

**JEA  
FINANCE & AUDIT COMMITTEE AGENDA**

**DATE:** August 7, 2017  
**TIME:** 8:00 – 10:00 AM  
**PLACE:** 21 W. Church Street  
 8<sup>th</sup> Floor Conference Room

			<b>Responsible Person</b>	<b>Action (A) Info (I)</b>	<b>Total Time</b>
<b>I.</b>	<b>OPENING CONSIDERATIONS</b>		Kelly Flanagan		
	A.	Call to Order			
	B.	Adoption of Agenda		A	
	C.	Approval of Minutes – May 8, 2017	Melissa Charleroy	A	
<b>II.</b>	<b>NEW BUSINESS</b>				
	A.	Approval of Annual Internal Audit Plan	Steve Tuten/Lee Montanez	A	15 mins.
	B.	Annual Approval of Audit Services Charter	Steve Tuten	A	5 mins.
	C.	Audit Services - Quarterly ERM/Audit Update	Steve Tuten/Frank DiBenedetto	I	10 mins.
	D.	Ethics Officer Quarterly Report	Walette Stanford	I	5 mins.
	E.	Ernst & Young FY2017 Annual Financial Audit Plan	John DiSanto	A	20 mins.
	F.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
	G.	JEA Commercial Natural Gas Sales	Steve McInall	I	5 mins.
	H.	Plant Vogtle Update	Steve McInall/ Joe Orfano	I	15 mins.
	I.	JEA Energy Market Risk Management Policy Report	Steve McInall	I	5 mins.
	J.	Announcements			
	1.	Next Meeting, December 5, 2017, 12:00 – 2:00 PM Lunch available at 11:15 AM			
	K.	Committee Discussion Sessions			
	1.	Ernst & Young	John DiSanto	I	5 mins.
	2.	Director, Audit Services	Steve Tuten	I	5 mins.
	3.	Council Auditor's Office	Robert Campbell	I	5 mins.
	L.	Adjournment			

I. C.

Approval of Minutes

JEA FINANCE & AUDIT COMMITTEE MINUTES  
May 8, 2017

The Finance & Audit Committee of JEA met on Monday, May 8, 2017, in the 8<sup>th</sup> Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

**Agenda Item I – Opening Considerations**

- A. Call to Order – Chair Kelly Flanagan called the meeting to order at 8:00 AM with Member Husein Cumber in attendance. Board Chair Pro Tem Tom Petway attended telephonically. Others in attendance were Paul McElroy, Melissa Dykes, Brian Roche, Mike Hightower, Mike Brost, Ted Hobson, Jody Brooks, Steve Tuten, Joe Orfano, Walette Stanford, Janice Nelson, Ryan Wannemacher, Steve McInall, Larry Pinkstaff, Dan Mishra, Barry Greenleaf, Tom Davis, David Jolley, and Judi Spann. Russ Jeans, Ernst & Young; David Cawton, Financial News and Daily Record; and Rob Smedley, RS&H, were also in attendance.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Chair Pro Tem Petway.
- C. Approval of Minutes – The March 13, 2017 minutes were unanimously approved on **motion** by Husein Cumber and second by Chair Pro Tem Petway.

**Agenda Item II – New Business**

- A. FY2018 Budget Presentation – Melissa Dykes, Chief Financial Officer, introduced Ryan Wannemacher, Director, Financial Planning and Analysis. Ms. Dykes and Mr. Wannemacher presented and reviewed the FY2018 draft budget and process. Staff requested the Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2018 operating and capital budget including revenue, O&M expense levels, interest rates and debt structure, financial metrics and regulatory accounting items. The proposed budgets include considerable internal funding for the capital program in an effort to support the “pay-go” philosophy. Ms. Dykes stated the budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$117.0 million. Mr. Wannemacher noted the revision to the slide FY2018 Electric System Budget: Debt Service revising JEA’s credit rating to remove the positive rating. Staff also recommended that the Finance and Audit Committee provide feedback and direction, in its report or staff presentation to the Board at the May 16, 2017 meeting for final Board approval at the June 20, 2017 meeting. This presentation was received for information, advice and direction.
- B. Quarterly Audit Services Update – Steve Tuten, Director, Audit Services, provided an update to the Committee regarding vacant positions, progress of the FY17 Internal Audit Plan, open audit and investigation report issues, Enterprise Risk Management (ERM) highlights, risks and trend report, and the Ethics Hotline Report. This presentation was received for information.
- C. Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment – Dan Mishra, Director, CIP Compliance, provided the annual report to the Committee as mandated by federal regulations governing identity theft. Mr. Mishra stated the primary objective of JEA’s Identity Theft Protection Program (PII) is to prevent identity fraud involving JEA customers. This presentation was provided for information.
- D. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries, FY17 gift registry, Business Ethics Training Survey results and information on an upcoming Ethics Decision Tree handout to be distributed in August 2017. This presentation was received for information.

## E. Treasury

1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
2. JEA Investment Policy – Revision to Investment Limitations – Joe Orfano, Treasurer, presented a revision to Table 1 of the JEA Investment Policy. Mr. Orfano stated the recommendation is to include the State of Florida Local Government Surplus Funds Trust Fund (“Florida Prime”) in Table 1. The addition of Florida Prime would provide improved portfolio diversification and day-to-day operations, providing for the opportunity to improve the investment portfolio yield. On **motion** by Mr. Cumber and second by Chair Pro Tem Petway, the revision to Table 1 of the Investment Policy was unanimously approved.

- F. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.

## G. Announcements

1. The next Finance and Audit Committee meeting will be held on August 7, 2017, at 8:00 AM.

*Paul McElroy, Managing Director/CEO, requested to add a New Business item consisting of the Draft Definitive Agreements for the Retirement, Decommissioning and Dismantlement of the St. Johns River Power Park. Handouts were provided to Committee Members including a summary of key transactions, draft timeline, comparison of term sheet against terms in definitive agreements, and draft Asset Transfer and Contract Termination Agreement. Staff will present this item for action at the May 16, 2017 Board Meeting. Paul McElroy recognized Jody Brooks, Mike Brost, Melissa Dykes, Larry Pinkstaff, Steve McInall, Latham & Watkins, LLP, and the General Counsel with Florida Power & Light Company for their hard work.*

## H. Committee Discussion Sessions

1. Ernst & Young – At 9:24 AM, Ms. Flanagan dismissed staff and the Committee held a general conversation with Russ Jeans.
2. Director, Audit Services – At 9:28 AM, Ms. Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
3. Council Auditor’s Office – The Council Auditor’s Office was not in attendance.

**Closing Considerations**

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:30 AM.

APPROVED BY:

\_\_\_\_\_  
Kelly Flanagan, Committee Chair  
Date: \_\_\_\_\_

Submitted by:

\_\_\_\_\_  
Melissa Charleroy  
Executive Assistant

**II. A.**

**Approval of Annual Internal Audit Plan**



Building Community

**AGENDA ITEM SUMMARY**

July 14, 2017

<b>SUBJECT:</b>	<b>APPROVAL OF ANNUAL INTERNAL AUDIT PLAN</b>
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<b>Purpose:</b>	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** JEA's Audit Services adheres to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), which require that the Finance & Audit Committee formally approves the Annual Internal Audit Plan, as stated in the Finance & Audit Committee Operating Policy.

**Significance:** High

**Effect:** The effect of the formal approval is to demonstrate that the Finance & Audit Committee has reviewed and is in agreement with the Annual Internal Audit Plan, and to allow Audit Services to be in compliance with the IIA Standards.

**Cost or Benefit:** There is no cost. See Effect above for Benefit.

**Recommended Board action:** Staff recommends that the Finance & Audit Committee and the Board approve the attached FY2018 Annual Internal Audit Plan.

**For additional information, contact:** Steven V. Tuten, Director, Audit Services

Submitted by: PEM/TEH/SVT

<b>MISSION</b> 	<b>VISION</b> 	<b>VALUES</b> 
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Service</li> <li>• Growth<sup>2</sup></li> <li>• Accountability</li> <li>• Integrity</li> </ul>

**Commitments to Action**

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

II. A.  
8/7/2017

Return to  
Agenda

# FY18 Internal Audit Plan

Steve Tuten – Director, Audit Services

Lee Montanez – Manager, Audit Services



# FY18 Internal Audit Plan – Planning Guidance

- A cornerstone of our annual planning process is conducting a risk assessment of the identified auditable entities within JEA.
- We rely on the guidance of the Institute of Internal Auditors (IIA), which has established the International Professional Practices Framework (IPPF), the global authoritative guidance for the internal audit profession. The IPPF, through its Standards, presents the professional requirements for risk assessments conducted by internal auditors.



## FY18 Internal Audit Plan - Risk Assessment & Audit Planning Approach

- Interviews with the nine Senior Leadership Team members, a combination of 95 risk assessment surveys completed by department Directors and 30+ follow-up meetings were used to identify perceived areas of risk and potential internal audits.
- This information was combined into an overall audit plan designed to address critical risks to achieving JEA's objectives while being sensitive to operational and regulatory requirements.
- The following approach was taken in creating the Audit Plan:



# FY18 Internal Audit Plan - Risk Assessment Survey

- The risk assessment survey consisted of 27 questions (23 multiple choice and 4 open questions), designed for management to help identify and document risk factors related to their business objectives. These risk factors included:
  - Key Committee of Sponsoring Organizations of the Treadway Commission (COSO) objectives of operational, compliance and reporting risk.
  - Qualitative measures (Process complexity, governance matters and degree of change).
  - Potential impact risks (Financial and Reputational)
- Internal Audit surveyed management about these risks in each of the 95 areas of JEA's audit universe. We then combined the scores to determine the highest risk areas for JEA.
- A copy of the survey form is shown on Appendix pp. A6-A13.

# Audit Plan Integration with ERM and Ethics & Investigations Audit

Integration with ERM and Ethics & Investigations Audit - Internal Audit risk assessment surveys include detailed information on JEA's Top Corporate Risks, and results & statistics from investigative cases. The Audit Plan includes specific information on Tier 1 and 2 risks applicable to each auditable entity.



# FY18 Audit Plan - Description of Scheduled Audits

- The final plan has twenty-one (21) audits/projects scheduled:
  - Thirteen (13) new audits based on the FY2018 risk assessment process.
  - Two (2) recurring audits and/or projects.
  - Three (3) follow-up audits due to “Needs improvement” audit report rating.
  - Three (3) carry-over audits from FY2017.
- The proposed timeline for these audits is shown on page 7.
- A detailed list of these audits/projects, which includes an entity description and mapping to the relevant top corporate risks, is shown on Appendix pp. A1-A5.

# FY18 Internal Audit Plan - Proposed Timeline

Audit/Project	Budgeted Hours	Auditor-in-Charge	Estimated Draft Report Date	FY2018												
				Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	
2017 Safety and Health	100	David Arnold (DA)	10/31/17													
2017 Customer Revenue – Branch	100	Rashid Brittain (RB)	10/31/17													
2017 Permitting & Regulatory Conformance	200	Troy England (TE) / New Auditor (NA)	11/15/17													
JEA and SJRPP FY2017 Performance Pay Audit	200	TE	11/30/17													
TEA Audit	300	Laurie Gaughan (LG) / RB	*Fieldwork only*													
Disaster Recovery Follow-Up	250	RB	12/15/17													
Customer Experience Centers	400	DA	01/31/18													
W/WW Project Engineering & Construction	500	TE / NA	02/15/18													
T&D Electric Transmission Planning	450	LG	02/15/18													
Telecommunications and Support	450	RB / NA	03/31/18													
Personnel Out Process (POP) Process Audit	300	DA	03/31/18													
Utility Locate Services / 3 <sup>rd</sup> . Party Claims	350	TE	06/15/18													
Benefit Services	350	NA	06/15/18													
Transmission and Substation Maintenance	450	LG	06/30/18													
Tax Administration	300	DA	06/30/18													
Technology Infrastructure	500	RB	07/31/18													
Response and Environmental Programs	350	TE	09/30/18													
W/WW Reuse and Treatment	400	NA	09/30/18													
Electric Production Engineering and Outages	450	LG	09/30/18													
Meter Operations Follow-Up	275	DA	09/30/18													
Information Security Follow-Up	275	RB	10/31/18													
FY2018 Action Plan Follow-Up	625	All Staff	N/A													
FY2019 Annual Risk Assessments	300	All Staff	N/A													

In-Progress Audit  
 Scheduled Audit  
 Administrative



- The following supplemental documents are included in the Appendix, and were cross-referenced in the preceding presentation:
  - A1-A5 – Proposed FY18 Internal Audit Plan with Details (pp. 6-7)
  - A6-A13 – Risk Assessment Survey for FY18 Internal Audit Plan (pp. 3-4)

**JEA AUDIT SERVICES  
PROPOSED FY 2018 INTERNAL AUDIT PLAN  
ENTITY DESCRIPTION & MAPPING TO TOP CORPORATE RISKS  
(SEE PP. 6-7 IN PRESENTATION)**

Title	Entity Description	Top Corporate Risks
<b>Electric Systems</b>		
Electric Transmission and Substation Maintenance	Perform required maintenance on substation equipment including tap changes, transformers, switches, and breakers. Perform and track battery maintenance per NERC reliability standards (short and long term). Provide proactive life cycle predictions based on asset health.	<p><b>Tier 2</b> Long-term Planning/Load Forecasting (E06) FERC/NERC O&amp;P Reliability &amp; Compliance (E09) Infrastructure Maintenance – Electric System Assets (E11) Public and Employee Safety (H03)</p>
T&D Electric Transmission Planning	Responsible and accountable for the long-term planning of the generation, transmission, and distribution components (i.e. production and delivery) of the electric system such that the core service of providing electricity to current and future markets is done reliably, cost effectively, and in compliance with regulatory requirements.	<p><b>Tier 1</b> Weather and Climate Change Impact (C16) New Technology (C03)</p> <p><b>Tier 2</b> Long-term Planning/Load Forecasting (E06)</p>
Electric Production Engineering and Outages	Supports both combustion turbine (CT) and solid fuel generating plants through the Availability Improvement Program (AIP), root cause analysis, capital project definition, engineering design, and efficiency monitoring & testing. Also includes predictive maintenance.	<p><b>Tier 1</b> Effluent Limit Guidelines for Steam Units (E02) Coal Combustion Residual Rule (CCR) (E03) CIP Compliance (E07)</p> <p><b>Tier 2</b> Disaster Recovery/Business Continuity (C07) FERC/NERC O&amp;P Reliability &amp; Compliance (E09) Infrastructure Maintenance – Electric System Assets (E11) Public and Employee Safety (H03)</p>

**JEA AUDIT SERVICES  
PROPOSED FY 2018 INTERNAL AUDIT PLAN  
ENTITY DESCRIPTION & MAPPING TO TOP CORPORATE RISKS  
(SEE PP. 6-7 IN PRESENTATION)**

Title	Entity Description	Top Corporate Risks
<b>Water / Wastewater Systems</b>		
Water Wastewater Reuse & Treatment	Provides potable and reclaimed water for delivery to customers.	<b><u>Tier 1</u></b> Water Supply Management/Long-term Planning (W01) Physical Security (Facilities Infrastructure Security and Regulatory Compliance) (C02) Sanitary Sewer Overflow Management (W03) <b><u>Tier 2</u></b> Infrastructure Maintenance – Water/Wastewater Systems (W04) Infrastructure Destruction Due to Severe Weather (E13) Public and Employee Safety (H03) Water Quality Management (W06)
Water Wastewater Project Engineering & Construction	Manages the planning, engineering, and construction processes associated with upgrades, repair or new construction of water utility infrastructure.	<b><u>Tier 1</u></b> Water Supply Management/Long-term Planning (W01) Physical Security (Facilities Infrastructure Security and Regulatory Compliance) (C02) <b><u>Tier 2</u></b> Sanitary Sewer Overflow Management (W03) Infrastructure Maintenance – Water/Wastewater Systems (W04) Public and Employee Safety (H03)
<b>Financial &amp; Logistical Services</b>		
Utility Locate Services/3 <sup>rd</sup> Party Claims	Responsible for maximizing redlining GIS, third party damage recovery, OSHA recordable incident-free and maintaining accuracy in locating lines.	<b><u>Tier 2</u></b> Infrastructure Maintenance – Electric Systems (E11)



**JEA AUDIT SERVICES  
 PROPOSED FY 2018 INTERNAL AUDIT PLAN  
 ENTITY DESCRIPTION & MAPPING TO TOP CORPORATE RISKS  
 (SEE PP. 6-7 IN PRESENTATION)**

<b>Title</b>	<b>Entity Description</b>	<b>Top Corporate Risks</b>
Tax Administration	Responsible for the processing of tax billings, payments and exemptions.	<b>Tier 2</b> Other Regulatory Compliance (C09)
<b>Customer Relationships</b>		
Water Meter Services Follow-Up	Maintains JEA's residential, commercial and industrial water meters and systems to ensure accurate readings for billing purposes.	<b>Tier 1</b> Customer Relationship Management (C01) <b>Tier 2</b> Infrastructure Maintenance – Water/Wastewater Systems (W04) Disaster Recovery/Business Continuity (C07)
Customer Experience Centers	Responsible for handling customer inquiries as they relate to the start, stop and transfer of service, and billing concerns.	<b>Tier 1</b> Customer Relationship Management (C01)
<b>Information Technology</b>		
Information Security Follow-Up	Protects information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction.	<b>Tier 2</b> Cyber Security Information Protection (T02) Cyber Security Business Disruption (T03) Technology Services Resource Optimization (T05) Customer Relationship Management (C01) Other Regulatory Compliance (C09)

**JEA AUDIT SERVICES  
PROPOSED FY 2018 INTERNAL AUDIT PLAN  
ENTITY DESCRIPTION & MAPPING TO TOP CORPORATE RISKS  
(SEE PP. 6-7 IN PRESENTATION)**

<b>Title</b>	<b>Entity Description</b>	<b>Top Corporate Risks</b>
Disaster Recovery Follow-Up	Provides oversight and coordination of all activities associated with system restoration tasks, including testing, updating plans and coordinating Disaster Recovery exercises.	<u><b>Tier 2</b></u> Staffing (H02) Technology Infrastructure Reliability (T01) Cyber Security Business Disruption (T03) Technology Services Disaster Recovery/Business Continuity (T04) Technology Services Resource Optimization (T05)
Technology Infrastructure	Provides infrastructure services associated with equipment and software used to support enterprise systems. Also provides support for middle-tier code deployment, tape backup and restore, Citrix, SharePoint, corporate email and Critical Cyber Assets associated with CIP.	<u><b>Tier 2</b></u> Staffing (H02) Technology Infrastructure Reliability (T01) Cyber Security Business Disruption (T03) Technology Services Resource Optimization (T05)
Telecommunications & Support	Provides communication services such as: radio, fiber, network, wireless, business phones. Also responsible for leasing fiber and cell towers.	<u><b>Tier 1</b></u> Revenues and Expenses Management (F01)  <u><b>Tier 2</b></u> Technology Infrastructure Reliability (T01) Cyber Security Business Disruption (T03) Technology Services Resource Optimization (T05)
<b>Public Affairs</b>		
Response and Environmental Programs	Responds to emergency environmental incidents and provides prompt and appropriate actions that reduce the likelihood of adverse environmental impacts.	<u><b>Tier 1</b></u> Effluent Limit Guidelines for Steam Units (E02) Coal Combustion Residual Rule (CCR) (E03) Cooling Water Intake Structures 316(b) (E05)

**JEA AUDIT SERVICES  
 PROPOSED FY 2018 INTERNAL AUDIT PLAN  
 ENTITY DESCRIPTION & MAPPING TO TOP CORPORATE RISKS  
 (SEE PP. 6-7 IN PRESENTATION)**

<b>Title</b>	<b>Entity Description</b>	<b>Top Corporate Risks</b>
<b>Human Resources</b>		
Benefits Services	Responsible for administering benefits for JEA employees and retirees, in accordance with plan documents, and for ensuring consistent application of operating procedures.	<b>Tier 1</b> Revenues and Expenses Management (F01) <b>Tier 2</b> Staffing (H02) Cyber Security Information Protection (T02) <b>Tier 3</b> Benefits Risk (H04)
Personnel Out Process (POP) Process	Process for removing “active” physical and system access to users due to retirement, resignation and involuntary separation.	<b>Tier 2</b> Staffing (H02) Cyber Security Information Protection (T02)
<b>Compliance</b>		
None.		
<b>Recurring Audits / Projects</b>		
JEA/SJRPP Performance Pay Audits	Determine if achieved levels of performance were calculated in conformance with the incentive plan approved by JEA’s Board of Directors.	
The Energy Authority (TEA) Audit	Audit of TEA’s East Coast Operations performed by a team of representatives from several member utilities.	
Annual Risk Assessments	Identifying and prioritizing risks to the business. We will use these assessments to develop the FY 2019 audit plan.	
Action Plan Follow-Up & Reporting	Ensure that management’s action plans are being implemented and are working effectively to mitigate internal control deficiencies reported in internal audits and investigations.	



**Audit Services  
Risk Assessment Survey  
FY2018 Planning**

**Purpose**

Audit Services uses this survey to generally assess the internal controls your department has in place to mitigate risks and help achieve its goals. Your survey responses will assist Audit Services in developing our annual risk-based audit plan and allocating the necessary staff resources for conducting the selected audits.

**Instructions**

Please read the survey questions carefully, and mark the best answer for each. Under each question, there is a section to add additional information, if necessary. **Please complete only Section I of this assessment; Audit Services will complete Sections II-V.**

Please let us know if you have any questions. Your cooperation is greatly appreciated.

**Certification**

The information provided is true and objective to the best of my knowledge and ability.

Completed by:   Enter Name  
Title:            Enter Title  
Department:     Enter Department  
Cost Center:     Enter Cost Center  
Date:             Enter Date

*Reviewed By:*   Enter Name  
*Approved By:*   Enter Name

*Audit Services use only*

*Date:*   Enter Date  
*Date:*   Enter Date

Section I

1. **Department's Strategic Initiatives and Goals** (*Please distinguish between short-term and long-term*)

Enter your comments here

Reserved for comments by Internal Audit

2. **Key Metrics** – Are these used to assess progress toward meeting the department's goals?

- Key Metrics have been developed and are used to assess progress toward established goals.
- Key Metrics are in the process of being developed or are partially in place to assess progress.
- Key Metrics have not been developed.

Enter your comments here

Reserved for comments by Internal Audit

3. **Operations or Transactions** managed by your department: inherently complex, require a significant amount of time, coordination or extensive training?

- Relatively simple processes and time commitments, with minimal training.
- Moderately complex, somewhat time-consuming, requires significant training.
- Extensive operations that are very time-consuming and require extensive training.

Enter your comments here

Reserved for comments by Internal Audit

4. **Workforce** – How effective has been your Department in replacing employees who have retired or resigned from JEA over the past 12 months?

- Very effective.
- Moderately effective, but some positions are still open.
- Ineffective as many positions are still open, which has affected operations.

Enter your comments here

Reserved for comments by Internal Audit

5. **Significant Changes** in staff size, funding, functions, systems, key positions and/or responsibilities of the department during the past year (*describe changes, if applicable*).

- No significant changes have occurred.
- Moderate changes.
- Continuous and large-scale changes have been made, or are expected in the near future.

Enter your comments here

Reserved for comments by Internal Audit

6. Status of **Written Policies and Procedures**, including any desktop procedures.

- Policies are in place, with no recent significant updates. Written procedures, which support the policies, are in place.
- Policies are in place; however, employees are not always familiar with the policies and adherence to procedures is not always enforced.
- Limited or no written policies and procedures, or substantially outdated.

Enter your comments here  
Reserved for comments by Internal Audit

7. **Business Continuity** – Adequacy of plan after Hurricane Matthew.

- Plan was successfully executed during Hurricane Matthew, with short and long-term disruption coverage.
- Several minor issues were encountered with the execution of the plan during Hurricane Matthew.
- Major issues prevented the plan from being executed, which did not effectively address short and long-term disruption.

Enter your comments here  
Reserved for comments by Internal Audit

8. **Service Level Quality** - Impact on JEA if the department's services were not provided at the usual or expected level?

- Nominal, if any.
- Moderate impact, likely short-term.
- Significant impact creating serious internal problems that could impair JEA's reputation.

Enter your comments here  
Reserved for comments by Internal Audit

9. **Management Overrides** – In your opinion, to what degree can established controls or policies be circumvented in this department?

- Complete inability to circumvent controls.
- Ability to override some controls without detection.
- Ability to override most controls without detection.

Enter your comments here  
Reserved for comments by Internal Audit

10. **Departmental Training** (JEA-required training excluded)

- Provided at least regularly; employees consider training is adequate and effective.
- Some training provided, but more is needed.
- Little or no training provided, and may not be adequate or effective.

Enter your comments here  
Reserved for comments by Internal Audit

11. **Impact of Federal or State Regulations** – Consider both current and pending.

- None, or minimal.
- Moderate.
- Significant.

Enter your comments here  
Reserved for comments by Internal Audit

12. **Fines or Penalties** assessed or levied by regulatory agencies in the past year (*describe*):

- Not applicable
- Less than \$5,000 per occurrence, not exceeding \$20,000 in total.
- At least one fine or penalty exceeding \$5,000.

Enter your comments here  
Reserved for comments by Internal Audit

13. **Agencies/Organizations** that may review or monitor your department (*describe*)

- None.
- Limited to local Agencies and/or Organizations, no exposure to fines or penalties.
- May include State/Federal Agencies and/or Organizations with exposure to fines or penalties.

Enter your comments here  
Reserved for comments by Internal Audit

14. **Cross-Dependencies** of other JEA business units and this department:

- Department is mostly self-contained.
- Department provides/receives limited informational/service needs to/from several dependent business units within JEA.
- Department provides/receives very complex informational needs to/from numerous dependent business units within JEA.

