Million
- New or Expanded Treatment
- New Transmission lines
- New or Expanded Master Pump Stations

- Basin Management Action Plan
- Total Maximum Daily Limit of Nitrogen

Source of Capital Funding



Discussion and Analysis

- FY2017 capital funding plan utilizes existing capital cash balances to fund the "long-term eligible funds" qualified projects, resulting in no new debt issuance for FY2017
- FY2016 capital plan budget was $175 million, current forecast is $172 million
- December 2015 rating agency FY2017 capital program was projected to be $205 million

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FY2017 Water and Sewer System Budget: Debt Service

	FY2015	-----------FY2016-----------		-------------FY2017-----------	
	Actual	Budget	Forecast	Budget	Rating Agency
Debt Service - Principal	$36.2	$33.9	$33.9	**$51.0**	$ 51.0
Debt Service - Prepayment	73.7	---	7.4	**---**	---
Debt Service - Interest	72.0	75.8	71.0	**71.6**	71.5
Total (see note below)	$181.9	$109.7	$112.3	**$122.6**	$122.5
Debt Service Coverage	2.8x	2.5x	2.6x	**2.2x**	2.2x
Debt to Asset %	55%	53%	53%	**50%**	50%
Variable Rate Debt %					
Gross	17%	17%	17%	**18%**	18%
Net of Swaps	10%	10%	10%	**10%**	10%
Variable Interest Rate %	0.7%	3.0%	2.2%	**3.0%**	3.0%
Liquidity – days cash	149	105	151	**138**	138

Discussion and Analysis

- Compared to FY2016F, higher FY2017 budgeted debt service is due to increased principal repayment
- Debt to Asset and Liquidity metrics are expected to remain within current targeted objectives
- JEA credit ratings of AA for S&P, Aa2 for Moody's, and AA for Fitch are stable

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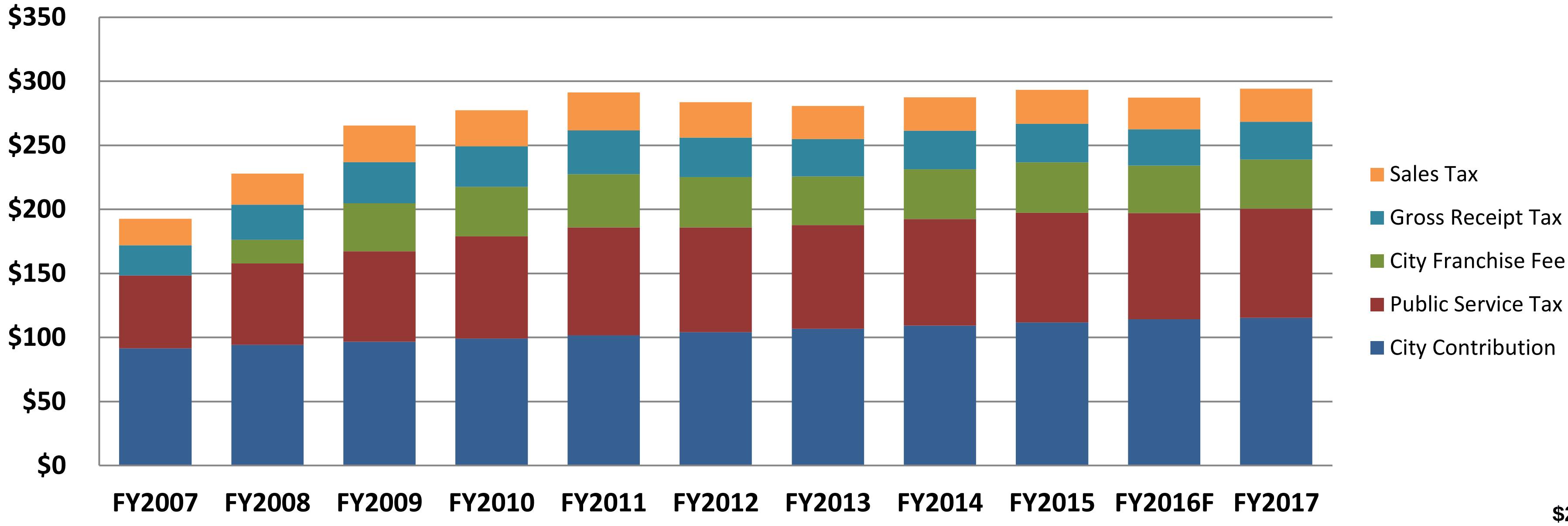
Note: Includes scheduled interest and principal payments to bondholders, variable rate financing costs, swap payments, and Revolving Credit Agreement payments

Agenda

- Strategic Issues, Risks and Key Assumptions
- Electric System Budget Assumptions
- Water and Sewer System Budget Assumptions
- **Government Transfers via the JEA Bill**
- Timeline and Summary

Government Transfers via the JEA Bill

($ in millions)



$234[1] | $239 COJ

Description	Paid To	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016F	FY2017
City Contribution	COJ	$91.4	$94.2	$96.7	$99.2	$101.7	$104.2	$106.7	$109.2	$111.7	$114.2	$115.3
Public Service Tax	COJ	56.9	63.6	70.5	79.7	84.2	81.8	80.9	83.1	85.6	83.0	85.2
City Franchise Fee	COJ	-	18.3	37.5	38.6	41.7	39.3	38.1	39.0	39.4	36.9	38.4
Gross Receipt Tax	State	23.7	27.6	32.1	31.7	34.1	30.8	29.3	30.2	30.2	28.3	29.5
Sales Tax	State and COJ	20.6	24.1	28.5	28.1	29.7	27.7	25.8	26.1	26.4	24.7	25.7
Total		**$192.6**	**$227.8**	**$265.3**	**$277.3**	**$291.4**	**$283.8**	**$280.8**	**$287.6**	**$293.3**	**$287.1**	**$294.1**
Percent increase from FY2007			18%	38%	44%	51%	47%	46%	49%	52%	49%	53%

Discussion and Analysis

- JEA transfers to the City of Jacksonville have increased to $239 million

[1]Excludes $15m additional one-time payment to the City of Jacksonville for Water & Sewer infrastructure expansion.

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Agenda

- Strategic Issues, Risks and Key Assumptions
- Electric System Budget Assumptions
- Water and Sewer System Budget Assumptions
- Government Transfers via the JEA Bill
- **Timeline and Summary**

Board Review and Approval Schedule: FY2017 Budget and Rate Discussion

Date	Meeting	Activity / Objective
March 2, 2016	Finance & Audit Committee	Review Budget and Rate Assumptions
March 15, 2016	Board	Finance and Audit Committee Report
May 9, 2016	Finance & Audit Committee	Final review of FY2017 Budget
May 17, 2016	Board	Budget Review with full Board
June 21, 2016	Board	Board to approve the FY2017 Budget
July 1, 2016	-----	Transmit JEA Board approved Budget with cover letter to City Council President

Summary

Finance and Audit Committee Action

- Provide feedback and direction regarding the key strategic issues and risks for the FY2017 Budget specifically covering:
  - Revenue
  - O&M Expense Levels
  - Interest Rates and Debt Structure
  - Financial Metrics
  - Workforce Readiness and Succession Planning

Staff

- Prepare Draft Budget, as well as related agenda items for review at the May Finance and Audit Committee meeting
- Prepare Draft Budget Summary for presentation at the May Board meeting
- Prepare budget package for approval at the June Board meeting
- Begin communication process with the Council Auditor
- Begin communication plan for other key stakeholders

Audit Services Overview

Steve Tuten

Director, Audit Services

Audit Services Overview – Table of Contents

Topic	Page #

Audit Services - Purpose & Mission

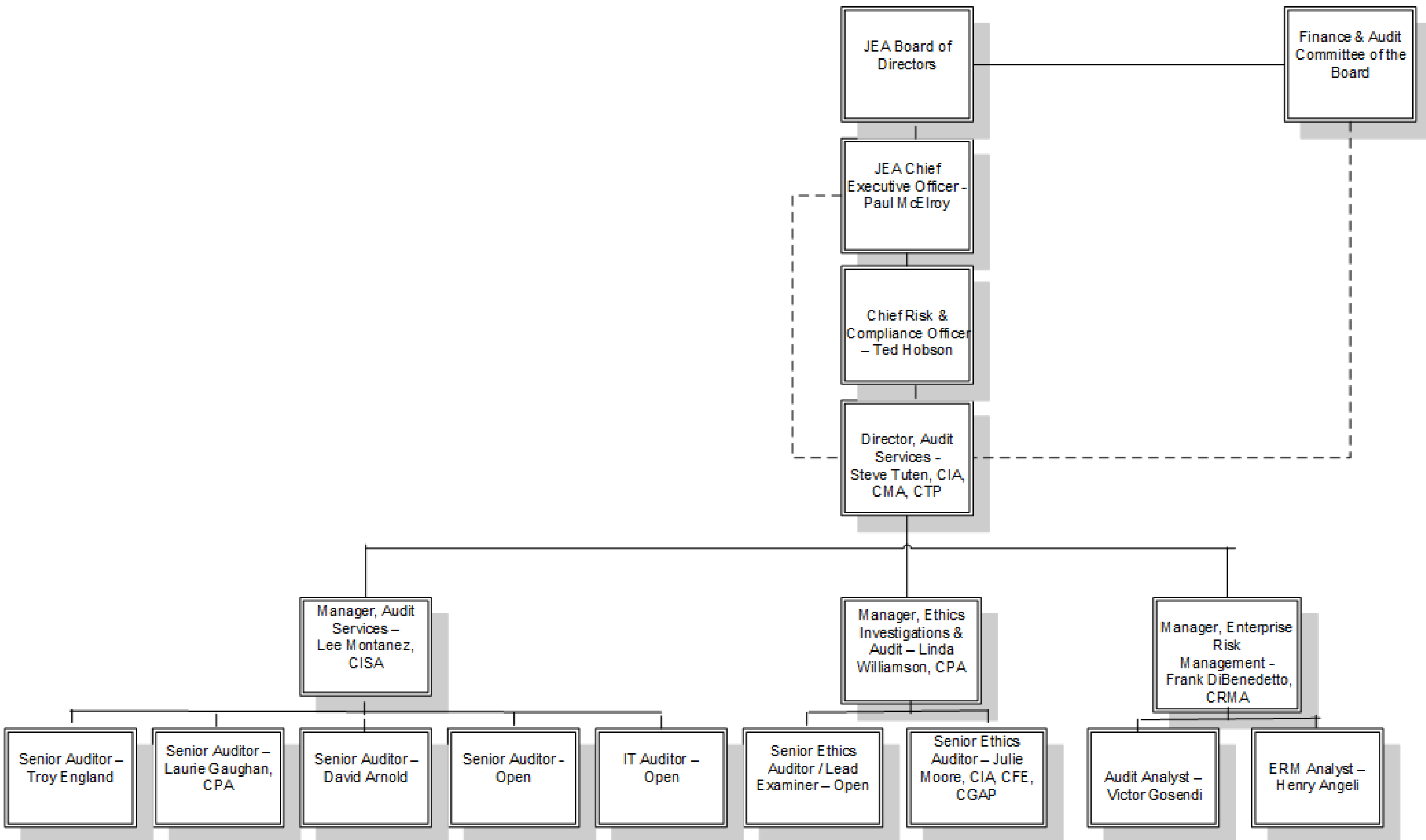
- Purpose : “Determining if enterprise-wide internal controls are in place and operating effectively to achieve management’s business objectives, and to ensure compliance with legal & regulatory requirements, as well as Management Directives & operating procedures.”
- Mission: “To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”
- Responsibilities include both assurance and consulting services.

(Excerpted from JEA Audit Services Charter, last approved by F&AC, August 10, 2015)

Who We Are

- Three teams (Staff complement of 13):
  - Internal Audit (Operational Audit) – 6 total, 2 currently open
  - Ethics & Investigations Audit – 3 total, 1 currently open
  - Enterprise Risk Management (ERM) - 3
- Separation / independence of Audit and ERM functions, but regular sharing of information and collaboration.

Audit Services Organization Chart



Audit Services Team Profiles

Name / Title	Experience, Education & Professional Certifications
Steve Tuten Director, Audit Services	Joined JEA in November 2015. 10 years as Audit Director at EverBank, and 14 years in General Auditor & other audit management positions for other banks such as Southern National (BB&T) & NCNB (Bank of America). BA, Accounting, & Audit Major, School of Bank Administration; CIA (Certified Internal Auditor), CMA (Certified Management Accountant), & CTP (Certified Treasury Professional).
Internal Audit	
Lee Montanez Manager, Audit Services	4+ years at JEA. 17 years of experience in audit, finance, and IT at Fidelity, Rayonier, and the government of Puerto Rico. BS in Accounting, MBA, Finance; Certified Information Systems Auditor (CISA), pursuing the CIA designation.
Troy England Senior Auditor	2 years at JEA. 12 years audit experience at Blue Cross and Diversified Service Options. BS, Business Administration; pursuing the CIA designation.
Laurie Gaughan Senior Auditor	1 year at JEA. 5 years audit experience at EverBank. 22 years as a CPA at various companies, including the Office of the Auditor General. BBA, Accounting & BA in Economics; Certified Public Accountant (CPA).
David Arnold Senior Auditor	Joined JEA in November 2015. 13 years audit experience at EverBank, Bank of America, & CSX. MBA; BA, Business Administration; pursuing the CIA designation, CRP (Certified Risk Professional (*inactive*)).
Ethics Investigations & Audit	
Linda Williamson Manager, Ethics Investigations & Audit	3+ years with JEA. 25+ years audit/accounting experience, including the City's Inspector General's Office, Jacksonville Sheriff's Office, Barnett Bank, and Peat Marwick Mitchell & Co. (KPMG). Master's Degree; BBA in Accounting; CPA.
Julie Moore Senior Ethics Auditor	1 year at JEA. 14 years audit experience at the Federal Reserve Bank of Atlanta & the Jacksonville Sheriff's Office. BBA in Accounting, CFE, CIA, & CGAP (Certified Government Audit Professional).
Enterprise Risk Management (ERM)	
Frank DiBenedetto Manager, Enterprise Risk Management	12 years at JEA. 25+ years financial management, audit and risk management, including Prudential Securities, Dean Witter, and Kidder Peabody. BS in Financial Business Management; CRMA (Certification in Risk Management Assurance); CFA (Certified Financial Analyst: Series 7, 63 and 5 registered (*inactive*)).
Victor Gosendi Audit Services Analyst	17+ years at JEA. 25+ years of experience in technology including Plaskolite, Inc. 8 years' experience in internal auditing & continuous auditing/monitoring. Computer Science degree.
Henry Angeli ERM Analyst	Joined Audit Services in October 2015; 9 years at JEA with 1 year in operations and 8 as an Instrumentation & Controls Technician at NGS. Previously in the Navy for 5 years. MBA; BA in Technology Management.

FY15 Highlights

- Top rating earned for external Quality Assurance Review (conducted in 2015 and every five years).
- Rollout of new automated exception reporting for identifying key transaction errors & potential fraudulent activities.
- Established new Technology Risk subcommittee for better Tech/Ops coordination and identifying any cybersecurity threats.

FY15 Highlights (cont.)

- Key audit recommendations included:
  - Comprehensive contractual agreements for third-party technology services
  - Security measures to reduce loss of materials or scrap metals
  - Standardizing processes for Enterprise Asset Management (EAM) initiative.
- Investigative case results & recommendations included:
  - Revision of JEA Line Locate Standards
  - Safety enhancements, including training & monitoring
  - Cost recoveries related to stolen metals/scrap
  - More reliance on formal Procurement bid process in lieu of corporate credit card (“P Card”) usage

Challenges / Looking Ahead

- Two Auditor positions to fill (Senior Operational & IT).
- Execution of annual audit plan – strive for more optimal audit / project mix for Internal Audit team.
- Managing investigative caseload flow from Ethics Hotline and other sources.
- More reliance on automated functionality provided by ACL Services Ltd. (exception reporting & data analytics) and Auto Audit (audit workpapers) systems.
- Develop Key Risk Indicators (KRI) to better monitor potential shifts in risk conditions or new emerging risks.
- Migrate toward real-time risk assessment approach.

FY 2016 Internal Audit Plan - Timeline

Audit /Project	Budgeted Hours	Auditor-in-Charge	Estimated Draft Report Date	FY 2016 Hours											
				Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
2015 Neighbor to Neighbor Program Review ***(carryover)***	5	Doris Champ	11/23/15												
2015 TEA ***(carryover)***	75	Troy England (TE)	Completed (No Report)												
2015 HIPAA ***(carryover)***	20	Laurie Gaughan (LG)	11/18/15												
2016 FY15 Performance Pay Review	150	TE	12/02/15												
2016 SJRPP Fuels	400	LG	12/21/15												
2015 Investment Recovery (Limited Scope) ***(carryover)***	230	TE	2/15/16												
2016 P-Cards	375	David Arnold (DA)	3/30/16												
2015 Fleet Services ***(carryover)***	130	Julie Moore (JM)	TBD												
2016 JEA Fuels	450	LG	4/15/16												
2015 Customer Billing & Payment Processing ***(carryover)***	295	DA	6/15/16												
2016 Debt Management	500	TE	6/30/16												
2016 System Protection & Controls	500	LG	8/30/16												
2016 Distribution, Development & Joint Projects	400	TE	10/15/16												
2016 Facilities Management	550	DA	11/30/16												
2016 Emerging Workforce Strategies	200	LG	11/30/16												
2016 SJRPP Electric Production, Operations, & Bulk Material Handling	350	New Hire	TBD												
2016 SJRPP Electric Production Maintenance	350	New Hire	TBD												
2016 Information Security	400	New IT Hire	TBD												
2016 Disaster Recovery	375	New IT Hire	TBD												
2016 Project Management Office (PMO)	550	New IT Hire	TBD												
New Auditor Training	300	DA	N/A												
2016 Action Plan Follow-Up	800	TE	N/A												
2017 Annual Risk Assessments	375	DA / LG / TE	N/A												

- Completed Audit
- In-Progress Audit
- Scheduled Audit
- Pending Audit
- Administrative

Internal Audit – Execution of Plan

- Historically, close to 50/50 split of audit and special project hours for JEA Internal Audit; goal is to be closer to 80/20.
- Completing FY16 internal audit plan primarily contingent on:
  - Timing of filling two open positions (*likely early 3Q start dates*)
  - Assigning more new special projects to Ethics Investigations & Audit team
  - Streamlining annual risk assessment process
- Full impact of these changes expected for FY17 audit plan.

Enterprise Risk Management (ERM)

- Now in its eleventh year, JEA's ERM program identifies, assesses, measures, monitors and actively manages risk, including mitigation strategies and actions. Top corporate risks are reviewed monthly by the ECRC & quarterly with the Board.

- Enterprise Compliance & Risk Committee (ECRC) and Subcommittees
  - Electric Risk
  - FERC/NERC/CIP Electric Compliance
  - Fuel and Purchased Power Risk
  - Debt and Investment
  - Revenue and Expense Management
  - Technology Projects
  - Technology Risk
  - Compliance Oversight
  - Water and Wastewater Regulatory Compliance

ECRC & Subcommittee Structure

ECRC

- Primarily comprised of Senior Leadership Team
- Makes all major risk & compliance decisions
- Approves risk score changes and additions/removal of risks

Subcommittees

- Led by business executives
- Coordinate mitigation efforts across functions
- Make recommendations to ECRC on major risk decisions
- Evaluate & monitor risk levels, gaps, & mitigation efforts
- Approve less significant risk decisions
- Identify & evaluate top corporate risks

Risk Working Groups

- Subject Matter Experts supporting subcommittees
- Assist in determining mitigation strategies
- Implement and assess mitigation effectiveness & challenges

Corporate Risk Heat Map

Top Corporate Risk	Score
Tier 1	10-25
Tier 2	5-9
Tier 3	1-4

Likelihood							
Almost Certain >90%	5	5	10	15	20	25
Likely 65-90%	4	4	8	12	16	20
Possible 35-65%	3	3	6	9	12	15
Unlikely 5-35%	2	2	4	6	8	10
Rare <5%	1	1	2	3	4	5
		1	2	3	4	5
		Minor	Moderate	Significant	Major	Severe
Impact						

Impact x Likelihood Score

15-25	Red
10-12	Orange
8-9	Yellow
4-6	Light Green
1-3	Dark Green

ERM – Top Corporate Risk (Tier 1) Trends

Risk	FY2012		FY2013				FY2014				FY2015				FY2016		Change
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Electric Risks																	
E01 - Carbon Emission Mitigation	20	20	20	20	20	20	20	20	25	25	25	25	25	25	25	25	
E02 - Effluent Limit Guidelines for Steam Units	8	8	8	12	12	16	16	16	16	16	16	16	16	16	16	16	
E04 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
E03 - Coal Combustion Residual Rule (CCR)	10	10	10	15	15	15	15	15	15	15	15	15	10	10	10	10	
E05 - Cooling Water Intake Structures 316(b)	16	12	12	12	10	10	10	10	10	10	10	10	10	10	10	10	
E06 - Long-term Planning/Load Forecast - Electric	6	6	6	6	6	6	6	6	10	10	10	10	10	10	10	10	
E07 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
Water/Wastewater Risks																	
W01 - Water Supply Management/Long Term Planning	9	9	8	12	12	12	12	12	12	15	15	15	15	15	15	15	
Corporate Wide Risks																	
H01 - Pensions	12	20	16	16	20	20	20	20	20	20	20	20	20	20	20	20	
F01 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	
C16 - Weather Impact																15	
C01 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	9	9	9	9	9	9	12	12	12	12	12	12	12	12	12	
C03 - New Technology									12	12	12	12	12	12	12	12	
C04 - External Influence on Policy	9	9	9	9	9	9	9	10	10	10	10	10	10	10	10	10	

E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function.

ERM – Top Corporate Risk (Tier 1) Trends (cont.)

