Materials to assist the

City Council Special Committee on the Potential Sale of JEA

March 15, 2018

Contents:

JEA Strategic Planning

American Public Power Association Member Benchmarking

Rating Agency Key Financial Metrics

Reserve Fund Quarterly Report

Rating Agency Reports

JEA STRATEGIC PLAN

CASCADE AND EXECUTION

BRIEFING TO JEA BOARD

SEPTEMBER 16, 2013

BOARD WORKSHOPS ON STRATEGIC PLAN

DATE	TOPICS
January 15, 2013	• Strategic plan objectives • Strategic planning process • Strategy implementation approach (ACT)
February 18, 2013	• Assessment of strategic environment – external change drivers • Preliminary strategic issue priorities
May 21, 2013	• Confronting JEA's business reality • Possible changes to mission, vision and values • Change readiness and organizational effectiveness • Preliminary strategic initiatives • Operationalizing the initiatives
July 16, 2013	• Refreshed mission, vision, and values • Final strategic initiatives • Commitments to Action process • Cascade preview
September 16, 2013	• JEA branding materials • Cascade progress report • Execution process

REFRESHED MISSION, VISION AND VALUES

(fundamental purpose) (desired future state) (guideposts for behavior)

STRATEGIC COMMITMENTS AND DEFINITIONS OF SUCCESS

Our Strategic Focus Areas

1 Earn Customer Loyalty

- Be easy to do business
- Empower customers to make informed decisions
- Demonstrate community responsibility

2 Deliver Business Excellence

- Grow net revenues
- Improve cost efficiency
- Improve operational performance

3 Develop an Unbeatable Team

- Institute agile employment and HR model
- Facilitate and expect employee growth and development
- Ensure a safe, healthy and ethical workplace

Definition of Success

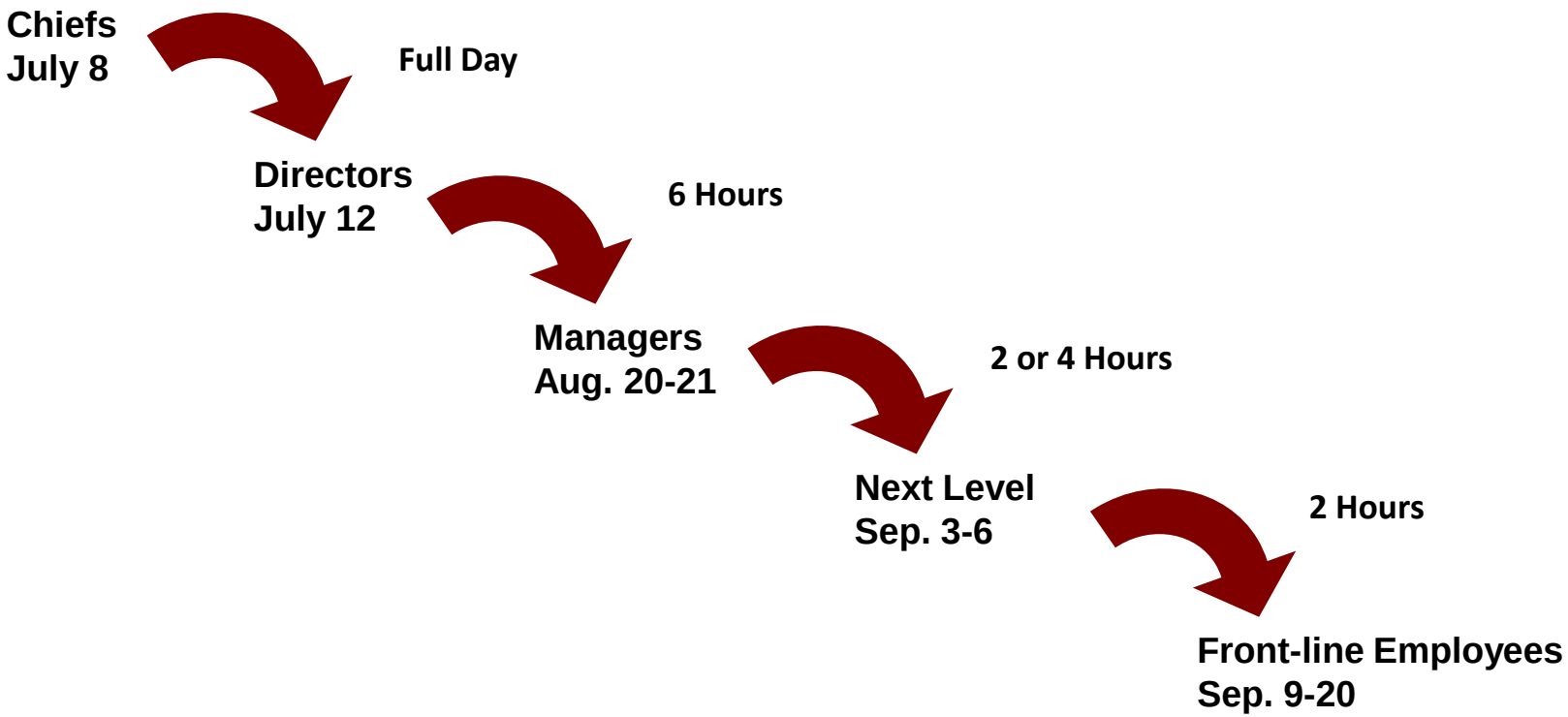
What matters to our customers matters to us. We earn our customers' loyalty by continually improving.

We provide high-quality service at an affordable cost. Service, safety and compliance are ingrained in our culture.

We deliver the highest level of proficiency and performance for our customers by attracting, retaining and developing a competent, motivated and agile workforce.

JEA CASCADE SCHEDULE

Objective: effectively and efficiently bring groups together across all departments during the Cascade meeting process



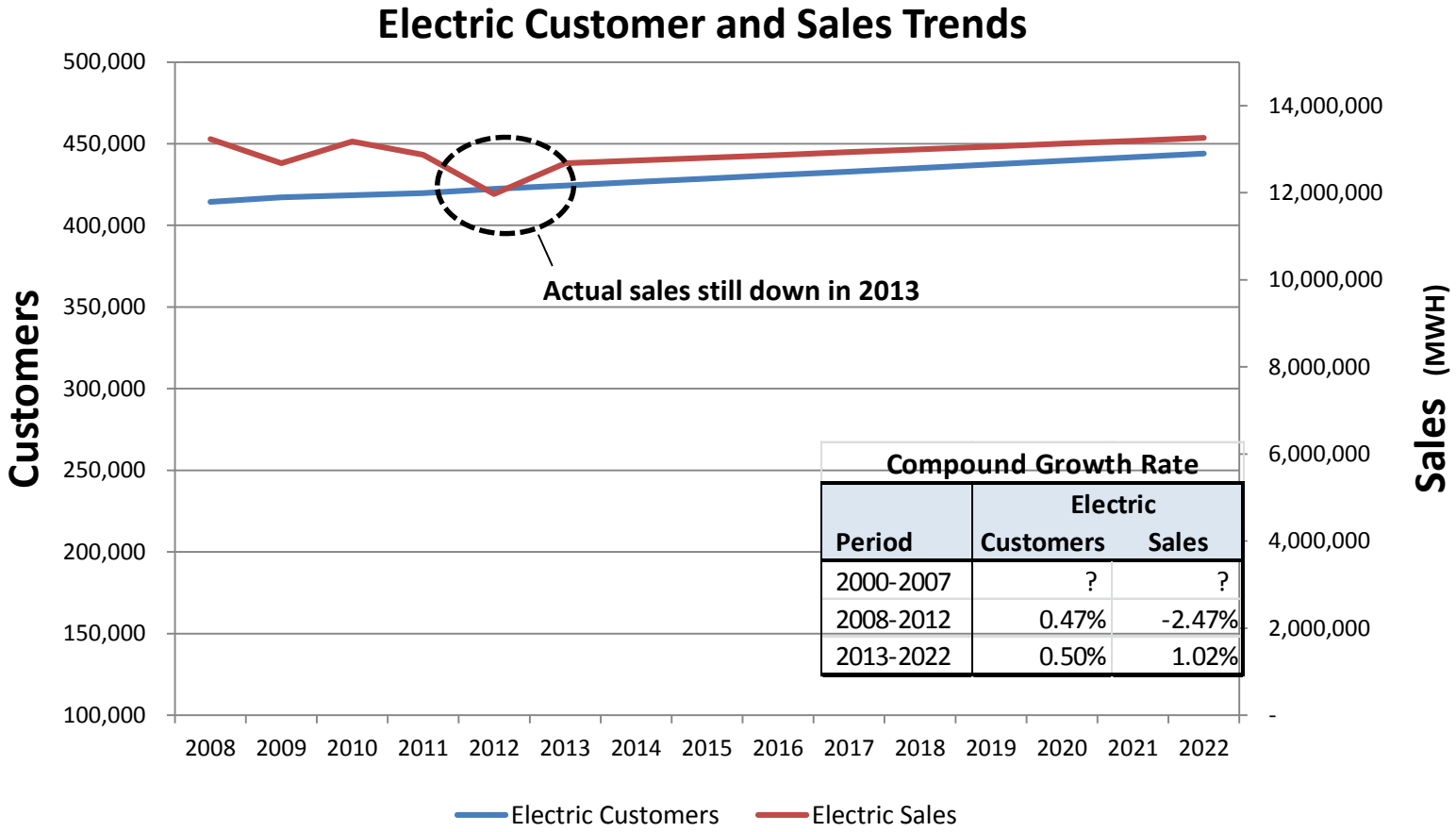
- Cascade of strategic plan engagement and aligned goal-setting
- Orchestrated by Strategic Planning Team
- Supported by Chiefs, Transformation Support Team

CASCADE MEETING OBJECTIVES

- To understand the overall effort to reposition JEA to meet its serious challenges successfully; our new “game plan”
- To understand the three major strategic initiatives and to make personal commitments to achieving them
- To understand JEA’s core values, and make personal behavior change commitments to live those values and model them for your subordinates
- To understand and be ready to lead the all-employee, high-engagement cascade in your part of the company
- To take personal accountability for leading the transformation of JEA to achieve our strategic objectives and realize our vision

CONFRONTING JEA'S BUSINESS REALITY

JEA ELECTRIC CUSTOMER AND USAGE GROWTH

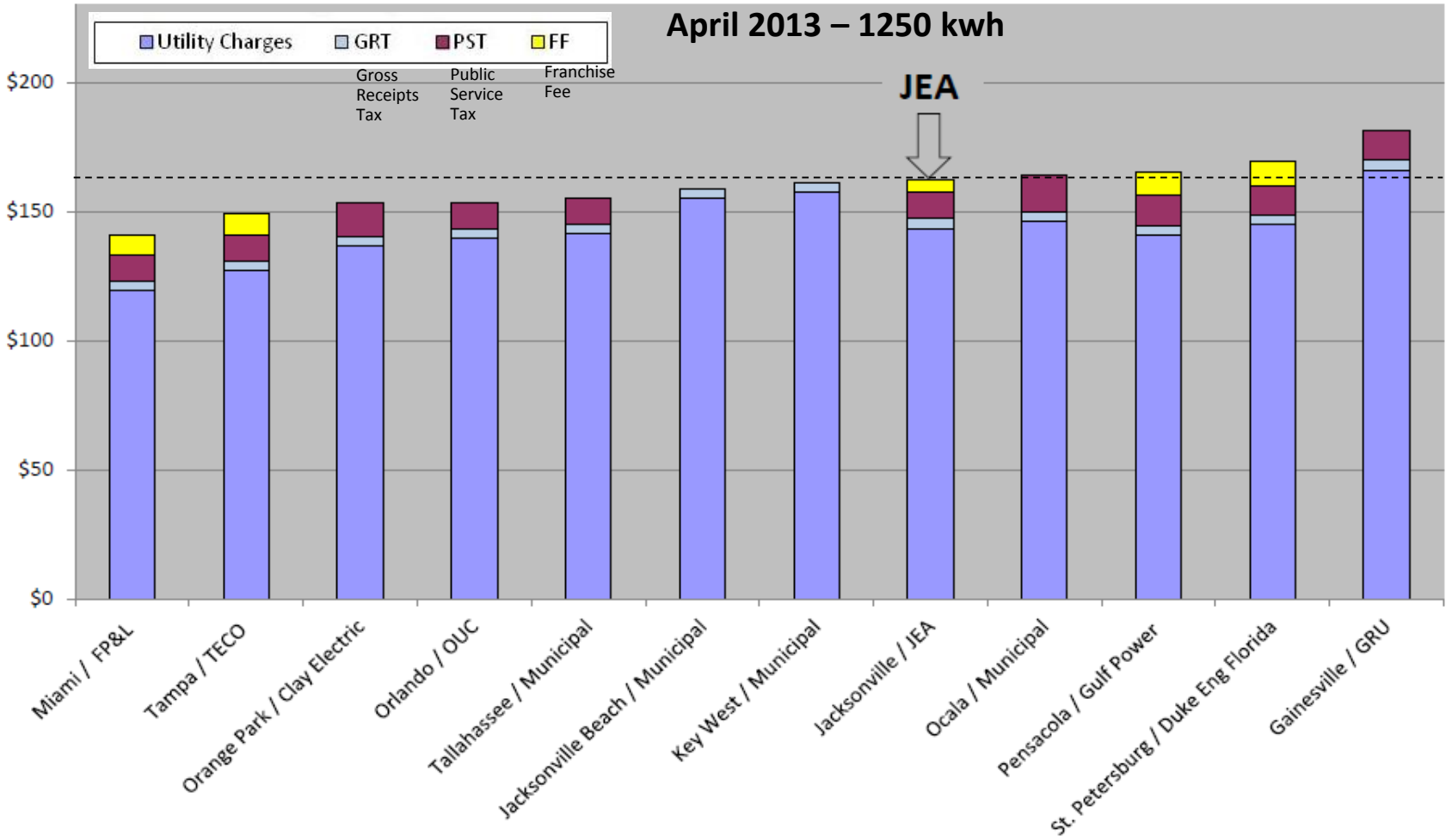


Compound Growth Rate

Period	Electric Customers	Sales
2000-2007	?	?
2008-2012	0.47%	-2.47%
2013-2022	0.50%	1.02%

Sales and revenue have fallen significantly since 2008 in both Electric and Water; hoped-for turnaround has not materialized