Enter your comments here  
Reserved for comments by Internal Audit

15. **Degree of Information Confidentiality** produced or handled by the department.

- Not confidential, is generally available to the public, and its release would not result in any potential loss or embarrassment to JEA.
- Information is available to designated employees of JEA in connection with their jobs. Release to the public or to an unauthorized department could result in minor financial loss or moderate embarrassment or violation of an individual's privacy.
- Information produced by this department requires protection against unauthorized or premature disclosure. Such disclosure could result in serious loss or embarrassment or could adversely affect the department or JEA.

Enter your comments here  
Reserved for comments by Internal Audit

16. **Incorrect or Inaccurate Data** – its impact on the department's operations and/or ability to provide service.

- None or minimal.
- Moderate impact.
- Serious impact.

Enter your comments here  
Reserved for comments by Internal Audit

17. **Management / Employee Turnover** over the past 12 months.

- None, or minimal.
- Moderate turnover.
- Significant turnover.

Enter your comments here  
Reserved for comments by Internal Audit

18. **Technology Services (TS)** impact on your department over the past 12 months.

- No changes; nominal impact.
- Significant changes.
- TS environment has changed or been replaced, affecting most key operations.

Enter your comments here  
Reserved for comments by Internal Audit

19. **Communication with External Parties**, such as legislators, city personnel, and news media or citizens groups.

- None, or minimal.
- Occasional.
- Significant and often.

Enter your comments here  
Reserved for comments by Internal Audit

20. **Inventory/Materials**

- No inventory, or nominally valued. No specialized inventory or materials.
- Inventories are at relatively moderate dollar amounts and do not include specialized items.
- Inventories are valued at high dollar amounts or include specialized items.

Enter your comments here  
Reserved for comments by Internal Audit

21. **Reputational Risk** impact on JEA if errors or problems within the department receive negative publicity?

- Minimal impact, not a likely occurrence.
- Moderate impact, but generally manageable.
- Significant impact due to the high degree of interest emanating from customers or external parties.

Enter your comments here  
Reserved for comments by Internal Audit



22. **Potential Fraud, Waste or Loss** - What is the worst case, or most likely, scenario for possible loss in your department (*description of event and estimated financial loss*)?

Enter your comments here

Reserved for comments by Internal Audit

23. **Total Budget** (All Accounts): Cost Center: Enter Cost Center

FY	Total Budget	Operating Budget	Capital Budget
2017	Enter Amount	Enter Amount	Enter Amount
2016	Enter Amount	Enter Amount	Enter Amount
2015	Enter Amount	Enter Amount	Enter Amount

24. **Revenue-generating activities.**

- No revenue is generated.
- Minimal revenue is generated.
- Moderate to high revenues are generated.

Enter your comments here

Reserved for comments by Internal Audit

25. **External Audits / Consulting Reviews** during the past year. (*Not including annual Ernst & Young financial audit*).

- None.
- Audits or reviews which are not required by external regulations.
- Audits and/or reviews which are generally required by external regulations.

Enter your comments here

Reserved for comments by Internal Audit

26. **Next Internal Audit** – If your department was selected for an audit in FY18, do you foresee obstacles regarding its timing?

- No.
- Maybe, based on possible events. (*describe below, if known*)
- Yes, an audit scheduled next year would not be advisable.

Enter your comments here

Reserved for comments by Internal Audit

27. **Additional Concerns or Risks** – Please provide a brief description.

Enter your comments here  
 Reserved for comments by Internal Audit

Section II – Internal Audit History

Please identify any audit reports related to this Department.

<b>Fiscal Year</b>	<b>Audit Report Rating</b>	<b>Comments</b>
Enter Year	Enter Report Rating	Enter Comments
Enter Year	Enter Report Rating	Enter Comments
Enter Year	Enter Report Rating	Enter Comments

Section III - ERM Top Corporate Risks

Please identify and provide a brief description of Top Corporate Risks that pertain to this department.

<b>Tier</b>	<b>Risk Name</b>	<b>Description</b>
Enter Risk Tier	Enter Risk Name	Enter Description
Enter Risk Tier	Enter Risk Name	Enter Description
Enter Risk Tier	Enter Risk Name	Enter Description

Section IV – EHL

Please identify any EHL case and outcome for this department.

<b>Fiscal Year</b>	<b>EHC Case Number</b>	<b>Outcome / Comments</b>
Enter Year	Enter Case Number	Enter Outcome /Comments
Enter Year	Enter Case Number	Enter Outcome /Comments
Enter Year	Enter Case Number	Enter Outcome /Comments

Section V – Risk Scores

<b>COSO</b>	OR	2	4	6	7	8	Sum	Avg.	
	CR	11		12		13		Sum	Avg.
	RR	14		15		16		Sum	Avg.

<b>Qualitative Measures</b>	PC	3		19		20		Sum	Avg.
	GM	25		26				Sum	Avg.
	DC	5		17		18		Sum	Avg.
	CCE	9		10				Sum	Avg.

<b>Impact Risks</b>	PFI	22		23		24		Sum	Avg.
	PRI	21						Sum	Avg.

**II. B.**

**Annual Approval of Audit Services Charter**



Building Community

### AGENDA ITEM SUMMARY

July 14, 2017

<b>SUBJECT:</b>	<b>ANNUAL APPROVAL OF AUDIT SERVICES CHARTER</b>
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<b>Purpose:</b>	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** The Institute of Internal Auditors (IIA) requires that the Finance & Audit Committee annually reviews and formally approves the JEA Audit Services Charter. There have been no revisions to the charter since the last review.

**Significance:** Medium

**Effect:** To demonstrate that the Finance & Audit Committee has reviewed and is in agreement with the Audit Services Charter, and to allow Audit Services to be in compliance with the Charter and IIA Professional Standards.

**Cost or Benefit:** There is no cost. See Effect above for Benefit.

**Recommended Board action:** Staff recommends that the Finance & Audit Committee and the Board approve the attached version of the Audit Services Charter.

**For additional information, contact:** Steven V. Tuten, Director, Audit Services, 904-665-5206

Submitted by: PEM/TEH/SVT

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Service</li><li>• Growth<sup>2</sup></li><li>• Accountability</li><li>• Integrity</li></ul>
---	--	---

#### Commitments to Action

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



## Audit Services Charter

[Return to  
Agenda](#)

### **Purpose**

The purpose of JEA's internal audit function is to provide independent and objective assurance and consulting services designed to add value and improve JEA's operations. Internal Audit helps JEA to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, compliance, and governance processes.

### **Authority**

The Director, Audit Services is the Chief Audit Executive (CAE) and reports administratively to the Chief Risk and Compliance Officer, as established by the Chief Executive Officer. On audits involving Compliance Department functions, the Director, Audit Services reports directly to the CEO. The Director, Audit Services also meets quarterly with the CEO, and reports to and meets quarterly with the Finance & Audit Committee of the Board of Directors.

The Director, Audit Services and Internal Audit Staff are authorized:

- To carry out a program of Internal Audit projects as necessary to fulfill the purpose and mission of the department, including an annual risk assessment and development of an annual audit plan.
- To have access to all JEA records, assets, properties, plants, computers, personnel, etc., with strict and absolute accountability for safekeeping and confidentiality while conducting their internal audit duties.

To minimize duplication of efforts, Audit Services will not audit JEA's financial statements, which are already audited by JEA's external auditors.

### **Mission**

The Institute of Internal Auditors' (IIA) definition of internal auditing is: "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." The IIA's Mission of Internal Audit is "To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight."

The specific mission of JEA's Internal Audit is to perform comprehensive, objective audits (assurance services) and consulting reviews (consulting services) that fulfill the purpose outlined above while conforming to the IIA's Standard Practices, Code of Ethics, Definition of Internal Auditing, and Mission of Internal Audit.



## Audit Services Charter

### Scope and Responsibilities

Internal Audit's responsibilities include both assurance services and consulting services, which are defined by the IIA as follows:

**Assurance Services:** “An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.”

**Consulting Services:** “Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.”

Activities performed by Internal Audit in executing its assurance and consulting services responsibilities include, but are not limited to, the following:

#### **Assurance/Audit Activities**

- Evaluate the effectiveness of controls over the reliability and integrity of management information. Ascertain the level of compliance with policies, procedures, laws and regulations.
- Review operations to evaluate whether established objectives and goals are being achieved.
- Assist management in identifying operational, financial, regulatory and reputational risks, and assess JEA's ability to adequately mitigate these risks.
- Conduct objective reviews of company business activities, operations, internal controls and performance management systems, and report results to JEA management.
- Proactively consult with internal customers on recommendations and the implementation of action plans, and monitor results.
- Perform engagement level audit planning and risk control assessment.
- Perform action plan follow-up.

A detailed description of audit practices is contained in Procedures for Conducting Internal Audits ASC0500 113.

#### **Annual Risk Assessment and Audit Plan Activities**

- Perform annual risk assessment activities and develop an annual audit plan. The CAE will present the annual audit plan to the Finance & Audit Committee for review and approval. Annual risk assessment/audit plan development will be performed according to Audit Services Procedures ASC0500 1101 Risk Assessment/Develop Audit Plan.



## **Audit Services Charter**

- The audit scope will be based on Internal Audit's assessment of risk. Audit coverage will focus on high risk areas as defined in the annual risk assessment process.

### **Consulting Activities**

- Provide consulting services per Audit Services' Consulting Engagement Procedure ASC0500 CE, where the level of risk warrants our involvement. However, Audit Services does not act in an operating capacity, and cannot be part of the approval process.

Auditors will not be assigned to audits or projects in areas where they previously worked within the past 24 months, or where their degree of independence could be questioned in any other way.

### **Quality Assurance**

Adequate supervision and quality assurance will be performed and documented for each auditor and each audit assignment as defined in Audit Services' Quality Assurance Improvement Program (QAIP) Procedure ASC0500QA, which includes external peer reviews as required by the IIA, at least every five years beginning in 2005.

### **Reporting**

Detailed written reports will be prepared and issued to management following the completion of each audit. The contents will be discussed with auditee management before the reports are finalized, except in cases of fraud. Reports will generally be distributed to the Chief/Vice President/General Manager and Director/Manager of the area being audited, along with the Chief Executive Officer and the Chief Risk and Compliance Officer. Final audit reports are also submitted to the Council Auditor's office and the Office of the Inspector General for the City of Jacksonville. Quarterly summaries of audit results are presented to the Finance & Audit Committee of the Board of Directors.

### **JEA Management Responsibilities**

Although the role of Internal Audit is to assess internal controls, systems, procedures, risks, etc., JEA management retains full responsibility for ensuring that JEA maintains an appropriate framework of controls to reduce business risks to an acceptable level.

Management also has the responsibility and accountability for addressing weaknesses and inefficiencies identified in both External and Internal Audit Reports and for taking the necessary corrective action. If JEA management decides to accept a level of risk that Internal Audit believes is imprudent and improper, and this difference of opinion cannot be resolved, the CAE has the option to refer the matter to the Enterprise Compliance & Risk Committee (ECRC) for discussion and resolution, as stated in the ECRC Charter.





## **Audit Services Charter**

Management should immediately inform the CAE of any significant internal control problems, thefts, frauds, or unauthorized transactions.

### **Annual Review of Charter**

This charter will be reviewed at least annually and revised as needed. The CAE will present the charter at least annually to the Finance & Audit Committee for review and approval.

Presented to the Executive Management Team October 5, 2004

Presented to JEA Board of Directors November 16, 2004

Revised January 7, 2009 to include the Finance & Audit Committee (F&AC)

Revised August 8, 2011 and presented to F&AC

Presented to the F&AC for review and approval Aug. 13, 2012, with no revisions

Presented to the F&AC for review and approval Aug. 12, 2013, with revisions

Presented to the F&AC for review and approval Aug. 11, 2014, with no revisions

Presented to the F&AC for review and approval Dec. 10, 2014, with revisions

Presented to the F&AC for review and approval Aug. 10, 2015, with no revisions

Presented to the F&AC for review and approval Aug. 8, 2016

Presented to the F&AC for review and approval Aug. 7, 2017, with no revisions

II. C.

Audit Services – Quarterly ERM/Audit Update



Building Community

**AGENDA ITEM SUMMARY**

July 14, 2017

<b>SUBJECT:</b>	<b>AUDIT SERVICES – QUARTERLY ENTERPRISE RISK MANAGEMENT (ERM)/AUDIT UPDATE</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only <input type="checkbox"/> Action Required <input type="checkbox"/> Advice/Direction
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**Issue:** The Quarterly ERM/Audit Update provides the JEA Board of Directors with information on the current Internal Audit, Enterprise Risk Management and Ethics Investigations & Audit activities.

**Significance:** The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with all procedures and regulations. JEA’s Enterprise Risk Management (ERM) Program identifies, assesses, measures, monitors and actively manages risk. The Ethics Investigations and Audit Group conducts internal investigations of confidential reports into JEA’s Ethics Hotline (EHL) and from other sources.

**Effect:** JEA is able to manage risks and monitor controls, identifying issues to reduce and/or prevent impact to business operations.

**Cost or Benefit:** The benefits to the organization are seen in risk avoidance or management and the knowledge that the business is in compliance with rules and regulations.

**Recommended Board action:** No action required. The Quarterly Audit Services Update is for information only.

**For additional information, contact:** Steven V. Tuten – Director, Audit Services, 904-665-5206

Submitted by: PEM/TEH/SVT

<b>MISSION</b>	<b>VISION</b>	<b>VALUES</b>
 Energizing our community through high-value energy and water solutions.	 JEA is a premier service provider, valued asset and vital partner in advancing our community.	 <ul style="list-style-type: none"> <li>• Safety</li> <li>• Service</li> <li>• Growth?</li> <li>• Accountability</li> <li>• Integrity</li> </ul>

**Commitments to Action**

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



Building Community

## AGENDA ITEM SUMMARY

July 14, 2017

<b>SUBJECT:</b>	<b>AUDIT SERVICES – QUARTERLY ENTERPRISE RISK MANAGEMENT (ERM)/AUDIT UPDATE</b>
-----------------	---

<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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### Commitments to Action

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

# Audit Services Q3 FY17 Report

Steve Tuten – Director, Audit Services

Lee Montanez – Manager, Audit Services

Frank DiBenedetto – Manager, Enterprise Risk Management

# Audit Services Q3 FY17 Report – Table of Contents

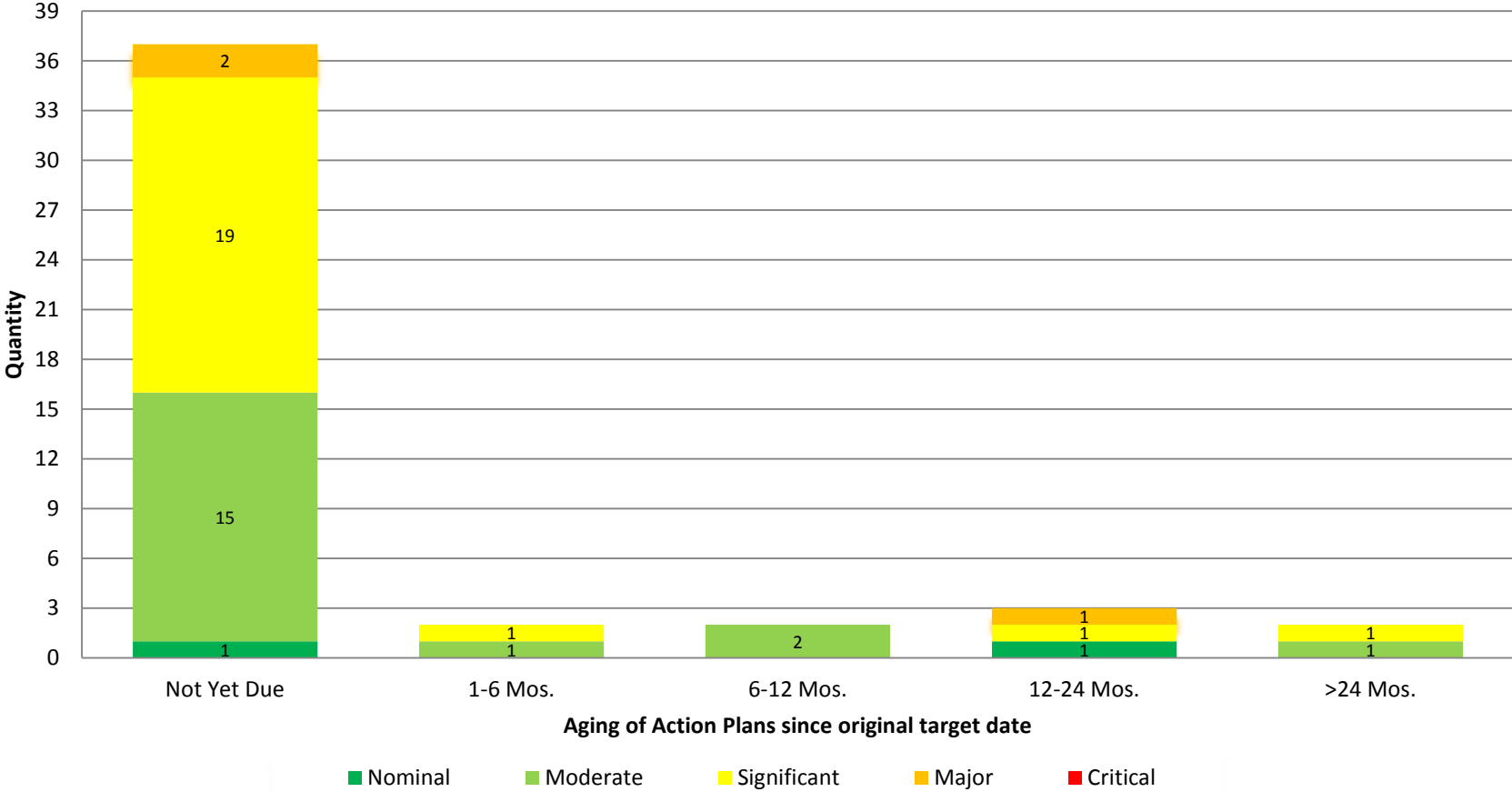
<u>Topic</u>	<u>Pages</u>
• Internal Audit	3-6
• Enterprise Risk Management (ERM)	7-14
• Ethics Investigations & Audit	15-17

# Internal Audit Team Highlights

- **Senior Auditor Position** – Our top candidate has accepted our offer. We anticipate his start date will be in early August.
- **FY17 Internal Audit Plan** - We are slightly behind schedule, due primarily to the open position most of the fiscal year, but still have a good chance of completing the Plan. The current timeline and details regarding the FY17 Plan is shown on pages 5-6.
- **Open Audit and Investigation Report Issues** - As of 6/30/17, there were 46 open issues requiring management's corrective action plans. This represents an increase of 25 open items since our last report. However, this is primarily a timing issue due to the recent issuance of several audit reports. See pg. 4 for the distribution of these issues by issue rating and action plan due date.

# Open Audit and Investigation Report Issues

Aging of Open Action Plans (46) by Issue Rating and Due Date





# FY17 Internal Audit Plan – Schedule

Audit/Project	Auditor-in-Charge	Status	FY 2017 Hours			First Draft Report			Comments	Final Draft Report Date	Audit Report Rating	2017 Audit Timeline		
			Budgeted Hours <i>(adjusted)</i>	Actual Hours	Will Meet/Met Budget	Audit Estimate due date <i>(italics if updated)</i>	Actual Date	Will Meet/Met Due Date				Jul	Aug	Sep
2016 Disaster Recovery <i>(360 hrs. in FY16)</i>	Rashid Brittain (RB)	Final Report Issued	0	19	●	8/29/2016	9/12/2016	●	Included in this report due to the audit rating and hours used in FY17.	4/11/2017	Needs Improvement			
2016 Distribution, Development & Joint Projects <i>(400 hrs. total)</i>	Troy England (TE)	Final Report Issued	60	257	●	8/29/2016	1/6/2017	●	Exceeded budget due to the time it's taken to thoroughly go through each project and grasp the processes involved.	2/27/2017	Satisfactory			
2016 Facilities Management <i>(375 hrs. total - 116 hrs. in FY16)</i>	David Arnold (DA) / Chris Page (CP)	Final Draft Issued	259	188	●	<i>11/8/2016 (1)</i>	12/2/2016	●	Audit Estimate updated due to Call Center work during Hurricane Matthew. Exceeded budget due to issues related to ADA. Chris Page hrs. not included in calculation. Working with Management to update action plans before sending to the City.	1/17/2017	Satisfactory			
2016 System Protection & Controls <i>(350 hrs. total - 191 hrs. in FY16)</i>	Laurie Gaughan (LG)	Final Report Issued	159	155	●	<i>11/8/2016 (1)</i>	11/8/2016	●	Audit Estimate updated due to Call Center work during Hurricane Matthew	11/29/2016	Satisfactory			
Information Security <i>(FY16 - 60hrs. / FY17 500 hrs.)</i>	RB	Final Draft Issued	500	643	●	<i>2/28/2017 (1)</i>	4/13/2017	●	Audit Estimate updated due to Call Center work during Hurricane Matthew. Hours overage due to complex audit report with 18 issues and a "Needs Improvement" rating.	6/16/2017	Needs Improvement			
TEA Audit	LG	Completed	100	99	●	No Report	N/A	N/A	Audit conducted 11/14-18/16. Nebraska Public Power District (NPPD) led audit.	N/A	Final report to be issued by NPPD.			
JEA & SJRPP FY2016 Performance Pay Audit	TE	Completed	200	79	●	11/22/2016 (JEA)	11/17/2016 (SJRPP) 11/22/2016 (JEA)	●	Memos were issued for JEA and SJRPP Performance Pay reviews.	11/17/2016 (SJRPP) 11/22/2016 (JEA)	-			
Real Estate Services & Revenue Contracts	CP / DA	Final Draft Issued	350	132	●	1/23/2017	2/10/2017	●	Hours for Randstad resource (CP) are not tracked on this spreadsheet.	5/4/2017	Satisfactory			
SJRPP Enviro Engineering & Preventive Maintenance	LG	Final Report Issued	350	348	●	2/28/2017	3/1/2017	●	Workpaper review is completed. First draft report is projected to be issued by due date.	3/27/2017	Satisfactory			
Security	DA / RB	Final Draft Issued	DA - 375 RB - 175	DA - 310 RB - 149	●	2/28/2017	3/22/2017	●	Estimated due date was not met due to complex workpaper review process.	5/5/2017	Satisfactory			
W/W/W Reuse & Delivery	TE	Second Draft Issued	440	486	●	4/18/2017	5/16/2017	●	Estimated due date was not met due to complex report issue development.	TBD	Satisfactory			

**Notes:**

(1) Updated due to Hurricane Matthew call center duties.

●	Audit will be/has been completed within estimated hours and due date.
●	Audit will be/has been completed slightly above estimated hours and due date. <i>(No more than a 10% variance)</i>
●	Audit will be/has been completed significantly above estimated hours and due date.
N/A	Not Applicable or no data.



# FY17 Internal Audit Plan – Schedule

Audit/Project	Auditor-in-Charge	Status	FY 2017 Hours			First Draft Report			Comments	Final Draft Report Date	Audit Report Rating	2017 Audit Timeline		
			Budgeted Hours <i>[adjusted]</i>	Actual Hours	Will Meet/Met Budget	Audit Estimate due date <i>(italics if updated)</i>	Actual Date	Will Meet/Met Due Date				Jul	Aug	Sep
Electric Production CT Operations	LG / RB	Final Draft Issued	LG - 400 RB - 68	LG - 398 RB - 61	●	6/6/2017	6/13/2017	●	Met hours estimate, first draft slightly delayed.	7/12/2017	Satisfactory			
Meter Operations <i>(formerly Water Meter Services)(2)</i>	DA / CP	First Draft Issued	450	557	●	6/15/2017	7/13/2017	●	Estimated due date not met due to complex audit and report.	TBD	Needs Improvement			
Payroll and Compensation	RB	Testing	392	270	●	7/31/2017	TBD	●	On track to meet due date and not exceed budgeted hours.					
Emergency Preparedness	TE	Testing	350	137	●	8/15/2017	TBD	●	On track to meet due date and not exceed budgeted hours.					
Electric Distribution and Construction Maintenance	LG	Planning	400	56	●	9/26/2017	TBD	●	On track to meet due date and not exceed budgeted hours.					
P-Card follow-up	DA	Planning	300	10	●	TBD								
Safety and Health	DA	Planning	300	8	●	TBD								
Customer Revenue - Branch (3)	RB	Not Started	300											
Permitting and Regulatory Conformance	TE	Not Started	400											
FY2017 Action Plan Follow-Up	All Staff	Ongoing	400	367	●									
FY2018 Annual Risk Assessments	All Staff	Not Started	300	201	●									

**Notes:**

(2) Business requested to also audit electric meters.

(3) Replaces Receivables and Collections audit due to Director's request.

●	Audit will be/has been completed within estimated hours and due date.
●	Audit will be/has been completed slightly above estimated hours and due date. <b><i>(No more than a 10% variance)</i></b>
●	Audit will be/has been completed significantly above estimated hours and due date.
N/A	Not Applicable or no data.

# ERM Committee Structure

- **Purpose** - 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 Enterprise Compliance & Risk Committee (ECRC) & quarterly with the Board.

- **ECRC & Subcommittees**

- Electric Risk
- FERC/NERC/CIP Electric Compliance
- Fuel and Purchased Power
- Debt and Investment
- Revenue and Expense Management
- Technology Projects
- Information Security Governance (new)\*
- Compliance Oversight
- Water and Wastewater Regulatory Compliance



- ❖ The new Information Security Governance Committee establishes a corporate-wide governance structure and coordination between the corporate technology functions and those within the various operation areas. Responsibility for all company-wide activities related to identifying, assessing and mitigating significant information/cybersecurity-related exposure and threats.