E01	Carbon regulations (Clean Power Plant –CPP) could require very expensive mitigations such as building new gas plants, more purchase power, decommissioning existing solid fuel plants, etc. Rule expected to be finalized August, 2015, with state specific plans expected by 2016, although implementation is expected in 5-10 years. The expansion of solar power generation, the new Distributed Generation Policy and the revised Net Metering Policy allow JEA to effectively address and mitigate customer-side generation issues.
E02	The final regulation was issued on November 3, 2015, with a compliance date of 2017-2023. JEA is developing a strategy for compliance with the rule. Risk impact is based on cost estimates for potential biological treatment of power plant effluent.
E04	In progress mitigations focus on continuing to maximize dispatch of natural gas and solid fuels as economically as possible, to minimize the impact of future regulations, and improve the deliverability of gas to JEA's units.
E03	The published rule treats CCR as a non-hazardous material but increases the operational processes, monitoring, recordkeeping, notification, and internet posting requirements. Since SJRPP costs (approx. $25M) are known and will be funded as part of the annual budget process, this cost is no longer included in the risk score. The score reflects the estimated (approx. $15.9 M) but still unknown cost of compliance at Plant Scherer. $15.9 million represents only JEA's portion.
E05	The rule was finalized on 5/19/14. Although additional studies are required, it is expected that JEA can comply utilizing fish screens, which are less expensive than building cooling towers.
E06	Environmental mandates and difficulty in forecasting the various scenarios impacting demand, raise the inherent risk impact. Other top corporate risks both increase and help mitigate this risk. The inability to effectively manage this risk remains unlikely.
E07	JEA has implemented processes to comply with CIP V5 Cyber Security regulations. The CIP V5 standards have been expanded to include certain power plants and substations. The first FERC audit of CIP V5 is expected in 2017.
W01	Compliance with the Consumptive Use Permit (CUP) provisions may be costly depending on weather conditions and the need to address minimum flow levels (MFL's), alternate water sources, and expansion of reuse. The Water Management Districts may also require participation in regional MFL and other projects, which may be costly. Mitigation efforts focus on developing a Water Management plan to meet long-term water needs and expand reclaimed and alternative water sources.
H01	The cost of funding the current pension program may result in a significant increase in employee contributions, and/or a reduction in benefits, which could negatively affect employee morale and retention. JEA's contribution continues to increase to cover the unfunded liability in the COJ pension plan. Further reductions to the pension fund rate of return assumptions may significantly increase costs. JEA is working on a strategy to address this risk.
F01	Insufficient revenues and inadequately controlled expenses may result in a reduced credit rating, increased cost of debt, deterioration of the financial and structural health of the organization, AND inability to adequately serve our customers.
C01	Customers may have a negative opinion of JEA caused by past, present and future pricing actions, customer service policies/practices and negative press. The risk covers relationships with the ratepayers. Managing relationships with other external stakeholders is covered in risk R3. JEA continued its strong performance, finishing in the first quartile nationally and ranked 30th out of the 140 utilities participating. Among Florida utilities, JEA ranked 2nd overall. The second quarterly 2015 Residential Customer Satisfaction Study indicated a score that put us higher in the first quartile.
C02	Additional security measures were implemented to comply with ever-increasing regulatory requirements, including aspects of CIP V5 and 14 and to better safeguard company assets and employees. Other initiatives are underway to improve JEA's overall security infrastructure, including an active shooter policy, increased access security and enhanced security at substations. The risk also reflects the inherent risk associated with ensuring effective security protocols, and the reliance on employees to follow established safety practices.
C03	Emerging new technologies are providing customers with an increasing number of options in terms of distributed generation, increasingly efficient appliances, as well as alternate energy providers, such as natural gas and propane. The Net Metering policy was modified in 2014 to credit avoided cost to customers who put energy on the grid instead of the full retail rate. This helps protect against subsidization of net metering customers by non-net metering customers, and helps protect against raising rates
C04	External parties (e.g., COJ, water management districts) continue to increase demands on JEA's resources, which may significantly impact JEA's finances.

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ERM – Tier 2 Corporate Risk Trends

Risk	FY2012		FY2013				FY2014				FY2015				FY2016		Change
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Electric Risks																	
E08 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	9	9	9	9	9	9	9	8	8	8	8	8	8	8	
E10 - Nuclear Power Portfolio	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
E21 - Natural Gas Sales - Commercial Customers													6	6	6	6	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
E20 - Operations Technology Management - Electric	4	4	4	4	4	4	4	4	4	4	4	6	6	6	6	6	
E12 – By-Product Management	9	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
Water/Wastewater Risks																	
W02 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
W03 - Sanitary Sewer Overflow Management	6	6	6	6	6	6	6	6	6	6	6	8	8	8	8	8	
W04 - Infrastructure Maintenance - Water/Wastewater Systems	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
Corporate Wide Risks																	
C05 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
C06 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
T02 - Cyber Security Information Protection						9	9	9	9	9	9	9	9	9	9	9	
T05 - Technology Services Resource Optimization																9	X
H02 - Staffing	16	16	16	16	16	12	12	9	9	9	9	9	9	9	9	9	
H03 - Public and Employee Safety	6	6	6	6	6	6	6	6	9	9	9	9	9	9	9	9	
T01 - Technology Infrastructure Reliability	12	12	12	12	12	12	12	12	12	12	12	4	4	4	4	8	X
T03 - Cyber Security Business Disruption												8	8	8	8	8	
T04 - Technology Services Disaster Recovery/Business Continuity												8	8	8	8	8	
C07 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
C08 - Black Swan (High Impact - Low Probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
F03 - Credit Availability/Cost	9	9	9	6	6	6	6	6	6	6	6	6	6	6	6	6	
C09 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
F04 - Counterparty Risk	6	6	10	10	5	5	5	5	5	5	5	5	5	5	5	5	

E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function.

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ERM – Tier 2 Corporate Risk Trends (cont.)

E08	Eventual changes to JEA's power sharing agreement may require more integration of operational and financial processes.
E09	While an effective compliance program is in place, the score is based on the need to continue to strengthen our compliance efforts as regulations continue to tighten, and to meet regulatory requirements to implement an internal control infrastructure instead of just a "check the box" approach. The inherent risk remains that a serious reliability event could occur despite documented compliance with FERC/NERC regulatory requirements, although the likelihood of such an event occurring is low.
E10	This risk is associated with JEA's current 20-year PPA with MEAG for 206 MW from Vogtle units 3 and 4, primarily relating to potential cost overruns, loss of power due to schedule delays, as well as potential misallocation of costs.
E21	JEA's entry into the Natural Gas sales market potentially poses some operational, financial and reputational risks that could result in negative media coverage and/or reduced commercial customer satisfaction.
E11- W04	Physical inspections have noted no major structural issues. Enterprise Asset Management systems are in the process of being implemented. Additional mitigations are noted as part of the Tier 1 Physical Security Risk which address the risk of internal/external tampering or terrorist activities.
E20	The likelihood of a disruption to our electric systems from cyber security breaches has increased.
W2	Although water/wastewater mechanical processes can function manually for some time if the computer systems (primarily the SCADA system) go down, the impact of a cyber and/or physical intrusion could result in the inability to properly monitor the infrastructure, causing significant operational and reputational risk. Additional mitigations are noted as part of the Tier 1 Physical Security Risk.
W03	Although ongoing infrastructure maintenance makes it unlikely a non-weather related significant SSO event will occur, a major SSO event could have a major impact.
C05	The risk focuses on effective records retention policies and managing public records requests.
T02	Unauthorized intrusion into JEA's critical systems could cause a loss of sensitive data and may occur without effective, fully-functioning cyber security protections in place. This risk focuses on protecting information. The risk of preventing business disruptions (e.g., DOS attack) is covered under risk T3 below.
T05	High demand from business units exceeds Technology Services' capabilities to provide timely service; resulting in outsourcing work to meet business needs. This leaves JEA resources without the knowledge to effectively support these efforts (New Risk).
H02	Critical employees may be eligible for retirement or could be recruited away mid-career, impacting business objectives and service levels. Retirement impact is reduced as the average age of employees decreases, but flight risk may increase. In addition, current practices may not maximize the staffing flexibility, and/or utilize the full skillsets of the workforce. A process is in place to identify at-risk positions and recruit/train in time to mitigate retirements and loss of critical staff.
H03	Additional safety-related initiatives are being implemented to further reduce both the number and severity/impact of the incidents.
T01	Although unlikely, the impact of a significant disruption of the technology infrastructure would have a major impact on JEA's ability to provide essential services. As such, this risk was reduced from a 2/2 to a 4/2. Moving it from a Tier3 to a Tier 2 risk.
C08	Although deemed extremely unlikely, high impact events that are out of JEA's control may pose significant risks to JEA, and require mitigation strategies. Examples of Black Swan events include: 1. Pandemic/Reduced workforce; 2. Hurricanes greater that Cat 1; 3. River crossing transmission line failure; 4. the Loss of the Downtown Substation; and 5. Electromagnetic Pulse(EMP) and Geomagnetic Disturbances(GMD).
T03	Cyber intrusion can be in the form of a Denial of Service (DOS) attack or Grid disruption, causing disruption of services and the inability to meet operational and customer needs.
T04	The inability to recover our technology services timely, in an event of a loss of an application(s) or the Data Center, impacts our ability to meet operational and customer needs.
F03	JEA continues to convert increasing amounts of variable debt to fixed. Historical trending from the Interest Rate risk is used in the trending above, as it better reflects market volatility.
F04	Current efforts focus on increasing committed funding positions, increased diversification of JEA's counterparties, and monitoring available lines of credit.

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ERM – Tier 3 Corporate Risk Trends

Risk	FY2012		FY2013				FY2014				FY2015				FY2016		Change
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1	
Electric Risks																	
E15 - TEA Activities Risk Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
E16 - Air Emissions Reduction Regulatory Initiatives	12	12	12	20	20	20	20	20	4	4	4	4	4	4	4	4	
E17 - Mercury and Air Toxics Standards (MATS)					15	15	15	15	15	4	4	4	4	4	4	4	
E18 - Renewable Energy Standards	20	20	20	20	20	20	3	3	3	3	3	3	3	3	3	3	
E19 - Plant Scherer Environmental Lawsuit						6	6	6	4	1	1	1	1	1	1	1	
Water/Wastewater Risks																	
W05 - Numeric Nutrient Criteria Mandates	12	12	12	12	10	4	4	4	4	4	4	4	4	4	4	4	
Corporate Wide Risks																	
C10 - Project Risk Assessment and Capital Allocation	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
C12 - Capacity Plan Land Acquisition	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
C13 - Key Customer Accounts Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
F02 - Financial Regulatory Compliances (e.g. Dodd-Frank Bill)	9	9	9	9	9	9	9	9	9	9	9	9	4	4	4	4	
F05 - IRS Bond Audit Records Requirements	9	9	9	3	3	3	3	3	3	3	3	3	3	3	3	3	
H04 - Benefits	6	6	6	6	6	6	6	6	6	6	6	6	4	4	4	4	
C14 - Environmental Compliance Management	1	1	1	1	1	1	1	1	1	4	4	4	4	4	4	4	

E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function.

JEA

ERM – Tier 3 Corporate Risk Trends (cont.)

Note: These risks are deemed to be effectively mitigated and are no longer being monitored by the Enterprise Compliance and Risk Committee (ECRC). However, they will continue to be monitored by ERM staff and the risk owners.	
E16	**The Carbon and Mercury and Air Toxic Standards (MATS) risks have been separated from the Air Emissions risk, as they made up the bulk of the financial impact driving the overall score. The remaining Air Emissions impact is <$1M.**
E17	**Rule has been finalized and will become effective in April, 2015. JEA is in compliance with the regulatory requirement through the burning of lower sulfur coal. The risk of increasing cost and possible unavailability of the lower sulfur coal is reflected in the Adverse Electric Commodity Supply & Pricing (Fuels) risk**
E18	**Although potential Renewable Energy Requirements can be somewhat costly, the likelihood of either the Federal or State governments passing any significant legislation is deemed rare within the foreseeable future.**
E19	**As of March 2014, the Plaintiffs' counsel withdrew all of the Plant Scherer cases without prejudice. Although the plaintiffs have an option to refile the lawsuit, the likelihood of this occurring, and/or the plaintiffs being successful is considered rare.**
W05	**EPA has acknowledged JEA's TMDL program meets NNC criteria, which JEA can easily meet with no additional mitigations.**
T01	**Service reliability may be compromised if critical technology applications become unavailable and may result in the inability to meet service needs, increased costs, non-compliance with regulatory requirements, and negative reputational impact.**
F02	**Processes to identify, monitor, and verify compliance with current and proposed legislative regulations appear to be in place and functioning effectively. JEA has successfully met all provisions of the Dodd-Frank bill and the new MSRB disclosure requirements.**
H04	**JEA's benefits are deemed competitive and, with the exception of pension benefits, have no significant negative impact on recruiting and/or retaining employees. Pension benefits are covered under a separate risk and are not included as part of this risk. Risks associated with increased GASB Statement 45, financial reporting requirements, or liabilities associated with other(than pension) postemployment benefits (OPEB) are included as part of the Credit Availability Risk.**
The following risks were eliminated and will no longer be reported as individual stand-alone risks:	
•The National Emissions Standards for Hazardous Air Pollution (NESHAP) and Other Air Emissions Requirements risks were consolidated into the Air Emissions Reduction Regulatory Initiatives risk.	
•The Transmission and Distribution Restoration Reserves risk has been deemed to be mitigated.	
•The Wastewater Regulations risk was consolidated into the Numeric Nutrient Criteria risk.	
•The Interest Rates risk was consolidated with the Credit Availability Cost due to the similarity of the risks and overlap of the mitigations.	
•The Conservation Efforts risk has been consolidated with the Customer Relationship Management risk, as the focus of the program is to expand customer benefits and not solely focus on conservation.	
•The Water Long-Term Planning risk was combined with the Water Supply Management Risk.	
•The Pandemic Reduced Workforce Risk was included as a scenario in the Black Swan risk, and will no longer be tracked as a separate risk.	
•The Loss of the Downtown Substation risk is now included as a Black Swan event, based on its similarity in nature to other Black Swan events.	
•As part of the FY2013 reorganization, the Project Management function is now performed within each of the Electric and Water/Wastewater operations. The risk has been incorporated as part of the respective Infrastructure Maintenance risks	

E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function.

Ethics Hotline

- Ethics Hotline (EHL) established at JEA in 2006.
- NAVEX Global is our third-party provider of hotline reporting and incident management software.
- System allows anonymous reporting of unethical behavior within JEA / SJRPP.
- Direct use of EHL is only one of several sources, internal and external to JEA, for reporting. No matter the source, EHL is used to track all incidents to their final resolution.
- As of 12/31/15, 213 cases have been handled through EHL.

FY15 Ethics Hotline (EHL) Cases

Open Cases - 10/1/2014	Cases Opened During FY15	Cases Closed During FY15	Open Cases - 9/30/2015
13	48	43	18

Categories For Cases Opened During FY15	
Alleged Misuse of Resources	26
Alleged Fraud/Theft	11
Alleged Discrimination/Harassment	8
Conflict of Interest/Ethics Matters	2
Other (Request for Information)	1
Total	48

1Q FY16 Ethics Hotline (EHL) Cases

Open Cases - 10/1/2015	Cases Opened During FY16	Cases Closed During FY16	Open Cases - 12/31/2015
18	5	7	16

Categories For Cases Opened During 1Q FY16	
Alleged Misuse of Resources	2
Alleged Discrimination/Harassment	2
Other (Regulatory Compliance)	1
Total	5

Summary of Closed EHL Cases - 1Q FY16

Reporting Source	Allegation	Investigation Results
Internal	14-12-0002 - There were two fraudulent charges and other usage attempts on a JEA P-Card assigned to Audit Services.	The P-Card account was credited by the bank for the fraudulent charges, and the account was closed. The other fraudulent usage attempts were denied based on JEA's P-Card preventive controls. A review was also performed of other JEA P-Card transactions, of which it was determined this fraud was isolated to this P-Card.
Internal (1 case) & EHL (2 cases)	15-04-0007/0008 & 15-05-0001 - The Recruitment Services Manager received feedback from several applicants that there "may" have been some improprieties with a recent recruitment. There was a perception/concern that the successful incumbent may have received insider information because a close family member was a manager in the same line of work at JEA.	We did not find evidence that anyone on the exam committee provided insider information related to the preparation of the exam. No JEA recruitment policies/procedures were compromised during this recruitment.
External	15-05-0002 - The JEA Ethics Officer received an anonymous letter that provided dates and times where a department's employees allegedly took extended lunches and were paid a full 8 hours. Also, it was alleged that the department management does not follow protocol when offering overtime to employees.	Evidence was found that the employees in question took extended lunches, including participating in an on-site yoga class during the lunch break. The employees received Letters of Counseling. There was no evidence to support that the Overtime Policy was not being followed; however, for transparency purposes there were opportunities for process improvement to which management agreed.
EHL	15-08-0001 - It was alleged that an employee was stealing time and materials, including lumber left by a contractor.	No evidence was found to conclude the employee was involved in the theft of JEA time, materials or contractor property.
External	15-08-0003 - A customer reported that seven JEA e-mail accounts were identified in relation to a recent social website breach.	A comprehensive review of e-mails indicated the employees received what appeared to be only solicitation e-mails, and no evidence was found that the employees used their JEA accounts to communicate with this social website. HR was notified and recommendations were made to strengthen controls, with full agreement of management.

Building Community

AGENDA ITEM SUMMARY

February 19, 2016

SUBJECT:	**EXTERNAL AUDITORS CONTRACT EXTENSION**

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

Issue: The current contract with Ernst and Young (E&Y) expires on June 30, 2016. At its meeting on January 19, 2016, the Board approved a one-year extension of the contract with E&Y.The duration of the contract extension will be from July 1, 2016 through June 30, 2017.

Significance: The fiduciary responsibilities of JEA and the Board include the engagement of an external auditor.

Effect: Not having a nationally qualified firm in place could leave room for exposure in such a highly regulated environment.

Cost or Benefit: The extension will increase the contract amount by approximately $427,000 for the period included above. The proposed Fee Schedule is attached.

Recommended Board action: Staff recommends the Finance and Audit Committee recommend Board approval of the audit fee schedule and scope for the one-year E&Y contract extension (approved at the January 19, 2016 Board meeting), as outlined in this agenda item and attached schedule.

For additional information, contact: Janice Nelson

Submitted by: PEM/MHD/JRN

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
February 19, 2016

SUBJECT: **EXTERNAL AUDITORS CONTRACT EXTENSION**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:
The current contract with Ernst and Young (E&Y) expires on June 30, 2016. At its meeting on January 19, 2016, the Board approved a one-year extension of the contract with E&Y.The duration of the contract extension will be from July 1, 2016 through June 30, 2017.

DISCUSSION:
Staff has completed the contract negotiations with E&Y. E&Y's fees for the FY2015 audit were $384,703 (including both the original audit scope and additional scope due to implementation of accounting changes). The negotiated fee for the FY2016 audit is $355,000, and includes:

- First year of comparative financials for the changes implemented in FY2015
- Complete audit of JEA financial statements
- Implementation of GASB 72, Fair Value Measurement and Application
- Continued emphasis on auditing IT controls in order to achieve a controls base audit approach

The proposed fee for the St. Johns River Power Park (SJRPP) Pension Audit is $18,500, a $2,602 increase over the 2015 audit. The primary driver for the increase is additional audit hours related to GASB 68, Accounting for Pension. The proposed audit fee for the Single Audit is $20,000, a $4,102 increase over 2015 audit. The increase is due to new uniform Office of Management and Budget (OMB) grant guidance, effective for fiscal year 2016. Fees for all other services remained unchanged from 2015. All other terms and conditions of the contract remained the same. See the attached Proposed Fee Schedule.

RECOMMENDATION:
Staff recommends the Finance and Audit Committee recommend Board approval of the audit fee schedule and scope for the one-year E&Y contract extension (approved at the January 19, 2016 Board meeting), as outlined in this agenda item and attached schedule.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

Ver 2.2 02/01/2014

Independent Audit Services
Ernst & Young
Fee Schedule

Service	FY'15 Fees	FY '16 Fees	Estimated Quantity	Estimated Cost FY 2016	Notes
JEA financial statement audit					
Option A (with opinions of Debt Service schedules)	$ 292,772	$ 355,000	1	$ 355,000	Base audit fee includes continuing effort related to GASB 68/71, and implementation of GASB 72 in FY '16
Option B (in relation to opinions on Debt Service schedules)		$ 325,000			
Federal/Florida Single Audit	15,898	20,000	1	$ 20,000	Assumes 1 major program † (if required) and new OMB Uniform Guidance
Debt issuance AUP report	10,915	10,915	0	$ -	Per bond issue, issued at closing (as required)
Consent letter	10,364	10,364	0	$ -	Per bond issue, issued at closing (as required)
Debt covenant compliance reports	1,348	1,348	16	$ 21,568	Per report (approximately 15 per year), in connection with financial statement audit
Report on compliance with debt management policy	11,356	11,356	0	$ -	Per report (if required) - Has not been required for several years
SJRPP pension plan audit	15,898	18,500 *	1	$ 18,500	FY 15 plan financial statements
DEP certificate	2,384	2,384 *	5	$ 11,920	Per report
				$ 426,988	
Additional services, as requested, per hour:					
Partner	580	$ 580			
Senior Manager	435	$ 435			
Manager	345	$ 345			
Senior	240	$ 240			
Staff	160	$ 160			

† Each additional major program will be billed at 50% of the stated fee.
* - Services provided by KBLD, LLP

Building Community

AGENDA ITEM SUMMARY

February 19, 2016

SUBJECT:	**REPORT FROM COJ AUDITORS REGARDING JEA GERP PENSION LIABILITY**

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

Issue: With the implementation of Governmental Accounting Standards Board (GASB) 68 Accounting and Financial Reporting for Pensions, all component unit auditors are required to obtain audit evidence from the primary government on the allocation of employer allocations and net pension liability. As a result, Carr Riggs & Ingram (CRI), the auditors for the City of Jacksonville and General Employees Retirement Plan (GERP), audited the employer allocations and net pension liability allocations to support the financial audit of JEA performed by Ernst & Young for the fiscal year FY15 that ended September 30, 2015. A copy of the Audit Report is attached.

Significance: This report summarizes the results of the audit and also contains communications required by professional auditing standards.

Effect: Without such audit, it is unlikely that Ernst & Young, as JEA's auditors, would have been able to provide an unmodified opinion on the separately issued financial statements due to the materiality of the allocated pension amounts.

Cost or Benefit: Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management's financial reporting process. Board oversight is a critical component of the financial reporting provided to investors, ultimately lowering JEA's borrowing costs.

Recommend Board action: No action by the Committee is required. This item is submitted for information only.

For additional information, contact: Janice Nelson

Submitted by: PEM/ MHD/ JRN

Ver.2.0D 9/21/2013 jer

INTER-OFFICE MEMORANDUM
February 19, 2016

SUBJECT: **REPORT FROM COJ AUDITORS REGARDING JEA GERP PENSION LIABILITY**

FROM: Paul McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

With the implementation of Governmental Accounting Standards Board (GASB) 68 Accounting and Financial Reporting for Pensions requires component unit auditors to obtain audit evidence from the primary government on the allocation of employer allocations and net pension liability in situations where a primary government allocates pension amounts to component units that issue separate financial statements. As a result, Carr Riggs & Ingram (CRI), the auditors for the City of Jacksonville and General Employees Retirement Plan (GERP), audited the employer allocations and net pension liability allocations to support the financial audit of JEA performed by Ernst & Young (E&Y) for the fiscal year that ended September 30, 2015.

DISCUSSION:

Attached is a copy of the Audit Report on the Allocation of Net Pension Liability of the City of Jacksonville GERP performed by CRI. This report summarizes the results of the audit and also contains communications required by auditing professional standards.

RECOMMENDATION:

No action by the Committee is required. This item is submitted for information only.

Paul McElroy, Managing Director/CEO

PEM/MHD/JRN

City of Jacksonville
General Employees Retirement Plan

Audit Report on the Allocation of Net Pension Liability

September 30, 2014
and September 30, 2013

CRI CARR RIGGS & INGRAM
CPAs and Advisors
CRIcpa.com | blog.cricpa.com

City of Jacksonville General Employees Retirement Plan

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September 30, 2014 and September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Jacksonville City Council
Board of Directors, Jacksonville Electric Authority

We have audited the accompanying schedule of employer allocations and net pension liability of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan") as of September 30, 2014 and September 30, 2013, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2014, net pension liability at September 30, 2013, total deferred outflows of resources, total deferred inflows of resources, and pension plan expense ("Specified Column Totals") included in the accompanying schedule of collective pension amounts of the Plan as of and for the year ended September 30, 2014, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Schedule and the Specified Column Totals included in the schedule of collective pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule and Specified Column Totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule and Specified Column Totals included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule and Specified Column Totals included in the schedule of collective pension amounts, 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 Schedule and Specified Column Totals included in the schedule of collective pension amounts 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 Schedule and Specified Column Totals included in the schedule of collective pension amounts.