UPDATED TYPICAL RESIDENTIAL ELECTRIC BILL COMPARISON

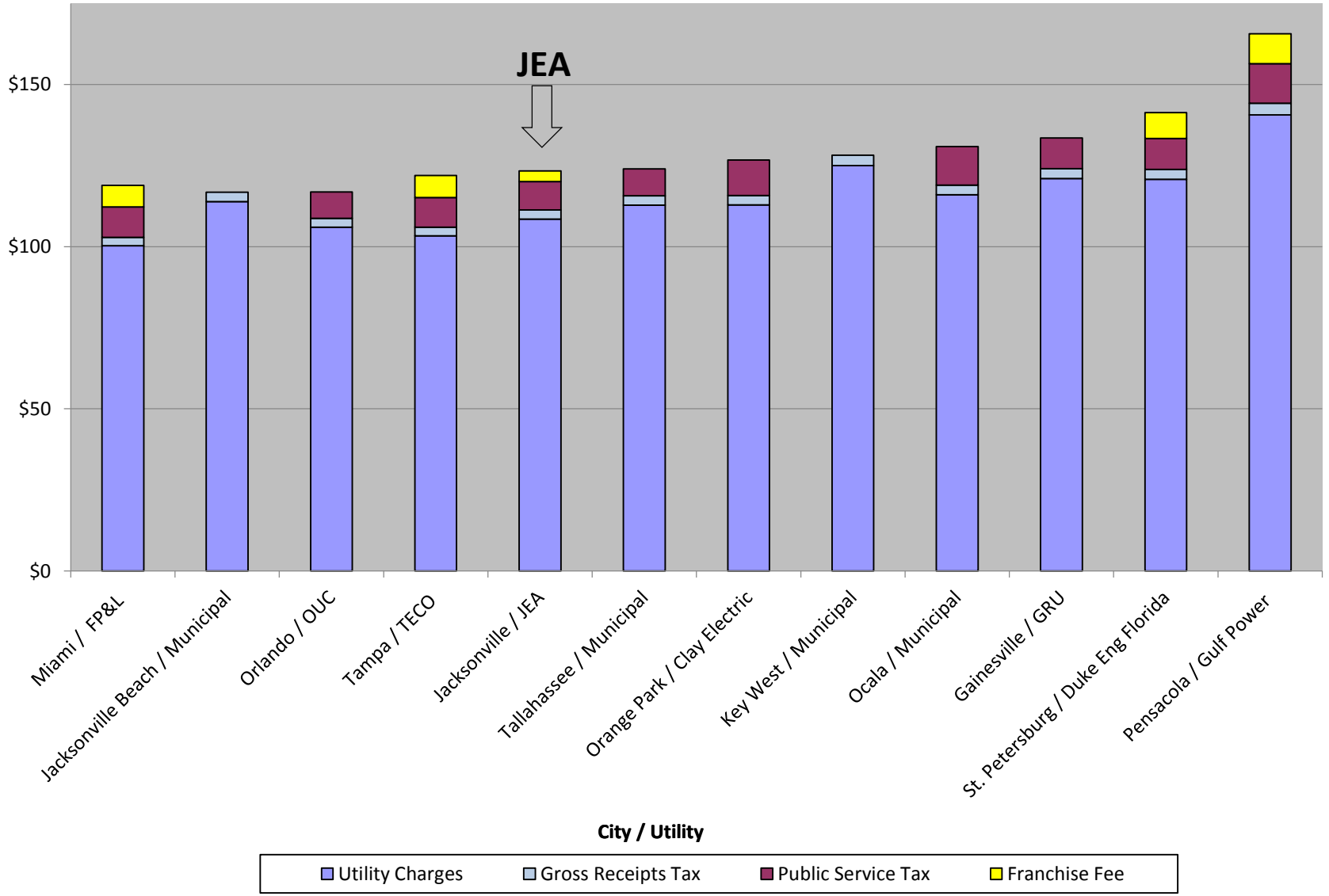


- JEA typical bills above Florida average; same for Water
- C&I rates among the highest in Southeast

Florida Utilities Monthly Residential Electric Bill Comparison

(Consumption @ 1,000 kWh)

Residential Rates as of February 2018



FPL HAS MUNIS IN ITS SIGHTS…
SOUTHERN AND DUKE ALSO LOOKING FOR GROWTH

- **FPL promoting its "low rates, high reliability and excellent customer service" – fuel cost advantage due to nuclear and gas dominance in generation fleet**
- **FPL (as well as Southern and Duke) looking at opportunities to expand wholesale service to municipal utilities; also actively pursuing acquisition of municipal utilities**
- **Municipal/coop rates range from 11% to 51% above FPL's rates**

Wake-up call for everyone at JEA

TOP STRATEGIC ISSUES FOR OTHER LARGE PUBLIC POWER UTILITIES

Concerns

- Flattening load growth
- More intense generation competition
- Decreasing rate advantage vs. IOUs
- Lack of appreciation of local control
- IOU advantages in scale, agility, and political influence
- Ability to attract good talent and transfer knowledge
- Environmental mandates
- Fuel management / fuel choices
- Workforce issues
- Changing technology
- Aging infrastructure
- Future of public power business model

Opportunities

- Proactive messaging on value
- Developing strong consumer relationships
- Better competitive intelligence (IOUs, Coops, VCs)
- Sharing best practices
- Sharing resources to achieve scale
- Leveraging innovative technology
- Serving customers better

From May 2013 meeting of LPPC Council

- **Look familiar?**
- **Similar themes to JEA**
- **All large public power utilities are facing these issues**

CONCLUSIONS FROM JEA'S BUSINESS REALITY

JEA has a proud history.

- Operational excellence
- Environmental leadership
- Heart of service for our community

But dark clouds are on the horizon…

- Declining revenue
- Rising costs
- Dissatisfied customers
- Disruptive technologies
- Competitive and regulatory threats

…and they could harm our customers and our employees if not addressed.

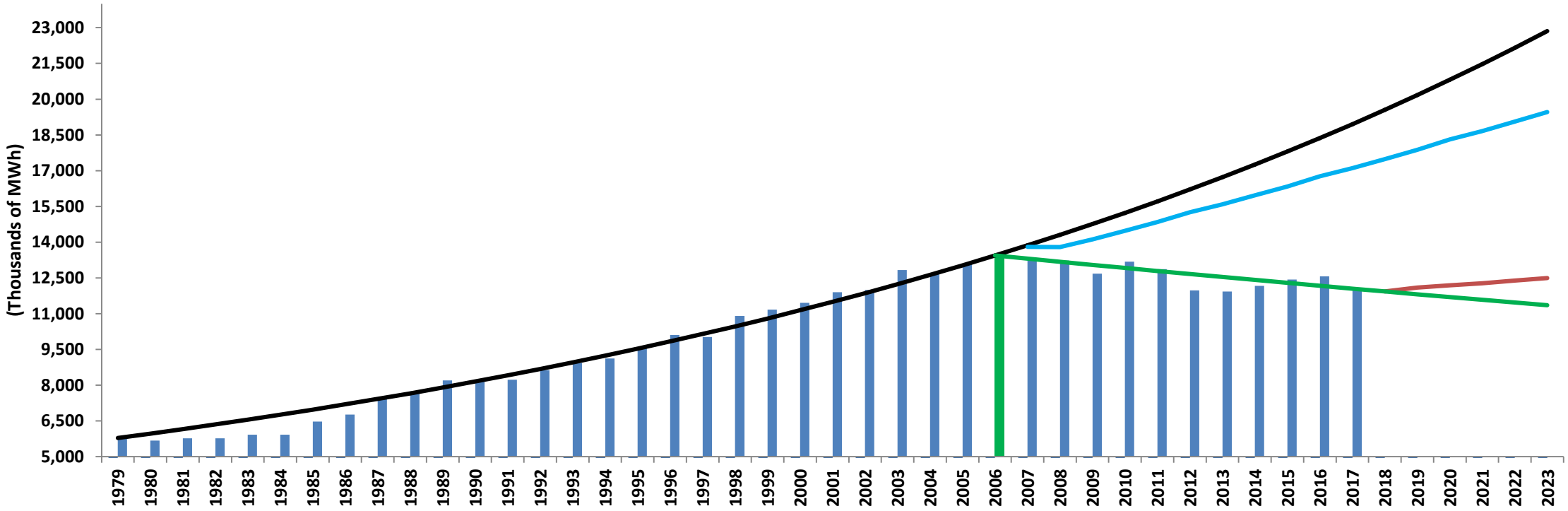
We must rise to the challenge <u>together.</u>

2012 - 2018

2013 Cascade Program Update

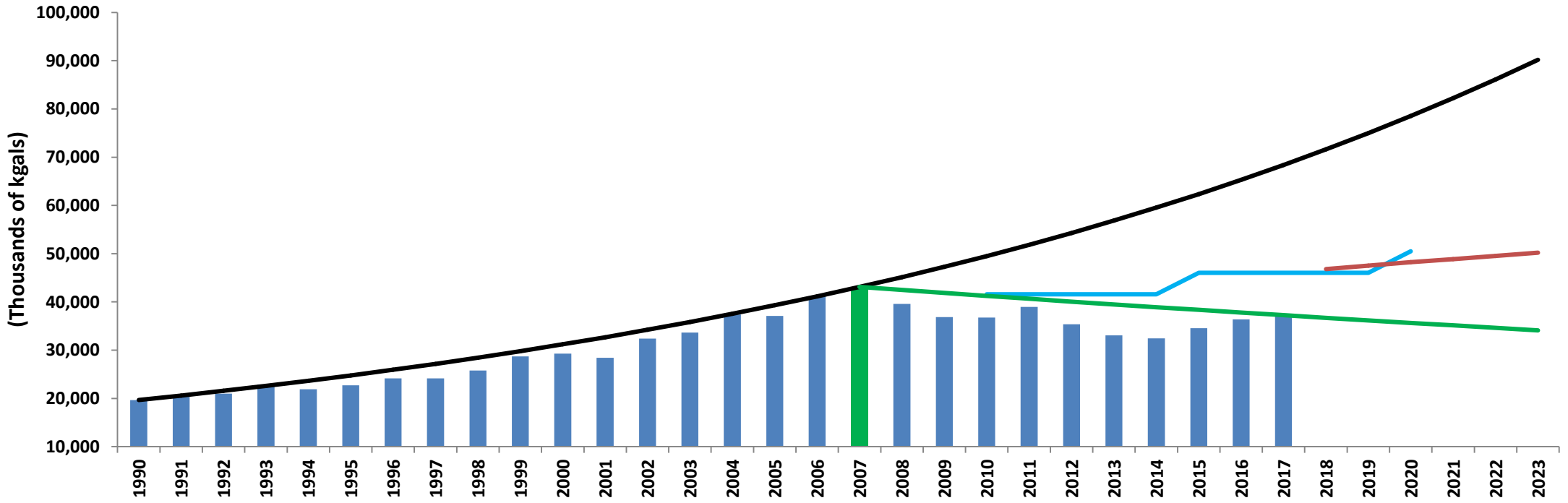
Area of Focus	Goal Description	2012 Established Goal	Current Performance
Earn Customer Loyalty	JD Power Business Survey	1st Quartile by 2016	1st Quartile (achieved FY14)
Earn Customer Loyalty	JD Power Residential Survey	1st Quartile by 2016	1st Quartile (achieved FY15)
Deliver Business Excellence	Customer Growth	Net new meters of 6,000 in ES and 5,000 in WS by FY15 over FY13 baseline	+8,145 ES & +12,438 WS FY15 v. FY13 +32,181 ES & +28,102 WS FY17 v. FY13
Deliver Business Excellence	Reduce Unbilled Production	$1M for ES & WS in FY14	Yes, ES & WS
Deliver Business Excellence	Rate Competitiveness	Residential below FL median	Below median WS and ES
Deliver Business Excellence	Improve Debt-to-asset ratio	.71 (ES) and .58 (WS) by FY15	.63 (ES) and .50 (WS) in FY17
Deliver Business Excellence	Cost performance	Flat cost per unit delivered (kwh, kgal) vs. FY12 baseline	ES, yes. WS, no, due to increased investment in water/sewer system upgrades
Deliver Business Excellence	Revenue growth	Increase of 2% in weather- normalized gross revenues by FY15 over FY13 baseline	-3.50% FY15 v. FY13 +3.44% FY17 v. FY13
Develop an Unbeatable Team	Safety	Recordable Incident Rate of 1.2 in FY14	2.29 FY14 2.06 FY17
Develop an Unbeatable Team	Workplace survey overall rating	10% improvement in FY14	Baseline FY13 71% FY15 74.4%, 5% increase FY17 78.8%, 11% increase

JEA Electric Sales and Projections



- Projection based on Annual Growth Rate 1979-2006
- 2006 Sales Projection (IRP-Based)
- 2017 Sales Projection (TSP-Based)
- Projection Based on Annual Growth Rate 2006-2017

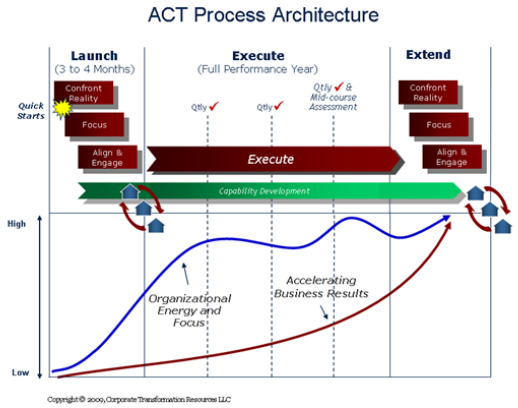
JEA Water Sales and Projections



2018 Cascade

CEO Update – 5 Year Journey

- JEA's began our initial strategic planning in the late fall of 2012.
- Our strategic planning was based on the Board's vision for JEA and executed using the Accelerated Corporate Transformation (ACT) model, ultimately involving each and every employee.
- Strategic Plan was launched in September 2013
- 2018 both completes our 5th year and begins a new opportunity to assess and update our strategic plan