# ERM Corporate Risk Heat Map

Top Corporate Risks

Score

Tier 1 (See p. 10)

10-25

Tier 2 (See p. 11)

5-9

Tier 3 (See p. 12)

1-4

Impact x  
Likelihood

Score

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

The risk score is a factor of the risk impact x likelihood, which helps us evaluate the criticality of the risks and the need for mitigation.



# ERM - Tier 1 Top Corporate Risk Trends (Q3 FY17)

Risk 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	FY13	FY14				FY15				FY16				FY17			Long Term Risk Exposure Trend (> 5 Years)	Change
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
<b>Electric Risks</b>																		
E01 - Carbon Emission Mitigation - Clean Power Plan	20	20	20	25	25	25	25	25	25	25	25	25	25	25	25	20	↔ Stable	x
E04 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable	
E03 - Coal Combustion Residual Rule (CCR)	15	15	15	15	15	15	15	10	10	10	10	10	15	15	15	15	↔ Stable	
E05 - Cooling Water Intake Structures 316(b)	10	10	10	10	10	10	10	10	10	10	10	10	20	20	20	20	↔ Stable	
E06 - Long-term Planning/Load Forecast - Electric	6	6	6	10	10	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing	
E07 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing	
<b>Water/Wastewater Risks</b>																		
W01 - Water Supply Management/Long Term Planning	12	12	12	12	15	15	15	15	15	15	15	15	15	15	15	15	↑ Increasing	
W03 - Sanitary Sewer Overflow Management	6	6	6	6	6	6	8	8	8	8	8	8	8	12	12	12	↓ Decreasing	
<b>Corporate Wide Risks</b>																		
H01 - Pensions	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	16	↔ Stable	x
F01 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	↑ Increasing	
C01 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable	
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	9	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
C03 - New Technology				12	12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
C16 - Weather & Climate Change Impact												15	15	15	15	15	↑ Increasing	

These risks possess the greatest potential impacts to JEA. Most are due to external factors including economic factors, inherent risk and/or increased regulatory requirements.



# ERM – Tier 2 Top Corporate Risk Trends (Q3 FY17)

Risk 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	FY13				FY14				FY15				FY16				FY17			Long Term Risk Exposure Trend (> 5 Years)	Change
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3					
	<b>Electric Risks</b>																				
E02 - Effluent Limitation Guidelines	16	16	16	16	16	16	16	16	16	16	16	16	20	20	15	8	↔ Stable	X			
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	9	9	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable				
E10 - Nuclear Power Portfolio	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	9	↑ Increasing	X			
E08 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	6	↓ Decreasing	X			
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable				
E20 - Operations Technology Management - Electric	4	4	4	4	4	4	6	6	6	6	6	6	6	6	6	6	↔ Stable				
E12 - By Product Management	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable				
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable				
<b>Water/Wastewater Risks</b>																					
W02 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable				
W04 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable				
W06 - Water Quality Management												8	8	8	8	8	↔ Stable				
<b>Corporate Wide Risks</b>																					
C05 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable				
C06 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing				
T02 - Cyber Security Information Protection	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing				
H02 - Staffing	12	12	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable				
H03 - Public and Employee Safety	6	6	6	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable				
T01 - Technology Infrastructure Reliability	12	12	12	12	12	12	4	4	4	4	8	8	8	8	8	8	↔ Stable				
T03 - Cyber Security Business Disruption							8	8	8	8	8	8	8	8	8	8	↑ Increasing				
T04 - Technology Services Disaster Recovery/Business Continuity							8	8	8	8	8	8	8	8	8	8	↔ Stable				
T05 - Technology Services Resource Optimization										9	9	9	9	9	9	9	↑ Increasing				
C07 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable				
C08 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable				
F03 - Credit Availability/Cost	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable				
C09 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable				
F04 - Counterparty Risk	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	↔ Stable				
C04 - External Influence on Policy	9	9	10	10	10	10	10	10	10	10	8	8	8	8	8	8	↔ Stable				



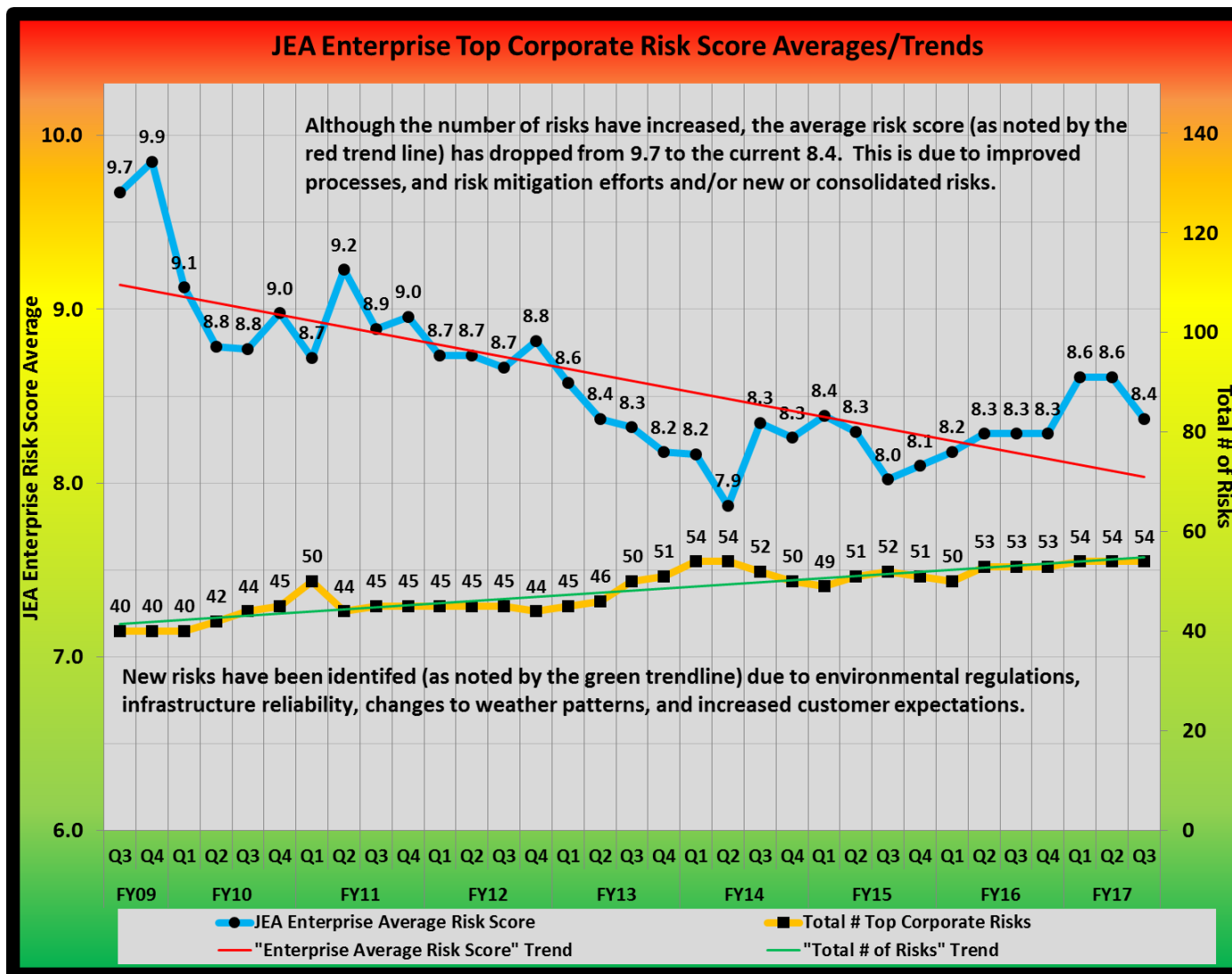
- These risks are primarily operational in nature. Although the impact can still be significant, JEA has more flexibility in mitigating the risks.

# ERM – Top Corporate Risk Score Changes

Risk	Old Score	New Score	Score Change Justification
E01 - Carbon Emission Mitigation - Clean Power Plant	25	20	<ul style="list-style-type: none"> <li>We continue to monitor activities at the EPA and the Courts relating to changes to the rule. Although some form of CO2 emission reduction requirements is expected, the level of reduction may be less stringent and/or the timeframe for compliance extended.</li> <li>The decommissioning of SJRPP further reduces JEA's carbon footprint. Any new generation would have lower CO2 emission rates. Regardless of any future CO2 regulations (e.g. CPP), current market conditions continue to support use of natural gas which further reduces CO2 emissions. <b>Accordingly, the risk score was changed from a 5/5 to a 5/4.</b></li> </ul>
H01 - Pensions	20	16	<ul style="list-style-type: none"> <li>Based on the uncertainty of investment performance and the long term benefit of the tax revenue, the impact score remains the same. However, the likelihood of a significant negative unbudgeted financial impact has been diminished. <b>As such, the risk score was changed from a 4/5 to a 4/4.</b></li> </ul>
E02 - Effluent Limit Guidelines for Steam Units	15	8	<ul style="list-style-type: none"> <li>The rule is currently in effect with compliance as soon as possible but no later than 12/31/23. However, in response to a federal lawsuit, EPA has requested and was granted a stay of the compliance dates and may seek a reconsideration of the rule.</li> <li>The risk description was expanded to include potential lawsuits. Although the FDEP is considering establishing oversight over compliance with the rule, various environmental groups (e.g., Sierra Club) may still file lawsuits challenging various provisions of the rule, in an attempt to further encourage coal retirement.</li> <li>With the decision to decommission SJRPP, the cost of compliance was reduced from \$31M to \$6M. <b>As such, the risk score was changed from a 3/4 to a 2/4.</b></li> </ul>
E10 - Nuclear Power Portfolio	8	9	<ul style="list-style-type: none"> <li>The financial difficulties being faced by Westinghouse/Toshiba increases the likelihood that the project may experience delays and subsequent increased financial exposure. However, the financial impact, above the current reserves and the need to maintain power reserve margins with the closing of SJRPP, are expected not to exceed \$40 million. <b>As such, the risk score was changed from a 4/2 to a 3/3.</b></li> </ul>
E08 - SJRPP	9	6	<ul style="list-style-type: none"> <li>Based on the decision to decommission SJRPP, the risk description was changed to reflect the potential for cost overruns resulting from the physical dismantling of the plant and environmental remediation efforts as well as any activities such as increased traffic and noise concerns that can have negative reputational impact.</li> <li><b>The risk score was changed from 3/3 to a 3/2.</b> The risk impact score was not changed since cost overruns may exceed \$15M, but the likelihood score was lowered from it being unlikely that those costs will be incurred.</li> </ul>

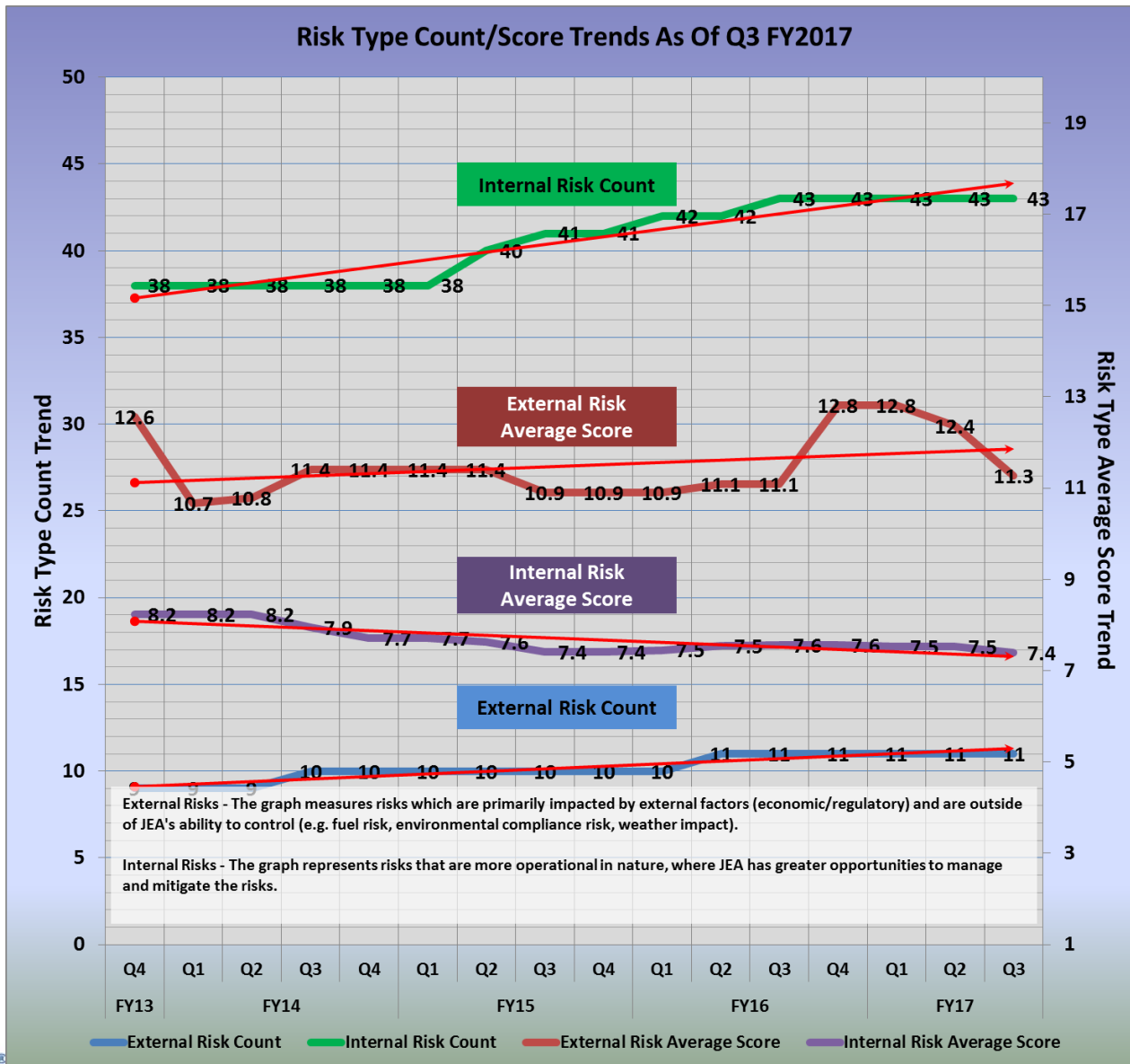


# ERM – Top Corporate Risk Score Average/Trends





# ERM – Top Corporate Risk Type Count/Score Trends



# ERM – Current Projects

INITIATIVE	PROJECT SCOPE
<b>Risk Validation/Key Risk Indicators (KRIs)</b>	A pilot is underway to identify KRIs that would validate the effectiveness of current and/or open mitigations/controls and risk scores in managing risk exposure. The pilot will focus primarily on fraud risk/employee misconduct. Identifying KRIs for other top corporate risks will be determined by risk exposure and/or management concerns/feedback.
<b>Expanding Corporate-Wide Risk Culture</b>	We continue to train employees risk management principals, as well as skills to identify, evaluate and mitigate risks within their own business functions. Class is mandatory for all appointed staff with all managers/directors, but open to all.
<b>District Energy (DE) Risks</b>	Performing a risk assessment of the District Energy business with the focus on reliability, environmental compliance, and reputational impact in the event of a loss risk of services to our major customers (i.e., arena, hospital).
<b>HIPAA Risk Assessment</b>	In conjunction with business functions and TS, we are conducting a risk assessment of JEA’s HIPAA requirements.
<b>Supply Chain Risk Management</b>	Working with Procurement and Financial Services areas to develop a process to evaluate counterparties utilized by various business functions both on financial stability (i.e. credit risk), potential disruption of services provided, and any vendor misconduct which can impact JEA’s reputation.
<b>Talking Points</b>	In conjunction with the External Affairs group and risk owners developing consistent talking points for our external stakeholders (i.e. media, COJ, public) in the event any questions/concerns arise.
<b>TEA</b>	In conjunction with the business units, we are assessing the functions performed by TEA and how they are utilized by JEA.
<b>Terrorism</b>	In conjunction with Security Services, we are assessing the potential for terrorism risk to JEA in relation to potential impacts and identifying any significant gaps that require remediation – including Active Shooter risks and controls.

# Ethics Hotline (EHL) Case Statistics

Open Cases 3/31/2017	Cases Opened 3Q FY17	Cases Closed 3Q FY17	Open Cases 6/30/2017
16	7	6	17

Categories For Cases Opened During 3Q FY17	
Alleged Fraud/Theft/Abuse	4
Conflict of Interest/Ethics Matters	1
Alleged Discrimination/Harassment	1
Other (General Inquiries)	1
<b>Total</b>	<b>7</b>

# Summary of Closed EHL Cases - 3Q FY17

Reporting Source	Allegation	Investigation Results
External	JEA-16-09-0003 - JEA's Ethics Investigation & Audit Unit received information suggesting that a JEA employee may have falsified information on JEA's tri-annual car allowance survey. The mileage data from this survey determines the amount of the employee's monthly car allowance.	A review of the employee's mileage log documentation and other relative data determined the employee did qualify for the respective car allowance. However, our review of the survey process presented opportunities for improvement, of which feedback was provided to management.
EHL	JEA-17-03-0001 - A customer made a complaint that JEA assigned a relative's outstanding account balance of approximately \$900 to the customer's business account.	We determined JEA's Customer Revenue Department had already been working with the customer to resolve the issue. The disputed account balance was transferred back to the original customer's account for the debt to be paid from estate funds.
External	JEA-17-03-0003 - An individual contacted JEA's Call Center to report that a contract employee was using drugs and selling customer social security numbers for money.	Given the nature of the allegation, law enforcement was contacted to determine the extent of any criminal activity. The investigation resulted in no evidence to substantiate the claim of ID theft. However, the allegation of ongoing drug use by the employee did have merit. As a result, the contract employee was terminated.

# Summary of Closed EHL Cases - 3Q FY17 (cont.)

Reporting Source	Allegation	Investigation Results
External	JEA-17-03-0007 - A complaint came through JEA.com alleging an employee was using and selling drugs.	An employee could not be identified based on the name provided in the complaint. Several unsuccessful attempts were made to reach out to the complainant for additional information to help identify the individual in question. Also, a check with law enforcement did not result in a match for an alias name. Therefore, the case was closed.
EHL	JEA-17-05-0001 - A caller alleged a JEA Supervisor addressed a subordinate employee in a confrontational and critical manner. Also, the supervisor targeted the employee with unwarranted scrutiny.	Because this case dealt with possible workplace harassment, it was referred to Labor Relations. Their investigation did not find any specific evidence to either confirm or deny the allegation, but they indicated the employee was moved to a different position that does not report to the supervisor noted in the allegation.
External	JEA-17-05-0003 - JEA received an email containing an allegation that an employee was conducting a personal cosmetics business and often posts advertisements on social media during working hours.	We determined the individual in question was a JEA contract employee. Our investigation revealed the employee sent emails using JEA's email account to other employees for purposes of marketing cosmetic products. Additionally, the individual used a website to promote these products while at work. Based on the evidence found, the contract employee was terminated.

II. D.

Ethics Officer Quarterly Report



Building Community

### AGENDA ITEM SUMMARY

July 18, 2017

<b>SUBJECT:</b>	<b>ETHICS OFFICER QUARTERLY REPORT</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** The Ethics Officer Quarterly Report provides the JEA Board of Directors with information on the current ethics inquiries, hotline activity and training.

**Significance:** JEA's Ethics Officer ensures information is shared and advice given regarding issues and questions.

**Effect:** JEA is able to manage ethical concerns for the organization, ensuring compliance with business and governmental regulations.

**Cost or Benefit:** JEA fosters an environment that ensures ethical behaviors.

**Recommended Board action:** This item is for information only.

**For additional information, contact:** Walette Stanford, 904-665-4282

Submitted by: W. Stanford

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Service</li><li>• Growth?</li><li>• Accountability</li><li>• Integrity</li></ul>
---	--	--

#### Commitments to Action

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

# **JEA**

## **Ethics Officer Report**

**August 7, 2017**

### **Creating an Ethical Culture**

**JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.**

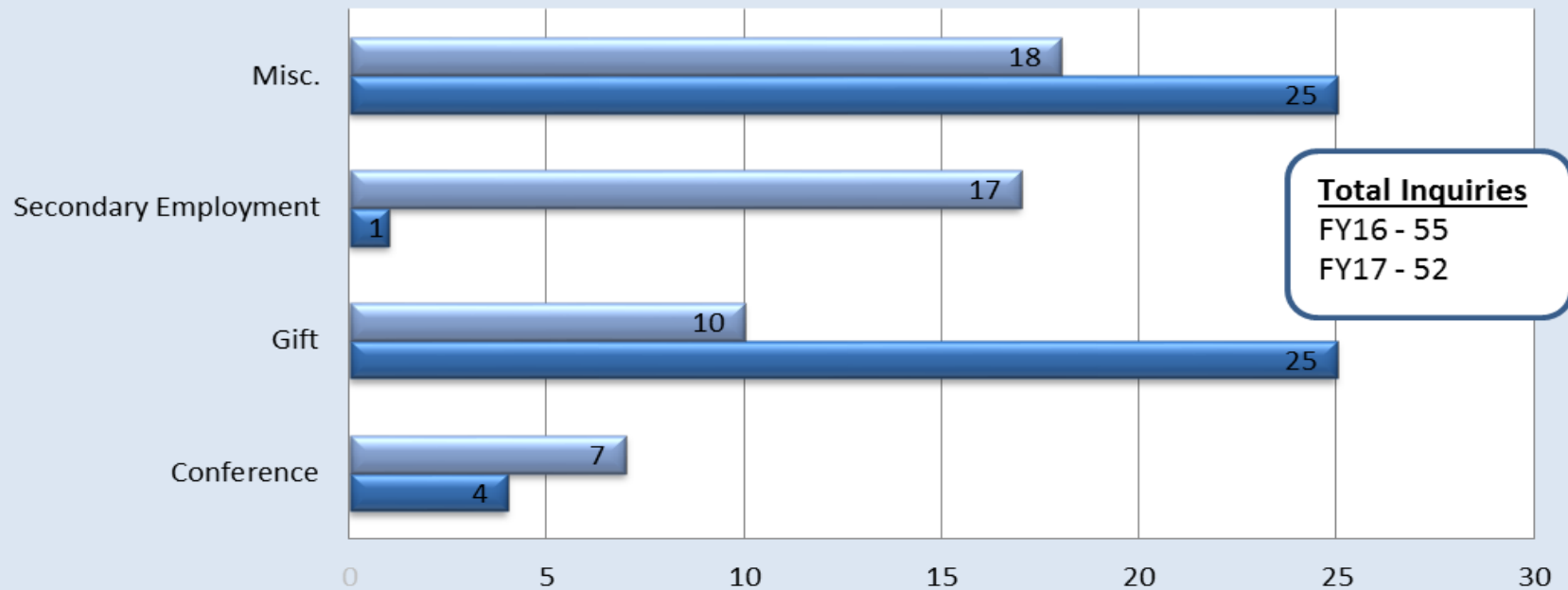
**Walette Stanford, Ethics Officer**  
**JEA/SJRPP**





# FY16/FY17 Comparisons

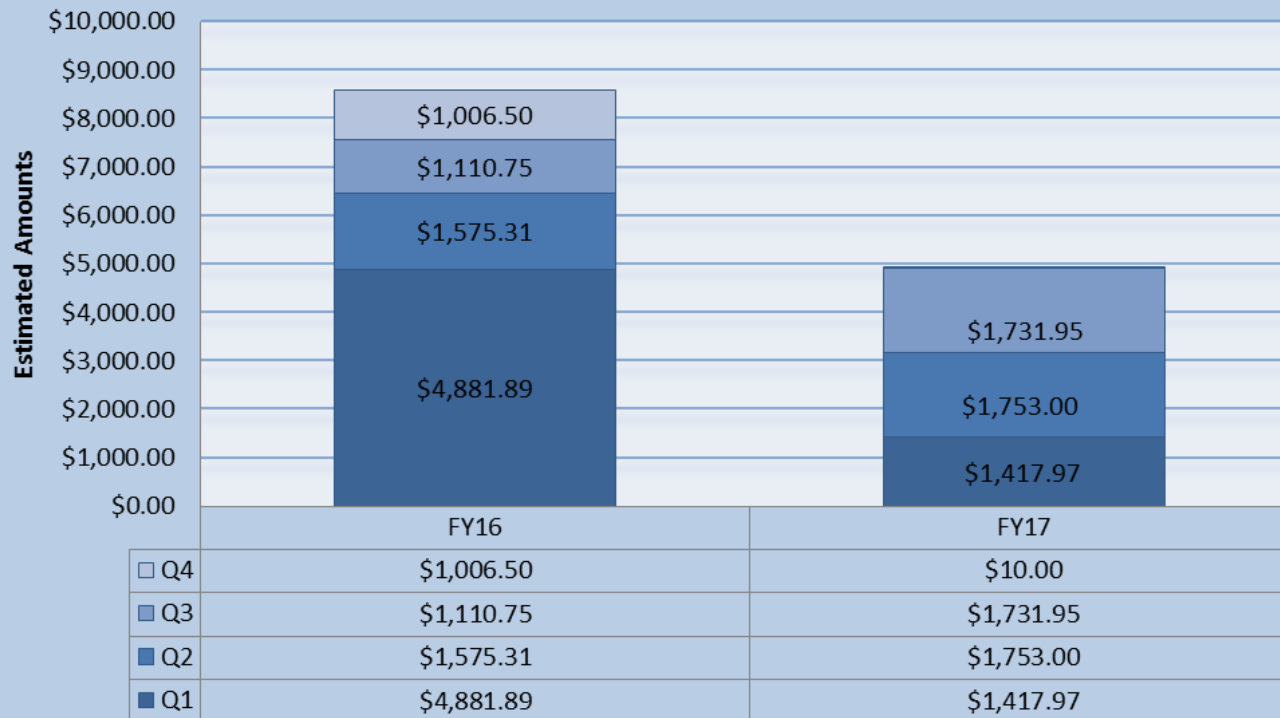
## Ethics Inquiries Comparison FY16/FY17 1st-3rd Quarter Results



	Conference	Gift	Secondary Employment	Misc.
FY17	7	10	17	18
FY16	4	25	1	25

# FY16/FY17 Gift Registry

## FY16/FY17 Gift Registry Estimates Comparison Per Quarter



Food Items: bakery gift basket, popcorn tins, Peterbrooke chocolate

Promotional items: t-shirts, beach towel, ball caps, promo jacket

Misc: promo water bottles, gift cards, coffee mug

\*FY17 Q4 value is only \$10.00 from data 9 days into the quarter.