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

Opinions

In our opinion the Schedule and Specified Column Totals included in the schedule of collective pension amounts referred to above present fairly, in all material respects, the employer allocations and net pension liability as of September 30, 2014 and September 30, 2013, and the total deferred outflows of resources, total deferred inflows of resources, and pension expense for the Plan as of and for the year ended September 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

This report is intended solely for the information and use of the City of Jacksonville, Jacksonville Electric Authority (JEA), Jacksonville Housing Authority (JHA), North Florida Transportation Planning Organization and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
December 7, 2015

City of Jacksonville General Employees Retirement Plan

Schedule of Employer Allocations and Net Pension Liability
September 30, 2014
and September 30, 2013

	Present Value of Future Benefits (2014)	Proportion of Net Pension Laibility (2014 and 2013)	Net Pension Liability (2014)	Net Pension Liability (2013)
Entity				
City of Jacksonville	$ 1,478,143,941	49.72%	$ 411,669,271	$ 393,677,253
JEA	1,452,390,441	48.85%	404,465,888	386,788,692
Jacksonville Housing Authority	39,692,750	1.34%	11,094,868	10,609,966
North Florida Transportation Planning Organization	2,804,834	0.09%	745,178	712,610
Total	$ 2,973,031,966	100.00%	$ 827,975,205	$ 791,788,521

See accompanying notes.

City of Jacksonville General Employees Retirement Plan

Schedule of Collective Pension Amounts As of September 30, 2014 and 2013 and for the year ended September 30, 2014

Entity	Net Pension Liability September 30, 2013	Net Pension Liability September 30, 2014	Deferred Outflows of Resources: Differences Between Expected and Actual Experience	Deferred Outflows of Resources: Changes of Assumptions	Deferred Outflows of Resources: Total Deferred Outflows of Resources	Deferred Inflows of Resources: Differences Between Expected and Actual Experience	Deferred Inflows of Resources: Net Differences Between Projected and Actual Investments Earnings on Pension Plan Investments	Deferred Inflows of Resources: Changes of Assumptions	Deferred Inflows of Resources: Total Deferred Inflows of Resources	Pension Plan Expense
City of Jacksonville	$ 393,677,253	$ 411,669,271	$ -	$ 40,382,859	$ 40,382,859	$ 2,130,540	$ 25,310,083	$ -	$ 27,440,623	$ 40,350,985
JEA	386,788,692	404,465,888	-	39,676,240	39,676,240	2,093,260	24,867,208	-	26,960,468	39,644,923
Jacksonville Housing Authority	10,609,966	11,094,868	-	1,088,355	1,088,355	57,420	682,130	-	739,550	1,087,496
North Florida Transportation Planning Organization	712,610	745,178	-	73,098	73,098	3,857	45,815	-	49,672	73,041
Total	$ 791,788,521	$ 827,975,205	$ -	$ 81,220,552	$ 81,220,552	$ 4,285,077	$ 50,905,236	$ -	$ 55,190,313	$ 81,156,445

See accompanying notes.

City of Jacksonville General Employees Retirement Plan

Notes to Schedules

NOTE 1 – SUMMARY OF THE PLAN

The City of Jacksonville sponsors the City of Jacksonville Retirement System (JRS) which includes the General Employees Retirement Plan (GERP). The JRS arises out of Chapter 16 of the City Charter, Chapter 120 of Ordinance Code of the City of Jacksonville, and Chapter 112, Part VII, Florida Statutes. Provided other criteria are met, the GERP is available to City employees who are employed by one of the following entities: City of Jacksonville, JEA, Jacksonville Housing Authority (JHA), and North Florida Transportation Planning Organization (TPO). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the GERP. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios. All full-time City employees, the employees of JEA, JHA and the employees of TPO are eligible to participate in the GERP upon employment.

General Employees Retirement Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	4,896
Terminated employees vested, not yet receiving benefits	78
Active employment plan members:	
Vested	3,339
Non-vested	1,800
Total plan membership	10,113

The GERP is open to employees of the JEA, JHA, TPO, and City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of the Retirement System. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in the Retirement System is mandatory for all full time employees of the City who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following:

(a) Completing thirty (30) years of credited service, regardless of age;

(b) Attaining age fifty-five (55) with twenty (20) years of credited service; or

(c) Attaining age sixty-five (65) with five (5) years of credited service.

(d) 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 two and one-half (2.5) percent of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of eighty (80) percent of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first

City of Jacksonville General Employees Retirement Plan

Notes to Schedules

NOTE 1 – SUMMARY OF THE PLAN (CONTINUED)

payday coincident with or next payday following the member's actual retirement and will continue until death, or the death of their surviving beneficiary, if this option is selected.

Each member and survivor is entitled to a cost of living adjustment ("COLA"). The COLA consists of a three (3) percent 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 one-hundred and fifty dollars ($150) per month.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board (GASB) Statement No. 67

The Plan is required to report pension information in its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Plan, adheres to the reporting requirements established by the GASB.

Basis of Accounting

The Plan prepares its financial statements using the accrual basis of accounting.

Proportionate Share Allocation Methodology

The basis for each entity's proportion is actuarially determined by comparing the entity's present value of all future benefits calculated. This basis is intended to measure the proportion of each entity's long term funding requirements.

Use of Estimates in the Preparation of the Schedules

The preparation of these schedules in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

City of Jacksonville General Employees Retirement Plan

Notes to Schedules

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Relationship to the Basic Financial Statements

Deferred outflows of resources and deferred inflows of resources relating to differences between actual employer contributions and the employer's proportionate share of contributions reported in the Schedule of Collective Pension Amounts are based on entity contributions reported in the Plan's September 30, 2014 Statement of Changes in Fiduciary Net Position. Contributions do not include payments toward separately financed employer liabilities.

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS

The components of the net pension liability are as follows:

Total pension liability	$ 2,676,164,205
Plan fiduciary net position	1,848,189,000
Net pension liability	$ 827,975,205

The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Pre-retirement morality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2014.
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2014.
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forward four years, projected generationally with Scale MP-2014.

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges to 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 by the target asset allocation as of September 30, 2014 are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.57%
International equity	20%	7.27%
Fixed income	19%	1.47%
Real estate	25%	4.37%
Cash	1%	0.87%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

City of Jacksonville General Employees Retirement Plan

Notes to Schedules

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

Proportional share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
City of Jacksonville	$ 568,214,816	$ 411,669,271	$ 281,027,938
JEA	$ 558,272,200	$ 404,465,888	$ 276,110,514
Jacksonville Housing Authority	$ 15,313,915	$ 11,094,868	$ 7,573,963
North Florida Transportation Planning Organization	$ 1,028,547	$ 745,178	$ 508,699

NOTE 4 – SUBSEQUENT EVENTS

The investments of the General Employees Retirement Plan are pooled within the Jacksonville Retirement System. At September 30, 2014 these pooled investments were valued at $1,985,077,425. Since this time the values have changed and at October 31, 2015 they were valued at $1,944,559,317.

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December 7, 2015

To the Jacksonville City Council
Board of Directors, Jacksonville Electric Authority

We are pleased to present the results of our audit of the schedule of employer allocations and net pension liability and the schedule of collective pension amounts (the "Schedules") of the City of Jacksonville Retirement System's General Employees Retirement Plan.

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Schedules. We considered an assessment of risks that could materially affect the Schedules and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of you and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Required Communications

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Schedules as of and for the year ended September 30, 2014 and as of September 30, 2013;
- Communicate directly with you and management regarding the results of our procedures;
- Address with you and management any accounting and financial reporting issues;
- Anticipate and respond to your concerns and those of management; and
- Address other audit-related projects as they arise and upon request.

Required Communications

We have audited the Schedules as of and for the year ended September 30, 2014 and as of September 30, 2013, and have issued our report thereon dated December 7, 2015. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards	Professional standards require that we provide you with information about our responsibilities, as well as certain information related to the planned scope and timing of our audit. We have previously communicated such information in our engagement letter.
Management's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the Schedules in conformity with GAAP. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Management's judgments and accounting estimates	Accounting estimates are an integral part of the Schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sometimes particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from those expected. Significant estimates were made in determining the actuarial assumptions which are used to compute the total pension liability.
Disclosures	Certain Schedules disclosures are sometimes particularly sensitive because of their significance to Schedules users. There were no particularly sensitive disclosures significantly affecting the Schedules. The financial statement disclosures are neutral, consistent and clear.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 2 of the Schedules. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedules in the proper period. It was noted that during FY14 the plan elected to reassess and revise the actuarial assumptions used to compute the pension liability. During this reassessment the plan elected to release some of the net gains/losses on the investments with the remainder of the net gains/losses being released over the subsequent four years. After all of the net gains/losses have been released the investment values as recorded in the pension plan will align with the fair market values of the investments. This election caused $78,846,382 of net gains to be released in FY14 and $96,300,490 of net gains were deferred and will be released over the subsequent four years. The release of these net gains does not impact the net pension liability as it is calculated using the market value of investments. It does however impact some items which are not related to the audit we performed. These include the Actuarially Determined Contribution when it is disclosed in the FY16 Comprehensive Annual Financial Report, and the reporting which is provided to the State Division of Retirement. A generally accepted smoothing method would offset assets and liabilities over time and should not contain systematic bias. The method used and the approach to releasing the net investment gains/losses appears reasonable. It was noted that the net pension liability was allocated to the participating entities based on each entities proportional share of the total present value of future benefits. While GASB 68 does not disallow this method it does indicate that an allocation method using contributions is preferred. The impact on the net pension liability of using the different methods is immaterial.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Significant difficulties encountered in the audit	We encountered no significant difficulties in performing our audit.
Disagreements with management	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Corrected and uncorrected misstatements	No misstatements were detected as a result of our audit procedures.
Consultations with other accountants	We are aware that management had consultations with other accountants (Ernst & Young – JEA auditors).
Written representations	We have requested certain representations from management that are included in the management representation letter.

Required Communications

The following legend should be used in conjunction with reviewing the "Rating" of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness

ITEM	RATING	AREA	ITEM NOTED	SUGGESTION
1	D	Census data	When testing the September 30, 2014 year-end census data errors were noted relating to: beneficiary's dates of birth, the adjusted pension start date, the monthly pension benefit amount, and the entity with which the participant is employed. The impact of these errors was not material.	The census data should be periodically reviewed by the pension office to ensure it is accurate and has been updated for all changes which have been communicated by the participants.
2	D	Census data	When testing the changes which had been made to the census data during the year ended September 30, 2014, we noted that some of the individuals listed as new active participants from JEA were not new active participants of the defined benefit General Employees Retirement Plan as they had joined the City's defined contribution plan but had been miscoded in the system. This means that inaccurate information was provided to the actuary on which to compute the net pension liability.	Controls should be put in place to ensure that the system coding of new joiners is reviewed after it is entered.
3	D	Employee records	We noted that copies of pension election forms are not maintained by JEA for their staff and all originals are sent to the pension office. This made it difficult to locate the required documentation and it increases the risk that it could be lost.	JEA should maintain copies of key employee documents.

JEA Management Responses

Audit of GERP Net Pension Liability

Item Noted	Suggestion	Management Response
When testing the September 30, 2014 year-end census data errors were noted relating to: beneficiary's dates of birth, the adjusted pension start date, the monthly pension benefit amount, and the entity with which the participant is employed. The impact of these errors was not material.	The census data should be periodically reviewed by the pension office to ensure it is accurate and has been updated for all changes which have been communicated by the participants.	The item is being addressed by the City's Pension Office.
When testing the changes which had been made to the census data during the year ended September 30, 2014, we noted that some of the individuals listed as new active participants from JEA were not new active participants of the defined benefit General Employees Retirement Plan as they had joined the City's defined contribution plan but had been miscoded in the system. This means that inaccurate information was provided to the actuary on which to compute the net pension liability.	Controls should be put in place to ensure that the system coding of new joiners is reviewed after it is entered.	Employee Services Department has established an audit process of the data submitted to Pension Office to ensure information provided is accurate.
We noted that copies of pension election forms are not maintained by JEA for their staff and all originals are sent to the pension office. This made it difficult to locate the required documentation and it increases the risk that it could be lost.	JEA should maintain copies of key employee documents.	The documents will be scanned into the HRIS System and a copy maintained in Benefits area. This process will begin immediately.

JEA

Building Community

AGENDA ITEM SUMMARY

February 18, 2016

SUBJECT:	**RESOLUTION DETERMINING THE SUFFICIENCY OF REVENUES - ST. JOHNS RIVER POWER PARK**

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

Issue: An annual requirement under the St. Johns River Power Park Bond Resolution (the "Bond Resolution") for JEA to determine that for the upcoming fiscal year the Electric System's revenues will be sufficient to make all required payments under the Bond Resolution.

Significance: High. The completion of this requirement is needed to be in compliance with the Bond Resolution.

Effect: The ability of the Electric System to make all required payments under the Bond Resolution.

Cost or Benefit: Failure to make the determination could result in revenues that are insufficient to meet all the requirements under the Bond Resolution, potentially affecting both JEA's credit ratings and reputation in the bond market.

Recommended Board action: JEA staff is recommending that the Board approve and adopt Resolution No. 2016-8 determining that the estimated revenues for the Fiscal Year ending September 30, 2017, will be sufficient for their intended purposes.

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

Submitted by: PEM/MHD/JEO/LMB

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
February 18, 2016

SUBJECT: **RESOLUTION DETERMINING THE SUFFICIENCY OF REVENUES – ST. JOHNS RIVER POWER PARK**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:
JEA's St. Johns River Power Park System Bond Resolution contains various covenants that JEA is obligated to its bondholders to perform. Two of such covenants require JEA to make an annual determination by resolution, at least six months prior to the beginning of the next fiscal year, that the estimated revenues for the next fiscal year will be sufficient to cover the required expenditures for such fiscal year.

DISCUSSION:
JEA staff has made the determination required.

RECOMMENDATION:
JEA staff is recommending that the Board approve and adopt Resolution No. 2016-8 determining that the estimated revenues for the Fiscal Year ending September 30, 2017, will be sufficient for their intended purposes.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/LMB

Ver 2.2 02/01/2014

Resolution No. 2016-8

A RESOLUTION MAKING A DETERMINATION AS TO THE SUFFICIENCY OF ESTIMATED REVENUES OF THE ELECTRIC SYSTEM TO PROVIDE FOR THE PAYMENTS AND OTHER REQUIREMENTS OF SECTION 721 AND SECTION 713 OF JEA ST. JOHNS RIVER POWER PARK SYSTEM REVENUE BOND RESOLUTION

WHEREAS, Sections 721 and 713 of JEA St. Johns River Power Park System Revenue Bond Resolution (the "Resolution") require that JEA no less than six months prior to the beginning of each fiscal year complete a review of its financial condition for the purpose of estimating whether the rates, fees, charges and other income and receipts from the operation of the Electric System, including investment income included as revenues, for such fiscal year, will be sufficient to provide all of the payments and meet all other requirements in accordance with Section 721 and Section 713 of the Resolution; and

WHEREAS, such a review of JEA's financial condition has been made resulting in a determination that the estimated rates, fees, charges and other income and receipts from the operation of the Electric System, including investment income included as revenues, during the Fiscal Year ending September 30, 2017, will be sufficient to provide all of the payments and meet all other requirements for the Fiscal Year ending September 30, 2017 in accordance with Section 721 and Section 713 of the Resolution now, therefore,

BE IT RESOLVED by JEA that a determination has been made that the estimated rates, fees, charges and other income and receipts from the operation of the Electric System, including investment income included as revenues, during the Fiscal Year ending September 30, 2017, will be sufficient to provide all of the payments and meet all other requirements for the Fiscal Year ending September 30, 2017 in accordance with Section 721 and Section 713 of the Resolution.

____
JEA Chair

Form Approved:

Assistant General Counsel

G:\Finance\Shared\Treasury\D E B T C O M P L I A N C E\S Y S T E M S\S J R P P\SJRPP Sufficiency of Revenues\annual resolution determining the sufficiency of revenues-2016

JEA
Building Community

AGENDA ITEM SUMMARY

February 19, 2016

SUBJECT:	**JEA ANNUAL DISCLOSURE POLICY REPORT**

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

Issue: JEA's Disclosure Policies and Procedures require that the Chief Financial Officer shall provide the Finance and Audit Committee each year a report regarding compliance with those policies, to report any issues or problems complying with those policies in the preceding twelve-month period and to present recommendations, if any, for changes to those policies.

Significance: High. JEA is responsible for the content of its market disclosures and is subject to the provisions of the federal securities laws prohibiting making material misstatements or omissions of material facts if necessary to avoid a misleading statement in its disclosure documents.

Effect: To support continued compliance with JEA's continuing disclosure agreements and federal securities antifraud laws through adherence with JEA's Disclosure Policies and Procedures.

Cost or Benefit: To reduce potential exposure to civil or criminal liability that could result from non-compliance with JEA's continuing disclosure agreements and federal securities laws.

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

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

Submitted by: PEM/ MHD/ JEO/ RLH

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
February 19, 2016

SUBJECT: JEA ANNUAL DISCLOSURE POLICY REPORT

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

Federal securities laws require that disclosure documents of issuers such as JEA not contain an "untrue statement of a material fact" or omit a "material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." "Materiality" under the federal securities laws means whether there is a substantial likelihood that a reasonable investor would consider the facts at issue to be important to an investment decision.

The SEC has further stated that public entities that issue securities are primarily liable for the content of their disclosure documents and are subject to federal securities laws prohibiting false and misleading information in their disclosure documents. Under certain federal antifraud laws, it is not necessary that an entity act recklessly or with intent or knowledge of wrongdoing; an entity may also be found liable even if found to be negligent.

In early 2015, staff worked with JEA's bond counsel firm, Nixon Peabody LLP, to document JEA's ongoing processes and procedures for monitoring and assessing operational, financial, regulatory, governmental and other developments within and outside JEA that need to be considered when preparing information that could reasonably be expected to find its way to investors, potential investors or other stakeholders in JEA securities. Nixon Peabody provided input from experience they gained through working with other public entities. Lessons learned from those experiences and industry best practices were combined with JEA's procedures and specific requirements to formulate the JEA Disclosure Policies and Procedures ("Disclosure Policies").

DISCUSSION:

In March 2015, Nixon Peabody conducted disclosure training sessions with the Board, senior leadership team and staff involved with the preparation and review of JEA's disclosure documents. Staff presented the Board draft revised Disclosure Policies for information at its April 21, 2015 meeting, and on May 19, 2015, the Board approved those Disclosure Policies.

Among actions required under the Disclosure Policies, the Chief Financial Officer shall provide a report to the Finance and Audit Committee each year, at the meeting of the Finance and Audit Committee immediately preceding the public dissemination of the Annual Disclosure Reports, regarding compliance with the Disclosure Policies during the preceding twelve month period. This report shall (i) state whether the Annual Disclosure Reports for the current year are being prepared in compliance with these Disclosure Policies and whether all disclosure documents prepared during the prior twelve month period were prepared in accordance with the Disclosure Policies, (ii) describe any issues or problems which arose in connection with compliance with the Disclosure Policies during such period and (iii) present any recommendations for changes to the Disclosure Policies.

Staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2015, and plans to seek the Board's approval and authorization to disseminate those reports at its April 19, 2016 meeting. In accordance with past practice and prior Boards' requests, staff intends to provide Board members with substantially final drafts for their review at the March 15, 2016 Board meeting.

RECOMMENDATION:

No Board action is required. For information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/RLH

To: Finance & Audit Committee

From: Melissa H. Dykes, Chief Financial Officer

Date: February 19, 2016

Re: Report delivered pursuant to Section 7.5 of JEA's Disclosure Policies and Procedures

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In accordance with Section 7.5 of JEA's Disclosure Policies and Procedures, dated May 19, 2015 (the "Disclosure Policies"), which requires the Chief Financial Officer to report to the Finance and Audit Committee regarding compliance with the Disclosure Policies during the preceding twelve-month period, I hereby report the following:

1. All Annual Disclosure Reports and Disclosure Documents prepared during the prior twelve-month period were prepared in accordance with the Disclosure Policies.

2. No issues or problems have arisen in connection with compliance with the Disclosure Policies during the prior twelve-month period.

3. At this time, there are no recommendations to make changes to the Disclosure Policies. A copy of the Disclosure Policies is attached to this report.

4. A copy of the Disclosure Policies has been distributed to all Board members and to all Finance Staff and Staff participating in the disclosure process.

5. A printed copy of the final Annual Disclosure Reports for fiscal year ending September 30, 2014 were provided to all members of the JEA Board on April 23, 2015.

6. The Annual Disclosure Reports for the fiscal year ending September 30, 2015 are being prepared in compliance with the Disclosure Policies. Informational copies of the current drafts of the Annual Disclosure Reports are available to any Finance and Audit Committee member who requests copies of such draft Reports. Near-final drafts of the Annual Disclosure Reports will be provided to Board members at the March 15, 2016 Board meeting with a request to approve the documents at the April 19, 2016 Board meeting.

JEA
DISCLOSURE POLICIES AND PROCEDURES
DATED: May 19, 2015

INTRODUCTION

JEA is committed to ensuring that its disclosures made in connection with its municipal bond offerings and required periodic filings related thereto are fair, accurate, and comply with applicable federal and state securities laws including common law antifraud provisions under state law and any other applicable laws. Further, it is the policy of JEA to satisfy in a timely manner its contractual obligations undertaken pursuant to Continuing Disclosure Undertakings (as defined herein) entered into in connection with municipal bond offerings.

These disclosure policies and procedures ("Disclosure Policies") have been established by JEA and are intended to (a) ensure that JEA's Disclosure Documents (as defined herein) are accurate and complete, and comply with all applicable federal and state securities laws; and (b) promote best practices regarding the preparation of JEA's Disclosure Documents.

The failure to comply with these Disclosure Policies shall not affect the authorization or the validity or enforceability of any Bonds that are issued by JEA in accordance with applicable law nor imply a failure to comply with federal or state securities laws.

Section 1.0 Definitions

Capitalized terms used in these Disclosure Policies shall have the meanings set forth below:

"Annual Disclosure Report" means the Electric System Annual Disclosure Report or the Water and Sewer System Annual Disclosure Report, as applicable.

"Authorized Officer" means the Managing Director and Chief Executive Officer and the Chief Financial Officer.

"Board" shall mean the Board of JEA.

"Bond Counsel" shall mean any attorney or firm of attorneys of nationally recognized standing in the field of law relating to the issuance of Bonds by state and municipal entities selected by JEA. At any time JEA retains more than one bond counsel, all references to bond counsel shall be deemed to include one or more bond counsel, as deemed appropriate by an Authorized Officer of JEA.

"Bonds" shall refer to any bonds, notes or other securities offered by JEA, the disclosure relating to which is subject to the requirements of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, including Rule 10b-5 thereunder, and Securities Exchange Commission Rule 15c2-12.