CEO Update – 5 Year Journey

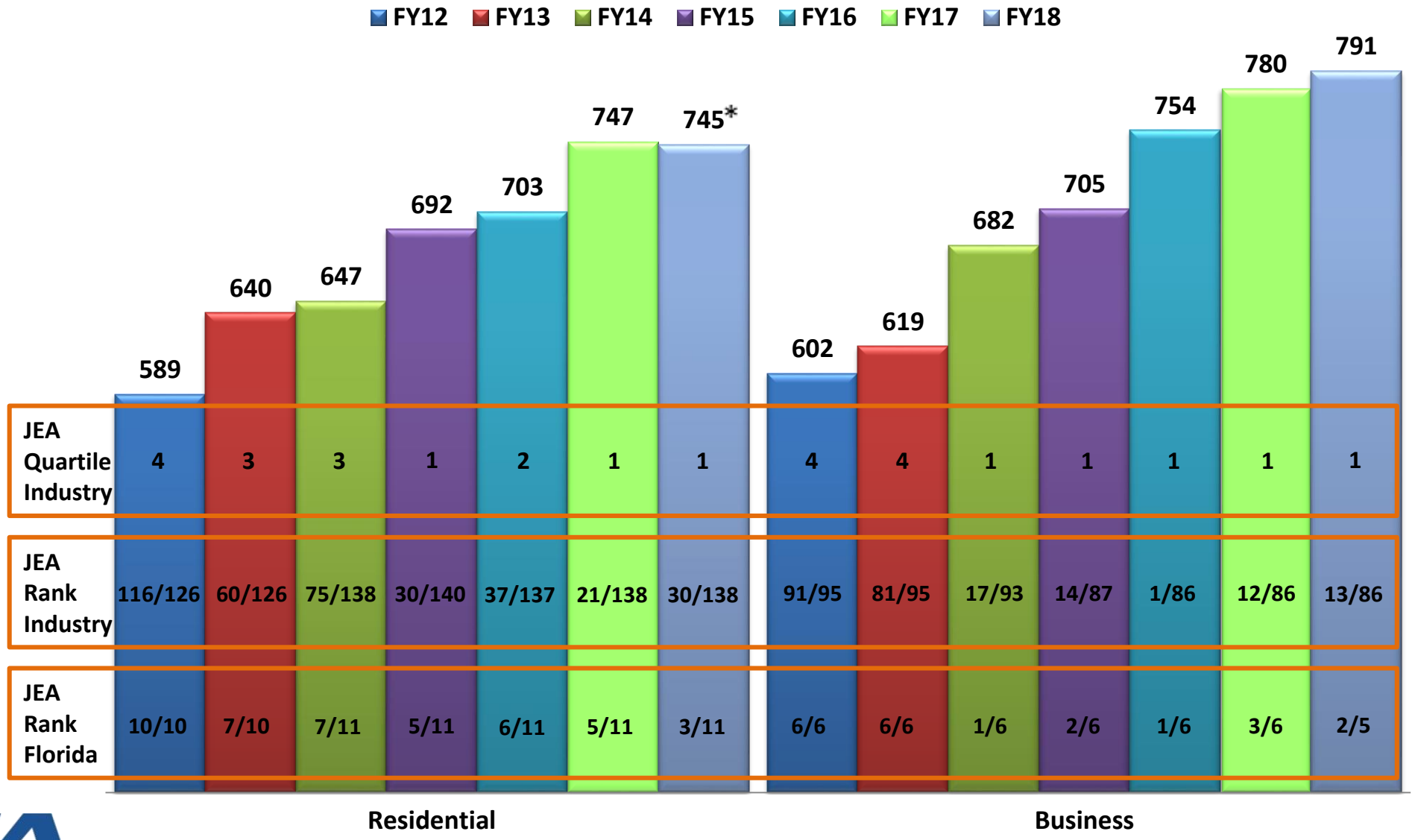
2013 Goals

- Clean Power Plan Implementation ✓
- Improve Balance Sheet Flexibility: pay-down debt ✓
- Update Electric System Pricing to capture effect of customer-owned distributed generation (solar) and energy efficiency ✓
- Transform Cost Structure ✓
  - Lower costs to match declining revenue ✓
  - Leverage technology to improve productivity ✓
  - Challenging workforce – civil service, union, pension and performance pay (3-5%) ✓
  - Can we participate in additional business opportunities ✓
- Maintain/Improve
  - System Reliability ✓
  - Customer Satisfaction/Loyalty ✓
  - Employee Satisfaction and Engagement ✓
- Vital Partner in Advancing Our Community
  - Government Transfers ✓
  - Water/Sewer Expansion ✓
  - Nitrogen removal from the St. Johns River ✓
  - Economic development ✓

CEO Update – Success

- In 2017 JEA posted a record high J.D. Power Residential Electric Customer Satisfaction score.
- **In July, J.D. Power released the 2017 results showing our customers' overall satisfaction has improved for the fifth consecutive year to a score of 747** – our highest Overall Customer Satisfaction ever!
- Customers scored us a whopping 44 points above our 2016 results and 28 points above the national average!

Customer Satisfaction Index Scores



* FY18 Residential W2 YTD

2018 W2 YTD Residential: JD Power Customer Satisfaction Index

Top Quartile (1st)	Mean	Rank	2nd Quartile	Mean	Rank	3rd Quartile	Mean	Rank	Bottom Quartile (4th)	Mean	Rank
Sawnee EMC	812	1	CPS Energy	742	36	Ameren Illinois	724	69	Lakeland Electric	702	104
NOVEC	806	2	Louisville Gas & Electric	742	36	Duke Energy-Carolinas	724	69	NIPSCO	702	104
Southern Maryland Electric Cooperative	798	3	Consumers Energy	740	38	Penelec	724	69	Tucson Electric Power	701	106
Walton EMC	795	4	OG&E	739	39	Wisconsin Public Service	724	69	NES	699	107
Clark Public Utilities	792	5	OUC	739	39	Xcel Energy-Midwest	724	69	Westar Energy	699	107
EPB	791	6	Portland General Electric	739	39	Green Mountain Power	723	74	APS	698	109
SECO Energy	779	7	Florida Power & Light	738	42	ComEd	722	75	NorthWestern Energy	698	109
SRP	779	7	Lincoln Electric System	738	42	Dayton Power & Light	722	75	NYSEG	696	111
GreyStone Power	776	9	Minnesota Power	738	42	Pacific Power	722	75	Atlantic City Electric	695	112
Cobb EMC	775	10	Omaha Public Power District	738	42	NV Energy	721	78	Huntsville Utilities	695	112
Pedernales Electric	775	10	Gulf Power	737	46	Southern California Edison	721	78	Avista	694	114
Jackson EMC	774	12	Indianapolis Power & Light	737	46	Alliant Energy	720	80	Duke Energy-Florida	691	115
Rappahannock Electric Cooperative	773	13	Penn Power	736	48	Rocky Mountain Power	720	80	Appalachian Power	686	116
EnergyUnited	771	14	Seattle City Light	736	48	Xcel Energy-South	720	80	Empire District Electric	686	116
Kentucky Utilities	770	15	Intermountain Rural Electric Assoc.	735	50	Toledo Edison	719	83	MLGW	686	116
Entergy Mississippi	768	16	Central Maine Power	734	51	Xcel Energy-West	719	83	Entergy New Orleans	685	119
CoServ	767	17	Mississippi Power	734	51	Duke Energy-Midwest	718	85	Mon Power	685	119
SMUD	766	18	Withlacoochee River Electric Cooperative	734	51	Public Service Co. of Oklahoma	718	85	PSEG Long Island	685	119
MidAmerican Energy	762	19	BGE	733	54	KCP&L	717	87	National Grid	684	122
Clay Electric Cooperative	760	20	Dominion Energy	732	55	Lee County Electric Cooperative	717	87	Pacific Gas and Electric	683	123
Middle Tennessee EMC	759	21	Southwestern Electric Power	732	55	Delmarva Power	715	89	The Illuminating Company	683	123
Entergy Louisiana	758	22	Entergy Texas	731	57	Cleco Power	713	90	Jersey Central Power & Light	682	125
Great Lakes Energy	758	22	Potomac Edison	731	57	Puget Sound Energy	712	91	Eversource Energy	681	126
Connexus Energy	755	24	Duke Energy-Progress	729	59	Snohomish County PUD	712	91	Montana-Dakota Utilities	679	127
South Central Power	753	25	PSE&G	729	59	AEP Ohio	711	93	Knoxville Utilities Board	676	128
Entergy Arkansas	750	26	Santee Cooper	729	59	Con Edison	709	94	Orange & Rockland	674	129
Idaho Power	747	27	PECO	728	62	Tampa Electric	709	94	L. A. Dept. of Water & Power	668	130
PPL Electric Utilities	747	27	Indiana Michigan Power	727	63	West Penn Power	709	94	Central Hudson Gas & Electric	666	131
Ohio Edison	746	29	Ameren Missouri	726	64	Rochester Gas & Electric	708	97	El Paso Electric	663	132
JEA	745	30	Otter Tail Power Company	726	64	Pepco	706	98	Emera Maine	660	133
Alabama Power	744	31	Madison Gas & Electric	725	66	Austin Energy	705	99	PNM	659	134
DTE Energy	744	31	Tacoma Power	725	66	Duquesne Light	704	100	United Illuminating	659	134
Imperial Irrigation District	744	31	We Energies	725	66	Met-Ed	704	100	Hawaiian Electric	657	136
Colorado Springs Utilities	743	34				San Diego Gas & Electric	704	100	Black Hills Energy	653	137
Georgia Power	743	34				South Carolina Electric & Gas	703	103	Vectren	647	138
									Kentucky Power	624	139

JD Power Business FY18 Final

Top Quartile (1st)	Mean	Rank	2nd Quartile	Mean	Rank	3rd Quartile	Mean	Rank	Bottom Quartile (4th)	Mean	Rank
Alabama Power	819	1	Duke Energy-Midwest	779	23	PECO	761	43	NYSEG	752	64
Duquesne Light	816	2	Atlantic City Electric	776	24	NES	761	43	West Penn Power	752	64
Portland General Electric	804	3	Con Edison	775	25	NorthWestern Energy	760	45	The Illuminating Company	752	64
Georgia Power	801	4	Kentucky Utilities	775	25	Entergy Louisiana	759	46	Dayton Power & Light	748	67
Entergy Mississippi	800	5	Ameren Missouri	774	27	OG&E	759	46	San Diego Gas & Electric	748	67
Gulf Power	799	6	Indianapolis Power & Light	774	27	Southern California Edison	759	46	NV Energy	747	69
Public Service Co. of Oklahoma	799	6	Ohio Edison	773	29	Louisville Gas & Electric	758	49	Delmarva Power	744	70
SRP	798	8	Xcel Energy - Midwest	773	29	Westar Energy	758	49	National Grid	742	71
Entergy Texas	797	9	PPL Electric Utilities	771	31	Rocky Mountain Power	757	51	Appalachian Power	741	72
SMUD	796	10	We Energies	771	31	PSE&G	756	52	El Paso Electric	741	72
DTE Energy	793	11	Duke Energy-Florida	771	31	AEP Ohio	756	52	Alliant Energy	736	74
Idaho Power	793	11	South Carolina Electric & Gas	771	31	Consumers Energy	756	52	Austin Energy	736	74
JEA	791	13	Duke Energy-Carolinas	769	35	L. A. Dept. of Water & Power	756	52	NIPSCO	735	76
BGE	790	14	Tampa Electric	766	36	Jersey Central Power & Light	755	56	Potomac Edison	734	77
Seattle City Light	790	14	ComEd	765	37	Met-Ed	755	56	Central Maine Power	731	78
Florida Power & Light	789	16	Indiana Michigan Power	765	37	Ameren Illinois	755	56	Penelec	725	79
MidAmerican Energy	784	17	Southwestern Electric Power	765	37	Puget Sound Energy	755	56	Eversource Energy	722	80
WPS	784	17	APS	765	37	Pepco	754	60	Avista	719	81
Dominion Virginia Power	784	17	Entergy Arkansas	763	41	KCP&L	754	60	MLGW	718	82
Omaha Public Power District	783	20	Xcel Energy - West	762	42	Pacific Gas and Electric	753	62	PSEG Long Island	710	83
CPS Energy	783	20				Pacific Power	753	62	Central Hudson Gas & Electric	710	83
Duke Energy-Progress	780	22							PNM	709	85
									Mon Power	708	86

Review of 2017 YE Metrics

Deliver Business Excellence

Co-Champions: Paul Cosgrave, Melissa Dykes and Ted Hobson

Grow Revenues	FY17 Goal	2017 YE
Reduce unbilled revenue		

Grow non-core utility businesses
• Telecommunication/fiber
  • Dark Fiber
  • Wireless Colocation
• Natural Gas Sales
• Joint Dispatch (GRU)
• Pole attachments		

Grow revenues from new business lines and unbilled revenue reductions	$12M	$11.9M

Deliver Business Excellence

Leverage EAM Principles	FY17 Goal	2017 YE
Leverage EAM principles to improve systems efficiency and cost structure		
Identify EAM principle-driven projects capable of producing $10 million of annual value	$10 million	>$10M identified
Cost performance: 1a. Non-Fuel Electric $/MWh 1b. Water $/kGal 1c. Wastewater $/kGal	1a. < $53.94/MWh 1b. < $4.75/kGal 1c. < $10.27/kGal	1a. $52.50/MWh 1b. $4.57/kGal 1c. $9.20/kGal
Debt/Asset Ratio Reduction - No new debt in FY2017	$0	$0
No base rate increases projected for at least 5 years in electric, at least 10 years in water/sewer	No base rate increases	No base rate increases

Deliver Business Excellence

Leverage EAM Principles	FY17 Goal	2017 YE
Optimize implementation of Oracle Projects (Q1) & Oracle eAM (Q3) to improve EAM at JEA		
Leverage EAM principles to improve electric, water sewer, & reliability		
Launch Demand Rate Pilot Program		
At least 100 customers on Demand Rate Pilot before 9/30	100	123
Improve Reliability- CEMI-5	Meets < 1.5% Exceeds < 1.0%	1.07%
Water pressure > 50psi	Meets > 95% Exceeds > 97%	96.1%

Develop an Unbeatable Team

Co-Champions: Angie Hiers and Brian Roche

Improve Employee Satisfaction & Engagement	FY17 Goal	2017 YE
Improve the quality and measurement of job factors/goals/objectives		
Engage employees in company Ambassadorship and Advocacy		
Continuously promote a workplace environment where contributions of employees with similar and different backgrounds, experiences and perspectives are recognized and utilized to maximize operational excellence		
Consistent development of relevant, robust and measurable goals.	100% of audited goals pass criteria	100% of audited goals pass criteria
Roll out of "I Am An Ambassador" Program to all employees.	100%	100%
Delivery of Respect and Inclusion curriculum/activity to all employees.	100%	93% appointed 100% non-appointed

Develop an Unbeatable Team

Engage Employees in Personal Growth	FY17 Goal	2017 YE
Build job-specific and general competencies		
Promote career path opportunities		
Design, completion and delivery of curriculum to address competency gaps.	Completed by 9/1/17	Design complete
At least 1 completed development activity from IDP for 75% of employees who have submitted an IDP	75%	87.6%
Design and completion of career path projects for various areas.	Completed and delivered at least 3 major job groups by 3rd Qtr	Completed and delivered at least 3 major job groups by 3rd Qtr

Develop an Unbeatable Team

Ensure a Safe, Healthy and Ethical Workplace	FY17 Goal	2017 YE
Plan for zero RIRs		
Compliance with JEA's ethics standards and training requirements		
Promote a culture of employee wellness and health		
Safety - Recordable Incident Rate meets or exceeds established objective.	RIR 1.4	RIR 2.01
Ethics – 100% completion of new and enhanced ethics training with new employees completing within first 10 days of employment.	100% completion of new training by established guideline	100%
Participation of at least 70% of employees in at least one (1) wellness activity (sponsored activity, annual wellness exam, personal health assessment, bio-metric screening)	70%	64%