# Ethics Matter Resource Card



## Ethics Matter

### Reporting a Concern

JEA encourages open reporting and open communications. Reporting ethical violations is part of everyone's job and is expected. Retaliation against an employee who makes a good faith report is prohibited and will not be tolerated.

To file a report or seek guidance, you may:



Speak to your  
manager or next level  
of management



Call the Ethics Hotline  
at 1-800-805-3569



Email the JEA Ethics  
Officer Mailbox at  
[ethicsofficer@jea.com](mailto:ethicsofficer@jea.com)

II. E.

Ernst & Young FY2017 Annual Financial Audit Plan



Building Community

## AGENDA ITEM SUMMARY

July 17, 2017

**SUBJECT:** ERNST & YOUNG FY2017 ANNUAL FINANCIAL AUDIT PLAN

**Purpose:**  Information Only  Action Required  Advice/Direction

**Issue:** Ernst & Young (E&Y) has been invited to attend the August 7, 2017 Finance & Audit Committee (FAC) meeting to review the FY2017 annual financial audit scope and approach. At that meeting, they will outline the scope of their services, identify the E&Y team that will perform the audit and present the key considerations that will affect the FY2017 audit.

**Significance:** Auditing standards require the auditors to communicate certain matters to the governing board that may assist the Board in overseeing management's financial reporting process.

**Effect:** To keep in compliance with the FAC Policy, a formal approval of the annual audit plan is required. The effect of the formal approval is to demonstrate that the governing board has reviewed and is in agreement with the plan. In addition, meeting with auditors to discuss the audit plan, assists the Board in overseeing management's financial reporting process.

**Cost or Benefit:** There is no cost. See effect above for benefits.

**Recommended Board action:** Staff recommends that the Board approve the attached FY2017 Annual Audit Plan.

**For additional information, contact:** Janice Nelson

Submitted by: PEM/MHD/JRN



### Commitments to Action

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

# JEA

## 2017 audit plan

August 7, 2017



Ernst & Young LLP  
Suite 2400  
201 North Franklin St.  
Tampa, Florida 33602

Tel: +1 813 225 4957  
Fax: +1 866 870 7196  
john.disanto@ey.com

The Finance and Audit Committee  
JEA

July 26, 2017

Dear Members of the Finance and Audit Committee,

We look forward to discussing the current year audit plan for JEA on August 7, 2017.

At that meeting, we will outline the scope of our services, identify the EY team that will perform the audit and present the key considerations that will affect the 2017 audit. We are providing the enclosed materials so you can familiarize yourselves with them prior to our meeting.

The audit is designed to express an opinion on the 2017 financial statements.

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

We appreciate that JEA selected EY to perform its 2017 audit and are committed to executing a quality audit that embraces the responsibility of serving the Finance and Audit Committee.

Very truly yours,

A handwritten signature in black ink that reads 'John DiSanto'. The signature is written in a cursive, flowing style.

John DiSanto  
Executive Director





# Contents

- 3**     **2017 EY services**
- 4**     **Executive summary**
- 5**     **EY critical insights**
- 6**     ▶ Audit analytics roadmap
- 7**     **Our audit plan**
- 7**     ▶ Client service team
- 8**     ▶ Audit timetable
- 10**    ▶ Areas of audit emphasis
- 11**    ▶ Involvement of council auditors
- 12**    **Inquiries relating to matters relevant to the audit**
- 13**    **Appendices**
- ▶ Appendix A – Areas of audit emphasis (detail)
- ▶ Appendix B – Peer Review Report
- ▶ Appendix C – Required communications with audit committees
- ▶ Appendix D – 2017 engagement agreement – Draft



## Services and deliverables

<b>Audit and audit-related services</b>	<ul style="list-style-type: none"> <li>▶ Express an opinion on, and report to to the Finance and Audit Committee, the results of our audit of:             <ul style="list-style-type: none"> <li>– The financial statements of JEA - the audit will meet the requirements of Florida Statutes and Rules of the Auditor General of the State of Florida and will be conducted in accordance with auditing standards related to financial statement audits as set forth in the US Government Accountability Offices Government Auditing Standards.</li> </ul> </li> <li>▶ JEA's Electric System, Water and Sewer System, Bulk Power Supply, and St. John's River Power Park System of debt service coverage</li> <li>▶ SJRPP FY2016 Pension Plan</li> <li>▶ Other reports:             <ul style="list-style-type: none"> <li>– Issue a report on internal control over financial reporting compliance with certain provisions of laws, regulations, contracts, and grants and other matters.</li> <li>– Issue a report on compliance with requirements applicable to each major federal awards program and internal control over compliance in accordance with the Uniform Guidance, if required</li> <li>– Issue a management letter including recommendations for improvements of internal controls and other opportunities based on observations made during the course of the audit</li> <li>– Report on other matters as required by Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits in Florida</li> </ul> </li> </ul>
<b>Other services</b>	<ul style="list-style-type: none"> <li>▶ Prepare a schedule of findings and questioned costs pursuant to the Uniform Guidance, if required</li> <li>▶ Issue reports on compliance with debt covenants as required by JEA credit agreements</li> <li>▶ Issue a summary results report to the Audit Committee</li> <li>▶ Provide comfort and consent letters for bond offerings, if applicable</li> </ul>

# Executive summary

## Audit timeline

- ▶ We will perform our interim procedures during the months of April through August and our year end procedures during the months of October through December. Refer to the audit timetable on page 8.

## Audit scope and strategy

- ▶ Our audit scope and strategy for the 2017 audit are outlined in the Areas of audit emphasis and the EY Services Appendixes.

## Accounting developments

- ▶ GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective FY17*
- ▶ GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective FY18*
- ▶ GASB Statement No. 77, *Tax Abatement Disclosures - Effective FY17 - No Impact*
- ▶ GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans - Effective FY17 - No impact*
- ▶ GASB Statement No. 81, *Irrevocable Split-Interest Agreements - Effective FY18 - No Impact*
- ▶ GASB Statement No. 82, an amendment of GASB Statement No. 67, No. 68 and No. 73. - *Effective FY17/18 - Impacts RSI Disclosures*
- ▶ GASB Statement No. 83, *Certain Asset Retirement Obligations - Effective FY19 - Impacts SJRPP Decommissioning*
- ▶ GASB Statement No. 84, *Fiduciary Activities - Effective FY20 - Impacts Pension Plan and OPEB Reporting*
- ▶ GASB Statement No. 85, *Omnibus 2017 - Effective FY18*
- ▶ GASB 86, *Certain Debt Extinguishment Issues - Effective FY18 - Potential Impact on Future Debt Extinguishments*
- ▶ GASB 87, *Leases - Effective FY21*

## Topics to be discussed at the meeting with the Finance and Audit Committee:

### EY critical insights

- ▶ Audit analytics roadmap (page 6)

### Significant 2017 considerations (page 10)

- ▶ Revenue recognition
- ▶ Allowance for doubtful accounts
- ▶ Regulatory accounts
- ▶ Legal reserves
- ▶ Derivative instruments and hedging activities
- ▶ Pollution remediation obligations
- ▶ OPEB liabilities
- ▶ Pension plan accounting and reporting
- ▶ Investments
- ▶ Capital assets
- ▶ Asset impairments
- ▶ SJRPP decommissioning
- ▶ Plant Vogtle

### Our audit plan (page 7)

### Inquiries relating to matters relevant to the audit (page 12)



# Supplements

EY critical insights  
Audit analytics roadmap

## Audit analytics roadmap

### Topic summary

Companies are investing heavily in people, processes and technology to analyze “big data” – including vast amounts of financial data. Audit committees are expecting auditors to leverage their investment in analytics by challenging traditional audit procedures and providing more relevant business insights. The effective use of analytics can bring confidence, transparency and perspective for a higher quality audit.

### Impact of analytics on the audit

EY Helix, our suite of analytics, enables us to deliver a high quality audit by:

- ▶ Allowing us a deeper understanding of your business by analyzing larger populations of audit relevant data, to present a fuller picture of what happened and identify relevant risks.
- ▶ Identifying trends and anomalies in your processes to help direct our audit efforts in the right areas.
- ▶ Using complete data populations to obtain higher quality audit evidence within areas of higher risk.
- ▶ Delivering relevant feedback and insights during the audit, so you can optimize your business processes and controls.
- ▶ Saving the Company valuable time and effort through our repeatable data capture process using globally-integrated data extraction tools and processes.

### Keys to a successful integration of analytics

- ▶ Commitment from management to support the planned data capture and analysis strategy
- ▶ Confirmation that the right people from finance and IT are available to provide approval and access rights for data extraction
- ▶ Support in creating an efficient, repeatable data capture process as quickly as possible to allow for the use of analytics throughout the audit



### Comments from the team

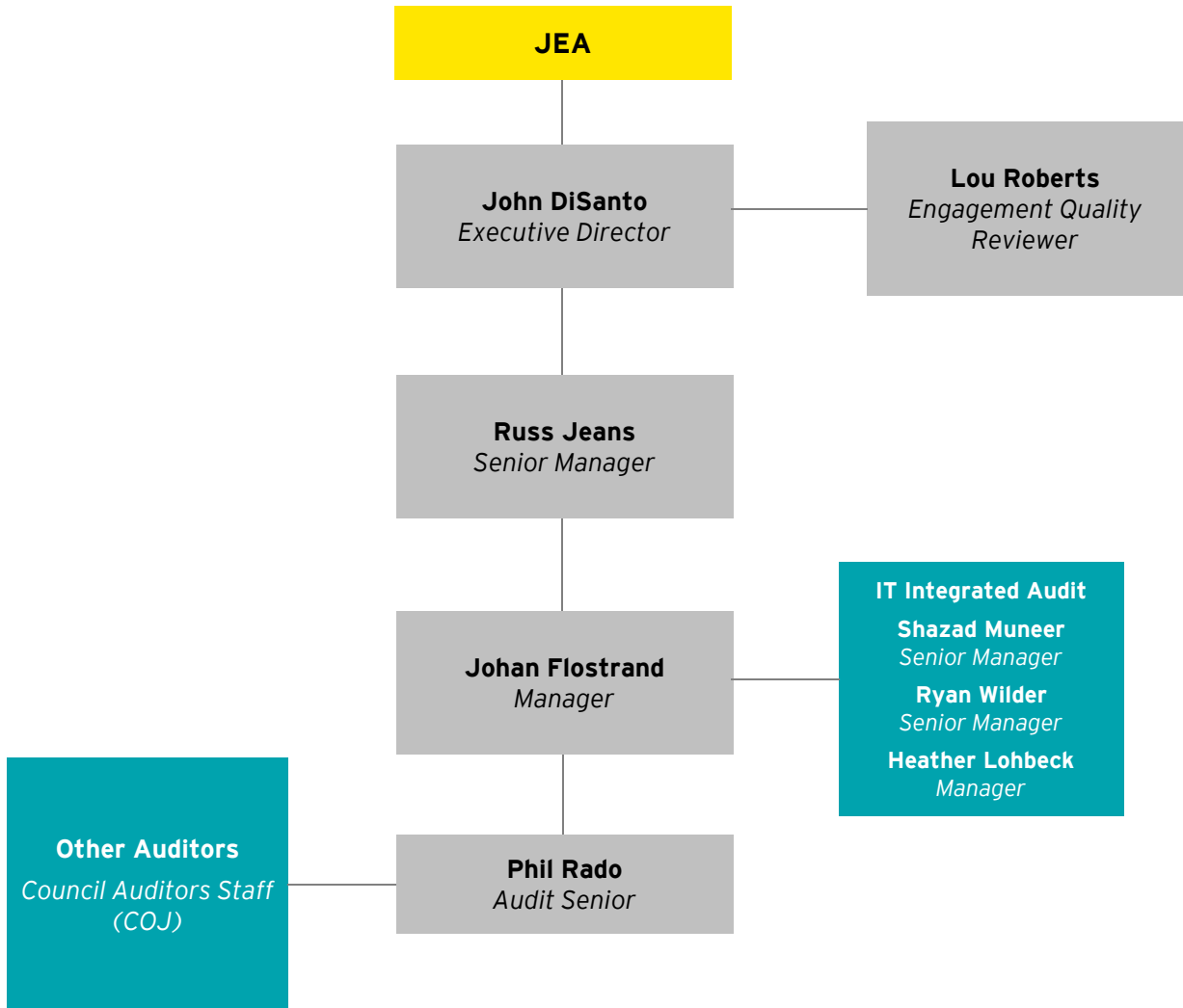
- ▶ **Current or prior use of analytics in the audit** – in past periods the EY team has leveraged JEA’s general ledger journal entry data to make journal entry selections based on pre-determined parameters. Sub-ledger data has not been previously used by the audit team.
- ▶ **Preliminary plan for the use of analytics going forward** – establishing a repeatable data capture process for the general ledger journal entry data, and possible use of sub-ledger data from CC&B.

Relevant materials are available on the Center for Board Matters ([www.ey.com/boardmatters](http://www.ey.com/boardmatters))

*Big data and analytics in the audit process: mitigating risk and unlocking value* – In just the last few years, the terms “big data” and “analytics” have become hot topics in company boardrooms around the world. This article helps board members understand the complexities and have a grasp of the issues surrounding these technology trends.



## Client service team



## Audit timetable

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Planning and risk identification</b>												
Understand service requirements and audit scope and coordinate with management and internal audit	■											
Update our understanding of the business	■											
Establish the team including determining the need for specialized skills or knowledge	■											
Audit planning including identification of significant risks and budgeting	■	■	■									
<b>Strategy and risk assessment</b>												
Update our understanding of the Company's use of technology, including relevant IT applications, and develop overall audit strategy and audit program		■	■	■								
Evaluate entity level internal controls		■	■	■	■							
Update our understanding of significant classes of transactions and perform walkthroughs		■	■	■								
Make combined (inherent and control) risk assessments and develop audit approach		■	■	■	■							
<b>Execution of audit procedures</b>												
Perform FY16 SJRPP pension plan audit					■	■						
Perform interim substantive procedures	■	■	■	■	■							
Perform year end substantive procedures							■	■	■			
Design and perform tests of controls							■	■	■			
Perform general audit procedures							■	■	■			

# Our audit plan

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

## Conclusion and reporting

- Issue audit opinion on the financial statements
- Communicate audit results to management and the Finance and Audit Committee
- Issue reports to management and the Finance and Audit Committee on any significant deficiencies or material weaknesses
- Issue a management letter including recommendations for improvements in controls and procedures


## Areas of audit emphasis

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

▸ Revenue recognition

▸ Allowance for doubtful accounts

▸ Regulatory accounts

▸ Legal reserves

▸ Derivative instruments and hedging activities

▸ Pollution remediation obligations

▸ Other postretirement benefits liabilities

▸ Pension plan accounting and reporting

▸ Investments

▸ Capital assets

▸ Asset impairments

▸ SJRPP Decommissioning

▸ Plant Vogtle



## Involvement of council auditors

Areas where EY is using the work of council auditors for direct assistance:

- Test of controls/transactions
- Substantive procedures for certain audit areas (including cash and investments, accounts receivable, capital assets, accounts payable, long-term debt)

Direct assistance model <sup>(1)</sup>:

- EY will work closely with council auditors who provide us direct assistance:
  - On-site direction and supervision
  - Detailed review of working papers

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<sup>(1)</sup> Direct assistance model – When we use the direct assistance model, we treat internal audit, or in this instance council auditors, as our own staff by providing audit programs, supervising their work, and performing a detail and second-level review of the workpapers.

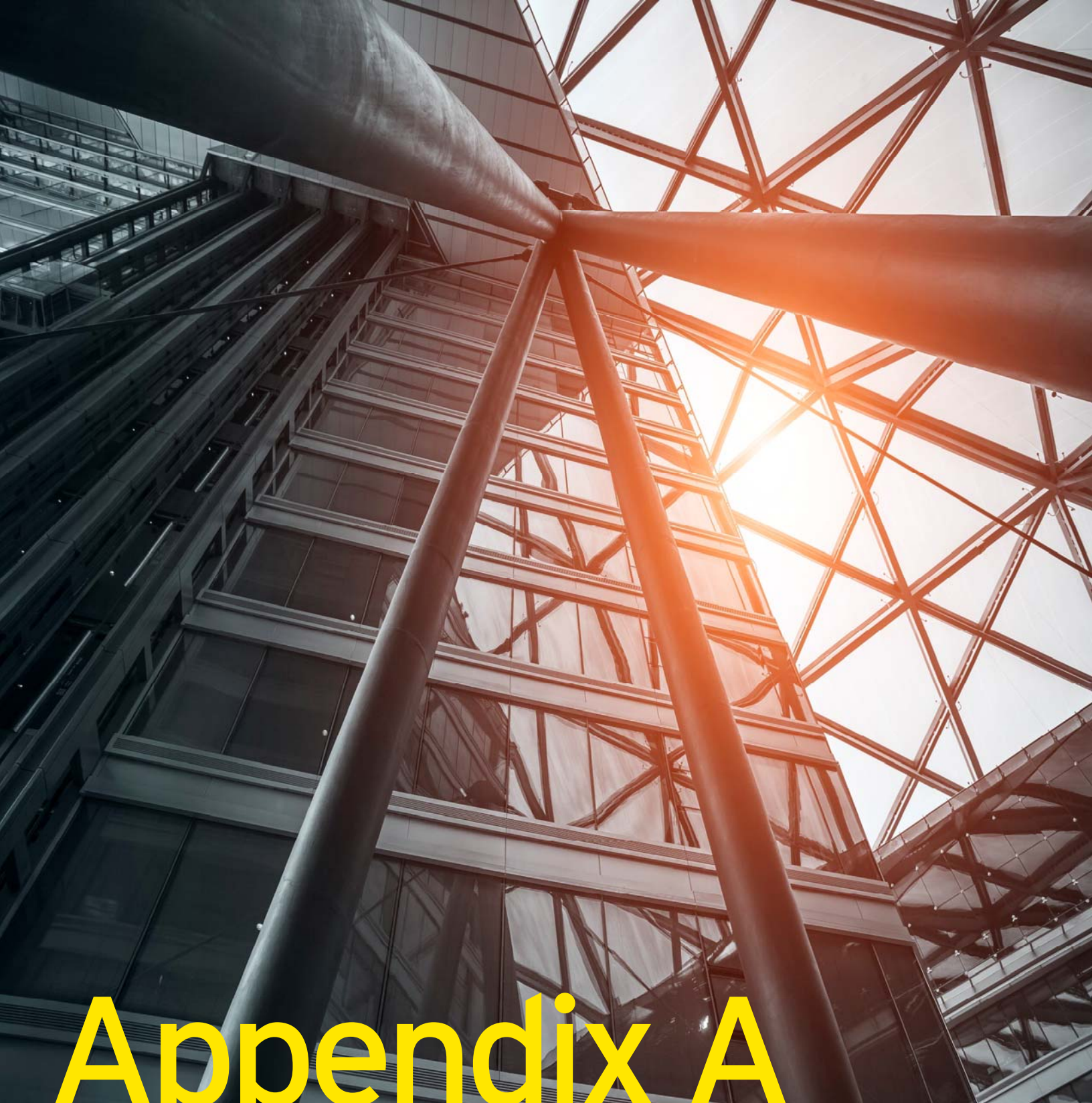
# Inquiries relating to matters relevant to the audit

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

- ▶ Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- ▶ Your knowledge of any actual, alleged or suspected fraud
- ▶ How you exercise oversight over the Company's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of tips or complaints regarding the Company's financial reporting (including those received through those charged with governance's own "whistleblower" program, if any) and its response to such tips and complaints.
- ▶ Your awareness of other matters, you believe, are relevant to the audit including, but not limited to, violations or possible violations of laws or regulations

- ▶ Your understanding of the Company's relationships and transactions with related parties that are significant to the Company
- ▶ Whether you have any concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns

When we identify a fraud risk, including a fraud risk that arises through or is associated with the risk of management override of controls, we perform audit procedures to address those risks. An overview of these planned procedures is covered on page 14 in this booklet. In addition to any specific responses related to the fraud risk, we also examine journal entries, review accounting estimates for management bias and evaluate the business rationale of significant unusual transactions as required by our professional standards.



# Appendix A

Areas of audit emphasis

# Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<p><b>Revenue recognition</b></p> <p>JEA recognizes revenues for estimated services provided on its electric and water and sewer infrastructure. Unbilled revenue relates to services that have not yet been billed to the end customer at fiscal period-end. The calculation is based upon approved rates and historical consumption trends.</p> <p>JEA is a member of The Energy Authority (TEA), a municipal power marketing and risk management joint venture. In addition to providing its members with wholesale power marketing and resource management services, TEA also assists JEA with natural gas procurement and related gas hedging activities. JEA records energy marketing activity in the period when the energy is delivered.</p> <p>Intergovernmental revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources remitted before the eligibility requirements are met should, under most circumstances, be reported as deferred revenue. JEA receives revenue from various federal and state-assisted grant programs.</p> <p>Programs are generally reimbursement-based, and JEA records revenue once expenditures for allowable purposes are made or upon compliance with the terms and conditions of grant agreements and applicable regulations.</p>	<ul style="list-style-type: none"><li>▶ Review calculation of unbilled revenue</li><li>▶ Test contractual arrangements, including unique terms and conditions, to obtain reasonable assurance of compliance with the applicable accounting standards</li><li>▶ Test timing of revenue recognition based on the terms of the arrangement</li><li>▶ Confirm terms and conditions with both customers and management as considered necessary</li><li>▶ Test account reconciliations to determine timely completion and review</li><li>▶ Perform detailed analytical review procedures, by system, including predictive analytics based on verifiable consumption and production data</li><li>▶ Perform detailed tests over a sample of revenue transactions to assess the appropriateness and accuracy of recorded amounts</li><li>▶ Through the use of data analytics we will analyze 100% of the revenue data within the general ledger and perform a correlation analysis between revenue, AR and cash</li></ul>
<p><b>Allowance for doubtful accounts</b></p> <p>An allowance for doubtful accounts is established based on JEA's best estimate of billed amounts that will not be collected from its customers.</p>	<ul style="list-style-type: none"><li>▶ Test allowance for doubtful accounts calculation, including the aging of receivables</li><li>▶ Validate assumptions based on retrospective review of prior estimates</li><li>▶ Evaluate the appropriateness of the financial statement presentation and disclosure</li></ul>

# Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<b>Regulatory accounts</b>	
<p>Regulatory accounts are recorded when either future revenues are expected to recover incurred expenses or when amounts have been collected through rates in advance. JEA's regulatory accounts are associated with the Electric, Waster &amp; Sewer, SJRPP and Bulk power systems pursuant to 3rd party agreements, and generally relate to the timing differences between recognition of capital asset costs (depreciation) and amounts collected in rates to cover debt service requirements.</p>	<ul style="list-style-type: none"> <li>▶ Test approval of any new regulatory assets/liabilities</li> <li>▶ Verify that amortization and expense recognition are consistent with rate recovery</li> <li>▶ Vouch significant activity</li> <li>▶ Test account reconciliations</li> <li>▶ Perform projection tests to determine that regulatory accounts will be recovered/amortized over the remaining maturities/useful lives of related debt and capital assets</li> </ul>
<b>Legal reserves</b>	
<p>Accruals are recorded for regulatory and legal proceedings that arise in the ordinary course of business when probable and subject to reasonable estimation.</p> <p>Many factors are considered in making an assessment of a contingency, including history and stage of litigation. Estimates are based upon consultation with legal counsel (in-house and/or external). Legal fees are generally expensed as incurred.</p>	<ul style="list-style-type: none"> <li>▶ Interview management and in-house legal counsel regarding all litigation</li> <li>▶ Obtain external letters from counsel</li> <li>▶ Review legal accruals and expenses for appropriateness based on management inquiry and responses from outside counsel</li> </ul>
<b>Derivative instruments and hedging activities</b>	
<p>JEA uses derivative contracts to manage its exposure to changes in energy commodity prices and interest rates. Derivative contracts are accounted for in accordance with GASB 53. The gains and losses from the change in fair market value of JEA's derivative instruments are deferred if hedge effectiveness is maintained.</p>	<ul style="list-style-type: none"> <li>▶ Test assessment of hedge effectiveness documentation, including re-performance where quantitative methods are used</li> <li>▶ Confirm instruments with counterparties</li> <li>▶ Test recorded market values using independently developed estimates</li> <li>▶ Test fuel hedge contract settlements</li> <li>▶ Evaluate disclosures</li> <li>▶ Reconsider normal purchase/normal sales assumptions for commodity contracts</li> </ul>



# Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<b>Pollution remediation obligations</b>	
<p>JEA records accruals for costs for future and ongoing remediation, litigation and administrative expenses when these amounts are estimable. As required by GASB 49, management applies probability assessments to expected future cash outflows for remediation activities to determine the amounts accrued.</p>	<ul style="list-style-type: none"> <li>▶ Inquire of management and internal or external engineers regarding remediation plans and efforts</li> <li>▶ Obtain evidence of the remediation plans and review and test management's probability assumptions for remediation activities</li> <li>▶ Review estimated recoveries and obtain evidence that amounts recorded are considered probably of occurring</li> </ul>
<b>Other postretirement benefits liabilities</b>	
<p>JEA engages an actuary to calculate the liability related to the other post-employment benefit liability.</p> <p>JEA's benefit obligations recognizable under these standards are significantly affected by certain assumptions, among which are the discount rate, long-term rate of return on plan assets, life expectancies and the assumed health care cost trend rate assumption.</p>	<ul style="list-style-type: none"> <li>▶ Review key assumptions for reasonableness</li> <li>▶ Test census data provided to the actuaries</li> <li>▶ Develop independent estimates for corroboration</li> </ul>
<b>Pension plan accounting and reporting – COJ Plan</b>	
<p>In accordance with GASB 68 JEA is required to record a liability for its unfunded pension obligations for the City of Jacksonville (COJ) cost-sharing multi employer pension plan.</p>	<ul style="list-style-type: none"> <li>▶ Review actuary reports for reasonableness of assumptions and methodology</li> <li>▶ For cost sharing plan (City Plan) obtain allocation schedule to determine the City's liabilities, expenses, deferred inflows and outflows</li> <li>▶ In accordance with AU-C 805, obtain a report on elements from CRI</li> <li>▶ Census data testing for JEA plan participants</li> <li>▶ Assess reasonableness of require disclosures</li> </ul>

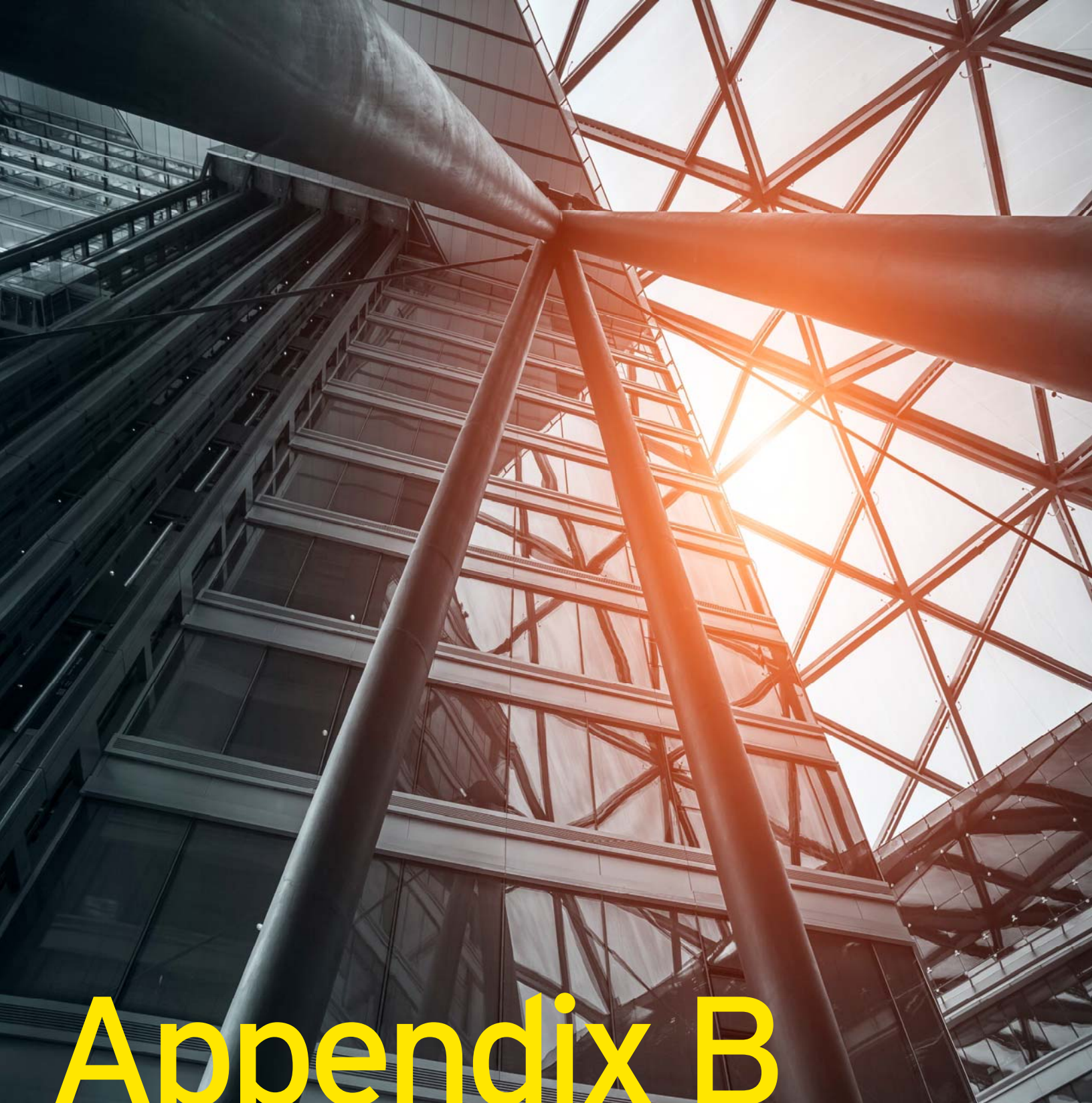
# Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<b>Pension plan accounting and reporting – SJRPP Plan</b>	
<p>In accordance with GASB 68 JEA is required to record a liability for its unfunded pension obligations for the SJRPP single employer pension plan.</p>	<ul style="list-style-type: none"><li>▶ Review actuary reports for reasonableness of assumptions and methodology</li><li>▶ For single employer plan, obtain actuary's reports and procedures performed by plan auditors</li><li>▶ We will issue and opinion on the plan for the year ended September 30, 2016.</li><li>▶ Census data testing for JEA plan participants</li><li>▶ Assess reasonableness of require disclosures</li><li>▶ Test plan assets</li></ul>
<b>Investments</b>	
<p>All investments are stated at fair value based on quoted market prices or other observable market inputs (e.g., matrix pricing for fixed income securities).</p>	<ul style="list-style-type: none"><li>▶ Assess estimation uncertainty for significant classes of securities in JEA's portfolio</li><li>▶ Confirm investments with custodial institutions and managers</li><li>▶ Test valuation for selected securities using alternative pricing sources</li><li>▶ Test selected transactions</li><li>▶ Evaluate GASB 40 risk disclosures</li><li>▶ Evaluate GASB 72 fair market value disclosures</li></ul>
<b>Capital assets</b>	
<p>Property and equipment is carried at historical cost. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 50 years.</p>	<ul style="list-style-type: none"><li>▶ Review expenses to determine expenses should be capitalized versus expensed</li><li>▶ Test selection of assets added during fiscal year</li><li>▶ Review depreciation for reasonableness</li></ul>

# Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<b>Asset impairments</b>	
<p>JEA assesses recoverability of long-lived assets as indicators of impairment become known, as required by GASB Statement No. 42. If an indicator or change in circumstance affecting the value of the asset has occurred, JEA would evaluate the need for an impairment charge by determining whether the carrying value is recoverable based on expected future cash flows of the asset. The assets are reduced to reflect their fair value if they are determined to be unrecoverable.</p>	<ul style="list-style-type: none"> <li>▶ Review and evaluate impairment indicators through inquiries and review of other records and meeting minutes</li> <li>▶ Discuss and understand management's assessment if a change in circumstance potentially effects the value of an asset</li> <li>▶ If applicable, test impairment computations and disclosures</li> </ul>
<b>SJRPP decommissioning</b>	
<p>The Company announced that they, along with Florida Power and Light Co., will be decommissioning the St. Johns River Power Park in early 2018. The 1,252-megawatt coal-fired electric generating plant, which is owned jointly by JEA and FPL, was built in the early 1980s.</p>	<ul style="list-style-type: none"> <li>▶ The Company will adopt GASB No. 83, <i>Certain Asset Retirement Obligations</i>, to account for the decommissioning of SJRPP.</li> <li>▶ We will engage internal specialists to value the decommissioning valuation provided by management, and assess for reasonableness.</li> <li>▶ We will evaluate management's use of a specialist, obtain and inspect executed agreements, for any expenditures incurred during the year we will test a sample of the expenditures and vouch for existence and valuation.</li> <li>▶ As part of our review of the financial statements we will assess any required disclosures in accordance with GASB 83.</li> </ul>
<b>Plant Vogtle</b>	
<p>Management will continue to monitor the developments of the nuclear power plant construction at Plant Vogtle to evaluate the possible impact on JEA's financial statements including any required disclosures.</p>	<ul style="list-style-type: none"> <li>▶ As part of our procedures we will continue to inquire of management, and evaluate the possible impact on JEA's financial statements including disclosures</li> </ul>





# Appendix B

Peer Review Report



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

## System Review Report

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

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the Firm) applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

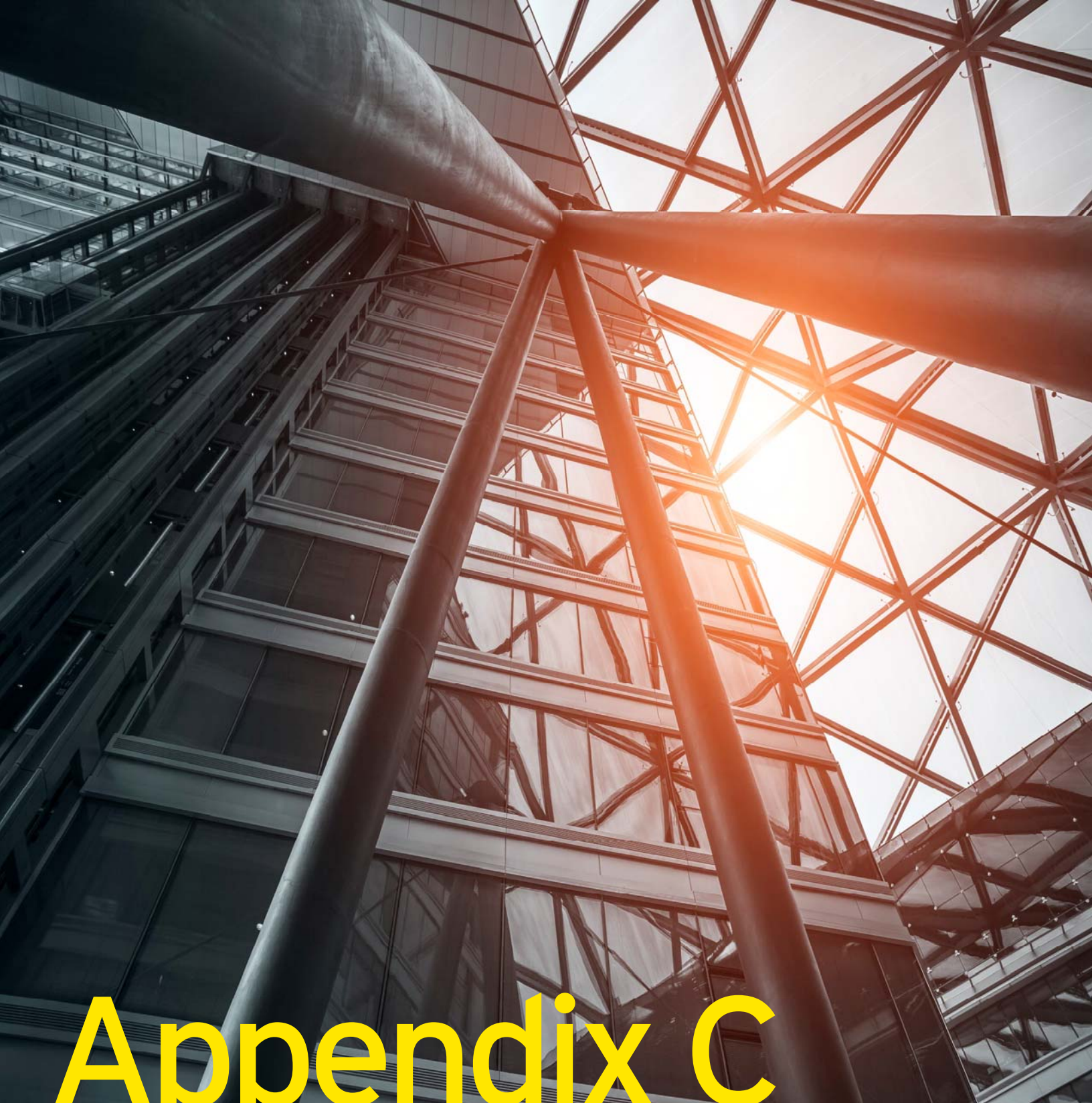
As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization Control (SOC) 1 and SOC 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2016, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

KPMG LLP

December 2, 2016





# Appendix C

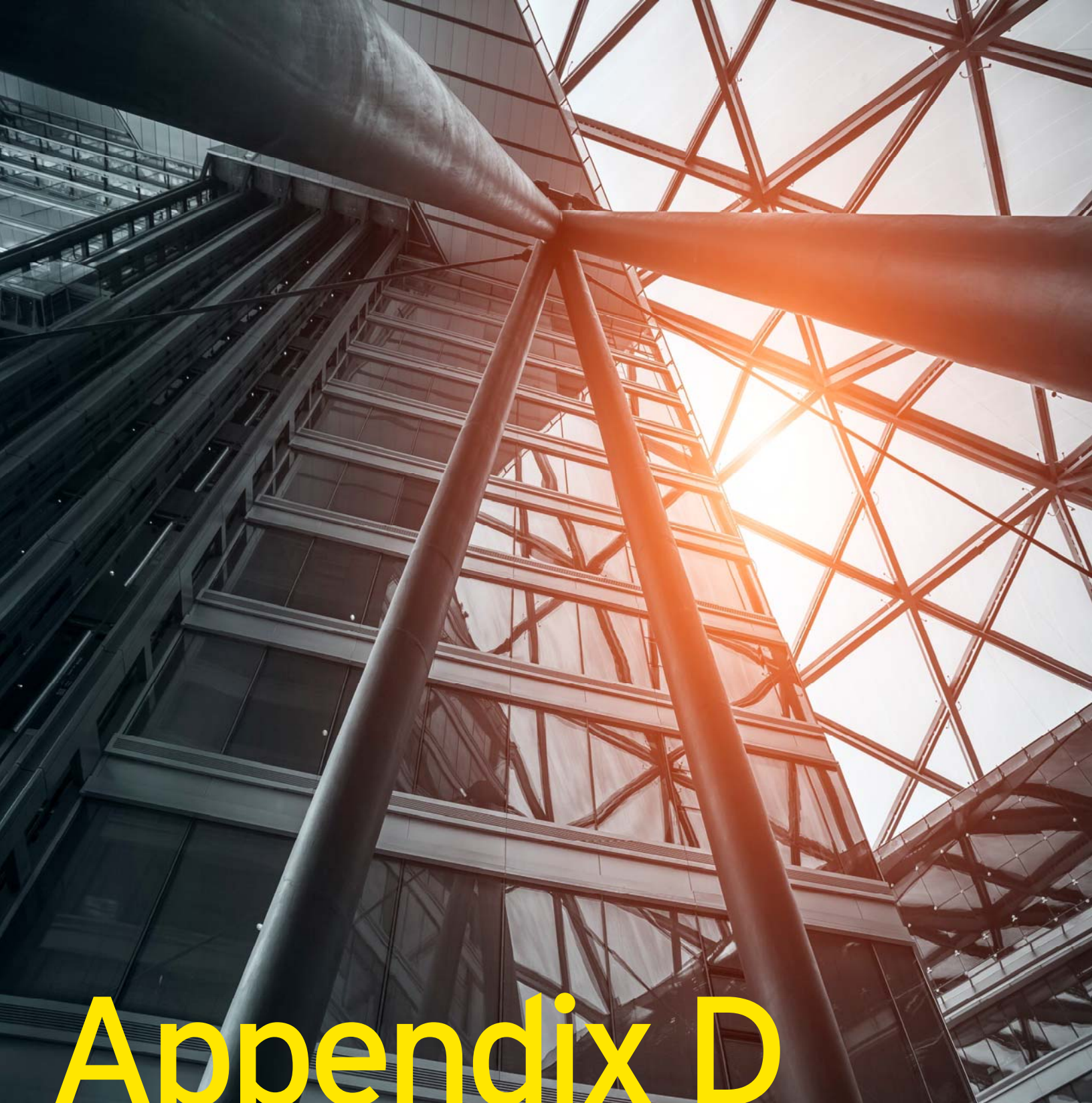
Required communications with  
audit committees

# Summary of required communications

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

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ Accounting policies		X
▸ Additional views		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control	X	X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Fraud and non-compliance with laws and regulations (illegal acts)	X	
Independence matters		X
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	





# Appendix D

2017 engagement agreement – Draft

Jacksonville Electric Authority  
21 W Church Street  
Jacksonville, FL 32202  
Attention: Ms. Melissa Dykes, CFO

June 26, 2017

Ladies and Gentlemen:

1. This agreement (together with all attachments hereto, “the Agreement”) confirms the engagement of Ernst & Young LLP (“we” or “EY”) to audit and report on the basic financial statements and supplementary information of Jacksonville Electric Authority (“JEA” or the “Company”) for the year ended September 30, 2017. In addition, we will audit the financial statements of JEA’s SJRPP Defined Benefit Pension Plan for the year ended September 30, 2017. We will conduct the audit of the financial statements and supplementary information in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and thus will also provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. We will conduct the audit of JEA’s SJRPP Defined Benefit Pension Plan in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of United States. If required, we also will audit and report on each major program of JEA for the year ended September 30, 2017 in accordance with the Single Audit Act Amendments of 1996, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All of the services described in this paragraph are referred to collectively as the “Audit Services” or the “audits.”

### **Audit responsibilities and limitations**

2. The objective of the audit of the financial statements is to express an opinion on whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We also will conduct an audit in accordance with the Single Audit Act Amendments of 1996 and the provisions of the Uniform Guidance, if required, and Chapter 10.550, Rules of the Auditor General, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance (“Uniform Guidance compliance audit”), and other procedures we consider necessary to enable us to express an opinion on compliance for each major program and to render the required reports.



3. In connection with our audit of the financial statements, we will not perform sufficient procedures to render an opinion on internal control over financial reporting nor on compliance with provisions of laws, regulations, contracts or grant agreements and other matters, and therefore, we will not express such an opinion.
4. If required, we will report on internal control over compliance related to major programs and provide an opinion on compliance with federal statutes, regulations and terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.
5. Should conditions not now anticipated preclude us from completing the audits and issuing our reports as contemplated by the preceding paragraphs, we will advise you and the Audit and Finance Committee promptly and take such action as we deem appropriate.
6. We will conduct the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants (the “AICPA”) and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement whether caused by error or fraud. As management is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud or non-compliance with laws and regulations. Accordingly, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the applicable auditing standards. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. We will conduct the Uniform Guidance compliance audit in accordance with auditing standards established by the AICPA, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996 and the audit requirements of the Uniform Guidance. As part of the financial statement audit, we will consider, solely for the purpose of planning the audit and determining the nature, timing and extent of our audit procedures, the Company’s internal control. Our consideration of internal control for the audit of the financial statements will not be sufficient to enable us to express an opinion on the effectiveness of internal control over financial reporting or to identify all significant deficiencies and material weaknesses.

7. In accordance with AICPA auditing standards, we will communicate certain matters related to the conduct and results of the audit to the Audit and Finance Committee. Changes to the scope of the Audit Services may occur as a result of the issuance of new standards and interpretations or inspections findings. We will communicate any significant changes in the scope of the Audit Services and related procedures to management and the Audit and Finance Committee on a timely basis.
8. If we determine that there is evidence that fraud or possible non-compliance with laws and regulations may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving senior management or fraud (whether committed by senior management or other employees) that causes a material misstatement of the financial statements, we will report this matter directly to the Audit and Finance Committee. We will determine that the Audit and Finance Committee and appropriate members of management are adequately informed of instances of non-compliance with laws and regulations that come to our attention unless they are clearly inconsequential. We also will inform the Audit and Finance Committees and appropriate members of management of significant corrected misstatements and uncorrected misstatements noted during our audit procedures other than those that are clearly trivial. In accordance with *Government Auditing Standards*, we will determine that appropriate members of management and Audit and Finance Committee are adequately informed of:
  - ▶ Fraud, and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or financial data significant to the audit objectives and any other instances that warrant the attention of Audit and Finance Committee,
  - ▶ Noncompliance with provisions of contracts or grant agreements that have a material effect on the financial statements or financial data significant to the audit objectives, or
  - ▶ Abuse that is material, either quantitatively or qualitatively to the financial statements or financial data significant to the audit objectives.
9. We will communicate in writing to management and the Audit and Finance Committees all significant deficiencies and material weaknesses identified during the audit, including those that were remediated during the audit. We also will communicate any significant deficiencies and material weaknesses communicated to management and the Audit and Finance Committee in previous audits that have not yet been remediated.
10. We also may communicate other opportunities we observe for economies in or improved controls over the Company's operations.



11. As part of our engagement, we will apply certain limited procedures to JEA's required supplementary information (RSI). The RSI consists of Management's Discussion and Analysis, the schedule of changes in net pension liability and related ratios, schedules of funding progress, and schedule of employer contributions to the SJRPP pension and OPEB plans. Those limited procedures will consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The measurement and presentation of RSI, in accordance with prescribed guidelines, will be affirmed to us by management in its letter of representations.
12. To the extent required by law, we will make our audit documentation available to a federal agency or the Comptroller General of the United States Government Accountability Office and provide copies upon their request. Audit documentation, as well as appropriate individuals, will also be made available upon request to appropriate auditors and reviewers. We shall promptly notify JEA of any such request to review our audit documentation.
13. An audit performed in accordance with *Government Auditing Standards* is not designed to detect noncompliance with provisions of laws, regulations, contracts or grant agreements that do not have a direct and material effect on the financial statements or other financial data significant to the audit objectives.
14. Because the determination of abuse is subjective, an audit conducted in accordance with *Government Auditing Standards* does not require us to detect abuse.
15. In some circumstances, in accordance with *Government Auditing Standards*, we may be required to report known or likely fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements and abuse directly to parties external to JEA.
16. In accordance with *Government Auditing Standards*, we will report in a management letter instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of Audit and Finance Committee.
17. Under *Government Auditing Standards*, we are required to provide to JEA our most recent peer review report, as well as subsequent peer review reports received during the term of this Agreement. Our most recent peer review report dated December 2, 2016 accompanies this Agreement as Appendix B.

## **Management’s responsibilities and representations**

18. The financial statements (and disclosures) are the responsibility of management. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to error or fraud, for properly recording transactions in the accounting records, for safeguarding assets and for the overall fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. Management also is responsible for the identification of, and for the Company’s compliance with, the laws and regulations and provisions of contracts and grant agreements applicable to its activities.
19. Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in its letter of representations certain representations made to us during the performance of the Audit Services, including that the effects of any uncorrected misstatements aggregated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.
20. Management is responsible for communicating to us on a timely basis all instances of alleged, identified or suspected non-compliance with laws and regulations that could have an effect on the financial statements or the effects of which should be considered by management when preparing the financial statements, and all instances of alleged, identified or suspected financial improprieties, of which management or the Audit and Finance Committee is aware (regardless of the source or form in which they may have been discovered or communicated to them and including, without limitation, instances identified by “whistle-blowers”), and providing us full access to information and any internal investigations related to them. Such instances include, without limitation, manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY or other alleged, identified or suspected illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company’s claims of attorney/client privilege, work product doctrine or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the Company’s financial statements; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Company’s independent auditors. We will disclose any such withholding of information to the Audit and Finance Committee.

21. Management is responsible for providing us access to: all information of which management is aware that is relevant to the Audit Services, such as records, documentation and other matters to complete the Audit Services on a timely basis; additional information that we may request from management for purposes of the audit; and unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence. Management's failure to do so may cause us to delay our report, modify our procedures, or even terminate the Audit Services.
22. As required by AICPA auditing standards, we will make specific inquiries of management about the representations contained in the financial statements and supplementary information. AICPA auditing standards also require that, at the conclusion of the applicable Audit Services, we obtain a letter of representations from certain members of management about these matters and to represent that management has fulfilled its responsibilities as set forth in this Agreement, including that all material transactions have been recorded in the accounting records and are reflected in the financial statements and supplementary information. The responses to those inquiries, the written representations and the results of our procedures comprise evidence on which we will rely in completing the applicable Audit Services.
23. Management shall make appropriate inquiries to determine whether the Company has a capital lease, material cooperative arrangement or other business relationship with EY or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm") other than one pursuant to which an EY Firm performs professional services.
24. Management shall discuss any independence matters with EY that, in management's judgment, could bear upon EY's independence.
25. The Company shall be responsible for its personnel's compliance with the Company's obligations under this Agreement. Management shall allow those providing direct assistance to EY in the course of the audit (e.g., members of the City of Jacksonville Council Auditor's staff) to follow EY's instructions and JEA will not intervene in the work those individuals perform for EY.
26. Management is responsible for the following, as provided in *Government Auditing Standards*:
  - ▶ Distributing the report on internal control over financial reporting and on compliance and other matters, as well as the steps being taken to make the report available to the public.
  - ▶ Identifying for us previous audits, attestation engagements, and other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented.
  - ▶ Applying a process to track the status of audit findings and recommendations.