4812-3229-7761.6

"Continuing Disclosure Undertakings" means JEA's contractual obligations entered into by JEA in connection with each issuance of Bonds.

"Disclosure Documents" means JEA's documents and materials specifically prepared, issued, and distributed in connection with JEA's disclosure obligations under applicable federal securities laws or that otherwise could potentially subject JEA to liability under such laws, and shall include, but not be limited to the following:

- Annual Disclosure Reports;
- Official Statements;
- Any filing made by JEA pursuant to a Continuing Disclosure Undertaking, including material event notices;
- Any voluntary filing made by JEA that is posted on EMMA;
- Any document or other communication from JEA that could be viewed as reasonably expected to reach investors and the trading market for JEA's Bonds; and
- Any other document that is reviewed and approved in accordance with these Disclosure Policies.

"**Electric System Annual Disclosure Report**" means the Annual Disclosure Report for Electric Utility System containing financial information and operating data required to be filed pursuant to JEA's Continuing Disclosure Undertakings relating to its Electric System, including the audited financial statements of JEA, which are incorporated by specific reference in certain other JEA Disclosure Documents. The information includes narrative information relating to JEA as well as information that JEA has specifically contracted with bondholders to update on an annual basis in accordance with Rule 15c2-12

"EMMA" means the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

"**Finance Staff**" means the Treasurer, Manager Debt, Bond Administration Specialist, Bond Compliance Specialist and Debt Financial Analyst.

"Financial Accounting and Reporting Staff" means the Controller, the Manager Financial Reporting and Accounting and Certified Public Accountants of JEA.

"Official Statements" means, collectively, preliminary and final Official Statements, remarketing circulars or offering memoranda used in connection with the offering or remarketing of Bonds. The Official Statements do not attempt to repeat the information in the Annual Disclosure Reports, but instead generally include such information by specific cross-reference, as expressly authorized by Rule 15c2-12, and update only the information that has materially changed.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, including any official interpretations thereof.

"Staff" means employees of JEA.

"**Water and Sewer System Annual Disclosure Report**" means the Annual Disclosure Report for Water and Sewer System and District Energy System containing financial information and operating data required to be filed pursuant to JEA's Continuing Disclosure Undertakings relating to its Water and Sewer System and District Energy System, including the audited financial statements of JEA, which are incorporated by specific reference in certain other JEA Disclosure Documents. The information includes narrative information relating to JEA as well as information that JEA has specifically contracted with bondholders to update on an annual basis in accordance with Rule 15c2-12.

Section 2.0 General Disclosure Practices

2.1 The Board, pursuant to supplemental resolutions adopted periodically by such Board, shall directly authorize or delegate authority and responsibility to Finance Staff to prepare and distribute Official Statements, and any updates thereto in the case of securities subject to remarketings, which will be prepared in accordance with these Disclosure Policies unless the Board otherwise directs.

2.2 The Treasurer, with the assistance of Finance Staff, is primarily responsible for the preparation of Disclosure Documents, with the assistance of Bond Counsel, the Office of General Counsel, and any other Staff with specific expertise as may be deemed necessary by the Treasurer and shall prepare all Disclosure Documents, including the Annual Disclosure Reports and Official Statements, and shall prepare and submit any other disclosure filings that may be required throughout the year. All Disclosure Documents and any other disclosure filings shall be prepared in accordance with these Disclosure Policies unless the Board otherwise directs.

2.3 The Board shall directly approve and authorize the dissemination and use of the Annual Disclosure Reports by voting to accept a Board meeting agenda item annually. Such approval may be obtained without the Board formally adopting a resolution.

Section 3.0 Preparation of Annual Disclosure Reports

3.1 Finance staff shall review the Annual Disclosure Reports filed for the previous fiscal year ended as updated by any recent developments included in Official Statements prepared since the date of such Annual Disclosure Reports and incorporating any changes into the Annual Disclosure Reports as the "most recent" disclosure and distribute sections to Staff with subject matter expertise in each topical area. Staff shall review their respective sections to ensure disclosures contained therein are accurate and complete. Staff shall also make any necessary changes and provide them to Finance Staff to incorporate such changes into updated drafts of the Annual Disclosure Reports. The initial distribution of the sections of the Annual Disclosure Reports to Staff described in the preceding sentences shall be made no later than February 28th of each calendar year.

3.2 Finance Staff shall be responsible for directly researching any updates for certain information included in the Annual Disclosure Reports, e.g., service area/demographic information as reported in U.S. Census Bureau and State of Florida economic websites and operational statistics and financial results as reported in the fiscal year's audited financial statements and published annual report ("Annual Report") of JEA.

3.3 External sources shall be contacted to provide input and any necessary updates with respect to certain other subject areas of each Annual Disclosure Report, e.g., The Energy Authority and their counsel, City of Jacksonville with respect to pension, city contributions, etc., the Office of General Counsel with respect to litigation issues, the local Chamber of Commerce with respect to some service area information and surveys, etc. Finance Staff shall keep written records of the request and transmittal of the information reviewed and submitted by such parties.

3.4 Information in each Annual Disclosure Report of the type contained under the captions "Schedules of Debt Service Coverage" and "Management's Discussion of Electric System Operations," "Management's Discussion of Water and Sewer System Operations" and "Management's Discussion of District Energy System Operations", as applicable (collectively, the "Coverage and Operating Information"), shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.

3.5 Once revised in accordance with the procedures described in Sections 3.1 through 3.4 above, drafts of the Annual Disclosure Reports shall be distributed to Staff, including the Managing Director and Chief Executive Officer and senior leadership team for review and comment, particularly with the Chief Financial Officer, Vice President/General Manager Electric Systems, Vice President/General Manager Water-Sewer and District Energy Systems and Chief Public Affairs Officer reviewing the entire documents and certain other members of the JEA senior leadership team (e.g., Chief Compliance Officer, Chief Human Resources Officer) as determined by the Chief Financial Officer focusing on particular areas assigned to them. Finance Staff and Staff shall review multiple drafts of the Annual Disclosure Reports and the Managing Director and Chief Executive Officer, Chief Financial Officer, Vice President/General Manager Electric Systems, Vice President/General Manager Water-Sewer and District Energy Systems and Chief Public Affairs Officer shall provide their signoff via email or in another writing.

3.6 The audited financial statements of JEA shall be included in the Annual Disclosure Reports in accordance with JEA's Continuing Disclosure Undertakings and as required by Rule 15c2-12.

3.7 After completing the procedures outlined in Section 3.1 through 3.6 above, drafts of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report shall be provided to Board members at or prior to the regularly scheduled Board meeting that is one month prior to the meeting at which they will be asked to authorize the dissemination and use of the Annual Disclosure Reports. These drafts include the audited financial statements and all appendices. The Chief Financial Officer and Finance Staff will schedule times within this period when Board members may discuss any questions or comments to such Annual Disclosure Reports.

3.8 The Chair, Vice Chair or Secretary of the Board and the Managing Director and Chief Executive Officer shall approve the Annual Disclosure Reports and authorize their use and public dissemination by Finance Staff in writing.

3.9 JEA's Bond Counsel shall file each of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report on EMMA upon the written direction of Finance Staff which direction may be provided to Bond Counsel via email. JEA staff shall then post each of the Annual Disclosure Reports on JEA's website and remove the previous year's Annual Disclosure Reports from JEA's website. While it is the intent of Finance Staff to file the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report simultaneously, such Annual Disclosure Reports may be filed as soon as they are completed as determined by the Chief Financial Officer, but in any event before June 1 of each year as required by the Continuing Disclosure Undertakings.

Section 4.0 Official Statement Review and Disclosure Processes

4.1 The Treasurer, with the assistance of Finance Staff, shall identify those persons who, for a particular financing, are appropriate to assist Bond Counsel, the underwriter(s), underwriters' counsel, JEA's financial advisor (collectively, the "Working Group") and appropriate Staff in the preparation and review of the related Disclosure Documents.

4.2 The Treasurer, Finance Staff or a member of the Working Group, as applicable, shall prepare a timeline in connection with the preparation and review of the Disclosure Documents. Such timeline shall be delivered by the Treasurer or Finance Staff to the Working Group and JEA's outside auditors so that they are apprised of the JEA's schedule for publishing such Disclosure Documents. The timeline for any particular bond financing for which Official Statements will be prepared shall vary depending on the type of Bonds being offered, the security for the Bonds, the purpose for the financing, and other factors unique to each bond financing.

4.3 The Treasurer, or a member of the Finance Staff designated by the Treasurer, shall be responsible for soliciting material information from JEA departments, other necessary entities or other governmental officials (i.e., City of Jacksonville, Office of General Counsel, etc.) for inclusion in the applicable Disclosure Documents, and shall identify Staff and any other governmental officials who may have information necessary to prepare or who should review portions of the Official Statements. Staff and other governmental officials should be timely contacted in writing and informed that their assistance will be needed for the preparation of the Official Statements.

4.4 Updated Coverage and Operating Information for the Official Statements, if available, shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.

4.5 Staff and other governmental officials shall be contacted by the Treasurer or a member of the Finance Staff designated by the Treasurer as soon as reasonably practical in order to provide adequate time for such individuals to perform a thoughtful and critical review or draft of those portions of the Disclosure Document assigned to them.

4.6 The written request for information shall include, but not be limited to, the description of any item or event of which Finance Staff is aware which could be material for review by such individuals, departments, other necessary entities or other governmental officials and potential inclusion in the Disclosure Document.

4.7 The Treasurer or a member of Finance Staff designated by the Treasurer shall maintain or cause to be maintained an accurate log of all individuals, departments, other necessary entities or other governmental officials that were requested to review or draft information in connection with a Disclosure Document, as well as an accurate log of responses to such requests, including what sections such individuals or entities listed above prepared or reviewed and shall also be responsible for collecting all transmittal letters, certifications, and lists of sources for incorporation into the records to be maintained by the Finance Staff or Treasurer. Such information may be maintained by the filing of electronic communications or emails filed for each offering of Bonds.

4.8 The Treasurer, Finance Staff and Bond Counsel shall hold a due diligence conference call with the underwriter(s) and underwriters' counsel, prior to the printing or posting of a preliminary Official Statement.

4.9 The Chief Financial Officer, Finance Staff, Vice President/General Manager Electric Systems or Vice President/General Manager Water-Sewer and District Energy Systems, as applicable, and Chief Public Affairs Officer shall provide their signoff on the preliminary Official Statement via email or in another writing prior to the printing or posting of a preliminary Official Statement.

4.10 Underwriters' Counsel shall provide written discussion topics or questions in advance of the due diligence conference call, to the extent practical, to permit Finance Staff time for response from required Staff, to prepare for the due diligence session and to consider additional matters they deem material to the offering. The due diligence session shall not be limited to the list of written topics or questions or other questions solely from Underwriters' Counsel and may include any other topics deemed relevant by Finance Staff, JEA's financial advisor, Bond Counsel, underwriters counsel or the underwriters. Bond Counsel, JEA's financial advisor and the underwriters and underwriters' counsel shall participate in such due diligence session. Copies of the questions and the responses should be included by the Finance Staff in the files relating to the bond transaction.

4.11 If required by Rule 15c2-12 or otherwise, the Treasurer shall sign a certificate to the effect that the preliminary offering document or other disclosure document is deemed final as of its date other than information allowed to be omitted under Rule 15c2-12(b)(1).

4.12 At the time of the sale of the Bonds the Treasurer, in conjunction with Finance Staff and Bond Counsel, shall prepare a final Official Statement and satisfy themselves that based on the information provided to them in accordance with these Disclosure Policies at the time of sale such Official Statement is in satisfactory form and that no additional disclosure is required.

4.13 Annual audited JEA financial statements shall be incorporated by reference or included into the Disclosure Documents. Management's Discussion of Operations with respect to the Electric System's or the Water and Sewer System's Schedules of Debt Service Coverage, as applicable, for the most recent JEA unaudited quarterly reporting period shall be included in the Official Statements if available and deemed by JEA, Bond Counsel and the underwriter(s) and underwriters' counsel to be material.

4.14 Before the printing of any preliminary or final Official Statement the Treasurer or a member of Finance Staff designated by the Treasurer and Bond Counsel shall obtain confirmations from the Office of General Counsel, by e-mail or otherwise, that they know of no material litigation that has been filed (or threatened with a reasonable likelihood of being filed) against JEA since the diligence session and know of no material change that is required to be reflected in the Recent Developments or any other heading of the Disclosure Document.

4.15 The Board shall approve any preliminary or final Official Statement prior to its use and public dissemination. The Board may do so by approving a form of preliminary or final Official Statement and delegate to the Managing Director and Chief Executive Officer the authority to make any additions, modifications or changes as may be necessary to comply with the standard for accuracy and completeness described in Section 7.5 below.

4.16 Bond Counsel may, but are not required to be, invited to attend any JEA presentations to rating agencies and investors made in connection with the offering of Bonds. The Treasurer and Finance Staff shall review any materials used in presentations, meetings or telephone conferences with rating agencies or investors for consistency with the appropriate Disclosure Document. Appropriate records of meetings and telephone conferences with rating agencies and investors will be kept by the Treasurer or a member of Finance Staff designated by the Treasurer.

Section 5.0 On-Going Disclosure

5.1 The Chief Financial Officer, Treasurer, Finance Staff and Bond Counsel shall monitor State and national markets generally and, determine whether there is a need for additional disclosure by way of additional periodic filings with EMMA or any recommended supplement to any Disclosure Document.

5.2 The annual and quarterly Management's Discussion and Analysis and the Notes with respect to the general purpose financial statements (collectively, the "MD&A") shall be prepared by Financial Accounting and Reporting Staff and reviewed by Finance Staff. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the MD&A and Bond Counsel as they deem appropriate.

5.3 The MD&A shall be reviewed by the Chief Financial Officer prior to being finalized. The Chief Financial Officer shall signoff and approve the MD&A via email or another writing prior to the posting of the MD&A on JEA's website.

Section 6.0 Training

6.1 Training for Board members and Staff shall be conducted by either Bond Counsel or their designee(s) regarding disclosure practices under applicable state and federal law. It is intended that this training shall assist these individuals in (1) understanding their responsibilities; (2) identifying significant items which may need to be included in the Disclosure Documents; and (3) reporting issues and concerns relating to disclosure. A refresher training program shall be conducted not less than once every two years.

A. Board Members

a. Board Members shall be advised of their general disclosure responsibilities and the extent they may delegate to and rely on Staff's preparation of Disclosure Documents.

b. Board Members shall be advised of their fiduciary duties under Florida State law.

c. Specialized training regarding JEA disclosure responsibilities shall be conducted for the members of the Finance and Audit Committee of the Board.

B. Finance Staff

a. Staff with responsibility for collecting, preparing or reviewing information that is provided for inclusion in a Disclosure Document or for certifying or confirming its accuracy in accordance with these Policies and Procedures, and those persons responsible for executing them, shall attend disclosure training sessions.

b. The determination as to whether or not an employee or group of employees shall receive such training shall be made by the Treasurer in consultation with Bond Counsel and the Chief Financial Officer.

C. Staff

a. In addition to the Finance Staff identified above, information from various Electric System and Water and Sewer System level departments may be relevant in the disclosure update process. These System departments include:

- Electric Production Resource Planning
- Electric Transmission and Distribution Planning
- Electric Systems Operations
- Electric Transmission and Distribution Projects
- Electric Production
- Water and Wastewater Planning and Treatment Project Engineering
- Environmental Programs
- Permitting and Regulatory Conformance
- Government Affairs
- Emerging Workforce Strategies.

Section 7.0 General Principles

7.1. Each Staff member participating in the disclosure process shall be responsible for raising potential disclosure items at all times in the process.

7.2 Each Staff member participating in the disclosure process should raise any issue regarding disclosure with the Treasurer or Chief Financial Officer at any time.

7.3 Recommendations for improvement of these Disclosure Policies shall be solicited and considered by the Treasurer and if revision is deemed to be appropriate will be reviewed by the Bond Counsel and the Chief Financial Officer.

7.4 The process of revising and updating Disclosure Documents by each Staff member should not be viewed as mechanical insertions of more current information; everyone involved in the process should consider the need for revisions in the form and content of the sections for which they are responsible.

7.5 The standard for accuracy and completeness is that there shall be **no untrue statement of material fact and no omission of a statement necessary to make the statements made, in light of the circumstances under which they were made, not misleading**. All participants in the process should keep this standard in mind.

The Chief Financial Officer shall provide a report to the Finance and Audit Committee each year, at the time of the meeting of the Finance and Audit Committee immediately preceding the public dissemination of the Annual Disclosure Reports, regarding compliance with these Disclosure Policies during the preceding twelve month period. Such report shall (i) state whether the Annual Disclosure Reports for the current year are being prepared in compliance with these Disclosure Policies and whether all Disclosure Documents prepared during the prior twelve month period were prepared in accordance with the Disclosure Policies, (ii) describe any issues or problems which arose in connection with compliance with the Disclosure Policies during such period, (iii) present any recommendations for changes to the Disclosure Policies; (iv) provide an informational copy of the then current draft of the Annual Disclosure Reports to any Finance and Audit Committee member who requests one; and (v) provide a printed copy of the final Annual Disclosure Reports to all Board members.

A copy of these Disclosure Policies shall be distributed annually to Board members and all Finance Staff and Staff participating in the disclosure process. Any updates to these Disclosure Policies shall be distributed to such groups upon their issuance.

Section 8.0 Disclosure-Related Document Retention Practices.

8.1 Consistent with JEA's Continuing Disclosure Undertakings, the following documents shall be maintained for the later of five years or the period of time required by JEA's records management or records retention program:

- Annual Continuing Disclosure Filings
- Bond Issue Bound Books or CD-ROMs containing bond issue documents
- Bond Issue Executed Documents
- Disclosure Documents
- Investor Materials
- JEA Financial Statements related to bonds
- Note Issue Bound Books or CD-ROMs containing note issue documents
- Note Issue Executed Documents
- Rating Agency Presentation Materials
- Records of all disclosure activities, including but not limited to telephone calls, emails and other inquiries from investors
- Unaudited Quarterly and Annual Financial Statements Audited by Outside Auditing Firm

Section 9.0 Role of Bond Counsel

9.1 JEA will require Bond Counsel to perform the following services in connection with the preparation of its Disclosure Documents:

a. review and comment on JEA's Disclosure Documents;

b. participate in the due diligence process conducted by the underwriters and their counsel;

c. review presentations, if requested and, if requested, attend and/or listen to rating agency or investor presentations related to JEA's bonds, notes and other securities;

d. advise JEA regarding:

(i) specific disclosure issues relating to JEA's financial operations, operating performance and capital program development, including funding, progress and problems;

(ii) standards of disclosure under applicable securities laws;

(iii) adequacy of JEA's disclosure in any Disclosure Document;

(iv) completeness and clarity of the information provided by the City in any Disclosure Document; and

(v) other matters as directed by JEA;

e. interface with the Treasurer and Finance Staff with respect to any Disclosure Document;

f. provide a securities law supplemental opinion for each financing transaction;

g. participate in the preparation, review and approval of the Annual Disclosure Reports; and

h. conduct periodic training of Board members, Finance Staff and Staff on the disclosure process contemplated by the Disclosure Policies and Procedures set forth herein as may be requested from time to time by the Treasurer.

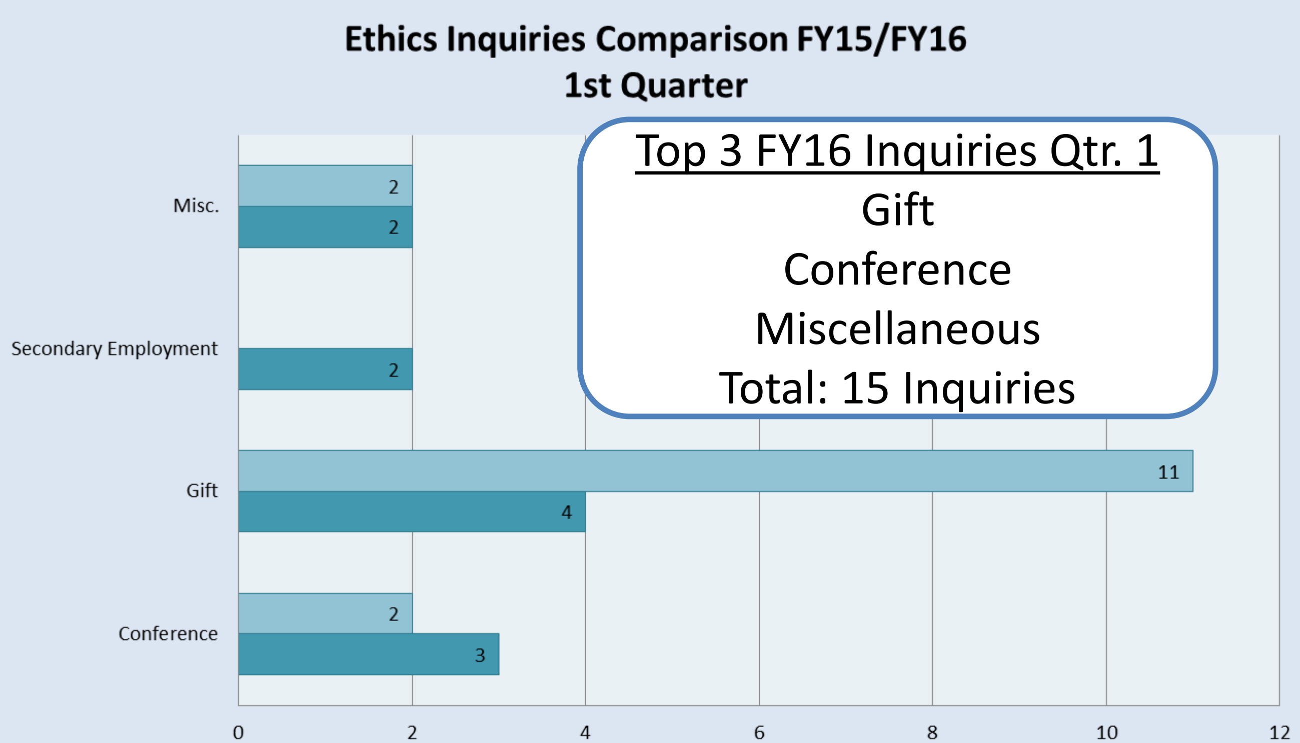
JEA
Finance and Audit Committee Report
March 2, 2016

Creating an Ethical Culture

Business Ethics Update and What's Next

- 100% Compliant with established dates and deadlines for Ethics standards and training requirements in FY16
- Finalize the SharePoint database to store previous ethics rulings and training materials for future archiving
- FY16 Ethics Refresher Computer-Based Training will roll out on March 1st
- Implement new Business Ethics tools for New Hires in April

FY15/16 Comparison



	Conference	Gift	Secondary Employment	Misc.
FY16	2	11		2
FY15	3	4	2	2

1 Gift

- Most gift inquiries are acceptance of food items or meals Gift cards $10 or less
- Invitations to charity events where a vendor paid for seating