Earn Customer Loyalty

Co-Champions: Kerri Stewart, Mike Brost, Mike Hightower

Be Easy to Do Business With	FY17 Goal	2017 YE
Ensure policies and processes produce a customer experience which is easy, timely, and accurate the first time		
Ensure customer facing technology provides customer centric functionality, including proactive and customized self-service tools and 24/7 reliability		
Demonstrate empathy, courtesy and knowledge in every customer interaction		
Provide consistent customer experience across all channels and all touch points		
Customer Service: Residential and Business	R: 1st B: 1st	R: 1st B: 1st
Power Quality and Reliability: Residential and Business	R: 1st B: 1st	R: 1st B: 1st

Earn Customer Loyalty

Empower Customers to Make Informed Decisions	FY17 Goal	2017 YE
Increase awareness of customer choice and participation in customer solutions		
Enhance customer solution portfolio options leveraging leading edge technology		
Make JEA our customers' first and best source of utility information, and ultimately be their Trusted Advisor		
Communications: Residential and Business	R: 1st B: 1st	R: 1st B: 1st
Billing & Payment: Residential and Business	R: 1st B: 1st	R: 1st B: 2nd
Price: Residential and Business	R: 1st B: 1st	R: 2nd B: 1st

Earn Customer Loyalty

Demonstrate Community Responsibility	FY17 Goal	2017 YE
Grow JEA's ambassador and volunteer programs to deepen customer and community engagement		
Develop and communicate JEA's strategy to meet the community's future electric, water and sewer needs in an economically and environmentally responsible way		
Proactively capture and incorporate the voice of customers, including silent and low-income customers, in business decisions		
Demonstrate JEA's support of Economic Development in the local community		
Demonstrate JEA's support of local governments and regulators through enhanced communication and collaboration		
Citizenship	1st	1st
Corporate Citizenship	1st	1st

2018 CTAs and Initiatives

Goals, Objectives and CTAs

- Performance Goals and Objectives
  - Keep lights on
  - Job description
- CTAs
  - Moving the organization forward
  - Increasing organization capabilities
  - Increasing productivity and efficiencies

FY18 corporate CTAs

DELIVER BUSINESS EXCELLENCE

- Increase productivity by making strategic process improvements and technology investments to facilitate $40M/year sustained cost reductions

BUILD AN UNBEATABLE TEAM

- Cultivate teamwork excellence by fostering a **Safe**, inclusive, engaged environment that embraces change.

EARN CUSTOMER LOYALTY

- Sustain nationally ranked customer satisfaction

2022 Vision

- **Increase productivity, while improving service**
  - Produce more, while spending less
  - Leverage technology and data to significantly reduce total costs
  - Optimize capital investments and O&M resources
- **More agile business**
  - A cost structure that is more responsive to changing customer, regulatory, and other external factors
  - Greater operational flexibility and shorter-lived assets
- **Improve operational performance and reliability thru Enterprise Asset Management**
  - Better production and process outcomes - Plants
  - Improved delivery performance - Grids
  - More efficient support systems – Services
- **Customer Satisfaction**
  - Continue providing superior customer satisfaction while streamlining business operations … aka – improve customer satisfaction and lower costs

Culture is Critical - Heart of Success or Failure

APPA 2016 Comparison

	Metric	Customer Size				Region				Generation			
		1	2	3	4	1	2	3	4	1	2	3	4
1	Revenue per KWH												
	All Retail Customers			✓				✓				✓	
	Residential Customers		✓					✓			✓		
	Commercial Customers			✓		✓						✓	
	Industrial Customers			✓				✓				✓	
2	Debt to Total Assets			✓					✓			✓	
3	Operating Ratio	✓				✓				✓			
4	Current Ratio				✓				✓				
5a	Times Interest Earned			✓			✓						
5b	Debt Service Coverage				✓		✓						
6	Net Income per Revenue Dollar				✓				✓				
7	Uncollec. Accts per Rev Dollar	✓				✓							
8	Retail Cust. per Non-Pwr Gen Emp				✓				✓				
9	Total O&M exp per KWH sold		✓			✓					✓		
10	Total O&M exp per Retail Cust (1)	✓					✓						
11	Total Pwr Supply Exp per KWh sold		✓			✓					✓		
12	Purch Pwr Cost per KWh		✓			✓					✓		
13	Retail Cust per Meter Reader			✓					✓				
14	Dist OM Exp per Retail Cust	✓				✓							
15	Dist OM Expense per Circuit Mile	✓				✓							
16	Cust Acct, Svc Sales exp per retail Cust			✓					✓				
17	Admin and Gen Exp per Retail Cust	✓					✓			✓			
18	Labor Expense per Worker - Hour	✓							✓	✓			
19	Energy Loss Percentage			✓				✓					✓
20	System Load Factor			✓					✓				
21	Capital Expen to Depreciation Exp	✓				✓				✓			

(1) (Excl. Pwr Sup Exp)

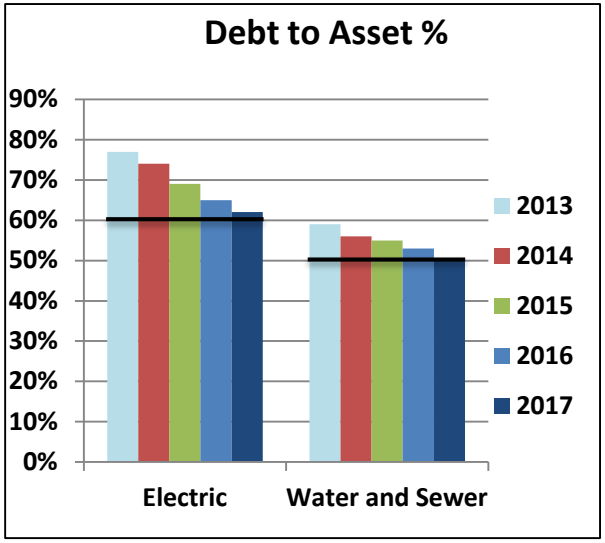
	Below Average			Above Average
Items shaded this color	1	2	3	4
Items shaded this color	1	2	3	4

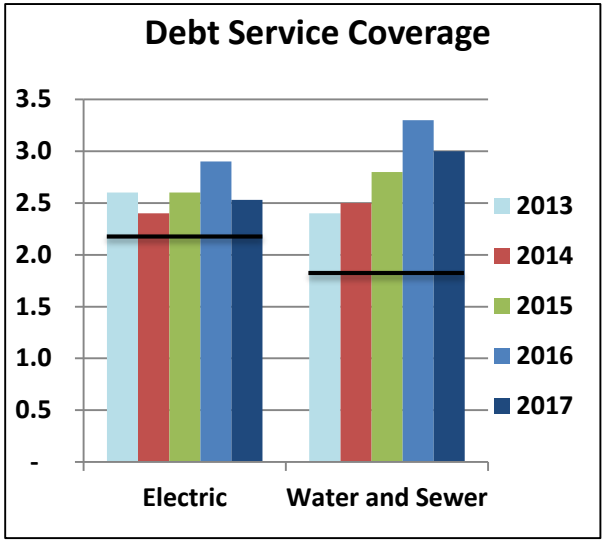
Green = Good Red = Bad

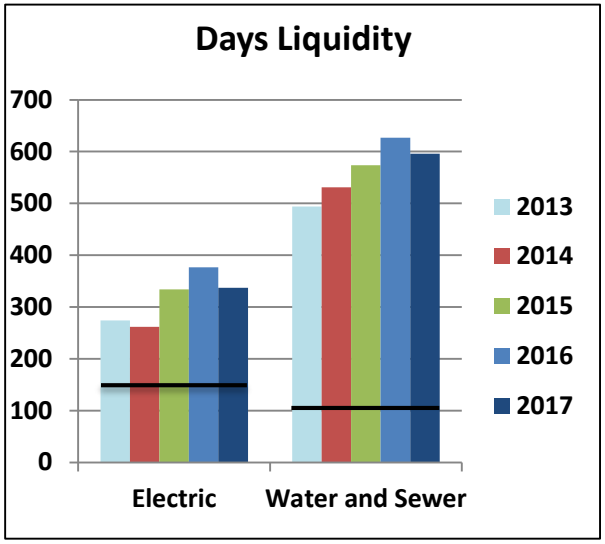
Key Financial Metrics

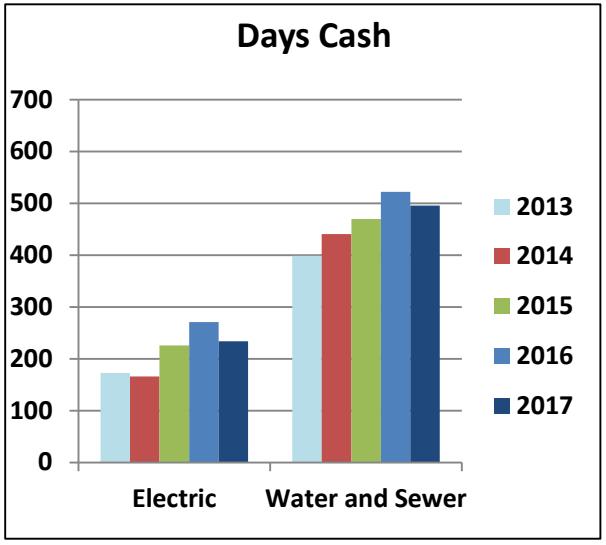
FY2017 results demonstrated strong performance across all key financial metrics

- FY2017 Debt Service Coverage remains strong and provides financial flexibility to respond to industry challenges
- Debt-to-Asset % continues to improve and approach long-term targets
- Days Liquidity and Days Cash metrics continue to be strong and provide the ability to invest in infrastructure in both systems without the need for additional debt









— Long-term targets per JEA Pricing Policy

II. F. 1.

Electric System and Water and Sewer System

Reserve Fund Quarterly Report

Initially provided to the JEA Board Finance and Audit Committee May 7, 2012

II. F. 1. Return to
03/12/2018 Agenda

Building Community

AGENDA ITEM SUMMARY

February 26, 2018

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

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

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

II. F. 1.
03/12/2018

Return to Agenda

Building Community

INTER-OFFICE MEMORANDUM
February 26, 2018

SUBJECT:	**ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Finance and Audit Committee 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 December 31, 2017.

RECOMMENDATION:
No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

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

For the Fiscal Quarter Ending December 31, 2017
(In Thousands of Dollars)

Electric System	Fiscal Year FY 2015	Fiscal Year FY 2016	Fiscal Year FY 2017	Fiscal Year FY 2018	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 46,624	$ 56,665	$ 54,815	$ 55,216	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	10,937	11,179	9,214	9,214	4
Rate Stabilization					
• Fuel	150,742	180,115	131,716	92,095	5
• DSM/conservation	2,886	3,515	3,695	3,625	6
• Environmental	23,430	29,975	36,417	42,416	7
• Debt Management	42,126	42,126	29,884	29,884	8
• Non-Fuel Purchased Power	38,000	34,400	25,189	53,539	9
Environmental	18,662	18,556	18,556	17,647	10
Customer Deposits	42,389	41,084	42,105	42,603	11
Total Unrestricted	385,796	427,615	361,590	356,239	
Days of Cash on Hand (2)	225	270	234	202	
Restricted					
Debt Service Funds (Sinking Funds)	134,927	136,232	167,087	160,347	12
Debt Service Reserve Funds	64,595	60,582	60,582	60,582	13
Renewal and Replacement Funds/OCO (3)	145,711	192,179	201,368	195,467	14
Construction Funds	-	-	-	-	15
Total Restricted	345,233	388,993	429,037	416,396	
Total Electric System	$ 731,029	$ 816,608	$ 790,627	$ 772,635	

Water and Sewer System					
Unrestricted					
Operations/Revenue Fund	$ 22,588	$ 42,948	$ 69,199	$ 46,767	
Rate Stabilization					
• Debt Management	20,290	20,290	14,209	14,209	16
• Environmental		1,699	5,214	9,748	17
Customer Deposit	13,255	13,910	15,086	15,270	18
Total Unrestricted	56,133	78,847	103,708	85,994	
Days of Cash on Hand (2)	466	528	496	441	
Restricted					
Debt Service Funds (Sinking Funds)	67,720	65,410	82,208	81,727	19
Debt Service Reserve Funds	108,849	108,086	107,488	102,850	20
Renewal and Replacement Funds					
• R&R/OCO (4)	76,020	76,020	54,699	54,440	21
• Capacity Fees/State Revolving Loans	90,912	103,411	95,620	57,590	22
• Environmental	19,245	2,659	1,839	2,067	23
Construction Funds	664	152	15	-	24
Total Restricted	363,410	355,738	341,869	298,674	
Total Water & Sewer System	$ 419,543	$ 434,585	$ 445,577	$ 384,668	

(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 Self Insurance - Property

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
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			
	2013	2014	2015	2016	2017	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 December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 9,214	$ 9,214	$ 9,214	N/A	$ 11,179	$ 9,214	$ 9,214	$ 9,214
Additions:								
Employee Contributions	1,494	1,494	6,155	N/A	5,862	6,463	6,786	7,125
Retiree & Other Contributions	1,927	1,927	6,830		6,443	7,239	7,674	8,134
Employer Contributions	4,650	4,650	21,915		19,004	22,898	23,940	25,041
Sub-total	$ 8,071	$ 8,071	$ 34,900	$ -	$ 31,309	$ 36,600	$ 38,400	$ 40,300
Deductions:								
Payments for Claims	7,682	7,682	32,574	N/A	30,994	34,228	35,980	37,832
Actuary & Other Payments	490	490	2,326		2,280	2,372	2,420	2,468
Sub-total	$ 8,172	$ 8,172	$ 34,900	$ -	$ 33,274	$ 36,600	$ 38,400	$ 40,300
Ending Balance	$ 9,113	$ 9,113	$ 9,214	N/A	$ 9,214	$ 9,214	$ 9,214	$ 9,214

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 15,440	$ 15,914	$ 10,749	$ 10,937	$ 11,179	$ 10,749	$ 11,179	$ 12,844	$ 15,914
Additions:									
Employee Contributions	5,893	4,573	5,447	5,460	5,862	4,573	5,460	5,447	5,893
Retiree & Other Contributions	5,701	5,188	5,141	5,694	6,443	5,141	5,694	5,633	6,443
Employer Contributions	20,629	14,252	22,220	24,231	19,004	14,252	20,629	20,067	24,231
Sub-total	$ 32,223	$ 24,013	$ 32,808	$ 35,385	$ 31,309				
Deductions:									
Payments for Claims	29,354	27,157	30,408	32,946	30,994	27,157	30,408	30,172	32,946
Actuary & Other Payments	2,395	2,021	2,212	2,197	2,280	2,021	2,212	2,221	2,395
Sub-total	$ 31,749	$ 29,178	$ 32,620	$ 35,143	$ 33,274				
Ending balance	$ 15,914	$ 10,749	$ 10,937	$ 11,179	$ 9,214	$ 9,214	$ 10,937	$ 11,599	$ 15,914