- ▶ Providing views on any of our current findings, conclusions and recommendations, as well as management's planned corrective actions, for the report, and the timing and format for providing that information.
- ▶ Taking timely and appropriate steps to remedy fraud, noncompliance with the provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

27. Management is responsible for the following as provided in the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, if applicable:

- ▶ Complying with the provisions of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.
- ▶ Preparing the appropriate financial statements, including the schedule of expenditures of federal awards, in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General.
- ▶ Establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are being managed in compliance with federal statutes, regulations and the terms and conditions of awards that could have a material effect on each of its federal programs.
- ▶ Complying with federal statutes, regulations and the terms and conditions of federal awards related to each of its federal programs.
- ▶ Following up and taking corrective action on audit findings, including preparing a summary schedule of prior audit findings on JEA letterhead and corrective action plans as required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General.
- ▶ Submitting the reporting package to required recipients and the data collection form to the designated federal audit clearinghouse.
- ▶ Communicating to EY any significant contractor relationships where the contractor is responsible for program compliance.

28. Management is responsible for the preparation of the supplementary information in conformity with Uniform Guidance, Chapter 10.550, Rules of the Auditor General, and if applicable, the Governmental Accounting Standards Board. For any document that contains the supplementary information and that indicates that we have issued a report on the supplementary information, management will include the audit report on such supplementary information. Management will make appropriate representations to us regarding these matters.

### **Assistance with preparing the financial statements**

29. We will assist management with the preparation of the financial statements as requested by the Company. The objective of our assistance will be to help management present financial information in the form of financial statements in conformity with the applicable financial reporting framework.
30. We will perform this service in accordance with applicable professional standards promulgated by the AICPA.
31. In performing this service, we will not take any action that we reasonably believe could impair our independence with respect to the governmental entity.
32. Management agrees to retain all management responsibilities related to this service. Without limiting the foregoing, management shall maintain the books and records underlying the financial statements in accordance with the applicable financial reporting framework and provide source documents for all transactions including a complete and final trial balance.
33. Management shall assign a qualified person possessing suitable skill, knowledge and/or experience to oversee this service.
34. Management is responsible for all decisions and significant judgments related to this service, the results and use or implementation of the output and for determining whether the output is appropriate and adequate for management's purposes.
35. Management shall provide (or cause others to provide) to us, promptly, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform this service.
36. All information provided by management or on management's behalf will be accurate and complete in all material respects and the provision of such information to us will not infringe any copyright or other third-party rights.
37. We will not identify, address or correct any errors or defects in the governmental entity's computer systems, other devices or components thereof ("Systems"), whether or not due to imprecise or ambiguous entry, storage, interpretation or processing or reporting of data. We will not be responsible for any defect or problem arising out of or related to data processing in any Systems.
38. We do not assume any responsibility for any third-party products, programs or services, their performance or compliance with management's specifications or otherwise.



39. The terms, conditions and provisions applicable to the Audit Services and the Company, as set forth in paragraphs 18, 19, 20, 21 and 26 under Management’s responsibilities and representations, the paragraphs under *Fees and billings* and *Other matters* below and in the final two paragraphs of this Agreement shall apply equally to this service.

### **Full scope benefit plan audits**

40. In addition to the Audit Services, we also will audit and report on the financial statements and supplemental schedules of JEA’s SJRPP Defined Benefit Pension Plan for the year ended September 30, 2017 (the “Plan Audit Services” or the “Plan Audit”). In connection with the Plan Audit, references to “management” shall mean management of the Plan Sponsor, acting for the Plan Sponsor in its capacity as such.
41. The objective of the Plan Audit is to express an opinion on whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and whether the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole. Should conditions not now anticipated preclude us from completing the Plan Audit and issuing a report, we will advise the Audit Committee and management promptly and take such action as we deem appropriate.
42. We will conduct the Plan Audit in accordance with auditing standards generally accepted in the United States, as established by the AICPA. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud. As management is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud or illegal acts. Accordingly, because of the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States, as established by the AICPA. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.
43. The provisions of paragraphs 4, 5, 6, 7, and 8 above shall apply to the Plan Audit Services. Any reference to the Audit Committee shall be deemed to apply to the Audit Committee overseeing the Plan.
44. Management shall have the responsibilities for the financial statements of the Plan as set forth in paragraphs 18 and 19 above, and otherwise as set forth in paragraphs 20, 21, 22, 23, 24 and 25 with respect to the Plan and the Plan Audit.

45. Management is responsible for the preparation of any supplemental schedules and the form and content of the supplemental schedules. For any document that contains the supplemental schedules and indicates that we have issued a report on the supplemental schedules, management will include our report on such supplemental schedules. The supplemental schedules will be presented with the audited financial statements. Management will make appropriate representations to us regarding these matters.
46. Management is responsible for informing EY about any related party transactions, including transactions with parties in interest, sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties. We will assess whether all identified prohibited party-in-interest transactions are included in the supplemental schedule of nonexempt transactions.
47. The terms, conditions and provisions applicable to the Audit Services and JEA, as set forth in the paragraphs under Fees and billings and Other matters below and in the final two paragraphs of this Agreement, shall apply equally to the Plan Audit Services and the Plan Sponsor, and any reference therein to “Audit Services” shall be deemed to include the Plan Audit Services and any reference to the “JEA” shall be deemed to apply to it in its capacity as the Plan Sponsor.

### **Fees and billings**

48. We estimate that our fees for the 2017 Audit Services will be as described in the attached fee schedule. However, our actual fees may exceed the top of this range based on changes to the business (e.g., nature of the business or change in business entities) or additional unplanned effort. Any changes to the fees must be mutually agreed-to by JEA and EY and documented in writing. We will submit our invoices monthly, and you agree to pay our invoices timely in accordance with JEA standard practice.
49. Our estimated pricing and schedule of performance are outlined in the attached fee schedule. Our estimated pricing and schedule of performance are based upon, among other things, our preliminary review of the Company’s records, including, the number of major programs and whether the Company qualifies as a low risk auditee in accordance with the Uniform Guidance, and the representations Company personnel have made to us and are dependent upon the Company’s personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of records, degree of cooperation or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimates are based, we may adjust our fees and planned completion dates. Fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, non-recurring transactions or implementation of new accounting or auditing standards such as GASB Statement No. 74, decommissioning of

SJRPP, etc., will be billed separately from the fees referred to above and will be the subject of other written agreements. Any changes to the fees must be mutually agreed-to by JEA and EY and documented in writing.

50. If we are requested or authorized by the Company or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to the Audit Services for the Company, the Company will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

#### **Other matters**

51. From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY Firms (listed at [www.ey.com](http://www.ey.com)), who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY Firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. Unless prohibited by applicable law, we may provide Company information to other EY Firms and their personnel, as well as third-party service providers acting on our or their behalf, who may collect, use, transfer, store or otherwise process (collectively, "Process") it in various jurisdictions in which they operate to facilitate performance of the Audit Services, to comply with regulatory requirements, to check conflicts, to provide financial accounting and other administrative support services, or for quality and risk management purposes. We shall be responsible to you for maintaining the confidentiality of Company information, regardless of where or by whom such information is Processed on our behalf. Either EY or the Company may use electronic media to correspond or transmit information relating to the Audit Services, and such use will not, in itself, constitute a breach of any confidentiality obligations.
52. The Company shall not, during the term of this Agreement and for 12 months following its termination for any reason, without the prior written consent of EY, solicit for employment or a position on its Board of Directors, or hire or appoint to its Board of Directors, any current or former partner, principal or professional employee of EY, any affiliate thereof, any other EY Firm or any of their respective affiliates, if any such professional either: (i) performed any audit, review, attest or related service for or relating to the Company at any time (a) during the then current fiscal year of the Company up to and including the date of the audit report for that year or (b) in the 12 months ended on the audit report date for the immediately preceding fiscal year; or (ii) influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.



53. EY shall remain fully responsible for the Audit Services and for all of its other responsibilities, covenants and obligations under this Agreement, notwithstanding that we may subcontract portions of the Audit Services to other EY Firms or that other EY Firms may participate in the provision of the Audit Services. The Company may not make a claim or bring proceedings relating to the Audit Services or otherwise under this Agreement against any other EY Firm and EY shall not contest its responsibility for the Audit Services on the basis that any of them were performed by another EY Firm. The Company shall make any claim or bring proceedings only against EY. This paragraph is intended to benefit the other EY Firms, which shall be entitled to enforce it. Each EY Firm is a separate legal entity.
54. If we Process Company information that can be linked to specific individuals (“Personal Data”), we will Process it in accordance with paragraph 51 of this Agreement, as well as applicable law and professional regulations, including, where applicable, the EU-U.S. Privacy Shield Framework, administered by the U.S. Department of Commerce (“Privacy Shield”), to which EY has self-certified. Further information (including disclosures required by Privacy Shield) is set out at [www.ey.com/us/privacyshield](http://www.ey.com/us/privacyshield). We will require any service provider that Processes Personal Data on our behalf to provide at least the same level of protection for such data as is required by Privacy Shield and other legal and regulatory requirements applicable to us. If any Company information is protected health information under the Health Insurance Portability and Accountability Act, as amended, this Agreement is deemed to incorporate all of the terms otherwise required to be included in a business associate contract relating to such information. The Company warrants that it has the authority to provide the Personal Data to EY in connection with the performance of the Audit Services and that the Personal Data provided to us has been Processed in accordance with applicable law.
55. In order to provide the Audit Services, we may need to access Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law (“Restricted Personal Data”). In the event that we need access to such information, you will consult with us on appropriate measures (consistent with professional standards applicable to us) to protect the Restricted Personal Data, such as deleting or masking unnecessary information before it is made available to us, encrypting any data transferred to us, or making the data available for on-site review at a Company site. You will provide us with copies of any Restricted Personal Data only in accordance with mutually agreed protective measures.
56. You acknowledge that to the extent the Company is regulated by or under the supervision of a federal, state or other regulator (including, without limitation, the Board of Governors of the Federal Reserve, the Office of the Comptroller of the Currency and the New York State Department of Financial Services) (collectively, “Regulators”), you may be in possession of confidential supervisory information as defined in relevant law or regulations (“CSI”), including

without limitation documents and information comprising CSI arising from, relating to, or concerning inspections and examinations by such Regulator(s). As set forth in paragraph 22, we may require access to such CSI in order to perform the Audit Services. However, CSI may be subject to regulatory restrictions on disclosure to and/or use by third parties. Accordingly: (1) management will identify to EY the Regulators that regulate and/or exercise supervisory oversight over the Company; (2) management will identify to EY all CSI in your possession; (3) to the extent management's provision of CSI to EY is not authorized by applicable law or regulation absent Regulator approval, management will obtain authorization from the applicable Regulator to provide us access to any and all CSI for the purposes of performing the Audit Services with respect to CSI already in its possession immediately following execution of this Agreement (and with respect to any later-identified CSI immediately upon learning of the examination, inspection or other activity that could result in such materials being deemed CSI); and (4) management will not provide any such access prior to having received such authorization and having identified to EY with specificity the information that constitutes CSI. You acknowledge that any failure to provide any such information could be considered a restriction on the scope of the audit, and the parties agree that they shall engage in good faith discussion regarding the effect of any withholding in the Audit Services.

57. By your signature below, you confirm that the Company, through its Board of Directors, has expressly authorized you to enter into this Agreement on behalf of, and to bind, the Company. In addition, you confirm that management agrees to, acknowledges, and understands its responsibilities as outlined in "Management's responsibilities and representations." Either EY or the Company may execute this Agreement (and any supplements or modifications hereto) by electronic means, and each of EY and the Company may sign a different copy of the same document.
58. EY retains ownership in the workpapers compiled in connection with the performance of the Audit Services.
59. This Agreement, and any non-contractual matters or obligations arising out of this Agreement or the Audit Services, including (without limitation) claims arising in tort, fraud, under statute or otherwise relating to the Audit Services, or questions relating to the scope or enforceability of this paragraph, shall be governed by, and construed in accordance with, the laws of New York applicable to agreements made, and fully to be performed, therein by residents thereof. Except for a claim limited solely to seeking non-monetary or equitable relief, any dispute or claim arising out of or relating to the Audit Services, this Agreement or any other services provided by or on behalf of EY or any of its subcontractors or agents to the Company or at the Company's request, shall be resolved by mediation or arbitration as set forth in the attachment to this Agreement, which is incorporated herein by reference. Judgment on any arbitration award may be entered in any court having jurisdiction.

60. If any portion of this Agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this Agreement shall remain in effect. This Agreement applies to all Audit Services (as defined in paragraph 1), including any such services performed or begun before the date of this Agreement.

To the extent that EY agrees to perform Audit Services for a subsequent fiscal year, the terms and conditions set forth in this Agreement shall apply to the performance of such Audit Services, except as specifically modified, amended or supplemented in writing by the parties. Changes in the scope of the Audit Services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental agreements. We may terminate performance of the Audit Services and this Agreement upon written notice if we reasonably determine that we can no longer provide the Audit Services in accordance with applicable law or professional obligations. Upon any termination of the Audit Services or this Agreement, the Company shall pay EY for all work-in-progress, Audit Services already performed and expenses incurred by us up to and including the effective date of such termination.

EY appreciates the opportunity to be of assistance to the Company. If this Agreement accurately reflects the terms on which the Company has agreed to engage EY, please sign below on behalf of the Company and return it to John Di Santo 201 N Franklin St Suite 2400, Tampa, FL 33602.

Very truly yours,

Agreed and accepted by:

JEA

By:

\_\_\_\_\_  
Ms. Melissa Dykes, CFO

## **Dispute resolution procedures**

### **Mediation**

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution (“CPR”) shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director or substantial equity owner of any EY Firm audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator’s assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration or other binding dispute resolution process without initiating mediation or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

### **Arbitration**

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration (“Rules”) as in effect on the date of the Agreement or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures and has confirmed in writing that he or she is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director or substantial equity owner of any EY Firm audit client.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction. In deciding the dispute, the arbitration panel shall apply the limitations period that would be applied by a court deciding the matter in the same jurisdiction, and shall have no power to decide the dispute in any manner not consistent with such limitations period.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties and judgment on the arbitration award may be entered in any court having jurisdiction.

## Appendix A

<u>Service</u>	<u>FY17 Fees</u>	<u>Notes</u>
JEA Financial Statement Audit	\$ 380,000	Base audit fee does not include additional required procedures (for example, SJRPP decommissioning)
Federal Florida Single Audit	\$ 20,000	Assumes 1 major program (if required)^ and new OMB Uniform Guidance
Debt Issuance AUP Report	\$ 11,000	Per bond issue, issued at closing (as required)
Consent Letter	\$ 10,500	Per bond issue, issued at closing (as required)
Debt Covenant Compliance Report	\$ 1,500	Per report (approx. 11 per year), in connection with financial statement audit
Report on Compliance with Internal Debt Management Policy	\$ 2,400	Per report (if required) – Has not been required for several years
SJRPP Pension Plan Audit	\$ 18,500	FY 16 plan financial statements
DEP Certificate	\$ 2,384	Per report
Additional Services, As Requested, per Hour:		
Partner	\$ 580	
Senior Manager	\$ 435	
Manager	\$ 345	
Senior	\$ 240	
Staff	\$ 160	

^ Each additional major program will be billed at 50% of the stated fee.

### FY17 Financial statement audit billing schedule

<u>Bill No.</u>	<u>Bill date</u>	<u>Bill amount</u>
1	06/19/17	\$ 65,000
2	08/04/17	\$ 78,750
3	10/06/17	\$ 78,750
4	11/03/17	\$ 78,750
5	12/01/17	\$ 78,750

All other services will be billed at the time of performing the service.



**About EY**

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

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**About EY's Assurance Services**

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

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

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

**II. F.**

**Electric System and Water and Sewer System  
Reserve Fund Quarterly Report**





Building Community

## AGENDA ITEM SUMMARY

July 17, 2017

**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 June 30, 2017. This report is provided for transparency into JEA's reserve fund accounts and various cash balances.

**Significance:** High. JEA's liquidity position is an important balance between operating security and flexibility, financial metrics, and carrying cost of cash.

**Effect:** JEA operational needs, bond resolution requirements, and credit ratings.

**Cost or Benefit:** JEA's reserves are an important component of operating security and flexibility, a critical credit ratings factor.

**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



**INTER-OFFICE MEMORANDUM**

July 17, 2017

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

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**FROM:** Paul E. McElroy, Managing Director/CEO

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**TO:** JEA Finance and Audit Committee

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Kelly Flanagan, Chair  
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 resolutions 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 June 30, 2017.

**RECOMMENDATION:**

No action required; provided for information only.

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Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

## II. F. Return to 8/7/2017 Agenda

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

For the Fiscal Quarter Ending June 30, 2017

(In Thousands of Dollars)

<u>Electric System</u>	<u>Fiscal Year</u> <u>FY 2013</u>	<u>Fiscal Year</u> <u>FY 2014</u>	<u>Fiscal Year</u> <u>FY 2015</u>	<u>Fiscal Year</u> <u>FY 2016</u>	<u>Fiscal Year</u> <u>FY 2017</u>	<u>Detail</u> <u>Page #</u>
<b>Unrestricted</b>						
Operations/Revenue Fund	\$ 46,588	\$ 43,178	\$ 46,624	\$ 56,665	\$ 44,650	
Debt Management Strategy Reserve	-	-	-	-	-	3
Self Insurance Reserve Fund						
• Property	10,000	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,914	10,749	10,937	11,179	9,179	5
Rate Stabilization						
• Fuel	108,289	105,457	150,742	180,115	130,371	6
• DSM/conservation	3,891	3,570	2,886	3,515	3,386	7
• Environmental	10,023	16,639	23,430	29,975	36,210	8
• Debt Management	42,126	42,126	42,126	42,126	29,884	9
• Non-Fuel Purchased Power	-	12,000	38,000	34,400	25,727	10
Environmental	18,662	18,662	18,662	18,556	18,556	11
Customer Deposits	44,882	42,688	42,389	41,084	41,657	12
<b>Total Unrestricted</b>	<b>300,375</b>	<b>305,069</b>	<b>385,796</b>	<b>427,615</b>	<b>349,619</b>	
<b>Days of Cash on Hand (2)</b>	<b>172</b>	<b>166</b>	<b>225</b>	<b>270</b>	<b>211</b>	
<b>Restricted</b>						
Debt Service Funds (Sinking Funds)	101,305	120,458	134,927	136,232	168,025	13
Debt Service Reserve Funds	64,841	64,841	64,595	60,582	60,582	14
Renewal and Replacement Funds/OCO (3)	140,486	146,910	145,711	192,179	161,966	15
Construction Funds	5,184	42	-	-	-	16
<b>Total Restricted</b>	<b>311,816</b>	<b>332,251</b>	<b>345,233</b>	<b>388,993</b>	<b>390,573</b>	
<b>Total Electric System</b>	<b>\$ 612,191</b>	<b>\$ 637,320</b>	<b>\$ 731,029</b>	<b>\$ 816,608</b>	<b>\$ 740,192</b>	
<hr/>						
<b>Water and Sewer System</b>						
<b>Unrestricted</b>						
Operations/Revenue Fund	\$ 5,886	\$ 9,227	\$ 22,588	\$ 42,948	\$ 68,495	
Debt Management Strategy Reserve	304	304	-	-	-	17
Rate Stabilization						
• Debt Management	20,290	20,291	20,290	20,290	14,209	18
• Environmental				1,699	2,857	19
Customer Deposit	13,860	12,787	13,255	13,910	14,797	20
<b>Total Unrestricted</b>	<b>40,340</b>	<b>42,609</b>	<b>56,133</b>	<b>78,847</b>	<b>100,358</b>	
<b>Days of Cash on Hand (2)</b>	<b>395</b>	<b>438</b>	<b>466</b>	<b>528</b>	<b>494</b>	
<b>Restricted</b>						
Debt Service Funds (Sinking Funds)	80,317	75,019	67,720	65,410	82,870	21
Debt Service Reserve Funds	119,915	116,829	108,849	108,086	107,488	22
Renewal and Replacement Funds						
• R&R/OCO (4)	78,689	59,295	37,337	76,020	60,682	23
• Capacity Fees/State Revolving Loans	60,360	76,887	90,912	103,411	81,861	24
• Environmental	(9,857)	5,299	19,245	2,659	1,411	25
Construction Funds	2,305	326	664	152	-	26
<b>Total Restricted</b>	<b>331,729</b>	<b>333,655</b>	<b>324,727</b>	<b>355,738</b>	<b>334,312</b>	
<b>Total Water &amp; Sewer System</b>	<b>\$ 372,069</b>	<b>\$ 376,264</b>	<b>\$ 380,860</b>	<b>\$ 434,585</b>	<b>\$ 434,670</b>	

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

(2) Days of Cash on Hand includes R&R Fund in the cash balances, and includes the Contribution to the City of Jacksonville General Fund with the Operating Expenses net of Depreciation.

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

(4) 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 June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 12,257	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ 12,257
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Withdrawals	-	12,257				-	6,129	6,129	12,257
Sub-total	\$ -	\$ 12,257	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,451	\$ 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 June 30, 2017**

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.

<i>(In Thousands)</i>	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	<u>2018</u>	<u>2019</u>	<u>2020</u>
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			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Low	Median	Mean	High
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:									
Reserve Contribution						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
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 June 30, 2017**

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.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	<u>2018</u>	<u>2019</u>	<u>2020</u>
	Opening Balance	\$ 10,073	\$ 11,179	\$ 11,179	N/A	\$ 10,937	\$ 9,179	\$ 8,279
Additions:								
Employee Contributions	1,503	4,366	5,869	N/A	5,460	5,986	6,286	6,600
Retiree & Other Contributions	1,869	5,067	6,936		5,694	7,075	7,428	7,799
Employer Contributions	4,695	14,324	19,195		24,231	18,739	21,586	23,701
Sub-total	\$ 8,067	\$ 23,757	\$ 32,000	\$ -	\$ 35,385	\$ 31,800	\$ 35,300	\$ 38,100
Deductions:								
Payments for Claims	7,626	23,264	31,381	N/A	32,946	29,950	32,413	35,069
Actuary & Other Payments	487	1,645	2,619		2,197	2,750	2,887	3,031
Sub-total	\$ 8,113	\$ 24,909	\$ 34,000	\$ -	\$ 35,143	\$ 32,700	\$ 35,300	\$ 38,100
Ending Balance	\$ 10,027	\$ 10,027	\$ 9,179	N/A	\$ 11,179	\$ 8,279	\$ 8,279	\$ 8,279

(In Thousands)	Historical					Statistical			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Low	Median	Mean	High
Opening Balance	\$ 12,505	\$ 15,440	\$ 15,914	\$ 10,749	\$ 10,937	\$ 10,749	\$ 12,505	\$ 13,109	\$ 15,914
Additions:									
Employee Contributions	6,147	5,893	4,573	5,447	5,460	4,573	5,460	5,504	6,147
Retiree & Other Contributions	6,910	5,701	5,188	5,141	5,694	5,141	5,694	5,727	6,910
Employer Contributions	21,155	20,629	14,252	22,220	24,231	14,252	21,155	20,497	24,231
Sub-total	\$ 34,212	\$ 32,223	\$ 24,013	\$ 32,808	\$ 35,385				
Deductions:									
Payments for Claims	29,220	29,354	27,157	30,408	32,946	27,157	29,354	29,817	32,946
Actuary & Other Payments	2,057	2,395	2,021	2,212	2,197	2,021	2,197	2,176	2,395
Sub-total	\$ 31,277	\$ 31,749	\$ 29,178	\$ 32,620	\$ 35,143				
Ending balance	\$ 15,440	\$ 15,914	\$ 10,749	\$ 10,937	\$ 11,179	\$ 10,749	\$ 11,179	\$ 12,844	\$ 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 June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ 166,397	\$ 180,115	\$ 180,115	N/A	\$ 150,742	\$ 130,371	\$ 97,571	\$ 86,268
Additions:								
Contributions		2,845	2,845	37,705	85,979			3,600
Sub-total	\$ -	\$ 2,845	\$ 2,845	\$ 37,705	\$ 85,979	\$ -	\$ -	\$ 3,600
Withdrawals	19,331	35,894	52,589		-	32,800	11,303	2,003
Customer Fuel Rebate Credit					56,606			
Sub-total	\$ 19,331	\$ 35,894	\$ 52,589	\$ -	\$ 56,606	\$ 32,800	\$ 11,303	\$ 2,003
Ending Balance	\$ 147,066	\$ 147,066	\$ 130,371	N/A	\$ 180,115	\$ 97,571	\$ 86,268	\$ 87,865

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 24,990	\$ 92,362	\$ 108,289	\$ 105,457	\$ 150,742	\$ 24,990	\$ 105,457	\$ 96,368	\$ 150,742
Additions:									
Contributions	76,763	52,523	22,496	95,224	85,979	22,496	76,763	66,597	95,224
Sub-total	\$ 76,763	\$ 52,523	\$ 22,496	\$ 95,224	\$ 85,979	-	-	-	-
Deductions:									
Withdrawals	9,391					9,391	9,391	9,391	9,391
Customer Fuel Rebate Credit		36,596	25,328	49,939	56,606	25,328	43,268	42,117	56,606
Sub-total	\$ 9,391	\$ 36,596	\$ 25,328	\$ 49,939	\$ 56,606	-	-	-	-
Ending balance	\$ 92,362	\$ 108,289	\$ 105,457	\$ 150,742	\$ 180,115	\$ 92,362	\$ 108,289	\$ 127,393	\$ 180,115

Observations:

- Actual and historical numbers reflect fuel recovery contributions and withdrawals 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 June 30, 2017**

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

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

	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ 3,235	\$ 3,515	\$ 3,515	N/A	\$ 2,886	\$ 3,386	\$ 2,770	\$ 2,650
Additions:								
Contributions	1,635	4,493	6,578	7,200	7,232	7,510	6,586	6,586
Other								
Sub-total	\$ 1,635	\$ 4,493	\$ 6,578	\$ 7,200	\$ 7,232	\$ 7,510	\$ 6,586	\$ 6,586
Withdrawals	1,572	4,710	6,707	8,117	6,603	8,126	6,706	6,706
Sub-total	\$ 1,572	\$ 4,710	\$ 6,707	\$ 8,117	\$ 6,603	\$ 8,126	\$ 6,706	\$ 6,706
Ending Balance	\$ 3,298	\$ 3,298	\$ 3,386	N/A	\$ 3,515	\$ 2,770	\$ 2,650	\$ 2,530

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 10,703	\$ 6,912	\$ 3,891	\$ 3,570	\$ 2,886	\$ 2,886	\$ 3,891	\$ 5,592	\$ 10,703
Additions:									
Contributions	6,657	6,683	6,929	7,059	7,232	6,657	6,929	6,912	7,232
Transfer from Rev Fd						-	-	-	-
Sub-total	\$ 6,657	\$ 6,683	\$ 6,929	\$ 7,059	\$ 7,232				
Deductions:									
Withdrawals	10,448	9,704	7,250	7,743	6,603	6,603	7,743	8,350	10,448
Sub-total	\$ 10,448	\$ 9,704	\$ 7,250	\$ 7,743	\$ 6,603				
Ending balance	\$ 6,912	\$ 3,891	\$ 3,570	\$ 2,886	\$ 3,515	\$ 2,886	\$ 3,570	\$ 4,155	\$ 6,912

Observations:

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

## Electric System Rate Stabilization - Environmental

**For the Fiscal Quarter Ending June 30, 2017**

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.