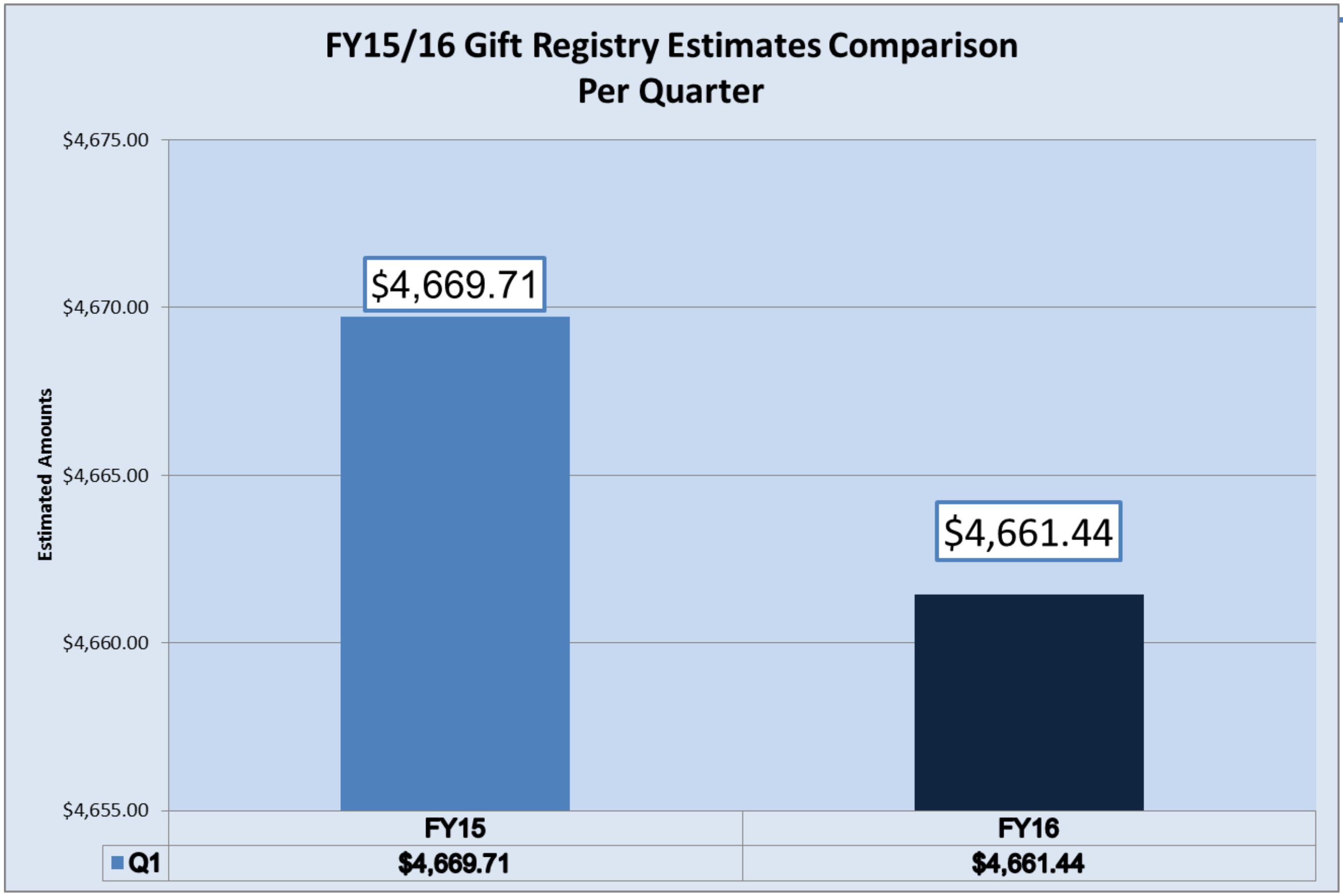
2 Conference

- Some JEA personnel are considered experts in their field and are requested as speakers, most conference hosts pay some or all of the cost of each speaker
- Vendors may pay registration for a certain amount of attendees within their field
- Vendors may offer complimentary passes to all companies who have agreements with them, provided a certain number of registrations are paid by the company

3 Miscellaneous

- Is it ethical to allow JEA employee discounts for Nissan vehicle purchases
- Can a company owned by someone running for a City Council position also apply to be a vendor
- Is it ok to set up a special account for a JEA family who has suffered a loss

FY15 Gift Registry



EXAMPLES

- Food Items: lunch or dinners during meetings or trainings, jar of mints, assorted candies and cookies
- Promotional items: ball caps, t-shirts, pens, Star Trek figurines
- Misc. : golf, door prizes, bottles of wine at Christmas
- Registration fees

4

Building Community

AGENDA ITEM SUMMARY

February 19, 2016

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

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

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires a quarterly report on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions. As additional information, graphs are included for JEA's historical dispatch costs, along with power and natural gas market prices. In addition, a minor administrative change to the Policy is presented at this time for Board review and approval.

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

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

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

Recommended Board action: Staff recommends the Finance and Audit Committee approval of the administrative change to the EMRM Policy reassigning responsibility for the informational report required by the Policy from the Chief Financial Officer to the Vice President/General Manager, Electric Systems.

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

Submitted by: PEM/MJB/SGM

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Physical Fuel and Purchase Power Positions as of 2/1/16

Table 1: JEA Generation Fleet Summary

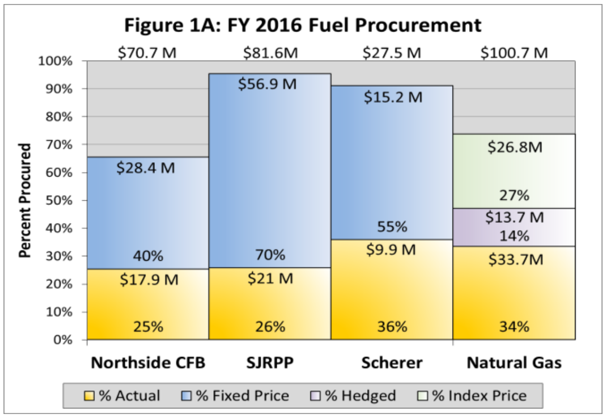
Units	Primary Fuel Type	Contract Schedule
Northside 1 and 2	Petcoke, Coal	Quarterly; 1 Quarter in Advance
Northside 3	Natural Gas, Residual Oil	Market and Hedged; Stored Residual Oil
SJRPP 1 and 2	Coal	Contract Through 2017 and Partial 2018
Scherer 4	Coal	Contract through 2017
Brandy Branch	Natural Gas,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

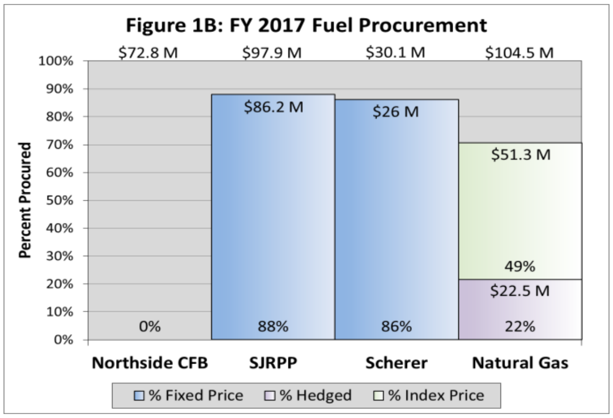
Table 2: Physical Positions

Plant	Energy Fixed Price (MWH)	Energy Fixed Price (%)	Expense Fixed Price ($)	Expense Fixed Price (%)
Northside CFB				
FY16	1,826,280	67%	28,413,276	54%
FY17	-	0%	-	0%
FY18	-	0%	-	0%
SJRPP				
FY16	1,611,686	94%	56,893,098	94%
FY17	2,484,804	88%	86,186,317	88%
FY18	569,496	17%	20,150,299	22%
Scherer 4				
FY16	524,195	81%	15,224,072	86%
FY17	890,034	83%	25,946,784	86%
FY18	220,725	29%	16,217,637	74%
Renewable Purchase Power (Not Including New Solar)				
FY16	132,045	100%	8,672,842	100%
FY17	161,963	100%	11,232,328	100%
FY18	143,568	100%	10,888,136	100%
Other Purchase Power				
FY16	-	0%	-	0%
FY17	-	0%	-	0%
FY18	-	0%	-	0%

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

Supplier/ Counterparty	Fuel Type	Contract Type	Generating Unit	Original Contract Volume	Remaining Contract Volume	Units	Original Contract Term	Remaining Contract Term
Coal Marketing Company	Coal	Index w/ Collar	SJRPP	1,500,000	585,000	Tons	1/1/14 - 12/31/16	2/1/16 - 12/31/16
Sunrise Coal	Coal	Fixed Price	SJRPP	250,000	114,325	Tons	1/1/15 - 12/31/16	2/1/16 - 12/31/16
Coal Marketing Company	Coal	Fixed Price	SJRPP	2,000,000	1,462,500	Tons	1/1/15 - 12/31/17	2/1/16 - 12/31/17
Coal Sales, LLC	Coal	Fixed Price	Scherer 4	452,300	142,098	Tons	1/1/14 - 12/31/16	2/1/16 - 12/31/16
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	940,900	683,912	Tons	1/1/15 - 12/31/17	2/1/16 - 12/31/17
Arch Coal Sales Company, Inc	Coal	Fixed Price	Scherer 4	7,217	7,007	Tons	1/1/16 -12/31/16	2/1/16 - 12/31/16
Coal Sales, LLC	Coal	Fixed Price	Scherer 4	250,000	246,485	Tons	1/1/16 - 12/31/17	2/1/16 - 12/31/16
BG	Natural Gas	Index w/Fixed Price Option	NG Fleet	445.6	118.8	Bcf (Billion Cubic Feet)	6/1/01 - 5/31/21	2/1/16 - 5/31/21





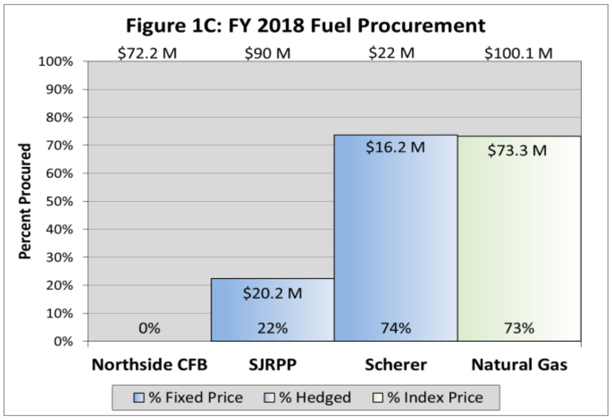


Figure 2: Historical Dispatch Price of JEA's Units

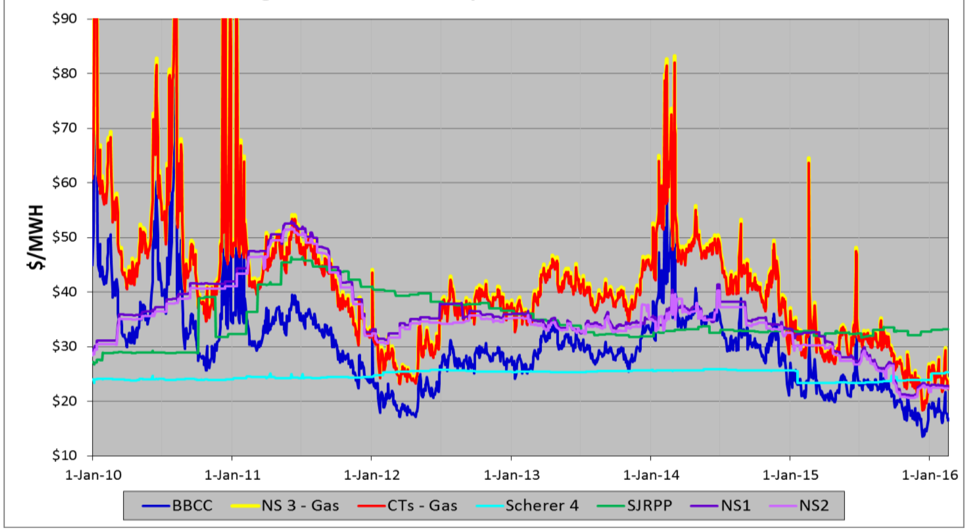


Figure 3: SOCO Power Market Review

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

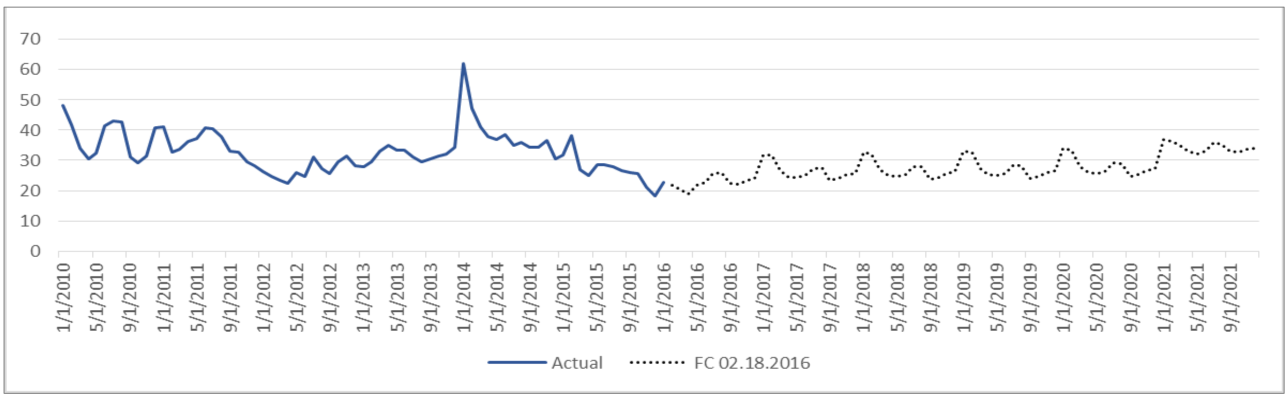


Figure 4: Natural Gas Market Review

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

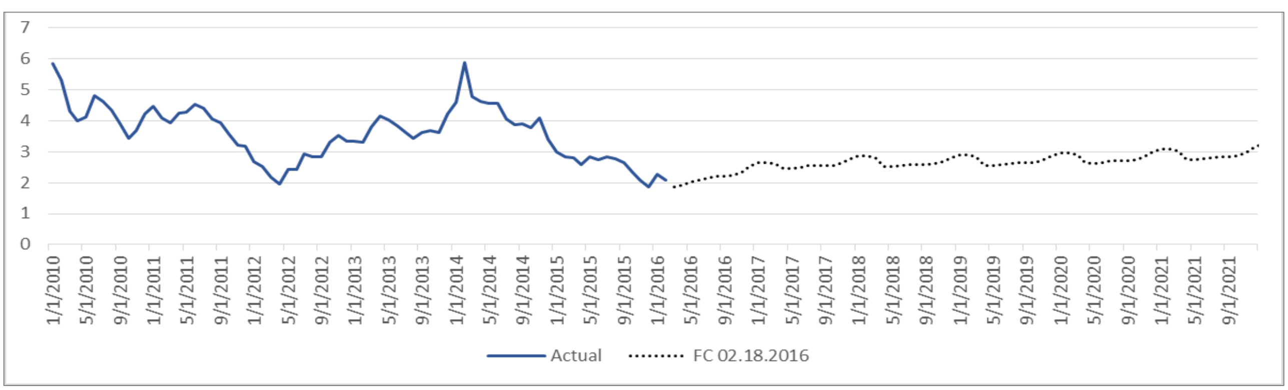


Table 4A: Financial Natural Gas Positions as of 2/1/2016

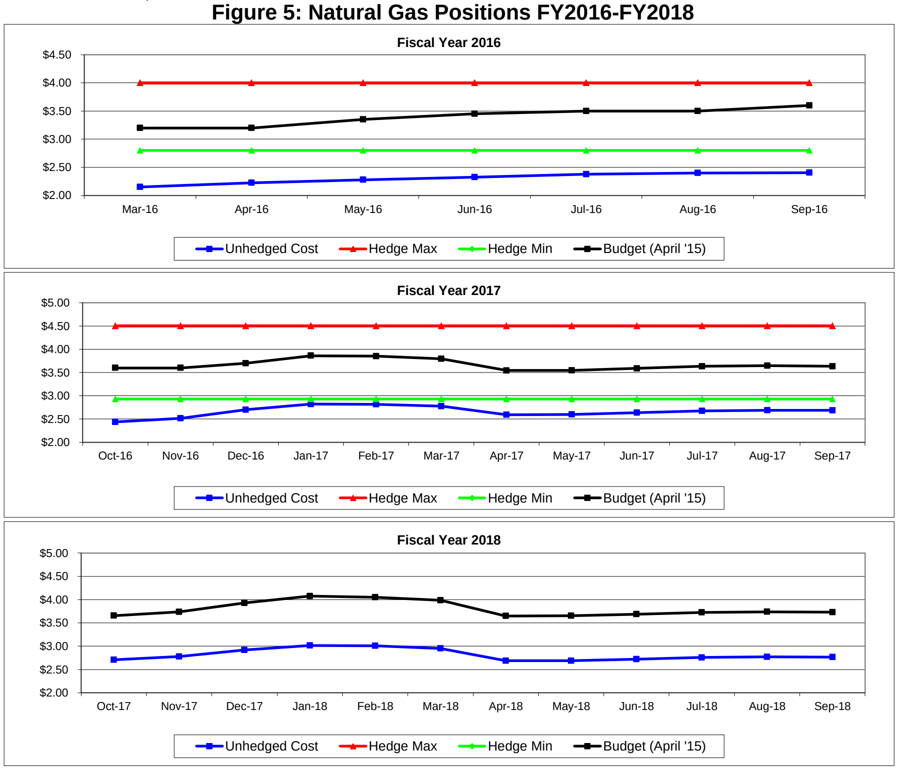
Month	Physical Volume	Hedged Volume	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Forecast at Time of Hedge	Mark-to-Market Value
Mar-16	2,753,000	600,000	21.8%	$2.15	Collar	$2.80 / $4.00	$3.92	$388,320
Apr-16	2,809,100	600,000	21.4%	$2.23	Collar	$2.80 / $4.00	$3.76	$349,320
May-16	3,437,100	600,000	17.5%	$2.28	Collar	$2.80 / $4.00	$3.77	$324,420
Jun-16	3,621,500	600,000	16.6%	$2.33	Collar	$2.80 / $4.00	$3.80	$305,790
Jul-16	4,094,400	600,000	14.7%	$2.38	Collar	$2.80 / $4.00	$3.85	$288,300
Aug-16	4,281,700	600,000	14.0%	$2.40	Collar	$2.80 / $4.00	$3.86	$283,890
Sep-16	3,384,100	600,000	17.7%	$2.41	Collar	$2.80 / $4.00	$3.84	$288,480
FY16 Total	**24,380,900**	**4,200,000**	**17.2%**	**$2.32**			**$3.83**	**$2,228,520**
Oct-16	3,007,200	600,000	20.0%	$2.44	Collar	$2.93 / $4.50	$3.87	$343,620
Nov-16	2,616,900	600,000	22.9%	$2.52	Collar	$2.93 / $4.50	$3.98	$316,200
Dec-16	2,772,100	600,000	21.6%	$2.70	Collar	$2.93 / $4.50	$4.20	$247,320
Jan-17	2,905,700	600,000	20.6%	$2.82	Collar	$2.93 / $4.50	$4.39	$204,270
Feb-17	2,485,700	600,000	24.1%	$2.82	Collar	$2.93 / $4.50	$4.38	$211,020
Mar-17	2,791,800	600,000	21.5%	$2.78	Collar	$2.93 / $4.50	$4.32	$230,490
Apr-17	2,236,100	600,000	26.8%	$2.59	Collar	$2.93 / $4.50	$4.11	$290,430
May-17	2,983,900	600,000	20.1%	$2.60	Collar	$2.93 / $4.50	$4.11	$287,970
Jun-17	3,685,800	600,000	16.3%	$2.64	Collar	$2.93 / $4.50	$4.15	$275,940
Jul-17	4,220,400	600,000	14.2%	$2.68	Collar	$2.93 / $4.50	$4.19	$264,420
Aug-17	4,304,000	600,000	13.9%	$2.69	Collar	$2.93 / $4.50	$4.20	$261,540
Sep-17	3,083,300	600,000	19.5%	$2.69	Collar	$2.93 / $4.50	$4.19	$265,890
FY17 Total	**37,092,900**	**7,200,000**	**19.4%**	**$2.66**			**$4.18**	**$3,199,110**
Oct-17	3,431,700	-	0.0%	$2.71	N/A	N/A	$4.22	-
Nov-17	3,587,900	-	0.0%	$2.78	N/A	N/A	$4.32	-
Dec-17	2,839,000	-	0.0%	$2.92	N/A	N/A	$4.52	-
Jan-18	2,881,100	-	0.0%	$3.02	N/A	N/A	$4.70	-
Feb-18	2,957,300	-	0.0%	$3.01	N/A	N/A	$4.68	-
Mar-18	3,123,300	-	0.0%	$2.95	N/A	N/A	$4.61	-
Apr-18	2,256,000	-	0.0%	$2.69	N/A	N/A	$4.33	-
May-18	3,094,500	-	0.0%	$2.69	N/A	N/A	$4.33	-
Jun-18	3,689,500	-	0.0%	$2.72	N/A	N/A	$4.37	-
Jul-18	4,211,100	-	0.0%	$2.76	N/A	N/A	$4.41	-
Aug-18	4,295,000	-	0.0%	$2.77	N/A	N/A	$4.42	-
Sep-18	3,142,600	-	0.0%	$2.77	N/A	N/A	$4.42	-
FY18 Total	**39,509,000**	**-**	**0.0%**	**$2.81**			**$4.44**	**-**

Volume - mmBtu
Cost - $/mmBtu

Table 4B: Counterparty Exposure

Supplier/ Counterparty	Fuel Type	Contract Type	Hedged Volume	Mark-to-Market Value
Wells Fargo Bank, N.A.				
FY16	Natural Gas	Puts and Calls	4,200,000	$2,228,520
FY17	Natural Gas	Puts and Calls	7,200,000	$3,199,110
FY18	Natural Gas	Puts and Calls	---	---
Royal Bank of Canada				
FY16	Natural Gas	Swaps, Puts, Calls	---	---
FY17	Natural Gas	Swaps, Puts, Calls	---	---
FY18	Natural Gas	Swaps, Puts, Calls	---	---

Figure 5: Natural Gas Positions FY2016-FY2018



JEA

Energy Market Risk Management Policy

Approved by the Board of Directors

3/18/2014

Strictly Confidential

Table of Contents

Policy Introduction

During the course of business, JEA is exposed to volatility in electric energy and fuel prices, uncertainty in load and resource availability, the creditworthiness of its counterparties, and the risks associated with transacting in wholesale energy markets. To manage these risks and others in the wholesale energy markets, JEA has developed an Energy Market Risk Management ("EMRM") Policy (the "Policy").

Objectives of the Policy
The objectives of the Policy are the following:

1. Identify and discuss categorical risks inherent in operating in wholesale energy markets;
2. Establish the governance structure for EMRM activity;
3. Delineate the roles and oversight responsibilities of the groups and individuals responsible for implementing an EMRM program;
4. State required business practices;
5. Set exposure limits based on position, tenor, and notional dollar amounts;
6. Define Credit Policy;
7. Set forth the monitoring and reporting requirements for the EMRM Program;
8. Define the products that may be used to manage the exposures.