Observations:

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

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 131,716	$ 131,716	$ 131,716	N/A	$ 180,115	$ 92,095	$ 95,974	$ 100,497
Additions:								
Contributions			-		2,845	3,879	4,523	
Sub-total	$ -	$ -	$ -	$ -	$ 2,845	$ 3,879	$ 4,523	$ -
Withdrawals	9,438	9,438	39,621	32,800	51,244			10,689
Customer Fuel Rebate Credit				-	-			
Sub-total	$ 9,438	$ 9,438	$ 39,621	$ 32,800	$ 51,244	$ -	$ -	$ 10,689
Ending Balance	$ 122,278	$ 122,278	$ 92,095	N/A	$ 131,716	$ 95,974	$ 100,497	$ 89,808

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 92,362	$ 108,289	$ 105,457	$ 150,742	$ 180,115	$ 92,362	$ 108,289	$ 127,393	$ 180,115
Additions:									
Contributions	52,523	22,496	95,224	85,979	2,845	2,845	52,523	51,813	95,224
						-	-	-	-
Sub-total	$ 52,523	$ 22,496	$ 95,224	$ 85,979	$ 2,845	-	-	-	-
Deductions:									
Withdrawals					51,244	51,244	51,244	51,244	51,244
Fuel Rebate Credit	36,596	25,328	49,939	56,606		25,328	43,268	42,117	56,606
						-	-	-	-
Sub-total	$ 36,596	$ 25,328	$ 49,939	$ 56,606	$ 51,244				
Ending balance	$ 108,289	$ 105,457	$ 150,742	$ 180,115	$ 131,716	$ 105,457	$ 131,716	$ 135,264	$ 180,115

Observations:

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

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 3,695	$ 3,695	$ 3,695	N/A	$ 3,515	$ 3,625	$ 3,397	$ 3,169
Additions:								
Contributions	1,535	1,535	7,029	7,515	6,685	6,871	6,871	6,871
Other								
Sub-total	$ 1,535	$ 1,535	$ 7,029	$ 7,515	$ 6,685	$ 6,871	$ 6,871	$ 6,871
Withdrawals	1,199	1,199	7,099	8,126	6,505	7,099	7,099	7,099
Sub-total	$ 1,199	$ 1,199	$ 7,099	$ 8,126	$ 6,505	$ 7,099	$ 7,099	$ 7,099
Ending Balance	$ 4,031	$ 4,031	$ 3,625	N/A	$ 3,695	$ 3,397	$ 3,169	$ 2,941

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 6,912	$ 3,891	$ 3,570	$ 2,886	$ 3,515	$ 2,886	$ 3,570	$ 4,155	$ 6,912
Additions:									
Contributions	6,683	6,929	7,059	7,232	6,685	6,683	6,929	6,918	7,232
Transfer from Rev Fd						-	-	-	-
						-	-	-	-
Sub-total	$ 6,683	$ 6,929	$ 7,059	$ 7,232	$ 6,685				
Deductions:									
Withdrawals	9,704	7,250	7,743	6,603	6,505	6,505	7,250	7,561	9,704
						-	-	-	-
						-	-	-	-
Sub-total	$ 9,704	$ 7,250	$ 7,743	$ 6,603	$ 6,505				
Ending balance	$ 3,891	$ 3,570	$ 2,886	$ 3,515	$ 3,695	$ 2,886	$ 3,570	$ 3,511	$ 3,891

Observations:

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

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 36,417	$ 36,417	$ 36,417	N/A	$ 29,975	$ 42,416	$ 48,516	$ 53,396
Additions:								
Contributions	1,770	1,770	7,542	7,942	7,384	7,320	7,320	7,320
Sub-total	$ 1,770	$ 1,770	$ 7,542	$ 7,942	$ 7,384	$ 7,320	$ 7,320	$ 7,320
Withdrawals	6	6	1,543	2,051	942	1,220	2,440	3,660
Sub-total	$ 6	$ 6	$ 1,543	$ 2,051	$ 942	$ 1,220	$ 2,440	$ 3,660
Ending Balance	$ 38,181	$ 38,181	$ 42,416	N/A	$ 36,417	$ 48,516	$ 53,396	$ 57,056

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 5,343	$ 10,023	$ 16,639	$ 23,430	$ 29,975	$ 5,343	$ 16,639	$ 17,082	$ 29,975
Additions:									
Contributions	5,650	7,395	7,586	7,700	7,384	5,650	7,395	7,143	7,700
						-	-	-	-
Sub-total	$ 5,650	$ 7,395	$ 7,586	$ 7,700	$ 7,384	-	-	-	-
Deductions:									
Withdrawals	970	779	795	1,155	942	779	942	928	1,155
						-	-	-	-
Sub-total	$ 970	$ 779	$ 795	$ 1,155	$ 942	-	-	-	-
Ending balance	$ 10,023	$ 16,639	$ 23,430	$ 29,975	$ 36,417	$ 10,023	$ 23,430	$ 23,297	$ 36,417

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 29,884	$ 29,884	$ 29,884	N/A	$ 42,126	$ 29,884	$ 29,884	$ 29,884
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Withdrawals			-		12,242			
Sub-total	$ -	$ -	$ -	$ -	$ 12,242	$ -	$ -	$ -
Ending Balance	$ 29,884	$ 29,884	$ 29,884	N/A	$ 29,884	$ 29,884	$ 29,884	$ 29,884

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 41,611	$ 42,126	$ 42,126	$ 42,126	$ 42,126	$ 41,611	$ 42,126	$ 42,023	$ 42,126
Additions:									
Contributions	6,581					6,581	6,581	6,581	6,581
						-	-	-	-
						-	-	-	-
Sub-total	$ 6,581	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals	6,066				12,242	6,066	9,154	9,154	12,242
						-	-	-	-
						-	-	-	-
Sub-total	$ 6,066	$ -	$ -	$ -	$ 12,242				
Ending balance	$ 42,126	$ 42,126	$ 42,126	$ 42,126	$ 29,884	$ 29,884	$ 42,126	$ 39,678	$ 42,126

Observations:

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

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 25,189	$ 25,189	$ 25,189	N/A	$ 34,400	$ 53,539	$ 56,842	$ 36,842
Additions:								
Contributions			40,000	-	-	17,630		
Sub-total	$ -	$ -	$ 40,000	$ -	$ -	$ 17,630	$ -	$ -
Withdrawals	2,842	2,842	11,650	11,745	3,600	14,327	20,000	24,194
Sub-total	$ 2,842	$ 2,842	$ 11,650	$ 11,745	$ 3,600	$ 14,327	$ 20,000	$ 24,194
Ending Balance	$ 22,347	$ 22,347	$ 53,539	N/A	$ 30,800	$ 56,842	$ 36,842	$ 12,648

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ 12,000	$ 38,000	$ 34,400	$ -	$ 12,000	$ 16,880	$ 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	9,211	3,600	6,406	6,406	9,211
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 3,600	$ 9,211				
Ending balance	$ -	$ 12,000	$ 38,000	$ 34,400	$ 25,189	$ -	$ 25,189	$ 21,918	$ 38,000

Observations:

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

Electric System Environmental Reserve

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 17,672	$ 17,672	$ 17,672	N/A	$ 18,556	$ 17,647	$ 17,647	$ 17,647
Additions:								
Contributions			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Withdrawals	25	25	25	N/A	884			
Sub-total	$ 25	$ 25	$ 25	$ -	$ 884	$ -	$ -	$ -
Ending Balance	$ 17,647	$ 17,647	$ 17,647	N/A	$ 17,672	$ 17,647	$ 17,647	$ 17,647

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 18,359	$ 18,662	$ 18,662	$ 18,662	$ 18,556	$ 18,359	$ 18,662	$ 18,580	$ 18,662
Additions:									
Contributions	970					970	970	970	970
						-	-	-	-
						-	-	-	-
Sub-total	$ 970	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals	667			106	884	106	667	552	884
						-	-	-	-
						-	-	-	-
Sub-total	$ 667	$ -	$ -	$ 106	$ 884				
Ending balance	$ 18,662	$ 18,662	$ 18,662	$ 18,556	$ 17,672	$ 17,672	$ 18,662	$ 18,443	$ 18,662

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 42,105	$ 42,105	$ 42,105	N/A	$ 41,084	$ 42,603	$ 42,603	$ 42,603
Additions:								
Net Customer Activity	498	498	498	N/A	1,021			
Loan Repayment to ES Revenue Fund					-			
Sub-total	$ 498	$ 498	$ 498	$ -	$ 1,021	$ -	$ -	$ -
Net Customer Activity					-			
Loan to ES Revenue Fund				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 42,603	$ 42,603	$ 42,603	N/A	$ 42,105	$ 42,603	$ 42,603	$ 42,603

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 43,454	$ 44,882	$ 42,688	$ 42,389	$ 41,084	$ 41,084	$ 42,688	$ 42,899	$ 44,882
Additions:									
Net Customer Activity	1,430				1,021	1,021	1,226	1,226	1,430
Loan Repayment to ES Revenue Fund						-	-	-	-
						-	-	-	-
Sub-total	$ 1,430	$ -	$ -	$ -	$ 1,021				
Deductions:									
Net Customer Activity	2	2,194	299	1,305		2	802	950	2,194
Loan to ES Revenue Fund						-	-	-	-
Sub-total	$ 2	$ 2,194	$ 299	$ 1,305	$ -				
Ending balance	$ 44,882	$ 42,688	$ 42,389	$ 41,084	$ 42,105	$ 41,084	$ 42,389	$ 42,630	$ 44,882

Observations:

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

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 167,087	$ 167,087	$ 167,087	N/A	$ 136,232	$ 160,347	$ 151,213	$ 93,455
Additions:								
Revenue Fund Deposits	49,966	49,966	208,066		209,450	198,989	141,056	136,439
Bond funded interest					-			
Sub-total	$ 49,966	$ 49,966	$ 208,066	$ -	$ 209,450	$ 198,989	$ 141,056	$ 136,439
Principal and Int Payments	172,279	172,279	214,806	N/A	178,595	208,123	198,814	139,464
Sub-total	$ 172,279	$ 172,279	$ 214,806	$ -	$ 178,595	$ 208,123	$ 198,814	$ 139,464
Ending Balance	$ 44,774	$ 44,774	$ 160,347	N/A	$ 167,087	$ 151,213	$ 93,455	$ 90,430

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 107,754	$ 101,305	$ 120,458	$ 134,927	$ 136,232	$ 101,305	$ 120,458	$ 120,135	$ 136,232
Additions:									
Revenue Fund Deposits	159,072	167,340	181,006	177,847	209,450	159,072	177,847	178,943	209,450
Bond funded interest						-	-	-	-
						-	-	-	-
Sub-total	$ 159,072	$ 167,340	$ 181,006	$ 177,847	$ 209,450				
Deductions:									
Principal and Int Payments	165,521	148,187	166,537	176,542	178,595	148,187	166,537	167,076	178,595
						-	-	-	-
						-	-	-	-
Sub-total	$ 165,521	$ 148,187	$ 166,537	$ 176,542	$ 178,595				
Ending balance	$ 101,305	$ 120,458	$ 134,927	$ 136,232	$ 167,087	$ 101,305	$ 134,927	$ 132,002	$ 167,087

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 December 31, 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.

	Actual as of 12/31/2017		Full Year Budget Amounts			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 60,582	$ 60,582	$ 60,582	N/A	$ 60,582	$ 60,582	$ 60,582	$ 60,582
Additions:								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Release to Revenue Fund				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 60,582	$ 60,582	$ 60,582	N/A	$ 60,582	$ 60,582	$ 60,582	$ 60,582

	Historical Actuals					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 72,226	$ 64,841	$ 64,841	$ 64,595	$ 60,582	$ 60,582	$ 64,841	$ 65,417	$ 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	$ 64,841	$ 64,841	$ 64,595	$ 60,582	$ 60,582	60,582	64,595	63,088	64,841

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 December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 201,368	$ 201,368	$ 201,368	N/A	$ 192,179	$ 195,467	$ 135,364	$ 214,673
Additions:								
R&R/OCO Contribution	44,401	44,401	153,818		196,589	201,157	290,802	200,465
Loans betw Capital Fds				-	-			
Other		-	38,181	-	5,074	12,340		
Sub-total	$ 44,401	$ 44,401	$ 191,999	$ -	$ 201,663	$ 213,497	$ 290,802	$ 200,465
Deductions:								
Capital Expenditures	61,321	61,321	197,900		113,987	273,600	211,493	125,634
Transfers betw Capital Fds				-	37,200			
R&R/OCO Contribution								
Debt Defeasance				-	41,287			
Other	5,918	5,918						
Sub-total	$ 67,239	$ 67,239	$ 197,900	$ -	$ 192,474	$ 273,600	$ 211,493	$ 125,634
Ending Balance	$ 178,530	$ 178,530	$ 195,467	N/A	$ 201,368	$ 135,364	$ 214,673	$ 289,504

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 105,235	$ 140,486	$ 146,910	$ 145,711	$ 192,179	$ 105,235	$ 145,711	$ 146,104	$ 192,179
Additions:									
R&R/OCO Contribution	124,630	85,639	110,351	200,692	196,589	85,639	124,630	143,580	200,692
Loans betw Capital Fds	-	-				-	-	-	-
Other	2,423	4,014	970	3,744	5,074	970	3,744	3,245	5,074
Sub-total	$ 127,053	$ 89,653	$ 111,321	$ 204,436	$ 201,663				
Deductions:									
Capital Expenditures	91,802	82,889	112,483	157,201	113,987	82,889	112,483	111,672	157,201
Bond Buy Back				2		2	2	2	2
Transfer to Scherer									
Loans betw Capital Fds		340	37	765	37,200				
Other		-		-	41,287	-	-	13,762	41,287
Sub-total	$ 91,802	$ 83,229	$ 112,520	$ 157,968	$ 192,474				
Ending balance	$ 140,486	$ 146,910	$ 145,711	$ 192,179	$ 201,368	$ 140,486	$ 146,910	$ 165,331	$ 201,368

Observations:

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

Electric Construction / Bond Fund

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Bond Proceeds	805	805	805	-	429			
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other				-	-			
Sub-total	$ 805	$ 805	$ 805	$ -	$ 429	$ -	$ -	$ -
Deductions:								
Capital Expenditures					-	-	-	-
Bond Funded Interest				-	-			
Transfers b/w Capital Fds					-			
Other	2	2	805	-	429			
Sub-total	$ 2	$ 2	$ 805	$ -	$ 429	$ -	$ -	$ -
Ending Balance	$ 803	$ 803	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 40,034	$ 5,184	$ 42	$ 4	$ -	$ -	$ 423	$ 7,678	$ 40,034
Additions:									
Bond Proceeds	1,550				429	429	990	990	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	$ 429				
Deductions:									
Capital Expenditures	35,253	4,821	75	6		6	2,448	10,039	35,253
Bond Funded Interest						-	-	-	-
Line of Credit									
Transfers b/w Capital Fds	35	3,091				35	1,563	1,563	3,091
Other	1,146	661			429	429	661	745	1,146
Sub-total	$ 36,434	$ 8,573	$ 75	$ 6	$ 429				
Ending balance	$ 5,184	$ 42	$ 4	$ -	$ -	$ -	$ 4	$ 1,046	$ 5,184

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 Rate Stabilization Debt Management

For the Fiscal Quarter Ending December 31, 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: TheWater & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 14,209	$ 14,209	$ 14,209	N/A	$ 20,290	$ 14,209	$ 14,209	$ 14,209
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 14,209	$ 14,209	$ 14,209	N/A	$ 20,290	$ 14,209	$ 14,209	$ 14,209

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 20,290
Additions:									
Contributions						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals					6,081	6,081	6,081	6,081	6,081
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ 6,081				
Ending balance	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 14,209	$ 14,209	$ 20,290	$ 19,074	$ 20,290

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 5,214	$ 5,214	$ 5,214	N/A	$ 1,699	$ 9,748	$ 9,748	$ 9,748
Additions:								
Contributions	5,877	5,877	26,345		24,362			
Regulatory Receivable								
Sub-total	$ 5,877	$ 5,877	$ 26,345	$ -	$ 24,362	$ -	$ -	$ -
Deductions:								
Withdrawals	2,573	2,573	21,811		20,847			
Regulatory Receivable								
Sub-total	$ 2,573	$ 2,573	$ 21,811	$ -	$ 20,847	$ -	$ -	$ -
Ending Balance	$ 8,518	$ 8,518	$ 9,748	N/A	$ 5,214	$ 9,748	$ 9,748	$ 9,748

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ 1,699	$ -	$ -	$ 340	$ 1,699
Additions:									
Contributions				23,635	24,362	23,635	23,999	23,999	24,362
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 23,635	$ 24,362				
Deductions:									
Withdrawals				21,936	20,847	20,847	21,392	21,392	21,936
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 21,936	$ 20,847				
Ending balance	$ -	$ -	$ -	$ 1,699	$ 5,214	$ -	$ -	$ 1,383	$ 5,214

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 15,086	$ 15,086	$ 15,086	N/A	$ 13,910	$ 15,270	$ 15,270	$ 15,270
Additions:								
Allocated from Electric	184	184	184	N/A	1,176			
Loan Repayment			-					
Sub-total	$ 184	$ 184	$ 184	$ -	$ 1,176	$ -	$ -	$ -
Deductions:								
Allocated from Electric			-		-			
Loan to W&S Operations			-	N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 15,270	$ 15,270	$ 15,270	N/A	$ 15,086	$ 15,270	$ 15,270	$ 15,270

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 12,627	$ 13,860	$ 12,787	$ 13,255	$ 13,910	$ 12,627	$ 13,255	$ 13,288	$ 13,910
Additions:									
Allocated from Electric	1,233		468	655	1,176	468	655	766	1,176
Loan Repayment						-	-	-	-
						-	-	-	-
Sub-total	$ 1,233	$ -	$ 468	$ 655	$ 1,176				
Deductions:									
Allocated from Electric		1,073				-	-	-	-
Loan to W&S Operations						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 1,073	$ -	$ -	$ -				
Ending balance	$ 13,860	$ 12,787	$ 13,255	$ 13,910	$ 15,086	$ 12,787	$ 13,860	$ 13,780	$ 15,086

Observations:

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

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 82,208	$ 82,208	$ 82,208	N/A	$ 65,410	$ 81,727	$ 85,952	$ 86,527
Additions:								
Revenue fund deposits	28,477	28,477	117,032		114,873	119,748	120,110	120,310
Sub-total	$ 28,477	$ 28,477	$ 117,032	$ -	$ 114,873	$ 119,748	$ 120,110	$ 120,310
Deductions:								
Principal and interest payments	87,310	87,310	117,513	N/A	98,075	115,523	119,535	118,867
Sub-total	$ 87,310	$ 87,310	$ 117,513	$ -	$ 98,075	$ 115,523	$ 119,535	$ 118,867
Ending Balance	$ 23,375	$ 23,375	$ 81,727	N/A	$ 82,208	$ 85,952	$ 86,527	$ 87,970

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 81,675	$ 80,317	$ 75,019	$ 67,720	$ 65,410	$ 803	$ 71,370	$ 61,824	$ 81,675
Additions:									
Revenue fund deposits	119,535	117,444	102,789	97,077	114,873	97,077	114,873	110,344	119,535
Bond funded interest						-	-	-	-
						-	-	-	-
Sub-total	$ 119,535	$ 117,444	$ 102,789	$ 97,077	$ 114,873				
Deductions:									
Principal and interest payments	120,893	122,742	110,088	99,387	98,075	98,075	110,088	110,237	122,742
						-	-	-	-
						-	-	-	-
Sub-total	$ 120,893	$ 122,742	$ 110,088	$ 99,387	$ 98,075				
Ending balance	$ 80,317	$ 75,019	$ 67,720	$ 65,410	$ 82,208	$ 65,410	$ 75,019	$ 74,135	$ 82,208

Observations:

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

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 107,488	$ 107,488	$ 107,488	N/A	$ 108,086	$ 102,850	$ 102,850	$ 102,850
Additions:								
Construction reserve fund/bond issues				N/A	-			
Revenue fund				N/A	-			
Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Revenue fund	4,638	4,638	4,638		598			
Sub-total	$ 4,638	$ 4,638	$ 4,638	$ -	$ 598	$ -	$ -	$ -
Ending Balance	$ 102,850	$ 102,850	$ 102,850	N/A	$ 107,488	$ 102,850	$ 102,850	$ 102,850

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 119,131	$ 119,915	$ 116,829	$ 108,849	$ 108,086	$ 108,086	$ 116,829	$ 114,562	$ 119,915
Additions:									
Construction reserve fund/bond issues	784					784	784	784	784
Revenue fund	3,821					3,821	3,821	3,821	3,821
						-	-	-	-
Sub-total	$ 4,605	$ -	$ -	$ -	$ -				
Deductions:									
Revenue fund	3,821	3,086	7,980	763	598	598	3,086	3,250	7,980
						-	-	-	-
						-	-	-	-
Sub-total	$ 3,821	$ 3,086	$ 7,980	$ 763	$ 598				
Ending balance	$ 119,915	$ 116,829	$ 108,849	$ 108,086	$ 107,488	$ 107,488	$ 108,849	$ 112,233	$ 119,915

Observations:

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

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

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 54,699	$ 54,699	$ 54,699	N/A	$ 76,020	$ 54,440	$ 23,047	$ (29,583)
Additions:								
R&R/OCO Contribution	35,756	35,756	153,053	-	108,119	163,689	140,589	140,935
Transfer from Capital Fds				-	137			
Other	204	204	711	-	8,050	2,559	500	500
Sub-total	$ 35,960	$ 35,960	$ 153,764	$ -	$ 116,306	$ 166,248	$ 141,089	$ 141,435
Deductions:								
Capital Expenditures	33,527	33,527	154,023	-	132,588	196,991	193,069	179,220
Transfer to Capacity Fund				-	86			
Transfer to Construction Fund								
Other				-	4,953	650	650	
Sub-total	$ 33,527	$ 33,527	$ 154,023	$ -	$ 137,627	$ 197,641	$ 193,719	$ 179,220
Ending Balance	$ 57,132	$ 57,132	$ 54,440	N/A	$ 54,699	$ 23,047	$ (29,583)	$ (67,368)

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 64,260	$ 78,689	$ 59,295	$ 37,337	$ 76,020	$ 37,337	$ 64,260	$ 63,120	$ 78,689
Additions:									
R&R/OCO Contribution	91,245	48,373	62,793	124,574	108,119	48,373	91,245	87,021	124,574
Loans betw Capital Fds	-		22		137	-	22	53	137
Other (incl septic tank)	1,539	1,614	653	30,889	8,050	653	1,614	8,549	30,889
Sub-total	$ 92,784	$ 49,987	$ 63,468	$ 155,463	$ 116,306				
Deductions:									
Capital Expenditures	68,355	67,488	85,426	116,674	132,588	67,488	85,426	94,106	132,588
Loan Repayment	-	-			86	-	-	29	86
Transfer to Constr. Fund	10,000	1,893		106		106	1,893	4,000	10,000
Other (incl septic tank)	-	-	-	-	4,953	-	-	991	4,953
Sub-total	$ 78,355	$ 69,381	$ 85,426	$ 116,780	$ 137,627				
Ending balance	$ 78,689	$ 59,295	$ 37,337	$ 76,020	$ 54,699	$ 37,337	$ 59,295	$ 61,208	$ 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 December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 95,620	$ 95,620	$ 95,620	N/A	$ 103,411	$ 57,590	$ 47,812	$ 24,090
Additions:								
Capacity Fees	6,132	6,132	23,314	-	24,777	21,634	21,959	22,288
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund			31	-	-	650	650	
Other				-	-			
Sub-total	$ 6,132	$ 6,132	$ 23,345	$ -	$ 24,777	$ 22,284	$ 22,609	$ 22,288
Deductions:								
Capital Expenditures	13,971	13,971	61,375	-	32,654	32,062	46,331	53,877
Other				-	-			
				-	-			
Sub-total	$ 13,971	$ 13,971	$ 61,375	$ -	$ 32,654	$ 32,062	$ 46,331	$ 53,877
Ending Balance	$ 87,781	$ 87,781	$ 57,590	N/A	$ 95,534	$ 47,812	$ 24,090	$ (7,499)

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 45,454	$ 60,360	$ 76,887	$ 90,912	$ 103,411	$ 45,454	$ 76,887	$ 75,405	$ 103,411
Additions:									
Capacity Fees	17,394	18,298	19,579	21,995	24,777	17,394	19,579	20,409	24,777
State Revolving Fd Loan	-	-				-	-	-	-
Loan Repayments	-	-	246	145		-	73	98	246
Other	12	-	5	7	86	-	7	22	86
Sub-total	$ 17,406	$ 18,298	$ 19,830	$ 22,147	$ 24,863				
Deductions:									
Capital Expenditures	2,270	1,758	5,805	9,648	32,654	1,758	5,805	10,427	32,654
Loans betw Capital Fds						-	-	-	-
Other	230	13				13	122	122	230
	-	-	-	-					
Sub-total	$ 2,500	$ 1,771	$ 5,805	$ 9,648	$ 32,654				
Ending balance	$ 60,360	$ 76,887	$ 90,912	$ 103,411	$ 95,620	$ 60,360	$ 90,912	$ 85,438	$ 103,411

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 1,839	$ 1,839	$ 1,839	N/A	$ 2,659	$ 2,067	$ 1,000	$ 1,000
Additions:								
Environmental Contributions	563	563	12,964	-	12,394	16,536	16,046	9,940
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	$ 563	$ 563	$ 12,964	$ -	$ 12,394	$ 16,536	$ 16,046	$ 9,940
Deductions:								
Capital Expenditures	1,786	1,786	12,736	-	13,214	17,603	16,046	9,940
Septic Tank Phase Out				-	-			
Other	-			-	-			
Sub-total	$ 1,786	$ 1,786	$ 12,736	$ -	$ 13,214	$ 17,603	$ 16,046	$ 9,940
Ending Balance	$ 616	$ 616	$ 2,067	N/A	$ 1,839	$ 1,000	$ 1,000	$ 1,000

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ (8,158)	$ (9,857)	$ 5,299	$ -	$ 2,659	$ (9,857)	$ -	$ (2,011)	$ 5,299
Additions:									
Environmental Contributions	21,193	21,018	22,056	15,539	12,394	12,394	21,018	18,440	22,056
Loans betw Capital Fds	-	-				-	-	-	-
Other						-	-	-	-
Sub-total	$ 21,193	$ 21,018	$ 22,056	$ 15,539	$ 12,394				
Deductions:									
Capital Expenditures	22,892	5,862	7,318	12,880	13,214	5,862	12,880	12,433	22,892
Septic Tank Phase Out			203			203	203	203	203
Other			19,834			19,834	19,834	19,834	19,834
Sub-total	$ 22,892	$ 5,862	$ 27,355	$ 12,880	$ 13,214				
Ending balance	$ (9,857)	$ 5,299	$ -	$ 2,659	$ 1,839	$ (9,857)	$ 1,839	$ (12)	$ 5,299

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending December 31, 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.

	Actual as of 12/31/2017		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	$ 15	$ 15	$ 15	N/A	$ 152	$ -	$ -	$ -
Additions:								
Bond Proceeds	894	894	894	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other				-	-			
Sub-total	$ 894	$ 894	$ 894	$ -	$ -	$ -	$ -	$ -
Deductions:								
Capital Expenditures				-	-			
Bond Proceeds				-	-			
Other	2	2	909	-	137			
Sub-total	$ 2	$ 2	$ 909	$ -	$ 137	$ -	$ -	$ -
Ending Balance	$ 907	$ 907	$ -	N/A	$ 15	$ -	$ -	$ -

	Historical					Statistical			
(In Thousands)	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	$ 7,419	$ 2,305	$ 326	$ 664	$ 152	$ 152	$ 664	$ 2,173	$ 7,419
Additions:									
Bond Proceeds	486	-				-	243	243	486
Line of Credit	-	-				-	-	-	-
Loans/trnsf btw CapFds	10,000	1,893				1,893	5,947	5,947	10,000
Other	3	476	344	17		3	181	210	476
Sub-total	$ 10,489	$ 2,369	$ 344	$ 17	$ -				
Deductions:									
Capital Expenditures	14,855	3,784	6			6	3,784	6,215	14,855
Bond Proceeds	411	48				48	230	230	411
Line of Credit	-	-				-	-	-	-
Loans/trnsf btw CapFds	337	516				337	427	427	516
Other	-	-		529	137	-	69	167	529
Sub-total	$ 15,603	$ 4,348	$ 6	$ 529	$ 137				
Ending balance	$ 2,305	$ 326	$ 664	$ 152	$ 15	$ 15	$ 326	$ 692	$ 2,305

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.