<i>(In Thousands)</i>	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 32,995	\$ 29,975	\$ 29,975	N/A	\$ 23,430	\$ 36,210	\$ 42,101	\$ 46,981
Additions:								
Contributions	1,910	5,173	7,363	7,564	7,700	7,942	7,320	7,320
Sub-total	\$ 1,910	\$ 5,173	\$ 7,363	\$ 7,564	\$ 7,700	\$ 7,942	\$ 7,320	\$ 7,320
Withdrawals	365	608	1,128	2,078	1,155	2,051	2,440	3,660
Sub-total	\$ 365	\$ 608	\$ 1,128	\$ 2,078	\$ 1,155	\$ 2,051	\$ 2,440	\$ 3,660
Ending Balance	\$ 34,540	\$ 34,540	\$ 36,210	N/A	\$ 29,975	\$ 42,101	\$ 46,981	\$ 50,641

	Historical					Statistical			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Low	Median	Mean	High
Opening Balance	\$ 4,232	\$ 5,343	\$ 10,023	\$ 16,639	\$ 23,430	\$ 4,232	\$ 10,023	\$ 11,933	\$ 23,430
Additions:									
Contributions	2,436	5,650	7,395	7,586	7,700	2,436	7,395	6,153	7,700
Sub-total	\$ 2,436	\$ 5,650	\$ 7,395	\$ 7,586	\$ 7,700	-	-	-	-
Deductions:									
Withdrawals	1,325	970	779	795	1,155	779	970	1,005	1,325
Sub-total	\$ 1,325	\$ 970	\$ 779	\$ 795	\$ 1,155	-	-	-	-
Ending balance	\$ 5,343	\$ 10,023	\$ 16,639	\$ 23,430	\$ 29,975	\$ 5,343	\$ 16,639	\$ 17,082	\$ 29,975

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

## Electric System Rate Stabilization - Debt Management

**For the Fiscal Quarter Ending June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ 29,884	\$ 42,126	\$ 42,126	N/A	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals		12,242	12,242		-			
Sub-total	\$ -	\$ 12,242	\$ 12,242	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 29,884	\$ 29,884	\$ 29,884	N/A	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 35,930	\$ 41,611	\$ 42,126	\$ 42,126	\$ 42,126	\$ 35,930	\$ 42,126	\$ 40,784	\$ 42,126
Additions:									
Contributions	5,681	6,581				5,681	6,131	6,131	6,581
Sub-total	\$ 5,681	\$ 6,581	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals		6,066				6,066	6,066	6,066	6,066
Sub-total	\$ -	\$ 6,066	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 41,611	\$ 42,126	\$ 42,126	\$ 42,126	\$ 42,126	\$ 41,611	\$ 42,126	\$ 42,023	\$ 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 June 30, 2017

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ 30,885	\$ 34,400	\$ 34,400	N/A	\$ 38,000	\$ 25,727	\$ 13,982	\$ 540
Additions:								
Contributions					-	-		
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals	2,850	6,365	8,673	9,232	3,600	11,745	13,442	540
Sub-total	\$ 2,850	\$ 6,365	\$ 8,673	\$ 9,232	\$ 3,600	\$ 11,745	\$ 13,442	\$ 540
Ending Balance	\$ 28,035	\$ 28,035	\$ 25,727	N/A	\$ 34,400	\$ 13,982	\$ 540	\$ -

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ 12,000	\$ 38,000	\$ -	\$ -	\$ 10,000	\$ 38,000
Additions:									
Contributions			12,000	26,000		12,000	19,000	19,000	26,000
Sub-total	\$ -	\$ -	\$ 12,000	\$ 26,000	\$ -	-	-	-	-
Deductions:									
Withdrawals					3,600	3,600	3,600	3,600	3,600
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 3,600	-	-	-	-
Ending balance	\$ -	\$ -	\$ 12,000	\$ 38,000	\$ 34,400	\$ -	\$ 12,000	\$ 16,880	\$ 38,000

Observations:

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

## Electric System Environmental Reserve

**For the Fiscal Quarter Ending June 30, 2017**

Reserve/Fund Authorization: Pricing Policy

Metric: Target equals the balance in the environmental liability account

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

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 18,556	\$ 18,556	\$ 18,556	N/A	\$ 18,662	\$ 18,556	\$ 18,556	\$ 18,556
Additions:								
Contributions			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals			-	N/A	106			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 106	\$ -	\$ -	\$ -
Ending Balance	\$ 18,556	\$ 18,556	\$ 18,556	N/A	\$ 18,556	\$ 18,556	\$ 18,556	\$ 18,556

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 20,899	\$ 18,359	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,359	\$ 18,662	\$ 19,049	\$ 20,899
Additions:									
Contributions		970				970	970	970	970
Sub-total	\$ -	\$ 970	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	2,540	667			106	106	667	1,104	2,540
Sub-total	\$ 2,540	\$ 667	\$ -	\$ -	\$ 106	-	-	-	-
Ending balance	\$ 18,359	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,556	\$ 18,359	\$ 18,662	\$ 18,580	\$ 18,662

Observations:

- The Environmental Reserve began in FY 2008.

## Electric System Customer Deposits

**For the Fiscal Quarter Ending June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ 41,709	\$ 41,084	\$ 41,084	N/A	\$ 42,389	\$ 41,657	\$ 41,657	\$ 41,657
Additions:								
Net Customer Activity		573	573	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	\$ -	\$ 573	\$ 573	\$ -	\$ -	\$ -	\$ -	\$ -
Net Customer Activity	52		-		1,305			
Loan to ES Revenue Fund				N/A	-			
Sub-total	\$ 52	\$ -	\$ -	\$ -	\$ 1,305	\$ -	\$ -	\$ -
Ending Balance	\$ 41,657	\$ 41,657	\$ 41,657	N/A	\$ 41,084	\$ 41,657	\$ 41,657	\$ 41,657

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 42,767	\$ 43,454	\$ 44,882	\$ 42,688	\$ 42,389	\$ 42,389	\$ 42,767	\$ 43,236	\$ 44,882
Additions:									
Net Customer Activity	905	1,430				905	1,168	1,168	1,430
Loan Repayment to ES Revenue Fund						-	-	-	-
Sub-total	\$ 905	\$ 1,430	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Net Customer Activity	218	2	2,194	299	1,305	2	299	804	2,194
Loan to ES Revenue Fund						-	-	-	-
Sub-total	\$ 218	\$ 2	\$ 2,194	\$ 299	\$ 1,305				
Ending balance	\$ 43,454	\$ 44,882	\$ 42,688	\$ 42,389	\$ 41,084	\$ 41,084	\$ 42,688	\$ 42,899	\$ 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 June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 89,157	\$ 136,232	\$ 136,232	N/A	\$ 134,927	\$ 168,025	\$ 161,153	\$ 149,799
Additions:								
Revenue Fund Deposits	58,123	151,338	212,462		177,847	210,807	201,948	141,059
Bond funded interest					-			
Sub-total	\$ 58,123	\$ 151,338	\$ 212,462	\$ -	\$ 177,847	\$ 210,807	\$ 201,948	\$ 141,059
Principal and Int Payments	36,838	177,128	180,669	N/A	176,542	217,679	213,302	199,191
Sub-total	\$ 36,838	\$ 177,128	\$ 180,669	\$ -	\$ 176,542	\$ 217,679	\$ 213,302	\$ 199,191
Ending Balance	\$ 110,442	\$ 110,442	\$ 168,025	N/A	\$ 136,232	\$ 161,153	\$ 149,799	\$ 91,667

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 125,988	\$ 107,754	\$ 101,305	\$ 120,458	\$ 134,927	\$ 101,305	\$ 120,458	\$ 118,086	\$ 134,927
Additions:									
Revenue Fund Deposits	159,724	159,072	167,340	181,006	177,847	159,072	167,340	168,998	181,006
Bond funded interest						-	-	-	-
Sub-total	\$ 159,724	\$ 159,072	\$ 167,340	\$ 181,006	\$ 177,847				
Deductions:									
Principal and Int Payments	177,958	165,521	148,187	166,537	176,542	148,187	166,537	166,949	177,958
Sub-total	\$ 177,958	\$ 165,521	\$ 148,187	\$ 166,537	\$ 176,542				
Ending balance	\$ 107,754	\$ 101,305	\$ 120,458	\$ 134,927	\$ 136,232	\$ 101,305	\$ 120,458	\$ 120,135	\$ 136,232

**Observations:**

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- This report does not include any Scherer debt service sinking funds.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

## Electric System Debt Service Reserve Account

**For the Fiscal Quarter Ending June 30, 2017**

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.

(In Thousands)	Actual as of 06/30/2017		Full Year Budget Amounts			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 64,595	\$ 60,582	\$ 60,582	\$ 60,582
Additions:								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release to Revenue Fund				N/A	4,013			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 4,013	\$ -	\$ -	\$ -
Ending Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 60,582	\$ 60,582	\$ 60,582	\$ 60,582

	Historical Actuals					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 72,226	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,595	\$ 64,595	\$ 64,841	\$ 67,746	\$ 72,226
Additions:									
Proceeds from Bonds				-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Defeasance		7,385		246	4,013	246	4,013	3,881	7,385
Sub-total	\$ -	\$ 7,385	\$ -	\$ 246	\$ 4,013	-	-	-	-
Ending balance	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,595	\$ 60,582	60,582	64,841	65,417	72,226

**Observations:**

- This report does not include any Scherer debt service reserves.
- 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 \$8.0 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 June 30, 2017

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 154,721	\$ 192,179	\$ 192,179	N/A	\$ 145,711	\$ 161,966	\$ 156,587	\$ 98,985
Additions:								
R&R/OCO Contribution	51,550	125,253	146,000		200,692	164,146	160,837	141,317
Loans betw Capital Fds					-			
Other	1,548	3,319	16,181		3,744	18,590		
Sub-total	\$ 53,098	\$ 128,572	\$ 162,181	\$ -	\$ 204,436	\$ 182,736	\$ 160,837	\$ 141,317
Deductions:								
Capital Expenditures	39,101	101,553	138,545		157,201	188,115	218,439	128,069
Transfers betw Capital Fds					-	765		
R&R/OCO Contribution								
Debt Defeasance		37,200	37,200		-			
Other	3,391	16,671	16,649					
Sub-total	\$ 42,492	\$ 155,424	\$ 192,394	\$ -	\$ 157,966	\$ 188,115	\$ 218,439	\$ 128,069
Ending Balance	\$ 165,327	\$ 165,327	\$ 161,966	N/A	\$ 192,181	\$ 156,587	\$ 98,985	\$ 112,233

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 73,727	\$ 105,235	\$ 140,486	\$ 146,910	\$ 145,711	\$ 73,727	\$ 140,486	\$ 122,414	\$ 146,910
Additions:									
R&R/OCO Contribution	142,822	124,630	85,639	110,351	200,692	85,639	124,630	132,827	200,692
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	943	2,423	4,014	970	3,744	943	2,423	2,419	4,014
Sub-total	\$ 143,765	\$ 127,053	\$ 89,653	\$ 111,321	\$ 204,436				
Deductions:									
Capital Expenditures	112,257	91,802	82,889	112,483	157,201	82,889	112,257	111,326	157,201
Bond Buy Back	-	-	-	-	2	-	1	1	2
Transfer to Scherer									
Loans betw Capital Fds			340	37	765				
Other									
Sub-total	\$ 112,257	\$ 91,802	\$ 83,229	\$ 112,520	\$ 157,968				
Ending balance	\$ 105,235	\$ 140,486	\$ 146,910	\$ 145,711	\$ 192,179	\$ 105,235	\$ 145,711	\$ 146,104	\$ 192,179

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 June 30, 2017

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.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 268	\$ -	\$ -	N/A	\$ 4	\$ -	\$ -	\$ -
<b>Additions:</b>								
Bond Proceeds		429	429	-	-			
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other				-	2			
Sub-total	\$ -	\$ 429	\$ 429	\$ -	\$ 2	\$ -	\$ -	\$ -
<b>Deductions:</b>								
Capital Expenditures					6	-	-	-
Bond Funded Interest					-	-	-	-
Transfers b/w Capital Fds					-	-	-	-
Other	229	390	429	-	-	-	-	-
Sub-total	\$ 229	\$ 390	\$ 429	\$ -	\$ 6	\$ -	\$ -	\$ -
Ending Balance	\$ 39	\$ 39	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 63,915	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ 4	\$ 2,613	\$ 18,203	\$ 63,915
<b>Additions:</b>									
Bond Proceeds		1,550				1,550	1,550	1,550	1,550
Line of Credit						-	-	-	-
Transfers b/w Capital Fds			3,091			3,091	3,091	3,091	3,091
Other		34	340	37	2	2	36	103	340
Sub-total	\$ -	\$ 1,584	\$ 3,431	\$ 37	\$ 2				
<b>Deductions:</b>									
Capital Expenditures	23,385	35,253	4,821	75	6	6	4,821	12,708	35,253
Bond Funded Interest						-	-	-	-
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	\$ 23,881	\$ 36,434	\$ 8,573	\$ 75	\$ 6				
Ending balance	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ 42	\$ 9,053	\$ 40,034

**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 2017 - 2019 projection period.

## Water and Sewer Debt Management Reserve

**For the Fiscal Quarter Ending June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Contributions					-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals					-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 6,458	\$ 6,458	\$ 304	\$ 304	\$ -	\$ -	\$ 304	\$ 2,705	\$ 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	\$ 304	\$ 304	\$ -	\$ -	\$ -	\$ 304	\$ 1,413	\$ 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 June 30, 2017**

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 Water & 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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
<i>(In Thousands)</i>								
Opening Balance	\$ 20,290	\$ 20,290	\$ 20,290	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals			6,081					
Sub-total	\$ -	\$ -	\$ 6,081	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 20,290	\$ 20,290	\$ 14,209	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 17,560	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 17,560	\$ 20,290	\$ 19,744	\$ 20,290
Additions:									
Contributions	2,730					-	-	-	-
Sub-total	\$ 2,730	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290

Observations:

- Contributions began in June 2009.

## Water & Sewer System Rate Stabilization - Environmental

**For the Fiscal Quarter Ending June 30, 2017**

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 debt management and regulatory requirements or initiatives.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 2,057	\$ 1,699	\$ 1,699	N/A	\$ -	\$ 2,857	\$ 2,857	\$ 2,857
Additions:								
Contributions	6,653	18,131	24,105		-	25,500	25,500	25,500
Regulatory Receivable								
Sub-total	\$ 6,653	\$ 18,131	\$ 24,105	\$ -	\$ -	\$ 25,500	\$ 25,500	\$ 25,500
Deductions:								
Withdrawals	3,813	14,933	22,947		-	25,500	25,500	25,500
Regulatory Receivable								
Sub-total	\$ 3,813	\$ 14,933	\$ 22,947	\$ -	\$ -	\$ 25,500	\$ 25,500	\$ 25,500
Ending Balance	\$ 4,897	\$ 4,897	\$ 2,857	N/A	\$ -	\$ 2,857	\$ 2,857	\$ 2,857

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions:									
Contributions					23,635	23,635	23,635	23,635	23,635
Regulatory Receivable						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 23,635				
Deductions:									
Withdrawals					21,936	21,936	21,936	21,936	21,936
Regulatory Receivable						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 21,936				
Ending balance	\$ -	\$ -	\$ -	\$ -	\$ 1,699	\$ -	\$ -	\$ 340	\$ 1,699

**Observations:**

- Rate Stabilization Fund for Environmental began in June 2010.

## Water and Sewer System Customer Deposits

**For the Fiscal Quarter Ending June 30, 2017**

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

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 14,526	\$ 13,910	\$ 13,910	N/A	\$ 13,255	\$ 14,797	\$ 14,797	\$ 14,797
Additions:								
Allocated from Electric Loan Repayment	271	887	887	N/A	655			
Sub-total	\$ 271	\$ 887	\$ 887	\$ -	\$ 655	\$ -	\$ -	\$ -
Deductions:								
Allocated from Electric Loan to W&S Operations			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 14,797	\$ 14,797	\$ 14,797	N/A	\$ 13,910	\$ 14,797	\$ 14,797	\$ 14,797

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 9,727	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 9,727	\$ 12,787	\$ 12,451	\$ 13,860
Additions:									
Allocated from Electric Loan Repayment	2,900	1,233		468	655	468	562	562	655
Sub-total	\$ 3,900	\$ 1,233	\$ -	\$ 468	\$ 655	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations	1,000		1,073			1,073	1,073	1,073	1,073
Sub-total	\$ 1,000	\$ -	\$ 1,073	\$ -	\$ -	-	-	-	-
Ending balance	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 12,627	\$ 13,255	\$ 13,288	\$ 13,910

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 June 30, 2017**

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 56,518	\$ 65,410	\$ 65,410	N/A	\$ 67,720	\$ 82,870	\$ 82,725	\$ 84,744
Additions:								
Revenue fund deposits	28,851	86,059	116,725		97,077	119,433	122,454	122,763
Sub-total	\$ 28,851	\$ 86,059	\$ 116,725	\$ -	\$ 97,077	\$ 119,433	\$ 122,454	\$ 122,763
Deductions:								
Principal and interest payments	31,359	97,459	99,265	N/A	99,387	119,578	120,435	121,219
Sub-total	\$ 31,359	\$ 97,459	\$ 99,265	\$ -	\$ 99,387	\$ 119,578	\$ 120,435	\$ 121,219
Ending Balance	\$ 54,010	\$ 54,010	\$ 82,870	N/A	\$ 65,410	\$ 82,725	\$ 84,744	\$ 86,288

(In Thousands)	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 80,936	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 39	\$ 77,668	\$ 64,284	\$ 81,675
Additions:									
Revenue fund deposits	125,160	119,535	117,444	102,789	97,077	97,077	117,444	112,401	125,160
Bond funded interest						-	-	-	-
Sub-total	\$ 125,160	\$ 119,535	\$ 117,444	\$ 102,789	\$ 97,077	-	-	-	-
Deductions:									
Principal and interest payments	124,421	120,893	122,742	110,088	99,387	99,387	120,893	115,506	124,421
Sub-total	\$ 124,421	\$ 120,893	\$ 122,742	\$ 110,088	\$ 99,387	-	-	-	-
Ending balance	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 65,410	\$ 75,019	\$ 74,028	\$ 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 June 30, 2017**

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.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 107,488	\$ 108,086	\$ 108,086	N/A	\$ 108,849	\$ 107,488	\$ 107,488	\$ 107,488
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Revenue fund		598	598		763			
Sub-total	\$ -	\$ 598	\$ 598	\$ -	\$ 763	\$ -	\$ -	\$ -
Ending Balance	\$ 107,488	\$ 107,488	\$ 107,488	N/A	\$ 108,086	\$ 107,488	\$ 107,488	\$ 107,488

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 102,214	\$ 119,131	\$ 119,915	\$ 116,829	\$ 108,849	\$ 102,214	\$ 116,829	\$ 113,388	\$ 119,915
Additions:									
Construction reserve fund/bond issues	10,917	784				784	5,851	5,851	10,917
Revenue fund	6,000	3,821				3,821	4,911	4,911	6,000
Sub-total	\$ 16,917	\$ 4,605	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Revenue fund		3,821	3,086	7,980	763	763	3,454	3,913	7,980
Sub-total	\$ -	\$ 3,821	\$ 3,086	\$ 7,980	\$ 763	-	-	-	-
Ending balance	\$ 119,131	\$ 119,915	\$ 116,829	\$ 108,849	\$ 108,086	\$ 108,086	\$ 116,829	\$ 114,562	\$ 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 June 30, 2017

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.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 86,863	\$ 76,020	\$ 76,020	N/A	\$ 37,337	\$ 60,682	\$ 60,304	\$ 33,530
Additions:								
R&R/OCO Contribution	36,692	99,789	111,295	-	124,574	152,187	137,807	141,988
Transfer from Capital Fds					-			
Other	937	5,066	10,566		30,889	8,600	8,600	8,600
Sub-total	\$ 37,629	\$ 104,855	\$ 121,861	\$ -	\$ 155,463	\$ 160,787	\$ 146,407	\$ 150,588
Deductions:								
Capital Expenditures	33,403	89,700	137,113	-	116,674	161,165	173,181	139,601
Transfer to Capacity Fund		86	86	-	-			
Transfer to Construction Fund								
R&R/OCO Contribution					106	-		
Sub-total	\$ 33,403	\$ 89,786	\$ 137,199	\$ -	\$ 116,780	\$ 161,165	\$ 173,181	\$ 139,601
Ending Balance	\$ 91,089	\$ 91,089	\$ 60,682	N/A	\$ 76,020	\$ 60,304	\$ 33,530	\$ 44,517

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 28,840	\$ 64,260	\$ 78,689	\$ 59,295	\$ 37,337	\$ 28,840	\$ 59,295	\$ 53,684	\$ 78,689
Additions:									
R&R/OCO Contribution	76,157	91,245	48,373	62,793	124,574	48,373	76,157	80,628	124,574
Loans betw Capital Fds	-	-	-	22	-	-	-	7	22
Other (incl septic tank)	5,771	1,539	1,614	653	30,889	653	1,614	8,093	30,889
Sub-total	\$ 81,928	\$ 92,784	\$ 49,987	\$ 63,468	\$ 155,463				
Deductions:									
Capital Expenditures	46,508	68,355	67,488	85,426	116,674	46,508	68,355	76,890	116,674
Loan Repayment	-	-	-	-	-	-	-	-	-
Transfer to Constr. Fund	-	10,000	1,893	-	106	-	1,000	3,000	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	\$ 46,508	\$ 78,355	\$ 69,381	\$ 85,426	\$ 116,780				
Ending balance	\$ 64,260	\$ 78,689	\$ 59,295	\$ 37,337	\$ 76,020	\$ 37,337	\$ 64,260	\$ 63,120	\$ 78,689

**Observations:**

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019
- Includes \$20 million for Maximum Annual Debt Service calculation.
- \$57 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 June 30, 2017**

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.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 101,324	\$ 103,411	\$ 103,411	N/A	\$ 90,912	\$ 81,861	\$ 45,738	\$ 35,252
Additions:								
Capacity Fees	8,194	18,489	23,239	-	21,995	19,865	20,162	20,465
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund		86	86	-	145	650	650	650
Other				-	-			
Sub-total	\$ 8,194	\$ 18,575	\$ 23,325	\$ -	\$ 22,140	\$ 20,515	\$ 20,812	\$ 21,115
Deductions:								
Capital Expenditures	8,993	21,461	44,875	-	9,648	56,638	31,298	42,260
Other				-	-			
Sub-total	\$ 8,993	\$ 21,461	\$ 44,875	\$ -	\$ 9,648	\$ 56,638	\$ 31,298	\$ 42,260
Ending Balance	\$ 100,525	\$ 100,525	\$ 81,861	N/A	\$ 103,404	\$ 45,738	\$ 35,252	\$ 14,107

(In Thousands)	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 41,025	\$ 45,454	\$ 60,360	\$ 76,887	\$ 90,912	\$ 41,025	\$ 60,360	\$ 62,928	\$ 90,912
Additions:									
Capacity Fees	10,820	17,394	18,298	19,579	21,995	10,820	18,298	17,617	21,995
State Revolving Fd Loan	3,798	-	-	-	-	-	-	1,266	3,798
Loan Repayments	-	-	-	246	145	-	-	78	246
Other	-	12	-	5	7	-	5	5	12
Sub-total	\$ 14,618	\$ 17,406	\$ 18,298	\$ 19,830	\$ 22,147				
Deductions:									
Capital Expenditures	7,096	2,270	1,758	5,805	9,648	1,758	5,805	5,315	9,648
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	3,093	230	13	-	-	13	230	1,112	3,093
Sub-total	\$ 10,189	\$ 2,500	\$ 1,771	\$ 5,805	\$ 9,648				
Ending balance	\$ 45,454	\$ 60,360	\$ 76,887	\$ 90,912	\$ 103,411	\$ 45,454	\$ 76,887	\$ 75,405	\$ 103,411

Observations:

## Water and Sewer Environmental

**For the Fiscal Quarter Ending June 30, 2017**

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.