Scope of the Policy
This Policy identifies risks inherent in operating in wholesale energy markets. Specifically, the Policy addresses Market Risk, Counterparty Risk, Volumetric Risk, Budget Risk, Collateralization Risk, Regulatory Risk, and Operative Risk arising from JEA's generating assets, load obligations, wholesale energy contracts, fuel supply contracts, and Financial and Physical Transactions. With respect to Financial and Physical Transactions, the Policy covers the Credit Risk associated with execution, as well as the recording, monitoring, and risk reporting associated with these transactions.

Policy Establishment, Authority, Approval and Revision
JEA's Board of Directors must approve this Policy, as well as any future changes to the Policy. Board approval shall not be required to amend, supplement or update the Policy appendices. On an annual basis, the Chief Financial Officer (CFO), Chief Risk & Compliance Officer (CRCO) and Vice President/General Manager, Electric Systems will review this Policy and determine if it should be amended, supplemented or updated to account for business developments or for other appropriate business reasons.

Additional policies and procedures that may be developed to fully implement this Policy do not require Board approval provided that such policies and procedures do not conflict with this Policy. In the event that any policies or procedures conflict with this Policy, this Policy shall prevail.

Discussion of Risks

JEA is subjected to risk inherent in the business environment in which it operates. Exposure to risks inherent in the energy markets could result in a multitude of diverse positive or negative consequences for JEA. Market risk, Counterparty risk, Volumetric risk, Budget risk, Collateralization risk, Operative risk and Regulatory risk are among the most critical and identifiable of the risks relevant to JEA, as they pertain to the scope of this Policy.

Market Risk
Market Risk is the exposure JEA faces due to changes in the value of market variables. Specifically Market Risk includes:

Price Risk
Price Risk is the exposure JEA faces as a result of changes in the market price for power, fuel, and emissions allowances. Price Risk is typically the largest source of exposure and is managed by implementing a comprehensive EMRM Program that includes risk identification and measurement, strategy development and execution, and risk monitoring and reporting.

Basis Risk
Basis Risk is the exposure JEA faces as a result of less-than-perfect correlation between the underlying asset or item being hedged and the product/instrument used to hedge the asset or item. Basis risk is managed by ensuring there is a reasonable degree of correlation between the hedging product/instrument and the underlying asset/item being hedged. Basis Risk can result from difference in price changes due to differences in:

- Location – An example is using the NYMEX natural gas Futures contract which is priced at the Henry Hub to hedge an underlying exposure on the FGT pipeline;
- Products – An example is using the NYMEX WTI crude oil Futures contract to hedge an underlying exposure arising from the need to purchase fuel oil;
- Timing – An example is using the January NYMEX natural gas Future contract to hedge exposures to daily intra-month natural gas price swings in December.

Liquidity Risk
Liquidity Risk is the exposure caused by lack of marketability of a financial instrument or physical product at the prices consistent with recent sales. Liquidity Risk may be a problem because a given position is very large relative to typical trading volumes or because market conditions are unsettled. Liquidity Risk can be identified by a wide bid-ask spread and large price movements in response to any attempt to buy or sell. Liquidity Risk is managed by ensuring there is a reasonable degree of liquidity in the hedging product/instrument, by monitoring the concentration of exposure in product/instruments at locations that are illiquid, and by adjusting the process used in risk measurement and strategy analysis to incorporate the illiquidity.

Counterparty Risk
Counterparty Risk is the risk associated with potential losses JEA could incur due to a counterparty not fulfilling contractual obligations. This risk can be realized through a physical or financial nonperformance by a counterparty. Although JEA is exposed to Counterparty Risk from a number of sources, for purposes of this Policy, Counterparty Risk will be restricted to the management of Counterparty Risk associated with Transactions in the wholesale energy market. Counterparty Risk will be managed by the limits and control set forth in this Policy.

Volumetric Risk
Volumetric Risk is the exposure JEA faces due to deviation from expected levels in the amount of energy delivered or generated. It includes deviations in load (which could be caused by economic conditions, weather, etc.) as well as deviations caused by Operations Risk. Volumetric Risk is managed by identifying the impact it could have on JEA's financial and operating performance and developing strategies to manage the risk if warranted.

Budget Risk
Budget Risk is the risk associated with not collecting a budgeted variable fuel rate that is sufficient to cover JEA's fuel and purchase power cost of operation. This risk can be managed

by monitoring the market uncertainty and the impact to the JEA portfolio. JEA manages this risk through the limit structure in this Policy.

Collateralization Risk
Collateralization Risk is the exposure JEA faces from the potential mismatch that can occur between the timing in cash flow associated with the underlying item being hedged and the timing requirements for posting collateral. For example, if JEA were to hedge its need to purchase natural gas two years out by purchasing NYMEX natural gas Futures and the price of natural gas were to drop substantially before the gas was consumed, JEA would need to post additional collateral with its Futures broker prior to receiving revenue from the sale of the power generated at its natural gas-fired facilities.

Operative Risk
Operative Risk is the exposure JEA faces due to daily activity at the organization. Specifically Operative Risk includes:

Operations Risk
Operations Risk is the exposure JEA faces due to failure of its assets to perform as expected. This risk includes exposure caused by unplanned outages, inaccurate load forecasts, delays in construction, failure of transmission or transportation systems, etc. Operations Risk is managed by proper maintenance and construction programs, proper operational planning and by quantifying the impact this risk could have on JEA's financial and operating condition and taking steps to manage the risk if warranted.

Implementation Risk
Implementation Risk is the exposure that JEA faces from failed or inadequate management of processes, people, and systems related to its EMRM Program. Implementation Risk is managed by developing and enforcing policies and procedures, addressing transaction execution and processing, and by maintaining a segregation of responsibilities between transaction authorization/execution, risk monitoring, and reporting.

Regulatory Risk
Regulatory Risk is the risk associated with participating in regulated markets. With the Dodd-Frank Wall Street Reform Act and other applicable laws and regulations, JEA has the potential to transact products regulated by the Commodity Futures Trading Commission or other regulatory bodies within and outside of the United States. To ensure compliance with applicable regulators and regulations, JEA:

- Requires all employees participating in activities within the scope of this document to participate in annual compliance training, and
- Actively monitors regulatory bodies for regulations applicable to JEA.

Oversight Responsibilities and Organization Structure

Organizational Structure and Reporting Relationships
The JEA Board has delegated the responsibility to the Managing Director/CEO (MD/CEO) to develop and implement JEA's EMRM Program. The Board's responsibilities with respect to JEA's EMRM Program include:

- Reviewing and approving this Policy and all revisions to this Policy.
- Understanding JEA's major financial energy market risk exposures.
- Delegating the oversight and maintenance of the Policy to JEA's Fuel and Purchase Power Committee (FPPC).

- Approving all Transactions outside of FPPC authorization limits.

FPPC
The FPPC is responsible for risk oversight for all energy market risk management activities for JEA. Additionally, the FPPC is responsible for ensuring all energy market risk management activities are in accordance with this Policy.

The MD/CEO shall appoint the core members of the FPPC. The list of core members shall include the Chief Risk & Compliance Officer who is responsible for ensuring compliance with this Policy. The complete list of the core FPPC members is set forth in Appendix B. The FPPC shall meet monthly and additionally as needed to review the performance and appropriateness of the energy market risk management activities given the current and anticipated future market and business environment. Decisions of the FPPC will be made by consensus and will be retained by JEA consistent with JEA Records Management Policies. Hedge recommendations and resulting Transactions will be documented in presentation materials and posted on the Fuel Management Services web page on the JEA intranet. Any materials used in the analysis or decision to enter into a swap, as defined by the CFTC, including confirmation documents will be retained as specified by the CFTC.

The responsibilities of the FPPC relative to energy market risk management shall include:

- Keeping abreast of industry, market and legislative developments that affect JEA's risk exposure.
- Monitoring energy market risk exposures on an aggregate level.
- Developing and approving the major strategies employed to manage energy market risk.
- Approving all energy market financial transactions.
- Approving all strategies used by JEA to manage energy market risk.
- Approving the policies and procedures needed to implement this Policy, including amendments and updates to the appendices.
- Reviewing all exceptions to the Policy and exceedances of market and credit limits.
- Designating the individuals for whom this Policy applies and ensuring these individuals are aware of and understand their individual responsibilities for compliance with this Policy.
- Authorizing specific individuals to commit JEA to energy market Transactions and ensuring that such individuals are appropriately trained. A list of individuals authorized by the FPPC is contained in Appendix C.
- Approving any changes to the list of approved energy market risk management products contained in Appendix D.
- Approving methodologies, models, metrics and assumptions for valuation and risk measurement for energy market risk.
- Reviewing the performance of the Qualified Independent Representative (QIR) annually over the preceding 12-months and arriving at a recommendation to either continue using the current QIR or select a replacement. Current JEA QIR selection is provided in Appendix E.
- Ensuring documentation of Transactions is maintained.
- Reviewing Transactions and risk reports furnished by TEA.

Business Practices

Business Practices are set forth to help manage the Implementation Risk and are required for an effective EMRM Program. JEA has adopted the following business practices:

Standards of Conduct and Compliance
No employee of JEA shall use non-public information to the benefit of his or her own account.

Subject to existing and future laws and regulations and to the extent possible, employees shall refrain from disclosing pricing terms of Transactions with third parties.

JEA employees shall follow:

- JEA's Code of Ethics as set forth in JEA/SJRPP Ethical Business Conduct Guidelines.
- FERC Standards of Conduct.
- Any compliance documents that may be developed under the EMRM Program.

Training
It is the responsibility of the FPPC to ensure employees that are able to commit JEA to energy market risk management strategies and execute Transactions have received adequate training and understand the implications of their commitments.

Trading Practices
All Transactions authorized or entered into by an employee of JEA must be entered into with the intent to manage risk and not with the intent to inflate volumes, revenues, or otherwise present a distorted representation of JEA's financial position.

No JEA employee or representative shall execute or authorize the execution of any Transaction if the purpose of the Transaction is to generate income by anticipating market movements. If any questions arise as to whether a particular Transaction constitutes speculation, the FPPC shall review the Transaction(s) to determine whether the Transaction would constitute speculation.

All Transactions will be executed in a timely manner after FPPC authorization.

All physical Transactions executed by JEA shall follow the Board of Directors approved Fuel Management Services Procurement Directive.

JEA's relationship with TEA is governed by the Operating Agreement and any policies referenced in the Operating Agreement. JEA personnel authorizing or directing TEA to enter into Transactions will understand the relevant provisions of these documents. After directing a representative of TEA to execute a financial transaction on behalf of JEA, a representative of JEA will participate in the execution of the financial transaction with the TEA representative and the JEA counterparty to actively monitor each financial transaction. JEA shall comply with ***Swap Policies and Procedures for New Swap Regulations*** in regards to consent to recording by the JEA counterparty.

Individual Authorities
Only employees approved by the FPPC as listed in Appendix C can commit JEA to energy market Transactions. Approved employees can only authorize TEA to execute Transactions for products for which they have approval and within the limits set forth in Appendix F of this EMRM Policy.

Transaction Methods
All Transactions must be confirmed over a recorded phone line, recorded via an instant messaging program, or documented through a signed confirmation from both parties that meets state record retention statutes. All physical Transactions are executed under JEA's Fuel

Management Procurement Directive with counterparties that are part of the Responsible Bidders List.

Authorized Products
All Transactions must be for products on the Authorized Product List which is included in Appendix D. The FPPC will be responsible for authorizing all products and commodity types to be executed under a Master Agreement, Participation Agreement or some other non-industry standard Agreement. JEA will work to ensure risks associated with transacting the product are understood and communicated and to make recommendations to the FPPC for approving products.

- New products will be recommended and must first be approved by the FPPC before trade execution.
- There will be a justification for the new product stating the business rationale and value to JEA.
- An identification of potential risks associated with the product and the risks the product creates.
- The FPPC will review new product justification and approve the product and quantitative and/or qualitative limits for use of the product if deemed desirable.

Authorized Counterparties
All Transactions must be executed under a Master Agreement, Participation Agreement or some other non-industry standard Agreement with an approved counterparty. The Treasurer will maintain all signed agreements with all counterparties approved for financial transactions. Specifically, for Transactions executed by JEA for physical fuel supply needs, the potential supplier is required to have been accepted by Fuel Management Services on JEA's Responsible Bidders List.

Confirmations of Executed Transactions
Written confirmations will be required from counterparties, as defined in the agreement governing the Transaction between JEA and counterparty, for all EMRM Transactions. Contemporaneous with any commitments and prior to receipt of written confirmations, verbal commitments shall be memorialized as to instrument structure, quantity, time horizon, price and any other relevant terms; such internal documentation shall be time stamped and correlated to the ultimate written confirmation to or from the counterparty.

Trade Recordkeeping
A paper or electronic trade ticket will be filled out for every trade executed. A trade ticket will contain, if applicable, the following information:

- Date of transaction;
- Counterparty;
- Transaction capacity (e.g., MW/hour or mmBtu/day) or volume;
- Buy or sell;
- Transaction price;
- Delivery point;
- For options, option type, strike and execution instructions;
- For financial swaps, the reference index;
- Starting/Ending delivery date and hour or schedule;
- Product type;
- Any other date, hour and/or capacity data needed to define a shaped product;
- Broker or electronic trading site and fee, if applicable;

- If the transaction is a swap;
- The reporting counterparty, if the trade is a swap and there is not a prearranged reporting relationship;
- If the trade qualifies for the trade option exemption or exception to clearing for end user, if the trade is a swap.

Qualified Independent Representative (QIR)
JEA shall comply with ***Swap Policies and Procedures for New Swap Regulations*** in regards to the selection and use of JEA's Qualified Independent Representative.

Exposures and Limits

A risk limit structure is essential for ensuring that JEA manages its risk exposure within tolerances approved by the Board. The limit structure put forth in this document sets the exposures that JEA is willing to take when entering into Transactions covered under the Policy. JEA will manage its exposures by using locational and volume limits.

Volume Limits
The net delta volume of hedge transactions may not exceed the expected volume of the hedged commodity at the time hedges are executed.

Locational Limits
Electric transmission and fuels transportation Transactions must support the requirement of one of JEA's generation units, native load or transaction locations.

Swap Threshold Limits
JEA manages its swap exposure within the limit structures set forth by the CFTC. If the swap exposure reaches 75% of the swap exposure limit, the CFO will notify the FPPC.

Exceedance of Limits
In the event a limit is exceeded, unless specified elsewhere in this Policy, FPPC will be notified as soon as possible. The CFO will report all exceptions to the Board quarterly.

Credit Policy

It is the intent of the Credit Policy to identify, measure, manage, monitor and report on the Credit Risk associated with Transactions that subject JEA to financial exposure from the contractual default of a counterparty.

JEA determines the credit quality of counterparties based upon various credit evaluation factors, including collateral requirements under certain circumstances.

In order to manage credit risk, JEA has established the following policies:

- Commodity Transactions will be entered into only with approved counterparties, approved by the CFO, that have sufficient unutilized credit to support the transaction.
- JEA counterparties will be reassessed at least annually or in the event of a material credit event for the counterparty.

- The status of credit risk will be tracked by counterparty at the agreement level and the information made available to FPPC on a monthly basis for risk oversight and more frequently when there is a material credit event for the contracted counterparty, the counterparty credit limit for an individual credit limit for a counterparty is exceeded or a material market event that causes credit exposure to increase significantly.

Measuring Credit Risk
Credit Risk measurement defines the process that will be used to determine credit exposure. In general, credit exposure is comprised of three components:
- The billed receivable and payable balance.
- The delivered and not yet billed receivable and payable balance.
- The value of the position against the market, i.e. the mark-to-market exposure.

The mark-to-market exposure measures the cost JEA would incur were the counterparty to default on the Transaction and JEA were to replace the Transaction at current market prices.

A credit report will be produced and made available for review on a daily basis. This credit report provides detail at an agreement level by counterparty. The FPPC will monitor overall credit risk and any credit exceptions at least monthly.

Until and unless a master netting and setoff agreement is in place with a counterparty, separate credit exposures for each counterparty will be calculated for each Master Agreement and will be added together to derive the total credit exposures. Negative exposures under one Master Agreement will not offset a positive exposure under another Master Agreement.

Analysis and Extension of Credit Limits
The creditworthiness of a counterparty will be determined by both qualitative and quantitative factors. Factors shall include, but are not limited to:
- A company's debt credit ratings provided by the rating agencies.
- Financial data such as an analysis of the liquidity, leverage, profitability, and size.
- Subjective factors such as company's fuel diversity, overall size, energy market risk management policy and internal controls, geographic diversity, and market intelligence.

A credit limit is the amount of unsecured credit granted to a counterparty. Unsecured credit exposure includes amounts owed by the counterparty, whether billed or not, and the mark to market differences in value of any collateral which the counterparty has provided JEA. Any net exposure above the collateral threshold, if any, will require the posting of collateral by a counterparty. Current unsecured counterparty credit limits are maintained by the Treasurer.

JEA's maximum counterparty credit limit for energy Transactions is $100,000,000 and applies to Transactions with maturity greater than one year.

Credit Exceptions
All personnel executing Transactions are constrained by these credit limits. If trading activity exceeds a counterparty's credit limit, trading that increases exposure will be suspended until the FPPC can review and make a determination regarding the counterparty.

All credit exceptions will be documented and reported to the FPPC and the Board as Policy Exceptions.

Reporting

The following reports will be developed by TEA and made available to FPPC at the frequency listed below, and more frequently when there is a material credit event for the contracted counterparty; when the credit limit for an individual counterparty is exceeded; or when a material market event occurs that causes credit exposure to increase significantly.

- Transaction Activity – This report shows all transactions executed for a trade day; made available daily.
- Mark-to-market – This report shows all positions with volumes in the future against the current market value; made available daily.
- Policy Exceptions – This report details any exceptions to the Policy; available when needed.
- Counterparty Credit Exposure Report – This report shows exposures resulting from the transactions covered under this Policy and includes counterparty credit ratings; available daily.
- Risk Metric/Transaction Compliance Report – This report shows all exposures against Policy limits set forth in the Policy; available monthly or at FPPC request.
- Swap Exposure Report – This report measures JEA energy swap exposures against the CFTC threshold limits for Swap Dealer Registration, available monthly or at FPPC request.
- Finance and Audit Committee Report – The Vice President/General Manager, Electric Systems will report JEA's financial and physical fuel and power transactions on a quarterly basis. This report will include physical transactions greater than one year and all financial transactions.

Policy Acknowledgement and Distribution

Policy Acknowledgement

All JEA employees participating in activities or Transactions covered by this Policy shall sign, on an annual basis or upon any revision to this Policy, a statement approved by the FPPC that they

i. have read this Policy and any other applicable policies, processes, or procedures approved by JEA,
ii. understand this Policy and the related policies, processes, and procedures, and
iii. have and will continue to comply with this Policy and the related policies, processes, and procedures.

Signed acknowledgement by all affected JEA employees will be maintained by the CRCO.

Policy Distribution

JEA's EMRM Policy may be distributed outside JEA with the consent of the MD/CEO or CFO provided that such persons or entities receiving this Policy agree to keep this Policy confidential and not disclose it to other parties.

Designated Counsel

Questions about the interpretation of any matters relating to this Policy should be referred to the CFO or CRCO. The CFO and/or or the CRCO will provide clarification and explanation on any updates to this Policy.

All Legal matters stemming from this Policy will be referred to JEA's legal counsel.

Appendices

A. Definitions

Basis Risk – The exposure an organization faces as a result of less-than-perfect correlation between the underlying asset or item being hedged and the product/instrument used to hedge the asset or item.

Bilateral Transaction - Any physical or financial transaction between two counterparties, neither of whom is an Exchange or market entity (e.g. MISO).

Budget Risk – The risk associated with not hitting or falling outside a tolerance band of an organization's budget.

Capacity – The real power output rating of a generator or system, typically in megawatts, measured on an instantaneous basis.

Commodity - A basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

Collateralization Risk – The exposure an organization faces from the potential mismatching in timing that can occur between the timing in cash flow associated with the underlying item being hedged and the timing requirements for posting collateral.

Counterparty Risk – The risk associated with potential losses JEA could incur due to a counterparty not fulfilling contractual obligations.

Credit Risk - The financial exposure JEA faces from a counterparty's refusal or inability to perform its contractual obligations.

FGT Pipeline – Florida Gas Transmission Pipeline

Financial Product – Any Future, Swap or Options contract, or any combination thereof, with any approved physical or Financial Product as the underlying commodity or instrument, which customarily settles financially and in which the primary intent is to settle the transaction financially.

Financial Transaction – Any contract with a Financial Product as the underlying instrument.

Future - A standardized contract which is traded on an organized exchange for delivery in the future of a specified underlying asset.

Hedging Transaction - A transaction designed to reduce the exposure of a specific outstanding position or portfolio; "fully hedged" equates to complete elimination of the targeted risk and "partially hedged" implies a risk reduction of less than 100%.

Implementation Risk – The exposure that an organization faces from failed or inadequate management of processes, people, and systems related to its EMRM Program.

Liquidity Risk - The exposure caused by lack of marketability of a financial instrument or physical product at the prices in line with recent sales.

Major Swap Participant – A swap market participant that maintains substantial positions in swaps such that the level of swap activity creates substantial counterparty exposure. The term

"Major Swap Participant" is further defined in 7 U.S.C. 1a(33) and further interpreted in 17 C.F.R. 1.3(hhh).

Mark-to-Market – A measure of the current value of unrealized positions; includes both Open Positions and Closed Positions.

Market Risk – The exposure an organization faces due to changes in the value of market variables.

Master Agreement - An agreement reached between two parties that outlines agreed to terms and conditions that will govern transactions made pursuant to it. The document includes but is not limited to billing, deal confirmation, credit and collateral terms. Examples of types of Master Agreements include EEI, ISDA, GISB, Power, NAESB and WSPP.

Maturity - The time between the date on which a transaction is executed to the last date that power or gas will flow (in the case of physical transactions) or be settled financially (in the case of financial transactions).

NYMEX – Abbreviation for the New York Mercantile Exchange which is an exchange platform for commodity futures**.**

NYMEX Natural Gas – A natural gas futures traded on the NYMEX Exchange**.**

NYMEX WTI – Abbreviation for West Texas Intermediate, a light, sweet crude oil futures traded on the NYMEX Exchange**.**

Operating Agreement – The agreement between JEA and TEA that defines the relationship between the two entities**.**

Operations Risk – The exposure an organization faces due to failure of its assets to perform as expected.

Operative Risk – Operations or Implementation Risk.

Option - The right but not the obligation to buy or sell the underlying asset at a specified price for a specified period of time.

> **Call Option** – An option that gives the buyer of the option the right, but not the obligation, to buy the underlying asset at a specified price at a specified time in the future. The option seller has the obligation to provide the underlying asset if the option is exercised.
>
> **Put Option** – An option that gives the buyer of the option the right, but not the obligation, to sell the underlying asset at a specified price at a specified time in the future. The option seller has the obligation to take the underlying asset if the option is exercised.

Participation Agreement - a document used by an exchange or service provider to describe the terms and conditions by which such provider has agreed to provide the service to its members/participants.

Physical Product – Any commodity that has been approved by the FPPC.

Physical Transaction – Any contract or agreement for the purchase or sale of a commodity which customarily is delivered physically and in which the primary intent is to deliver the transaction physically.

Policy – JEA's Energy Market Risk Management ("EMRM") Policy.