S&P Global
Ratings

RatingsDirect®

Summary:

JEA, Florida; Liquidity Facility; Retail Electric

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Rationale

Outlook

Summary:

JEA, Florida; Liquidity Facility; Retail Electric

Credit Profile		
US$122.135 mil elec sys subord rev bnds ser 2017B due 10/01/2036		
Long Term Rating	A+/Stable	New
US$107.645 mil elec sys rev bnds ser 3-2017B due 10/01/2039		
Long Term Rating	AA-/Stable	New
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed

Rationale

S&P Global Ratings has assigned its 'AA-' rating to JEA, Fla.'s electric system (senior-lien) revenue bonds series three 2017B; and its 'A+' rating to JEA's electric system subordinated revenue bonds 2017 series B. At the same time, S&P Global Ratings affirmed its 'AA-' and 'A+' ratings on the respective parity senior and subordinate obligations outstanding. S&P Global Ratings also affirmed its 'AA-' rating on debt issued for the St. Johns Power Park (SJRPP), which is payable as an operating expense of JEA. The outlook is stable.

In addition, S&P Global Ratings affirmed its ratings on the following JEA variable-rate demand bonds:

- Senior-lien series III 2008A, 2008B-2, and 2008B-3 (Royal Bank of Canada liquidity facility): 'AA-/A-1+';
- Senior-lien series III 2008C-1 and C-2 (JP Morgan liquidity facility): 'AA-/A-1';
- Subordinate-lien series 2008D (US Bank liquidity facility): 'A+/A-1'; and
- Various series of variable-rate demand obligations in the commercial paper mode (A-1).

In our view, the following factors support the ratings:

- Consistently solid financial metrics, including robust coverage of total fixed costs and strong liquidity;
- A diverse generation mix, with fuel flexibility that allows JEA to economically dispatch units based on variable expense (chiefly commodity costs); and
- A strong service area economy and customer profile.

Mitigating these strengths, in our opinion, are the following factors:

- Construction risks associated with nuclear generation;
- Very high debt levels including off-balance-sheet obligations, although JEA substantially reduced on-balance-sheet debt;
- A sizable carbon footprint despite a diverse generation mix (coal-fired generation is expected to measure 35% of energy in 2017), making the utility susceptible to environmental regulation, despite uncertainties related to the Trump administration's efforts to dismantle the Clean Power Plan; and,
- Overall rates at about 103% of the state's average, which has largely eliminated the competitive advantage that JEA once had without respect to lower rates.

Bond proceeds will advance and current refund respective parity obligations.

The utility's business profile is '4' (on a scale of '1' to '10', with '1' being the strongest). The business profile assessment reflects JEA's rate-setting autonomy, a solid service area and customer profile, and a diversified power portfolio; a significant carbon footprint and exposure to nuclear construction cost overruns and delays temper these factors.

In our view, JEA's service area is solid. The service area includes Jacksonville and northern portions of Clay and St. Johns counties. The system also provides power to the Florida Public Utilities Co. (FPU) for resale for Fernandina Beach in Nassau County. JEA has a large customer base, at about 459,000 individuals, a number that has gradually trended upward in recent years. Residential customers make up nearly half of total revenue. The customer base is not concentrated, with just 12% of revenues coming from the top 10 customers. Sales have been largely level for the past three years. Median household buying income is about 92% of the national average, which suggests that there rate-raising flexibility could be constrained.

The electric system includes generation, transmission, interconnection, and distribution facilities. JEA has 3,408 megawatts (MW) of installed capacity, including wholly owned Northside and Brandy Branch units, and shares of the St. Johns River Power Park (SJRPP) and the Scherer Unit 4.

The generation system benefits from a mix of fuel resources capable of burning coal, natural gas, and pet coke. In 2017, the fuel mix was 35% coal, lower than in previous years as gas units were dispatched ahead of solid fuel units. JEA's generating units, which are generally newer vintage, are largely compliant with existing Environmental Protection Agency (EPA) regulations. Nevertheless, despite the utility's dispatch flexibility, the reliance on coal-fired generation remains a credit risk with respect to environmental regulation.

JEA's power supply is undergoing significant changes. We anticipate that coal-fired generation will continue declining, due to the following:

- The expected closure of the coal-fired 1,252 MW St. John's River Power Park in 2018;
- Plans to add up to 250 MW of solar energy by 2019;
- A two-year power purchase agreement (PPA) with Southern Power for 200 MW for unit specific, gas fired generation; and,
- The addition of nuclear energy (projected in 2021 and 2022, via a 20-year PPA with Municipal Electric Authority of Georgia (MEAG) to take 206 MW of capacity and energy from MEAG's Vogtle nuclear project units 3 and 4 -- currently under construction, but facing uncertain completion prospects.

We expect coal-fired generation will decline to 18% in 2018, as JEA plans to shut down SJRPP in 2018. The utility estimates $50 million annual operating cost saving.

In an effort to diversify its power supply and mitigate exposure to environmental regulations, JEA entered a 20-year PPA with MEAG to take 206 MW of capacity and energy from MEAG's share of Vogtle 3 and 4. JEA has a take-or-pay obligation to support a portion of the plant's debt service. Its share of fixed costs includes debt service for the Vogtle Project J bonds.

The Vogtle project has experienced significant delays and cost overruns. Originally expected to be "substantially complete" by April 2016 (unit 3) and April 2017 (unit 4), the project owners (which in addition to MEAG include

Georgia Power, Oglethorpe Power Cooperative, and Dalton Utilities) now estimate substantial completion by November 2021 (unit 3) and November 2022 (unit 4).

Lead construction contractor Westinghouse Electric Co. (WEC) has filed for Chapter 11 protection. Japan-domiciled Toshiba Corp., which owns WEC, has negotiated a settlement of its parental guarantee obligation to project owners: about $344 million would be attributable to Project J (half to JEA, and half to MEAG). Furthermore, we understand that Toshiba has agreed to make settlement payments of the remaining $301 million Project J portion in full by Dec. 15, 2017. Bechtel Corp. has taken over as lead construction contractor, but the project is no longer being built under a fixed-price contract, which means that the project owners, and JEA, bear construction risk.

Project owner Georgia Power must get Georgia Public Service Commission (PSC) approval for rate-based cost recovery. JEA, which no longer desires the power (for a combination of reasons -- higher costs and delays, flat demand growth, and other lower-cost options), would like to see the project canceled, and has filed a brief as an intervener. Given statements PSC commissioners have made, and the fact that JEA is a Florida (and not Georgia) utility, we do not expect an adverse ruling.

JEA is committed to servicing $1.77 billion of debt issued for the first 20 years of a 40-year amortization schedule (MEAG will service the back end of the schedule). Debt issued to date does not include additional debt to complete the project, which, based on current estimates to the 80% probability level, will result in $2.51 billion in Project J bonds outstanding. The $743 million increase related to revised project completion costs, offset in part by the expectation of new Department of Energy guaranteed loan authority. We expect annual debt service costs to balloon, to $123 million per year upon issuance of the additional debt (net of Build America Bond federal interest rate subsidies) from about $87 million per year.

JEA has recorded solid historical financial metrics. Its financial projection, which is based on what we consider a conservative assumption for flat growth, suggests the utility should meet the additional carrying costs with no near-term base-rate increases and manageable base-rate increases after the Vogtle project is expected to achieve commercial operation -- while maintaining robust fixed cost coverage and strong liquidity, and further reducing debt. As well, JEA has provided a projection that suggests that strong metrics would also continue under a scenario that the units are abandoned.

However, significant construction and project completion risk remain, specifically through the possibility of additional cost over-runs and delays. Moreover, we note the legal, regulatory and political fallout that has accompanied the cancelation of a similar nuclear project in South Carolina. While financial projections suggest the utility expects strong metrics regardless of whether the project is completed, these risks continue to constrain upward credit improvement.

Since 2010, JEA has defeased a substantial amount of debt, which in our opinion has created budgetary space in allowing the utility to meet escalating debt costs associated with the MEAG PPA. We expect amortization costs to be relatively flat.

In 2017, JEA used a rather liberal draw on its previously accumulated rate-stabilization fund (unrestricted cash), and plans to do the same in 2018. However, we do not view this as a credit risk given the utility's strong liquidity and expected replenishing of the 2018 draw in 2019. Moreover, we believe the use of cash reserves was prudent insofar as

it enabled JEA to avoid increasing rates, which have risen in recent years. According to the U.S. Department of Energy's Energy Information Administration, average revenue per kilowatt-hour was 3% above the state average in 2015, the most recent year of available comparative information. JEA does not forecast any rate changes over the next five years.

In 2016, the utility and the City of Jacksonville, Fla., agreed to a charter amendment to tie the utility's annual transfer to electric sales, and to eliminate annual escalators that were present in the previous formula. In addition, JEA and the city agreed that the electric system would pay a one-time contribution in fiscal 2016 of $12 million. Jacksonville committed to using these funds for its water and sewer infrastructure projects. The transfer from the electric system was $92 million in 2017, which was largely in keeping with years before 2016. The amendment will be in effect until September 2021.

Financial metrics have been solid over the past three years, Coverage of total debt service requirements (senior lien, operating expense, and subordinate lien) have been in the 2.50x-2.91x range since 2013. Coverage of fixed costs, which treats the transfer to the city as an operating expense, and capacity payments associated with purchased power as debt service, has similarly been robust. They've exceeded1.56x, including 1.88x in 2017 (1.64x before the transfer in from the rate-stabilization account). Projections suggest that as fixed costs increase, coverage levels will come down somewhat, but remain in excess of 1.5x over the next 10 years, despite the Vogtle cost overruns to date.

We view JEA's liquidity as robust and project this will continue through 2022, despite the expected draws on rate-stabilization and fuel reserves. Cash and investments measured $360 million at fiscal year-end 2017, or 168 days of operating expenses, up from 79 days in 2011. Total liquidity, which includes a $300 million line of credit, boosted liquidity to 307 days, while renewal and replacement funds, which are restricted, but available for debt service and capital expenses brings total liquidity to about 400 days. Although projections suggest use of some cash to supplement operations and pay down debt over the next five years, we expect liquidity will remain robust, with each metric approximately in line with 2017 levels.

JEA's electric system is fairly leveraged. The utility has about $2.76 billion in debt outstanding. But following debt accelerations and refinancing, debt-to-capitalization is projected to improve to 57% by 2022 from 70% in fiscal 2017. Direct debt per customer is about $6,000, significantly lower than past years, and with $906 million in capital spending expected to be funded internally, we anticipate that direct debt ratios will improve. However, this does not consider the impact of off-balance-sheet obligations associated with the MEAG/Vogtle PPA and the SJRPP debt. Inclusive of this, debt per customer is very high at roughly $9,900.

Outlook

The stable outlook reflects JEA's strong financial metrics, including a track record of robust coverage of fixed costs and liquidity, which we expect will continue over the next five years. We anticipate that coverage metrics will remain strong, and potentially support a higher rating. However, JEA faces lingering uncertainty regarding the construction of nuclear units and exposure to further delays and cost, and this risk constrains credit improvement.

Upside scenario

Risk regarding project completion and costs associated with the Vogtle project constrain credit improvement. Although we believe that further progress toward project completion in keeping with the current schedule and costs could lead to an upgrade, this is not likely in the next two years.

Downside scenario

We do not expect to lower the rating over the next two years unless there is erosion in financial metrics, or if there is significant further cost overruns or delay with the Vogtle units.

Ratings Detail (As Of December 12, 2017)

JEA elec sys rev bnds		
Long Term Rating	AA-/Stable	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	AA-/Stable	Affirmed
JEA elec sys subord (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
JEA elec sys VRDB sub ser 2000F		
Short Term Rating	A-1	Affirmed
JEA JACKSONVILLE ELEC AUTH (ST JOHNS RIVER PWR PK SYS) SPL OBLIG 4TH CROSSOVER SER		
Long Term Rating	AA-/Stable	Affirmed
JEA JACKSONVILLE ELEC AUTH (ST JOHNS RVR PWR PK SYS) SPL OBLIG 1ST CROSSOVER SER		
Long Term Rating	AA-/Stable	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	AA-/Stable	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	AA-/Stable	Affirmed
JEA elec sys sr lien rev bnds		
Long Term Rating	AA-/Stable	Affirmed
JEA LQDTYFAC		
Short Term Rating	A-1	Affirmed
JEA RETELEC		
Short Term Rating	A-1	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed

Ratings Detail (As Of December 12, 2017) (cont.)		
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA (St Johns River Pwr Pk)		
Long Term Rating	AA-/Stable	Affirmed
JEA retail elec		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
JEA retail elec sr lien		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Long Term Rating	AA-/Stable	Affirmed
JEA retail elec sr lien ser III ser 2008B-1		
Unenhanced Rating	NR(SPUR)	
JEA retail elec subord		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
JEA retail elec subord lien 2009 ser C		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
JEA retail elec sys VRDB ser 2008B-2		
Long Term Rating	AA-/A-1+/Stable	Affirmed
JEA retail elec sys VRDB ser 2008B-3		
Long Term Rating	AA-/A-1+/Stable	Affirmed
JEA retail elec VRDB sr lien ser III 2008A		
Long Term Rating	AA-/A-1+/Stable	Affirmed
JEA retail elec VRDB sr lien ser III 2008C-1		
Long Term Rating	AA-/A-1/Stable	Affirmed
JEA retail elec VRDB sr lien ser III 2008C-2		
Long Term Rating	AA-/A-1/Stable	Affirmed
JEA retail elec VRDB sr lien (group 4) ser 3 2008 D-1		
Long Term Rating	AA-/Stable	Affirmed
JEA retail elec VRDB subord lien ser 2008D		
Long Term Rating	A+/A-1/Stable	Affirmed
JEA retail elec (St Johns River Pwr Pk)		

Ratings Detail (As Of December 12, 2017) (cont.)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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MOODY'S INVESTORS SERVICE

CREDIT OPINION
8 December 2017

New Issue

Rate this Research

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JEA, FL Water and Sewer Enterprise

New Issue - Moody's assigns Aa2 to JEA, FL's $372.115M Water & Sewer Revenue 2017 Bonds