(In Thousands)	Actual as of 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 2,953	\$ 2,659	\$ 2,659	N/A	\$ -	\$ 1,411	\$ -	\$ -
Additions:								
Environmental Contributions	2,228	8,991	11,982	-	15,539	13,190	18,547	12,878
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	\$ 2,228	\$ 8,991	\$ 11,982	\$ -	\$ 15,539	\$ 13,190	\$ 18,547	\$ 12,878
Deductions:								
Capital Expenditures	4,537	11,006	13,230	-	12,880	14,601	18,547	12,878
Septic Tank Phase Out				-	-			
Other	-			-	-			
Sub-total	\$ 4,537	\$ 11,006	\$ 13,230	\$ -	\$ 12,880	\$ 14,601	\$ 18,547	\$ 12,878
Ending Balance	\$ 644	\$ 644	\$ 1,411	N/A	\$ 2,659	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 9,795	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ -	\$ (9,857)	\$ -	\$ (584)	\$ 9,795
Additions:									
Environmental Contributions	21,747	21,193	21,018	22,056	15,539	15,539	21,193	20,311	22,056
Loans betw Capital Fds	-	-	-			-	-	-	-
Other						-	-	-	-
Sub-total	\$ 21,747	\$ 21,193	\$ 21,018	\$ 22,056	\$ 15,539				
Deductions:									
Capital Expenditures	39,700	22,892	5,862	7,318	12,880	5,862	12,880	17,730	39,700
Septic Tank Phase Out				203		203	203	203	203
Other				19,834		19,834	19,834	19,834	19,834
Sub-total	\$ 39,700	\$ 22,892	\$ 5,862	\$ 27,355	\$ 12,880				
Ending balance	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ -	\$ 2,659	\$ (9,857)	\$ -	\$ (2,011)	\$ 5,299

Observations:

## Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending June 30, 2017

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 06/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	2018	2019	2020
Opening Balance	\$ 152	\$ 152	\$ 152	N/A	\$ 664	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund					-			
Other					17			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures					-			
Bond Proceeds					-			
Other			152		529			
Sub-total	\$ -	\$ -	\$ 152	\$ -	\$ 529	\$ -	\$ -	\$ -
Ending Balance	\$ 152	\$ 152	\$ -	N/A	\$ 152	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 29,622	\$ 7,419	\$ 2,305	\$ 326	\$ 664	\$ 326	\$ 2,305	\$ 8,067	\$ 29,622
Additions:									
Bond Proceeds	-	486	-	-	-	-	-	162	486
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	10,000	1,893	-	-	-	1,893	3,964	10,000
Other	-	3	476	344	17	-	17	168	476
Sub-total	\$ -	\$ 10,489	\$ 2,369	\$ 344	\$ 17				
Deductions:									
Capital Expenditures	20,243	14,855	3,784	6		6	9,320	9,722	20,243
Bond Proceeds	-	411	48	-	-	-	48	153	411
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	337	516	-	-	-	337	284	516
Other	1,960	-	-	-	529	-	265	622	1,960
Sub-total	\$ 22,203	\$ 15,603	\$ 4,348	\$ 6	\$ 529				
Ending balance	\$ 7,419	\$ 2,305	\$ 326	\$ 664	\$ 152	\$ 152	\$ 664	\$ 2,173	\$ 7,419

**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 2017-2019 projection.

II. G.

JEA Commercial Natural Gas Sales



Building Community

**AGENDA ITEM SUMMARY**

July 17, 2017

<b>SUBJECT:</b>	<b>JEA COMMERCIAL NATURAL GAS SALES</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** JEA began selling commercial natural gas under the Peoples Gas Natural Choice Program in April 2015. We currently have over 100 customers, and are growing at a steady rate. Investment in the business has been minimal: one key hire and some billing system modifications. Based on forecasted growth, net revenue is expected to cover labor costs by mid-FY2018.

**Significance:** Medium. Natural gas commercial sales are still low-volume and represent a modest income stream. There is potential for growth with large customers (i.e., new Liquefied Natural Gas (LNG) plants). Risk levels are very low as deposits cover any at-risk billings.

**Effect:** Participating as a natural gas provider enables us to engage with key customers on all facets of energy supply.

**Cost or Benefit:** Supplying natural gas to commercial customers enables JEA to be an all-energy source provider to our commercial customers. Annual cost to JEA is approximately \$150,000 of salary and benefits. Revenues are forecasted to exceed these costs by mid-FY2018.

**Recommended Board action:** None required. The report is in response to a Finance and Audit Committee request.

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

Submitted by: PEM/ MJB/ SGM

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Service</li><li>• Growth<sup>2</sup></li><li>• Accountability</li><li>• Integrity</li></ul>
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**Commitments to Action**

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

II. G. Return to  
8/7/2017 Agenda

# JEA Commercial Natural Gas Sales

Finance and Audit Committee  
August 7, 2017



# Commercial Natural Gas Sales

## TECO/PGS Natural Choice Program:

Natural Gas deregulated in Florida in 1994.

TECO/PGS developed a program to give gas customers more options.

Fifteen natural gas suppliers participating in TECO/PGS Program.

## Background

- TECO/Peoples Gas System (TECO/PGS) owns and operates local gas distribution assets
- TECO/PGS offers the Natural Choice Program in response to gas deregulation in Florida and welcomes JEA participation
- Natural Choice Program allows commercial/industrial natural gas users to choose their gas supplier as an alternative to bundled service from a local distribution company
- JEA will utilize existing TECO/PGS infrastructure and interstate transportation capacity to supply local commercial/industrial customers
- Of 15 participating gas suppliers, 7 are active in the JEA service territory... all headquartered outside of Jacksonville... 4 outside of Florida





# JEA Participation in Natural Choice Helps Build Community

## JEA Natural Choice participation is a win/win for JEA and our community

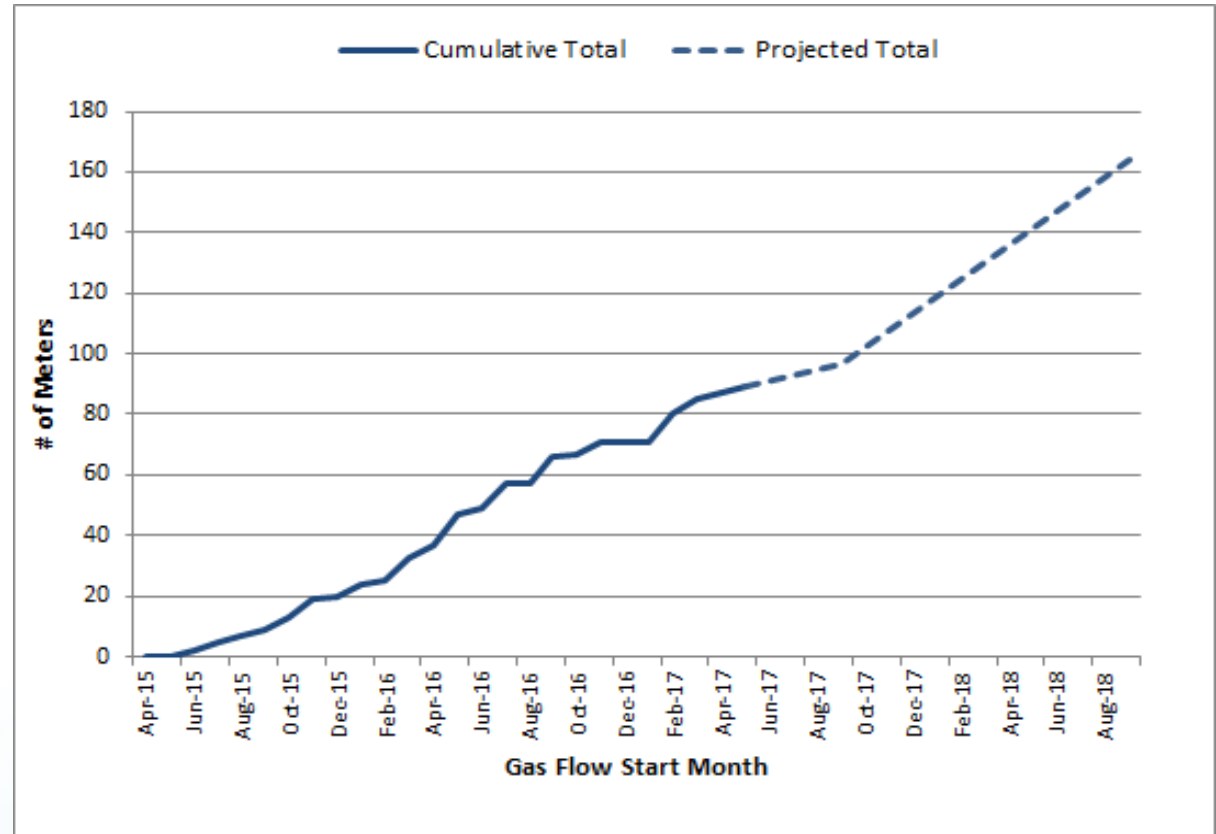
- Benefits from JEA participation:
  - Reduces costs for local commercial/industrial natural gas consumers
  - Keeps dollars at work in the local economy
  - Establishes JEA as customers' one-stop, full service utility
  - Costs are a pass-through with a marginal revenue adder
- JEA strengths make this program successful:
  - Positive brand recognition in the community
  - Customer service expertise and existing customer relationships
  - JEA experience as the largest purchaser/consumer of natural gas in NE Florida
    - JEA has consumed an average of over 100,000 mmBtu/day since beginning of FY2012
    - JEA utilizes the natural gas market expertise of The Energy Authority (TEA)
    - JEA has a strong, long-standing relationship with TECO/PGS
    - JEA is an approved Pool Manager in the Natural Choice Program
  - Staff experience in establishing local gas sales under Natural Choice Program



# Historical and Projected Growth - Customers

## Customer Highlights:

- GE
- Hyatt
- YMCA
- First Baptist Church
- Bold City Brewing
- Black Sheep
- M Shack
- Bono's BarBQ
- Brooks Rehab



Program has grown rapidly since inception in April 2015  
Currently 100 customers, projecting over 150 by end of FY18

# Eagle LNG Facility - Maxville



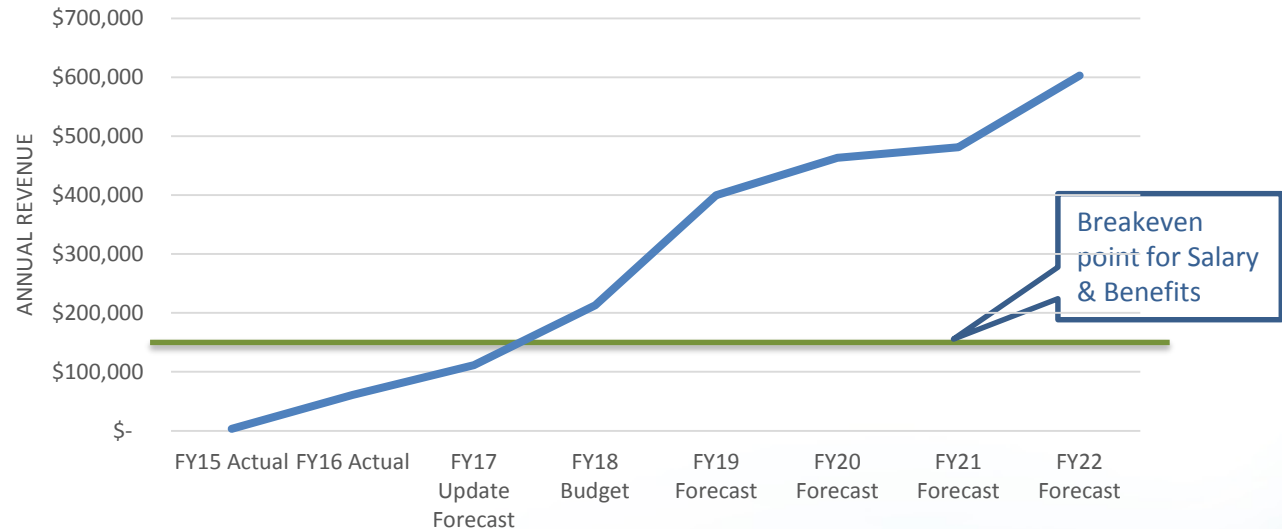
- JEA has signed a transportation/ sales agreement with Eagle to supply gas for the Maxville Liquefied Natural Gas facility.
- 3,000 mmBtu/day, administered through TEA
- Projected annual revenue of \$32,850
- Negotiating for Eagle's planned Zoo Parkway LNG facility (25K-75K/mmBtu/day)

# Historical and Projected Growth - Revenue

## Potential Natural Gas Customers:

- Approximately 3500 commercial / industrial local natural gas end-users
- Gas users include manufacturers, hospitals, restaurants, dry cleaners, and hotels

Annual Revenue - Actual & Forecast



## Marketing

- Target JEA key accounts with their prospective account manager
- Customer Care & Billing script has been added so Commercial Call Center can flag natural gas prospects
- Email completed daily to all new commercial accounts
- Field customer visits
- JEA.com natural gas webpage

# Receivables and Risk

## Aging Report

- Natural Gas customers are designated as Key Accounts on Aging Report
  - JEA's exposure on Natural Gas customers is 0.0007%
  - Currently there are no Natural Gas customers with balances due over 30 days

Customer Name	Account No	Cust Class	Collection Class	Credit Rating	Account Balance	Deposit on Hand	Exposure	Deposit Coverage %	WRITE_OFF	Pay Arrg Amt	Days 0 - 30	Days 30 - 60
		KEY/IND	KEY ACCT	1000				0.0%	\$ -	\$ -	\$ -	\$ -

## Risk

- There is minimal risk in Natural Gas sales
- TEA purchases the gas at an index price with a small premium
- JEA sells the gas to the customer at an index price plus an adder based on a usage matrix or market intel
- The pipeline charges JEA for any transportation or imbalances charges
- JEA charges the customer for any transportation or imbalance charges from the pipeline

II. H.

Plant Vogtle Update





Building Community

## AGENDA ITEM SUMMARY

July 18, 2017

**SUBJECT:** PLANT VOGTLE UPDATE

**Purpose:**  Information Only  Action Required  Advice/Direction

**Issue:** In 2008, JEA's Board established a target to acquire 10 percent of JEA's energy requirements from nuclear sources by 2018. In May 2008, JEA entered into a power purchase agreement (PPA) with the Municipal Electric Authority of Georgia (MEAG) for an estimated 206 MW of capacity and related energy from MEAG's interest in Vogtle Units 3 and 4 (Project J). The primary contractor, Westinghouse, filed for bankruptcy in March 2017, with impacts to the project structure, schedule, and cost.

**Significance:** High. The 206 MW from Plant Vogtle will represent approximately 13 percent of JEA's estimated total energy requirements in the year 2020, when Unit 4 is currently scheduled to be completed. The Westinghouse bankruptcy has resulted in the cancellation of the Engineering, Procurement and Construction (EPC) contract. A new construction manager will be selected by Southern Company affiliate, Southern Nuclear, and the co-owners. An assessment is underway to determine the estimated cost to complete the revised schedule for the project.

**Effect:** Under the PPA, JEA is entitled to approximately 9.35 percent of capacity and related energy from each unit for a 20-year term commencing on each unit's commercial operation date and is required to pay for its output share on a "take-or-pay" basis. Payments for the portion of the PPA associated with the repayment of principal maturing prior to commercial operation began in 2016, and are fully funded through the current scheduled completion dates (June 2019/June 2020) through a rate stabilization fund created in 2014.

**Cost or Benefit:** Toshiba has guaranteed \$3.68 billion payment to the Vogtle project. It is reasonably possible the cost and schedule assessments currently underway will result in estimated costs to complete the project that materially exceed the Toshiba guarantee. Results of the assessments are expected in September 2017.

**Recommended Board action:** None required. Provided for Board information only.

**For additional information, contact:** Steve McInall, 665-4309 or Joe Orfano, 665-4541

Submitted by: PEM/ MHD/ SGM



### Commitments to Action

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

II. H. Return to  
8/7/2017 Agenda

# Plant Vogtle Update

## Project Update

As of July 18, 2017

JEA Finance and Audit Committee

August 7, 2017





# Recent Developments in Vogtle Project

March 29

Westinghouse files for bankruptcy

First interim assessment agreement ensures work continues

June 23

Westinghouse files Services agreement with bankruptcy court

Toshiba reports negative outlook for total equity due to Westinghouse bankruptcy

September

Georgia Public Service Commission considers whether Georgia Power Corporation can recover additional construction expenses

June 9

Settlement agreement executed:  
- Payment schedule for \$3.68b Toshiba guaranty, paid whether or not construction continues

Services agreement executed transitioning construction management to Southern Nuclear (some services continue from Westinghouse)

June 29

JEA staff visit to site to validate construction progress

July 20

Bankruptcy court approves Services agreement

Westinghouse rejects existing EPC contract, which provides a clear legal path to Toshiba's \$3.68b guaranty



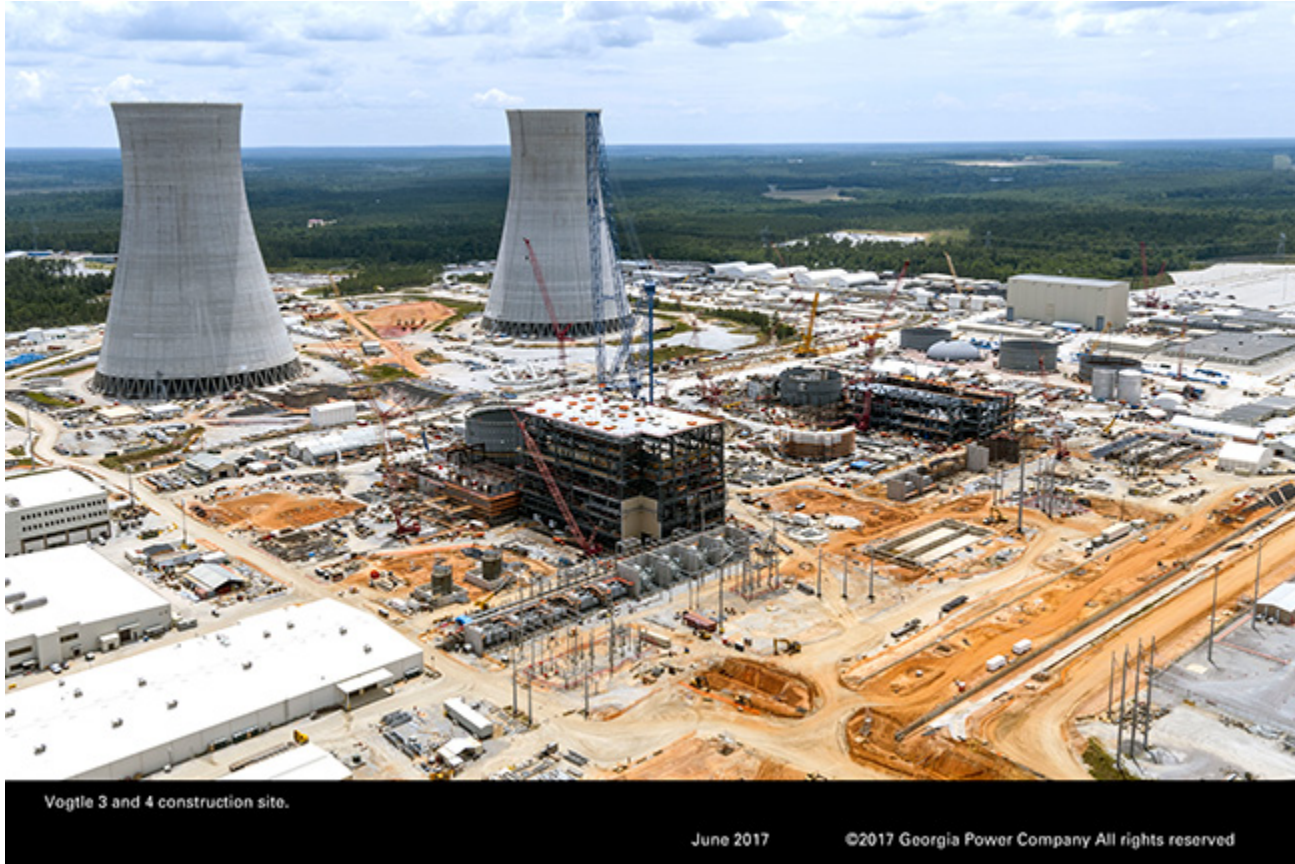
# Toshiba Recent Developments

- Substantial risk regarding the Vogtle Co-Owners' ability to fully collect under the guarantee settlement agreement
- Negative total equity attributable to shareholders (-581.6 billion yen [-5.2B USD]), negative net assets of 303.9 billion yen [-2.7B USD]
- Toshiba payments under the guarantee settlement agreement are dependent upon the sale of Westinghouse and, more importantly, its memory chip business
- Western Digital seeking court injunction to prevent sale without its consent

# Construction/Regulatory Update

- Georgia Power is continuing work on schedule and cost-to-complete, as well as a cancellation cost assessment
- It is reasonably possible these assessments result in estimated costs to complete that materially exceed the \$3.68 billion Toshiba guaranty
- Georgia Power will continue working with the Georgia Public Service Commission and the other co-owners to determine future actions related to Vogtle Units 3 & 4
- JEA staff visited the construction site on June 29<sup>th</sup> and observed that the site is more active and productive than on earlier visits
- Production Tax Credit legislation extending the deadline for in-service and making credits more accessible to all co-owners passed the U.S. House of Representatives
- Fluor Corporation is managing the Vogtle Construction. Over 6,000 workers (from Southern Co., Westinghouse, Fluor and crafts) are involved in the project. Both Fluor and Bechtel are preparing bids to complete the construction on a cost plus basis.

# Construction Progress Continues But Much Work Remains



Vogtle 3 and 4 construction site.

June 2017

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# Other News: Southern Company Update

- On June 28, Southern Company announced that it is suspending the coal gasification portion of the Kemper County energy facility
- The Kemper facility has been operating as a natural gas facility for almost three years, while the inability to put crucial coal gasifiers into service has led to a total project cost of \$7.5 billion for the 582 MW facility
- The Mississippi Public Service Commission issued an order on July 6, requiring Mississippi Power to propose a settlement to the Commission within 45 days to ensure that its customers will not pay for the coal portion of the plant
- Southern Company has warned investors that it may take a \$3.4 billion 2<sup>nd</sup> quarter charge for Kemper costs incurred through May 31; since June 20, Southern's common stock price has declined over 8%

**II. I.**

**JEA Energy Market Risk Management Policy Report**



August 8, 2017

<b>SUBJECT:</b>	<b>JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**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.

**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 the JEA Fuels group to manage the risks inherent in the wholesale fuel and energy markets. The attached Finance and Audit Committee report summarizes JEA's current positions.

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

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

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

Submitted by: PEM/ MJB/ SGM

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b>  • Safety • Service • Growth <sup>2</sup> • Accountability • Integrity
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**Commitments to Action**

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

**Energy Market Risk Management: Physical and Financial Positions**

Summary as of 7/5/2017		
Projected FY17 Expense (Budget = \$412M)	\$443M	☹
Projected Fuel Fund Ending Balance FY17	\$130M	☺
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

**Table 1: Physical Counterparties (Contracts One Year or Greater) as of 7/1/2017**

Generating Unit	Fuel Type	Supplier/ Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
SJRPP	Coal	Coal Marketing Company	Fixed Price	\$ 44,211,050	4 months
Scherer 4	Coal	Alpha- Eagle Butte	Fixed Price	\$ 2,008,956	6 months
Scherer 4	Coal	Coal Sales, LLC	Fixed Price	\$ 959,793	6 months
Scherer 4	Coal	Arch Coal Sales Company, Inc	Fixed Price	\$ 670,125	6 months
Scherer 4	Coal	CY18 Contura Eagle Butte	Fixed Price	\$ 2,657,078	12 months
Scherer 4	Coal	CY19 Contura Eagle Butte	Fixed Price	\$ 2,806,870	12 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$ 253,415,350	3.83 years

**Table 2: Financial Positions as of 7/1/2017**

Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost (\$/mmBtu)	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY17	Natural Gas	7,877,000	1,200,000	15.2%	\$3.03	Collar	\$2.93/\$4.50	\$108,028	Wells Fargo
FY18	Natural Gas	41,510,200	-	0.0%	\$3.02	-	-	-	-
FY19	Natural Gas	43,787,000	-	0.0%	\$2.86	-	-	-	-

**Table 3: Fuel Procurement as of 7/1/2017**

Fuel Type	Coal	Petcoke	Oil/Diesel	Purchased Power	Natural Gas	Renewables	Nuclear
FY17 Remaining							
Expected Spend (\$)	50.6M	10.0M	0.0M	10.0M	36.6M	3.1M	
% Procured	100%	100%	100%	29%	50%	100%	
% Hedged	100%	9%	100%	29%	16%	100%	
FY18							
Expected Spend (\$)	96.1M	62.5M	0.9M	53.4M	133.4M	14.7M	
% Procured	34%	9%	100%	0%	54%	100%	
% Hedged	34%	9%	100%	0%	0%	100%	
FY19							
Expected Spend (\$)	70.8M	61.7M	1.7M	71.3M	121.4M	14.0M	3.6M
% Procured	46%	9%	100%	0%	53%	100%	100%
% Hedged	46%	9%	100%	0%	0%	100%	100%

**Supporting Notes:**

- Renewable and nuclear power purchase agreements are not included in Table 1
- Natural Gas Transportation is 100% fixed capacity and price
- Solid fuel procurement – quarterly at Northside; longer term 2017 for SJRPP and 2017/18/19 for Scherer
- FY17 Energy Mix: 43% Gas, 45% Solid Fuel, 12% Purchase Power expected (based on MWH)
- In Table 3, the procured percent relates to inventory on hand, or contracted and the percent hedged is inventory on hand or contracted with fixed pricing or financial hedges. New renewable projects are added as they attain commercial operation. 7 MW Montgomery Solar PPA added since prior report
- The FY17 projected fuel fund ending balance has decreased from budget because of increases in fuel prices (\$45M) and lowering of the fuel rate from \$36.75 to \$32.50 on 12/2016 (\$43M)