Portfolio – A collection of transactions.

Price Risk – The exposure an organization faces as a result of changes in the market price for power, fuel and emissions allowances.

Principal – Execution of a Transaction under an Agreement where the executer is also a party on the agreement

Qualified Independent Representative (QIR) – a representative required of Special Entities before transacting swaps with Swap Dealers or Major Swap Participants. Among other tasks, the representative is required to evaluate fair pricing for the swap transaction, make timely disclosures to the Special Entity and act in the best interest of the Special Entity. An exhaustive list of the requirements for the representative can be found in 17 C.F.R. 23.450(b).

Regulatory Risk – The risk of increased regulatory burden associated with participating in regulated markets.

Responsible Bidders List – Responsible fuel suppliers acceptable to Fuel Management Services and targeted by JEA in its fuel supply bid solicitations.

Special Entity – A swap transaction counterparty that includes a state agency, city, county, municipality or other political subdivision of a state, or any instrumentality, department, or a corporation of or established by a State or political subdivision of a State. The term “Special Entity” is further defined in 7 U.S.C. 6s(h)(2)(C) and further interpreted in 17 C.F.R. 23.401(C).

Swap – In general terms, a swap includes most financially settled transactions not including futures or options on futures. The term “Swap” is further defined in 7 U.S.C. 1a(47) and further interpreted in 17 C.F.R. 1.3(xxx).

Swap Dealer – A swap market participant that acts as a dealer in commodity swaps. The term “Swap Dealer” is further defined in 7 U.S.C. 1a(49) and further interpreted in 17 C.F.R. 1.3(ggg).

Term – The total duration of a contract, defined as the number of days between the beginning flow date and ending flow date, inclusive.

Trade Option Exemption – An exemption from most Dodd-Frank swap regulations granted to certain physical commodity options. Recordkeeping and reporting requirement still apply. The requirements for the trade option exemption can be found in 17 C.F.R. 32.3.

Transaction – A Physical or Financial Transaction.

Value – An amount that represent the dollar magnitude of the Transaction.

Volumetric Risk – The exposure an organization faces due to deviation from expected levels in the amount of energy delivered or generated.

B. Composition of the Fuel and Purchase Power Committee

Core Members

Paul McElroy – Managing Director/CEO
Melissa Dykes - Chief Financial Officer
Mike Brost - Vice President/General Manager, Electric Systems
Ted Hobson - Chief Risk & Compliance Officer
Steve McInall - Director, Electric Production Resource Planning
Jim Myers - Manager, Fuel Management Services

C. Authorized Personnel

Authorized Personnel List is maintained by Fuel Management Services (FMS) and is available on the FMS Sharepoint page. The following is the Authorized Personnel List as of December 10, 2015.

	Managing Director CEO	Chief Financial Officer	VP/GM Electric Systems	Dir. Electric Production Resource Planning	Manager Fuel Management Services	Director Electric Systems Operations	Manager Bulk Power Operations	Electric Systems Engineer, BPO	Electric Systems Operations Specialist	Certified/Associate System Operator	Fuels Administrator, Senior	Fuels Administrator	Fuels Electric Systems Engineer	Fuels Staff/Associate Engineer
Physical Products														
Power Products														
Fixed Price Energy Commodity	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Indexed Price Energy Commodity	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Power Capacity	x	x	x	x		x	x	x	x	x				
Transmission	x	x	x	x		x	x	x	x	x				
Physical OTC Commodity Options	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Natural Gas Products														
Fixed Price Natural Gas Commodity	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Indexed Price Natural Gas Commodity	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Natural Gas Storage	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Transportation	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Physical OTC Commodity Options	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Crude Oil and Refined Products														
Fixed Price Distillate Fuel Oil Products	x	x	x	x	x						x	x	x	x
Indexed Price Distillate Fuel Oil Products	x	x	x	x	x						x	x	x	x
Fixed Price Residual Fuel Oil Products	x	x	x	x	x						x	x	x	x
Indexed Price Residual Fuel Oil Products	x	x	x	x	x						x	x	x	x
Fixed Price Petroleum Coke Products	x	x	x	x	x						x	x	x	x
Indexed Price Petroleum Coke Products	x	x	x	x	x						x	x	x	x
Coal Products														
Fixed Price Coal Commodity	x	x	x	x	x						x	x	x	x
Indexed Price Coal Commodity	x	x	x	x	x						x	x	x	x
Environmental Products														
Air Emissions Allowances	x	x	x	x	x						x	x	x	x
Fixed Price Limestone	x	x	x	x	x						x	x	x	x
Indexed Price Limestone	x	x	x	x	x						x	x	x	x
Financial Products														
Power Products														
Fixed for Floating Swap	x	x	x	x	x	x	x							
Heat Rate Swap	x	x	x	x	x	x	x							
Financial OTC Option	x	x	x	x	x	x	x							
Natural Gas Products														
Fixed for Floating Swap	x	x	x	x	x									
Swing-Swap	x	x	x	x	x									
Financial OTC Option	x	x	x	x	x									
Crude Oil and Refined Products														
Fixed for Floating Swap	x	x	x	x	x									
Financial OTC Option	x	x	x	x	x									
Coal Products														
OTC Swap	x	x	x	x	x									
Financial OTC Option	x	x	x	x	x									

D. Authorized Product List

The purpose of the Authorized Product List is to ensure proper controls are in place to minimize risk when transacting under Master Agreements, Participation Agreements or some other non-standard industry agreement

Approved products will be limited to purchases to meet load and/or sales incidental to load for the following:

Physical Products

Physical Power Products
1. Fixed Price Energy Commodity
2. Indexed Price Energy Commodity
3. Power Capacity
4. Transmission
5. Physical OTC Commodity Options

Physical Natural Gas Products
1. Fixed Price Natural Gas Commodity
2. Indexed Price Natural Gas Commodity
3. Natural Gas Storage
4. Transportation
5. Physical OTC Commodity Options

Physical Crude Oil and Refined Products
1. Fixed Price Distillate Fuel Oil Products
2. Indexed Price Distillate Fuel Oil Products
3. Fixed Price Residual Fuel Oil Products
4. Indexed Price Residual Fuel Oil Products
5. Fixed Price Petroleum Coke Products
6. Indexed Price Petroleum Coke Products

Physical Coal Products
1. Fixed Price Coal Commodity
2. Indexed Price Coal Commodity

Physical Environmental Products
1. Air Emission Allowances
2. Fixed Price Limestone
3. Indexed Price Limestone

Financial Products

Financial Power Products
Any of the instruments listed below or any combination thereof that has electric energy as the underlying commodity, and which: (a) is customarily settled financially, and (b) the

primary intent of which is to settle financially. This excludes MISO Products and RTO Bilateral Transactions.
1. Fixed for Floating Swap
2. Heat Rate Swap
3. Financial OTC Option

Financial Natural Gas Products
Any of the instruments listed below or any combination thereof that has natural gas as the underlying commodity, and which: (a) is customarily settled financially, and (b) the primary intent of which is to settle financially.
1. Fixed for Floating Swap
2. Swing-Swap
3. Financial OTC Option

Financial Crude Oil and Refined Products
Any of the instruments listed below or any combination thereof, that has crude oil, residual fuel, or distillate as the underlying commodity, which: (a) is customarily settled financially, and (b) the primary intent of which is to settle the transaction financially.
1. Fixed for Floating Swap
2. Financial OTC Option

Financial Coal Products
Any of the instruments listed below or any combination thereof, that has coal as the underlying commodity, which: (a) is customarily settled financially, and (b) the primary intent of which is to settle the transaction financially.
1. OTC Swap
2. Financial OTC Option

E. Special Entity Representation Selection

JEA, a Special Entity under the Dodd-Frank Financial Reform Act, has selected The Energy Authority as its Qualified Independent Representative (QIR) to provide advice and guidance when entering into swap transactions with Swap Dealers or Major Swap Participants.

F. Term, Maturity and Notional Dollar Limits
JEA employees shall not approve TEA to execute a Transaction beyond the maturity, term and notional dollar limits set for their position below.

Position	Maturity Limit (Days)	Term Limit (Days)	Notional Dollar Limit ($)
Chief Executive Officer	7,350	7,300	$100,000,000
Chief Financial Officer	3,725	3,675	$75,000,000
Vice President/General Manager, Electric System	3,725	3,675	$75,000,000
Director, Electric System Operations	2,970	2,920	$35,000,000
Director, Electric Production Resource Planning	2,970	2,920	$35,000,000
Manager, Bulk Power Operations (BPO)	2,970	2,920	$35,000,000
Manager, Fuel Management Services	2,970	2,920	$35,000,000
Electric Systems Engineer, BPO	1,875	1,825	$25,000,000
Electric Systems Operations Specialist	1,875	1,875	$25,000,000
Fuels Administrator, Senior	1,875	1,825	$25,000,000
Fuels Administrator	1,875	1,825	$25,000,000
Fuels Electric Systems Engineer	1,875	1,825	$25,000,000
Fuels Staff/Associate Engineer	1,875	1,825	$25,000,000
Certified System Operator On Duty	balance of the month	balance of the month	$750,000
Associate System Operator On Duty	balance of the month	balance of the month	$750,000

JEA
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AGENDA ITEM SUMMARY

February 18, 2016

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

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

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of December 31, 2015.

Significance: Low

Effect: JEA Board

Cost or Benefit: None

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

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

Submitted by: PEM/MHD/JEO/BHG

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Building Community

INTER-OFFICE MEMORANDUM
February 18, 2016

SUBJECT:	**ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors
	Kelly Flanagan, Chair Tom Petway Ed Burr Husein Cumber

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

DISCUSSION:
Attached are the reserve fund schedules referenced above for the period ending December 31, 2015.

RECOMMENDATION:
No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

Ver 2.2 02/01/2014

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

For the Fiscal Quarter Ending December 31, 2015

(In Thousands of Dollars)

Electric System	Fiscal Year FY 2013	Fiscal Year FY 2014	Fiscal Year FY 2015	Fiscal Year FY 2016	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 46,588	$ 43,178	$ 46,624	$ 51,626	
Debt Management Strategy Reserve	-	-	-	-	3
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,914	10,749	10,937	9,578	5
Rate Stabilization					
• Fuel	108,289	105,457	150,742	165,966	6
• DSM/conservation	3,891	3,570	2,886	2,711	7
• Environmental	10,023		23,430	29,179	8
• Debt Management	42,126	42,126	42,126	42,126	9
• Non-Fuel Purchased Power	-	12,000	38,000	34,398	10
Environmental	18,662	18,662	18,662	18,662	11
Customer Deposits	44,882	42,688	42,389	41,724	12
Total Unrestricted	300,375	288,430	385,796	405,970	
Unrestricted Days of Cash on Hand	129	123	182	194	
Restricted					
Debt Service Funds (Sinking Funds)	101,305	120,458	134,927	135,822	13
Debt Service Reserve Funds	64,841	64,841	64,595	60,582	14
Renewal and Replacement Funds/OCO (2)	140,486	146,910	145,711	131,454	15
Construction Funds	5,184	42	-	-	16
Total Restricted	311,816	332,251	345,233	327,858	
Total Electric System	$ 612,191	$ 620,681	$ 731,029	$ 733,828	

Water and Sewer System	FY 2013	FY 2014	FY 2015	FY 2016	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 5,886	$ 9,227	$ 22,588	$ 25,317	
Debt Management Strategy Reserve	304	304	-	-	17
Rate Stabilization					
• Debt Management	20,290	20,291	20,290	20,290	18
• Environmental				-	19
Customer Deposit	13,860	12,787	13,255	13,793	20
Total Unrestricted	40,340	42,609	56,133	59,400	
Unrestricted Days of Cash on Hand	110	118	149	151	
Restricted					
Debt Service Funds (Sinking Funds)	80,317	75,019	67,720	66,208	21
Debt Service Reserve Funds	119,915	116,829	108,849	108,086	22
Renewal and Replacement Funds					
• R&R/OCO (3)	78,689	59,295	37,337	25,218	23
• Capacity Fees/State Revolving Loans	60,360	76,887	90,912	86,106	24
• Environmental	(9,857)	5,299	19,245	-	25
Construction Funds	2,305	326	664	664	26
Total Restricted	331,729	333,655	324,727	286,282	
Total Water & Sewer System	$ 372,069	$ 376,264	$ 380,860	$ 345,682	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.
(2) Balance includes $47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.
(3) Balance includes $20,000 of Water & Sewer System Renewal and Replacement Reserve for MADS calculation.

Funds Established Per the Bond Resolutions

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

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

Electric System Debt Management Reserve

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Debt Management Policy

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

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 12,257	$ 12,257	$ 12,257	$ -	$ -	$ -	$ 12,257	$ 7,354	$ 12,257
Additions:		-							
Contributions	-	-	-	-		-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Withdrawals	-	-	12,257			-	-	4,086	12,257
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 12,257	$ -	$ -				
Ending balance	$ 12,257	$ 12,257	$ -	$ -	$ -	$ -	$ -	$ 4,903	$ 12,257

Observations:

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

Electric System Self Insurance - Property

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Budget Appropriation
Metric: Budgeted Deposit = $10 million

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Reserve Withdrawal								
				N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 3,500	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 3,500	$ 10,000	$ 8,700	$ 10,000
Additions:									
Reserve Contribution	6,500					6,500	6,500	6,500	6,500
						-	-	-	-
						-	-	-	-
Sub-total	$ 6,500	$ -	$ -	$ -	$ -				
Reserve Withdrawal						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Florida Statute for self insured government plans
Metric: An actuary calculates amount annually

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 10,937	$ 10,937	$ 10,937	N/A	$ 10,749	$ 9,578	$ 9,578	$ 9,578
Additions:								
Employee Contributions	1,342	1,342	5,368	N/A	5,447	5,997	6,477	6,995
Retiree & Other Contributions	1,050	1,050	4,200		5,141	6,136	6,627	7,157
Employer Contributions	4,944	4,944	19,776		22,220	22,744	24,564	26,529
Sub-total	$ 7,336	$ 7,336	$ 29,344	$ -	$ 32,808	$ 34,877	$ 37,667	$ 40,681
Deductions:								
Payments for Claims	8,001	8,001	27,927	N/A	30,408	31,879	34,429	37,184
Actuary & Other Payments	694	694	2,776		2,212	2,998	3,238	3,497
Sub-total	$ 8,695	$ 8,695	$ 30,703	$ -	$ 32,620	$ 34,877	$ 37,667	$ 40,681
Ending Balance	$ 9,578	$ 9,578	$ 9,578	N/A	$ 10,937	$ 9,578	$ 9,578	$ 9,578

	Historical					Statistical			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 8,227	$ 12,505	$ 15,440	$ 15,914	$ 10,749	$ 8,227	$ 12,505	$ 12,567	$ 15,914
Additions:									
Employee Contributions	5,926	6,147	5,893	4,573	5,447	4,573	5,893	5,597	6,147
Retiree & Other Contributions	4,725	6,910	5,701	5,188	5,141	4,725	5,188	5,533	6,910
Employer Contributions	20,484	21,155	20,629	14,252	22,220	14,252	20,629	19,748	22,220
Sub-total	$ 31,135	$ 34,212	$ 32,223	$ 24,013	$ 32,808				
Deductions:									
Payments for Claims	24,699	29,220	29,354	27,157	30,408	24,699	29,220	28,168	30,408
Actuary & Other Payments	2,158	2,057	2,395	2,021	2,212	2,021	2,158	2,169	2,395
Sub-total	$ 26,857	$ 31,277	$ 31,749	$ 29,178	$ 32,620				
Ending balance	$ 12,505	$ 15,440	$ 15,914	$ 10,749	$ 10,937	$ 10,749	$ 12,505	$ 13,109	$ 15,914

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

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: Targeted 15% of total annual projected energy costs

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 150,742	$ 150,742	$ 150,742	N/A	$ 105,457	$ 165,966	$ 165,966	$ 165,966
Additions:								
Contributions	35,294	35,294	71,830	25,285	95,224			
Sub-total	$ 35,294	$ 35,294	$ 71,830	$ 25,285	$ 95,224	$ -	$ -	$ -
Deductions:								
Withdrawals					-			
Customer Fuel Rebate Credit	56,606	56,606	56,606	-	49,939			
Sub-total	$ 56,606	$ 56,606	$ 56,606	$ -	$ 49,939	$ -	$ -	$ -
Ending Balance	$ 129,430	$ 129,430	$ 165,966	N/A	$ 150,742	$ 165,966	$ 165,966	$ 165,966

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 55,935	$ 24,990	$ 92,362	$ 108,289	$ 105,457	$ 24,990	$ 92,362	$ 77,407	$ 108,289
Additions:		-							
Contributions	53,465	76,763	52,523	22,496	95,224	22,496	53,465	60,094	95,224
						-	-	-	-
						-	-	-	-
Sub-total	$ 53,465	$ 76,763	$ 52,523	$ 22,496	$ 95,224				
Deductions:									
Withdrawals	84,410	9,391				9,391	46,901	46,901	84,410
Customer Fuel Rebate Credit			36,596	25,328	49,939	25,328	36,596	37,288	49,939
						-	-	-	-
Sub-total	$ 84,410	$ 9,391	$ 36,596	$ 25,328	$ 49,939				
Ending balance	$ 24,990	$ 92,362	$ 108,289	$ 105,457	$ 150,742	$ 24,990	$ 105,457	$ 96,368	$ 150,742

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

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

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

(In Thousands)	Actual as of 12/31/2015 Current Quarter	Actual as of 12/31/2015 Year -to-Date	Full Year 2016 Forecast	Full Year 2016 Budget	Full Year Prior Year Actual	Projection 2017	Projection 2018	Projection 2019
Opening Balance	$ 2,886	$ 2,886	$ 2,886	N/A	$ 3,570	$ 2,711	$ 2,711	$ 2,711
Additions:								
Contributions	1,509	1,509	6,843	6,942	7,059	6,839	6,844	6,844
Other								
Sub-total	$ 1,509	$ 1,509	$ 6,843	$ 6,942	$ 7,059	$ 6,839	$ 6,844	$ 6,844
Deductions:								
Withdrawals	1,165	1,165	7,018	7,674	7,743	6,839	6,844	6,844
Sub-total	$ 1,165	$ 1,165	$ 7,018	$ 7,674	$ 7,743	$ 6,839	$ 6,844	$ 6,844
Ending Balance	$ 3,230	$ 3,230	$ 2,711	N/A	$ 2,886	$ 2,711	$ 2,711	$ 2,711

	Historical 2011	Historical 2012	Historical 2013	Historical 2014	Historical 2015	Statistical Low	Statistical Median	Statistical Mean	Statistical High
Opening Balance	$ 10,813	$ 10,703	$ 6,912	$ 3,891	$ 3,570	$ 3,570	$ 6,912	$ 7,178	$ 10,813
Additions:									
Contributions	7,978	6,657	6,683	6,929	7,059	6,657	6,929	7,061	7,978
Transfer from Rev Fd						-	-	-	-
						-	-	-	-
Sub-total	$ 7,978	$ 6,657	$ 6,683	$ 6,929	$ 7,059				
Deductions:									
Withdrawals	8,088	10,448	9,704	7,250	7,743	7,250	8,088	8,647	10,448
						-	-	-	-
						-	-	-	-
Sub-total	$ 8,088	$ 10,448	$ 9,704	$ 7,250	$ 7,743				
Ending balance	$ 10,703	$ 6,912	$ 3,891	$ 3,570	$ 2,886	$ 2,886	$ 3,891	$ 5,592	$ 10,703

Observations:

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

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: $0.62 per 1,000 kWh

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 23,430	$ 23,430	$ 23,430	N/A	$ 16,639	$ 29,179	$ 32,179	$ 35,179
Additions:								
Contributions	1,724	1,724	7,394	7,320	7,586	3,000	3,000	3,000
Sub-total	$ 1,724	$ 1,724	$ 7,394	$ 7,320	$ 7,586	$ 3,000	$ 3,000	$ 3,000
Deductions:								
Withdrawals			1,645	2,442	795			
Sub-total	$ -	$ -	$ 1,645	$ 2,442	$ 795	$ -	$ -	$ -
Ending Balance	$ 25,154	$ 25,154	$ 29,179	N/A	$ 23,430	$ 32,179	$ 35,179	$ 38,179

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 2,467	$ 4,232	$ 5,343	$ 10,023	$ 16,639	$ 2,467	$ 5,343	$ 7,741	$ 16,639
Additions:		-							
Contributions	6,583	2,436	5,650	7,395	7,586	2,436	6,583	5,930	7,586
						-	-	-	-
						-	-	-	-
Sub-total	$ 6,583	$ 2,436	$ 5,650	$ 7,395	$ 7,586				
Deductions:									
Withdrawals	4,818	1,325	970	779	795	779	970	1,737	4,818
						-	-	-	-
						-	-	-	-
Sub-total	$ 4,818	$ 1,325	$ 970	$ 779	$ 795				
Ending balance	$ 4,232	$ 5,343	$ 10,023	$ 16,639	$ 23,430	$ 4,232	$ 10,023	$ 11,933	$ 23,430

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

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals					-			
			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 19,213	$ 35,930	$ 41,611	$ 42,126	$ 42,126	$ 19,213	$ 41,611	$ 36,201	$ 42,126
Additions:									
Contributions	16,717	5,681	6,581			5,681	6,581	9,660	16,717
						-	-	-	-
						-	-	-	-
Sub-total	$ 16,717	$ 5,681	$ 6,581	$ -	$ -				
Deductions:									
Withdrawals	-	-	6,066			-	-	2,022	6,066
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 6,066	$ -	$ -				
Ending balance	$ 35,930	$ 41,611	$ 42,126	$ 42,126	$ 42,126	$ 35,930	$ 42,126	$ 40,784	$ 42,126

Observations:

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

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 38,000	$ 38,000	$ 38,000	N/A	$ 12,000	$ 34,398	$ 25,166	$ 13,421
Additions:								
Contributions				-	26,000			
Sub-total	$ -	$ -	$ -	$ -	$ 26,000	$ -	$ -	$ -
Deductions:								
Withdrawals			3,602	-	-	9,232	11,745	9,937
Sub-total	$ -	$ -	$ 3,602	$ -	$ -	$ 9,232	$ 11,745	$ 9,937
Ending Balance	$ 38,000	$ 38,000	$ 34,398	N/A	$ 38,000	$ 25,166	$ 13,421	$ 3,484

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ 12,000	$ -	$ -	$ 2,400	$ 12,000
Additions:		-				-	-	-	-
Contributions				12,000	26,000	12,000	19,000	19,000	26,000
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 12,000	$ 26,000				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ -	$ -	$ -	$ 12,000	$ 38,000	$ -	$ -	$ 10,000	$ 38,000

Observations:

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

Electric System Environmental Reserve

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Pricing Policy
Metric: Target equals the balance in the environmental liability account

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662
Additions:								
Contributions			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 16,946	$ 20,899	$ 18,359	$ 18,662	$ 18,662	$ 16,946	$ 18,662	$ 18,706	$ 20,899
Additions:		-							
Contributions	3,953		970			970	2,462	2,462	3,953
						-	-	-	-
						-	-	-	-
Sub-total	$ 3,953	$ -	$ 970	$ -	$ -				
Deductions:									
Withdrawals		2,540	667			667	1,604	1,604	2,540
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 2,540	$ 667	$ -	$ -				
Ending balance	$ 20,899	$ 18,359	$ 18,662	$ 18,662	$ 18,662	$ 18,359	$ 18,662	$ 19,049	$ 20,899