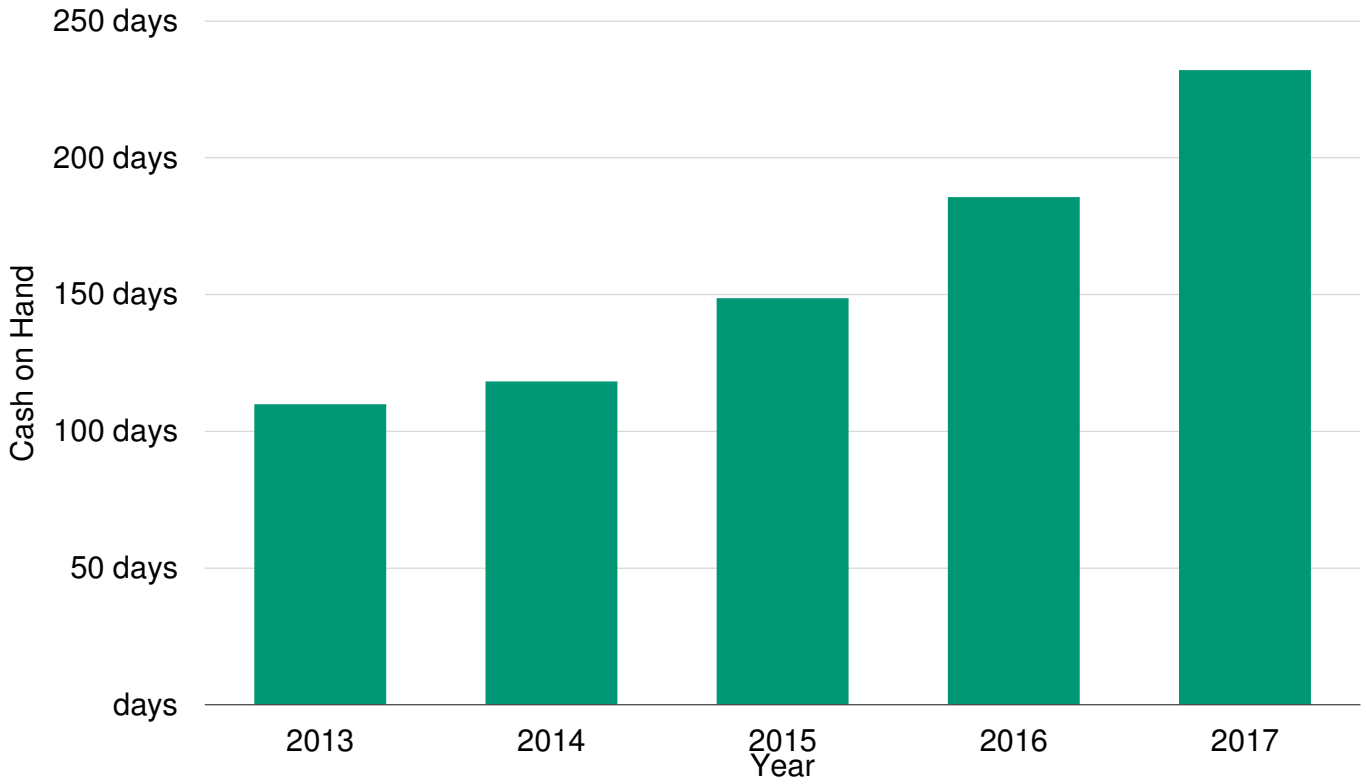
Summary Rating Rationale

Moody's Investors Service assigns Aa2 rating to JEA's (FL) $316.765 million Water and Sewer System Revenue Bonds, 2017 Series A and $55.35 million Water and Sewer System Subordinated Revenue Bonds, 2017 Series A. Moody's maintains the Aa2 ratings and stable outlooks on $1.34 billion senior lien bonds and $263.4 million subordinated bonds.

The Aa2 senior and subordinate lien ratings reflect the credit strengths of JEA's water and sewer system, which include the utility's sizable and diverse service area that also contains acquired systems outside Jacksonville (Aa2 stable); good financial operations characterized by healthy total debt service coverage; competitive rates and sound liquidity; and a manageable capital program. The long-term planning of JEA officials is also a key credit aspect of the system.

Further, the Aa2 rating on the subordinated water and sewer bonds recognizes the moderate amount of subordinated debt (16.4% of total water and sewer indebtedness) in relation to the significant amount of senior lien debt, the maintenance of debt service reserves (on fixed rate bonds), and the healthy coverage afforded subordinate bonds, which mitigate the legal distinctions related to the sum-sufficient rate covenant and additional bonds test.

Exhibit 1
Improved Liquidity Despite Strong Pay-Go Program



Source: Moody's Investors Service, JEA Annual Financial Reports

Credit Strengths

» Strong management

» Improved liquidity

» Large and diverse customer base

» Affordable capital program

Credit Challenges

» Open loop funding which allows for the transfer of excess funds between the water and sewer and electric system

» Slightly below average wealth indices of service area

Rating Outlook

The stable outlook reflects consistent financial performance and strong management team with prudent long-term planning.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Factors that Could Lead to an Upgrade

» Improved debt service coverage and liquidity

» Sustained customer and usage growth

Factors that Could Lead to a Downgrade

» Weakened debt service coverage and liquidity

» Material leveraging of the system with debt

» Sizable contributions to city

Key Indicators

Exhibit 2

JEA Water & Sewer Enterprise, FL					
System Characteristics					
Asset Condition (Net Fixed Assets / Annual Depreciation)	18 years				
System Size - O&M ($000)	$163,293				
Service Area Wealth: MFI % of US median	88.10%				
Legal Provisions					
Rate Covenant (x)	1.25x				
Debt Service Reserve Requirement	DSRF funded at the lesser of the standard 3-prong test (Aa)				
Management					
Rate Management	Aa				
Regulatory Compliance and Capital Planning	Aa				
Financial Strength					
	2013	2014	2015	2016	2017
Operating Revenue ($000)	$390,692	$393,355	$389,733	$427,750	$457,908
System Size - O&M ($000)	$133,979	$131,675	$137,921	$155,043	$163,293
Net Revenues ($000)	$261,982	$272,591	$265,221	$286,295	$305,025
Net Funded Debt ($000)	$1,717,267	$1,605,537	$1,503,126	$1,473,019	$1,416,809
Annual Debt Service ($000)	$116,027	$114,371	$111,273	$95,417	$112,791
Annual Debt Service Coverage (x)	2.3x	2.4x	2.4x	3.0x	2.7x
Cash on Hand	110 days	118 days	149 days	186 days	232 days
Debt to Operating Revenues (x)	4.4x	4.1x	3.9x	3.4x	3.1x

Source: Moody's Investors Service, JEA Annual Financial Reports

Detailed Rating Considerations

Service Area and System Characteristics: Expanding Local Economy

Jacksonville (Aa2 stable) is the largest city in Florida and a regional center for the northeastern part of the state. The 909 square mile utility service area includes not only Duval County (excluding beach communities), but also parts of Nassau County (Aa2) and parts of St. Johns (Aa1 stable) and Clay counties. The system provides sewer service to a majority of the service territory. Acquisitions have expanded the system allowing for significant future growth potential. Military installations provides large-scale employment opportunities.

The city's economy has moved beyond recovery to expansion mode and is expected to continue to grow and diversify in the intermediate term. The economy is varied with transportation and distribution, financial services, consumer goods, information services, manufacturing and insurance and is less dependent on tourism than most parts of Florida. Military installations provides large-

scale employment opportunities. The local economy is attractive to financial institutions as a low cost center. The port plays a key role as a distribution hub.

The system provides service to 341,000 water customers and 264,300 sewer customers. There is no large customer dependency in this highly residential system, and the top ten customers represent 3.7% and 5.0% of billings for water and sewer, respectively, in fiscal 2017. Residential customers account for about two-thirds of the water and wastewater revenues.

Water supply from the Floridan Aquifer is ample and there are no competing users. The system is comprised of 37 (19 major and 18 smaller) water treatment plants (304 MGD total capacity) and 134 active supply wells. Withdrawals are regulated by the St. Johns River Water Management District (SJRWMD) under a consolidated consumptive use permit (CUP) with a current combined average permitted withdrawal of 131.2 MGD as compared to calendar year 2016 average day usage of 111 MGD (154 MGD maximum usage). JEA renewed its permit with SJRWMD in 2011 for a 20-year period with increasing withdrawal allocations (to 155 MGD) through 2031. Officials have developed a South Grid Water Supply Plan through 2025 that includes identifying supply options, conservation, expanded north grid supply, and reclaimed water enhancements to meet anticipated demand. The system has 74 MG of storage and 4,637 miles of water distribution mains. Northeast Florida is listed as a potential priority water source caution area by the St. Johns River Water Management District (SJRWMD). JEA may be required to provide a portion of its water supply through increased conservation, expansion of reclaimed water and/or alternative water supply projects.

The sewer system has 11 treatment plants with a daily average rated capacity of 120.4 MGD in relation to average flow of 52.5 MGD, and peak capacity of 240.8 MGD in relation to peak demand of 146.8 MGD in fiscal 2017. Each plant is operating within permit discharge limits. Effluent disposal is almost entirely conducted by surface water discharge currently, although JEA has 33.1 MGD in water reclamation capacity. Sludge is hauled for anaerobic digestion, dewatering and pelletization in preparation for beneficial use. There are also 3,972 miles of gravity sewers and force mains and 1,388 pumping stations. Treatment capacity is deemed to be adequate for several years.

Debt Service Coverage and Liquidity: Consistently Favorable Financial Operations

We believe that JEA's operating performance will remain positive due to favorable long-term planning and forecasting, a demonstrated willingness to adjust rates as needed, and ongoing operating efficiencies. JEA's steady customer base and prudent budgeting have provided satisfactory annual debt service coverage on all water and sewer bonds of 2.7 times in fiscal 2017.

The system has been able to increase debt service coverage despite no new rate increases in 2010, and no additional rate increases are currently projected. JEA enjoys full rate-setting authority. Current monthly combined water and sewer residential bills are regionally competitive (mid-range).

JEA and the City of Jacksonville have a millage-based transfer policy based on the amount of potable water and sewer service provided, including a minimum annual increase of 1% per year (combined with electric). The water and sewer transfer was $23.6 million in fiscal 2017, down from $25.5 million in fiscal 2016.

LIQUIDITY

At the end of fiscal 2017, JEA had $103.7 million in total unrestricted cash in the system (232 days of cash-on-hand). JEA historically targeted a minimum of 100 days, however built reserves up in recent years for future pay-go capital improvement projects. Days-in-cash increases significantly when including the system's allocated million lines of credit of 51.3 million to approximately 596.

Debt and Legal Covenants

The slightly above average 50.8% debt ratio in fiscal 2017, has been significantly reduced from 62.9% in fiscal 2012, and will continue to decline as no new debt is planned to be issued in the medium term.

Water and sewer senior lien bonds are secured by net revenues of the combined water and sewer system as well as legally-available capacity charges (subordinated debt has a subordinate lien pledge on these revenues). Senior lien security features include a debt service reserve fund and a 125% rate covenant and additional bonds test. The 125% provision in both the rate covenant and additional bonds test must be met from net operating revenues alone.

Legal provisions on the subordinated bonds include a rate covenant with either net revenues (excluding capacity fees) equal to the aggregate senior and subordinated debt service, or net revenues (including capacity fees) equal to the aggregate 100% senior and 120% subordinated debt service. In addition, the additional bonds test includes a prospective test (next three succeeding full bond years) having net revenues (excluding capacity fees) equal to 100% of senior and 120% of the aggregate subordinated debt service, or a historical test (12 consecutive of preceding 24 months) having net revenues (including capacity fees) equal to the greater of 100% senior and 110% subordinated debt service or 100% senior and subordinated debt service plus deposits to the R&R fund. There is no bond resolution requirement to maintain a debt service reserve fund on subordinated bonds unless otherwise stated in the supplemental bond resolution.

DEBT STRUCTURE

The $1.04 billion, five-year (2018 to 2022) capital program is centered on renewal and replacement, capacity additions, efficiencies to lower operating costs, and regulatory compliance and environmental issues. The program includes primarily sewage collection and water (supply and distribution) needs. All of the capital program is expected to be financed internally with expectations of no capital borrowing.

Management has reduced the variable rate exposure from over 20% to about 11% currently. The system's debt profile includes $281.2 million in variable rate obligations, representing about 11% of total outstanding debt, $119.9 million of which is hedged. This amount of variable rate exposure presents a manageable level of vulnerability in certain increased interest rate environments or rating downgrade. Moody's believes that the overall favorable five year term out provisions of the credit facilities, as well as the system's favorable liquidity and ability to implement rate increases within a short period, are important mitigating factors.

JEA has $297 million in revolving lines of credit (available for either the water and sewer system or electric system). There is a five-year term-out provision under both lines and a rating termination threshold below Baa3 for senior lien bonds. There was only a $3 million draw on the revolving credit facility related to water and sewer in fiscal 2017.

DEBT-RELATED DERIVATIVES

JEA also has two interest rate swaps for a total $119 million notional amount. One is based on the SIFMA index and the other on a CPI index. JEA is not required to post collateral, but if JEA's rating falls below Baa2, this would constitute an additional termination event and the swaps could be terminated.

PENSIONS AND OPEB

JEA employees participate in the city of Jacksonville's plan. Moody's total Adjusted Net Pension Liability (ANPL) for the city is $5.5 billion. Moody's adjusted net pension liability is 6.7% of assessed value and a very high 4.4 times of operating revenues in fiscal 2016. Fixed costs account for 37% of the budget and rising. Notably, however, the city has recently ratified a new pension reform plan that is estimated to generate $1.4 billion in savings to the city over 35 years, significantly improving the reported funded ratio to 80% by 2030. The city successfully obtained voter approval in the August 30, 2016 referendum for the utilization of a half cent sales tax to help address pension pressures. However, the half cent sales tax would not begin until 2031.

Favorably, the JEA has a low other post employment benefit (OPEB) liability. The city has a $34.5 million reported unfunded OPEB liability as of October 1, 2015. The annual required contribution was $4.1 million in fiscal 2017.

Management and Governance

JEA has a strong management team and benefits from a level of autonomy from the city.

Legal Security

The Series 2017 A bonds are secured by a senior lien on net revenues of the combined water and sewer system and legally-available capacity fees. The Series 2017 A subordinated bonds are secured by a subordinate lien on net revenues of the combined water and sewer system and legally-available capacity fees.

Use of Proceeds

Bond proceeds will be used to refund outstanding bonds for net present value savings of at least 7.5% with no extension of final maturity.

Obligor Profile

JEA is an authority created by the city of Jacksonville to better provide public power, water and sewer services to the area. The City of Jacksonville serves as an economic hub to the southeast and is the largest city in Florida (Aa1 stable). The city's population is estimated to be approximately 890,066.

Methodology

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in October 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

JEA, FL Water & Sewer Enterprise

Issue	Rating
Water and Sewer System Revenue Bonds, 2017 Series A	Aa2
Rating Type	Underlying LT
Sale Amount	$316,765,000
Expected Sale Date	12/12/2017
Rating Description	Revenue: Government Enterprise
Water and Sewer System Subordinated Revenue Bonds, 2017 Series A	Aa2
Rating Type	Underlying LT
Sale Amount	$55,350,000
Expected Sale Date	12/12/2017
Rating Description	Revenue: Government Enterprise

Source: Moody's Investors Service

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