Observations:
- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending December 31, 2015

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

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 42,389	$ 42,389	$ 42,389	N/A	$ 42,688	$ 41,724	$ 41,724	$ 41,724
Additions:								
Net Customer Activity			-	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Net Customer Activity	665	665	665		299			
Loan to ES Revenue Fund				N/A	-			
Sub-total	$ 665	$ 665	$ 665	$ -	$ 299	$ -	$ -	$ -
Ending Balance	$ 41,724	$ 41,724	$ 41,724	N/A	$ 42,389	$ 41,724	$ 41,724	$ 41,724

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 38,801	$ 42,767	$ 43,454	$ 44,882	$ 42,688	$ 38,801	$ 42,767	$ 42,518	$ 44,882
Additions:		-							
Net Customer Activity	5,011	905	1,430			905	1,430	2,449	5,011
Loan Repayment to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
						-	-	-	-
Sub-total	$ 21,011	$ 905	$ 1,430	$ -	$ -				
Deductions:									
Net Customer Activity	1,045	218	2	2,194	299	2	299	752	2,194
Loan to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
Sub-total	$ 17,045	$ 218	$ 2	$ 2,194	$ 299				
Ending balance	$ 42,767	$ 43,454	$ 44,882	$ 42,688	$ 42,389	$ 42,389	$ 42,767	$ 43,236	$ 44,882

Observations:

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

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Bond Resolution
Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 134,927	$ 134,927	$ 134,927	N/A	$ 120,458	$ 135,822	$ 128,131	$ 130,512
Additions:								
Revenue Fund Deposits	44,116	44,116	174,392		181,006	183,251	189,153	186,306
Bond funded interest					-			
Sub-total	$ 44,116	$ 44,116	$ 174,392	$ -	$ 181,006	$ 183,251	$ 189,153	$ 186,306
Deductions:								
Principal and Int Payments	135,095	135,095	173,497	N/A	166,537	190,942	186,772	186,908
Sub-total	$ 135,095	$ 135,095	$ 173,497	$ -	$ 166,537	$ 190,942	$ 186,772	$ 186,908
Ending Balance	$ 43,948	$ 43,948	$ 135,822	N/A	$ 134,927	$ 128,131	$ 130,512	$ 129,910

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 86,769	$ 125,988	$ 107,754	$ 101,305	$ 120,458	$ 86,769	$ 107,754	$ 108,455	$ 125,988
Additions:		-							
Revenue Fund Deposits	187,629	159,724	159,072	167,340	181,006	159,072	167,340	170,954	187,629
Bond funded interest	1,726					1,726	1,726	1,726	1,726
						-	-	-	-
Sub-total	$ 189,355	$ 159,724	$ 159,072	$ 167,340	$ 181,006				
Deductions:									
Principal and Int Payments	150,136	177,958	165,521	148,187	166,537	148,187	165,521	161,668	177,958
						-	-	-	-
						-	-	-	-
Sub-total	$ 150,136	$ 177,958	$ 165,521	$ 148,187	$ 166,537				
Ending balance	$ 125,988	$ 107,754	$ 101,305	$ 120,458	$ 134,927	$ 101,305	$ 120,458	$ 118,086	$ 134,927

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

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution

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

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

	Actual as of 12/31/2015		Full Year Budget Amounts			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 64,595	$ 64,595	$ 64,595	N/A	$ 64,841	$ 60,582	$ 60,582	$ 60,582
Additions:								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Release to Revenue Fund	4,013	4,013	4,013	N/A	246			
Sub-total	$ 4,013	$ 4,013	$ 4,013	$ -	$ 246	$ -	$ -	$ -
Ending Balance	$ 60,582	$ 60,582	$ 60,582	N/A	$ 64,595	$ 60,582	$ 60,582	$ 60,582

	Historical Actuals					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 72,226	$ 72,226	$ 72,226	$ 64,841	$ 64,841	$ 64,841	$ 72,226	$ 69,272	$ 72,226
Additions:		-							
Proceeds from Bonds	-		-	-	-	-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Defeasance			7,385		246	246	3,816	3,816	7,385
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 7,385	$ -	$ 246				
Ending balance	$ 72,226	$ 72,226	$ 64,841	$ 64,841	$ 64,595	64,595	64,841	67,746	72,226

Observations:

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

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

For the Fiscal Quarter Ending December 31, 2015

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

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

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

(In Thousands)	Actual as of 12/31/2015 Current Quarter	Year -to-Date	Full Year 2016 Forecast	2016 Budget	Prior Year Actual	Projection 2017	2018	2019
Opening Balance	$ 145,711	$ 145,711	$ 145,711	N/A	$ 146,910	$ 131,454	$ 133,609	$ 161,596
Additions:								
R&R/OCO Contribution	36,650	36,650	124,033		110,351	177,882	169,237	151,509
Loans betw Capital Fds				-	-			
Other	1,743	1,743	20,271	-	970			
Sub-total	$ 38,393	$ 38,393	$ 144,304	$ -	$ 111,321	$ 177,882	$ 169,237	$ 151,509
Deductions:								
Capital Expenditures	32,243	32,243	158,561		112,483	175,727	141,250	136,542
Transfers betw Capital Fds				-	37			
R&R/OCO Contribution								
Transfer to Scherer				-	-			
Sub-total	$ 32,243	$ 32,243	$ 158,561	$ -	$ 112,520	$ 175,727	$ 141,250	$ 136,542
Ending Balance	$ 151,861	$ 151,861	$ 131,454	N/A	$ 145,711	$ 133,609	$ 161,596	$ 176,563

	Historical 2011	2012	2013	2014	2015	Statistical Low	Median	Mean	High
Opening Balance	$ 48,626	$ 73,727	$ 105,235	$ 140,486	$ 146,910	$ 48,626	$ 105,235	$ 102,997	$ 146,910
Additions:			-						
R&R/OCO Contribution	156,406	142,822	124,630	85,639	110,351	85,639	124,630	123,970	156,406
Loans betw Capital Fds	-	-	-	-		-	-	-	-
Other	2,876	943	2,423	4,014	970	943	2,423	2,245	4,014
Sub-total	$ 159,282	$ 143,765	$ 127,053	$ 89,653	$ 111,321				
Deductions:									
Capital Expenditures	115,181	112,257	91,802	82,889	112,483	82,889	112,257	102,922	115,181
Bond Buy Back	-	-				-	-	-	-
Transfer to Scherer	19,000								
Loans betw Capital Fds				340	37				
Other		-		-		-	-	-	-
Sub-total	$ 134,181	$ 112,257	$ 91,802	$ 83,229	$ 112,520				
Ending balance	$ 73,727	$ 105,235	$ 140,486	$ 146,910	$ 145,711	$ 73,727	$ 140,486	$ 122,414	$ 146,910

Observations:

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

Electric Construction / Bond Fund

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution

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

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 4	$ 4	$ 4	N/A	$ 42	$ -	$ -	$ -
Additions:								
Bond Proceeds				-	-			
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other				-	37			
Sub-total	$ -	$ -	$ -	$ -	$ 37	$ -	$ -	$ -
Deductions:								
Capital Expenditures			4	4	75	-	-	-
Bond Funded Interest				-	-			
Transfers betw Capital Fds	4	4	-		-			
Other			-	-	-			
Sub-total	$ 4	$ 4	$ 4	$ 4	$ 75	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ 4	$ -	$ -	$ -

	Historical					Statistical			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 36,981	$ 63,915	$ 40,034	$ 5,184	$ 42	$ -	$ 21,083	$ 24,359	$ 63,915
Additions:									
Bond Proceeds	91,545		1,550			1,550	46,548	46,548	91,545
Line of Credit						-	-	-	-
Transfers b/w Capital Fds				3,091		3,091	3,091	3,091	3,091
Other	562		34	340	37	34	189	243	562
Sub-total	$ 92,107	$ -	$ 1,584	$ 3,431	$ 37				
Deductions:									
Capital Expenditures	63,371	23,385	35,253	4,821	75	75	23,385	25,381	63,371
Bond Funded Interest	1,802					1,802	1,802	1,802	1,802
Line of Credit									
Transfers b/w Capital Fds			35	3,091		35	1,563	1,563	3,091
Other		496	1,146	661		496	661	768	1,146
Sub-total	$ 65,173	$ 23,881	$ 36,434	$ 8,573	$ 75				
Ending balance	$ 63,915	$ 40,034	$ 5,184	$ 42	$ 4	$ 4	$ 5,184	$ 21,836	$ 63,915

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

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Debt Management Policy

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

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ -	$ -	$ -	N/A	$ 304	$ -	$ -	$ -
Additions:								
Contributions					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals					304			
Sub-total	$ -	$ -	$ -	$ -	$ 304	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 6,458	$ 6,458	$ 6,458	$ 304	$ 304	$ 304	$ 6,458	$ 3,996	$ 6,458
Additions:		-							
Contributions						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals			6,154		304	304	3,229	3,229	6,154
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 6,154	$ -	$ 304				
Ending balance	$ 6,458	$ 6,458	$ 304	$ 304	$ -	$ -	$ 304	$ 2,705	$ 6,458

Observations:

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

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 9,514	$ 17,560	$ 20,290	$ 20,290	$ 20,290	$ 9,514	$ 20,290	$ 17,589	$ 20,290
Additions:									
Contributions	8,046	2,730				-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ 8,046	$ 2,730	$ -	$ -	$ -				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 17,560	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 17,560	$ 20,290	$ 19,744	$ 20,290

Observations:
- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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 fuel, debt management and regulatory requirements or initiatives.

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Contributions	5,490	5,490	21,059		-	22,252	22,538	22,832
Sub-total	$ 5,490	$ 5,490	$ 21,059	$ -	$ -	$ 22,252	$ 22,538	$ 22,832
Deductions:								
Withdrawals	554	554	21,059		-	22,252	22,538	22,832
Sub-total	$ 554	$ 554	$ 21,059	$ -	$ -	$ 22,252	$ 22,538	$ 22,832
Ending Balance	$ 4,936	$ 4,936	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions:									
Contributions						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Observations:

● Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending December 31, 2015

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

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 13,255	$ 13,255	$ 13,255	N/A	$ 12,787	$ 13,793	$ 13,793	$ 13,793
Additions:								
Allocated from Electric	538	538	538	N/A	468			
Loan Repayment			-					
Sub-total	$ 538	$ 538	$ 538	$ -	$ 468	$ -	$ -	$ -
Deductions:								
Allocated from Electric			-		-			
Loan to W&S Operations			-	N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 13,793	$ 13,793	$ 13,793	N/A	$ 13,255	$ 13,793	$ 13,793	$ 13,793

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 8,517	$ 9,727	$ 12,627	$ 13,860	$ 12,787	$ 8,517	$ 12,627	$ 11,504	$ 13,860
Additions:		-							
Allocated from Electric	1,210	2,900	1,233		468	468	851	851	1,233
Loan Repayment		1,000				-	-	-	-
						-	-	-	-
Sub-total	$ 1,210	$ 3,900	$ 1,233	$ -	$ 468				
Deductions:									
Allocated from Electric				1,073		1,073	1,073	1,073	1,073
Loan to W&S Operations		1,000				-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 1,000	$ -	$ 1,073	$ -				
Ending balance	$ 9,727	$ 12,627	$ 13,860	$ 12,787	$ 13,255	$ 9,727	$ 12,787	$ 12,451	$ 13,860

Observations:

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

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution

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

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

(In Thousands)	Actual as of 12/31/2015 Current Quarter	Actual as of 12/31/2015 Year -to-Date	Full Year 2016 Forecast	Full Year 2016 Budget	Full Year Prior Year Actual	Projection 2017	Projection 2018	Projection 2019
Opening Balance	$ 67,720	$ 67,720	$ 67,720	N/A	$ 75,019	$ 66,208	$ 83,075	$ 82,929
Additions:								
Revenue fund deposits	24,056	24,056	102,263		102,789	120,883	121,878	122,454
Sub-total	$ 24,056	$ 24,056	$ 102,263	$ -	$ 102,789	$ 120,883	$ 121,878	$ 122,454
Deductions:								
Principal and interest payments	67,725	67,725	103,775	N/A	110,088	104,016	122,024	120,638
Sub-total	$ 67,725	$ 67,725	$ 103,775	$ -	$ 110,088	$ 104,016	$ 122,024	$ 120,638
Ending Balance	$ 24,051	$ 24,051	$ 66,208	N/A	$ 67,720	$ 83,075	$ 82,929	$ 84,745

(In Thousands)	Historical 2011	Historical 2012	Historical 2013	Historical 2014	Historical 2015	Statistical Low	Statistical Median	Statistical Mean	Statistical High
Opening Balance	$ 71,496	$ 80,936	$ 81,675	$ 80,317	$ 75,019	$ -	$ 77,668	$ 64,907	$ 81,675
Additions:									
Revenue fund deposits	120,846	125,160	119,535	117,444	102,789	102,789	119,535	117,155	125,160
Bond funded interest						-	-	-	-
						-	-	-	-
Sub-total	$ 120,846	$ 125,160	$ 119,535	$ 117,444	$ 102,789				
Deductions:									
Principal and interest payments	111,406	124,421	120,893	122,742	110,088	110,088	120,893	117,910	124,421
						-	-	-	-
						-	-	-	-
Sub-total	$ 111,406	$ 124,421	$ 120,893	$ 122,742	$ 110,088				
Ending balance	$ 80,936	$ 81,675	$ 80,317	$ 75,019	$ 67,720	$ 67,720	$ 80,317	$ 77,133	$ 81,675

Observations:

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

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Bond Resolution

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

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 108,849	$ 108,849	$ 108,849	N/A	$ 116,829	$ 108,086	$ 108,086	$ 108,086
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Revenue fund	763	763	763		7,980			
Sub-total	$ 763	$ 763	$ 763	$ -	$ 7,980	$ -	$ -	$ -
Ending Balance	$ 108,086	$ 108,086	$ 108,086	N/A	$ 108,849	$ 108,086	$ 108,086	$ 108,086

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 91,239	$ 102,214	$ 119,131	$ 119,915	$ 116,829	$ 91,239	$ 116,829	$ 109,866	$ 119,915
Additions:			-						
Construction reserve fund/bond issues	10,975	10,917	784			784	10,917	7,559	10,975
Revenue fund	-	6,000	3,821			-	3,821	3,274	6,000
						-	-	-	-
Sub-total	$ 10,975	$ 16,917	$ 4,605	$ -	$ -				
Deductions:									
Revenue fund			3,821	3,086	7,980	3,086	3,821	4,962	7,980
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 3,821	$ 3,086	$ 7,980				
Ending balance	$ 102,214	$ 119,131	$ 119,915	$ 116,829	$ 108,849	$ 102,214	$ 116,829	$ 113,388	$ 119,915

Observations:

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

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

For the Fiscal Quarter Ending December 31, 2015

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

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 37,337	$ 37,337	$ 37,337	N/A	$ 59,295	$ 25,218	$ (16,767)	$ (37,643)
Additions:								
R&R/OCO Contribution	35,365	35,365	99,893	-	62,793	102,449	105,053	107,316
Loans betw Capital Fds				-	22			
Other	19,255	19,255	23,398	-	653	3,594	11,875	10,200
Sub-total	$ 54,620	$ 54,620	$ 123,291	$ -	$ 63,468	$ 106,043	$ 116,928	$ 117,516
Deductions:								
Capital Expenditures	24,752	24,752	134,760	-	85,426	147,378	137,154	128,277
Transfer to Capacity Fund	13	13	650	-	-	650	650	650
Transfer to Construction Fund								
R&R/OCO Contribution				-	-	-		
Sub-total	$ 24,765	$ 24,765	$ 135,410	$ -	$ 85,426	$ 148,028	$ 137,804	$ 128,927
Ending Balance	$ 67,192	$ 67,192	$ 25,218	N/A	$ 37,337	$ (16,767)	$ (37,643)	$ (49,054)

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 11,539	$ 28,840	$ 64,260	$ 78,689	$ 59,295	$ 11,539	$ 59,295	$ 48,525	$ 78,689
Additions:									
R&R/OCO Contribution	49,946	76,157	91,245	48,373	62,793	48,373	62,793	65,703	91,245
Loans betw Capital Fds	-	-	-		22	-	-	6	22
Other (incl septic tank)	1,067	5,771	1,539	1,614	653	653	1,539	2,129	5,771
Sub-total	$ 51,013	$ 81,928	$ 92,784	$ 49,987	$ 63,468				
Deductions:									
Capital Expenditures	33,712	46,508	68,355	67,488	85,426	33,712	67,488	60,298	85,426
Loan Repayment	-	-	-	-		-	-	-	-
Transfer to Constr. Fund	-	-	10,000	1,893		-	947	2,973	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	$ 33,712	$ 46,508	$ 78,355	$ 69,381	$ 85,426				
Ending balance	$ 28,840	$ 64,260	$ 78,689	$ 59,295	$ 37,337	$ 28,840	$ 59,295	$ 53,684	$ 78,689

Observations:

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

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

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

	Actual as of 12/31/2015		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 90,912	$ 90,912	$ 90,912	N/A	$ 76,887	$ 86,106	$ 41,932	$ 46,677
Additions:								
Capacity Fees	4,583	4,583	17,333	-	19,579	17,491	17,686	17,842
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund	13	13	650	-	246	650	650	650
Other				-	-			
Sub-total	$ 4,596	$ 4,596	$ 17,983	$ -	$ 19,825	$ 18,141	$ 18,336	$ 18,492
Deductions:								
Capital Expenditures	1,292	1,292	22,789	-	5,805	62,315	13,591	15,649
Other				-	-			
				-	-			
Sub-total	$ 1,292	$ 1,292	$ 22,789	$ -	$ 5,805	$ 62,315	$ 13,591	$ 15,649
Ending Balance	$ 94,216	$ 94,216	$ 86,106	N/A	$ 90,907	$ 41,932	$ 46,677	$ 49,520

	Historical					**Statistical**			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 21,463	$ 41,025	$ 45,454	$ 60,360	$ 76,887	$ 21,463	$ 45,454	$ 49,038	$ 76,887
Additions:									
Capacity Fees	10,311	10,820	17,394	18,298	19,579	10,311	17,394	15,280	19,579
State Revolving Fd Loan	14,667	3,798	-	-		-	1,899	4,616	14,667
Loan Repayments	-	-	-	-	246	-	-	49	246
Other	-	-	12	-	5	-	-	3	12
Sub-total	$ 24,978	$ 14,618	$ 17,406	$ 18,298	$ 19,830				
Deductions:									
Capital Expenditures	5,268	7,096	2,270	1,758	5,805	1,758	5,268	4,439	7,096
Loans betw Capital Fds	-	-				-	-	-	-
Other	148	3,093	230	13		13	189	871	3,093
	-	-	-	-					
Sub-total	$ 5,416	$ 10,189	$ 2,500	$ 1,771	$ 5,805				
Ending balance	$ 41,025	$ 45,454	$ 60,360	$ 76,887	$ 90,912	$ 41,025	$ 60,360	$ 62,928	$ 90,912

Observations:

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

Water and Sewer Environmental

For the Fiscal Quarter Ending December 31, 2015

Reserve/Fund Authorization: Pricing Policy

Metric: Unit tariff rates times consumption

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

	Actual as of 12/31/2015		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 19,245	$ 19,245	$ 19,245	N/A	$ 5,299	$ -	$ -	$ -
Additions:								
Environmental Contributions	415	415	13,849	-	22,056	16,302	8,301	10,265
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	$ 415	$ 415	$ 13,849	$ -	$ 22,056	$ 16,302	$ 8,301	$ 10,265
Deductions:								
Capital Expenditures	312	312	13,849	-	7,318	16,302	8,301	10,265
Septic Tank Phase Out				-	203			
Other	19,245	19,245	19,245	-	589			
Sub-total	$ 19,557	$ 19,557	$ 33,094	$ -	$ 8,110	$ 16,302	$ 8,301	$ 10,265
Ending Balance	$ 103	$ 103	$ -	N/A	$ 19,245	$ -	$ -	$ -

	Historical					Statistical			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 5,920	$ 9,795	$ (8,158)	$ (9,857)	$ 5,299	$ (9,857)	$ 5,299	$ 600	$ 9,795
Additions:									
Environmental Contributions	14,577	21,747	21,193	21,018	22,056	14,577	21,193	20,118	22,056
Loans betw Capital Fds	-	-	-			-	-	-	-
Other						-	-	-	-
Sub-total	$ 14,577	$ 21,747	$ 21,193	$ 21,018	$ 22,056				
Deductions:									
Capital Expenditures	10,702	39,700	22,892	5,862	7,318	5,862	10,702	17,295	39,700
Septic Tank Phase Out					203	203	203	203	203
Other					589	589	589	589	589
Sub-total	$ 10,702	$ 39,700	$ 22,892	$ 5,862	$ 8,110				
Ending balance	$ 9,795	$ (8,158)	$ (9,857)	$ 5,299	$ 19,245	$ (9,857)	$ 5,299	$ 3,265	$ 19,245

Observations:

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

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending December 31, 2015
Reserve/Fund Authorization: Bond Resolution
Metric: Capital expenditures per year minus internal funding available

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

(In Thousands)	Actual as of 12/31/2015 Current Quarter	Year -to-Date	Full Year 2016 Forecast	2016 Budget	Prior Year Actual	Projection 2017	2018	2019
Opening Balance	$ 664	$ 664	$ 664	N/A	$ 326	$ 664	$ -	$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other	-			-	344			
Sub-total	$ -	$ -	$ -	$ -	$ 344	$ -	$ -	$ -
Deductions:								
Capital Expenditures				-	6			
Bond Proceeds				-	-			
Other	-		-	-	-	664		
Sub-total	$ -	$ -	$ -	$ -	$ 6	$ 664	$ -	$ -
Ending Balance	$ 664	$ 664	$ 664	N/A	$ 664	$ -	$ -	$ -

(In Thousands)	Historical 2011	2012	2013	2014	2015	Statistical Low	Median	Mean	High
Opening Balance	$ 18,708	$ 29,622	$ 7,419	$ 2,305	$ 326	$ 326	$ 7,419	$ 11,676	$ 29,622
Additions:									
Bond Proceeds	45,662	-	486	-		-	243	11,537	45,662
Line of Credit	-	-	-	-		-	-	-	-
Loans/trnsf btw CapFds	-	-	10,000	1,893		-	947	2,973	10,000
Other	-	-	3	476	344	-	3	165	476
Sub-total	$ 45,662	$ -	$ 10,489	$ 2,369	$ 344				
Deductions:									
Capital Expenditures	34,172	20,243	14,855	3,784	6	6	14,855	14,612	34,172
Bond Proceeds	-	-	411	48		-	24	115	411
Line of Credit	-	-	-	-		-	-	-	-
Loans/trnsf btw CapFds	-	-	337	516		-	169	213	516
Other	576	1,960	-	-		-	288	634	1,960
Sub-total	$ 34,748	$ 22,203	$ 15,603	$ 4,348	$ 6				
Ending balance	$ 29,622	$ 7,419	$ 2,305	$ 326	$ 664	$ 326	$ 2,305	$ 8,067	$ 29,622

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